financial statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
INCOME						
Revenue from Activities	4	8,518,916	4,957,784	6,294,385	10,196,482	8,044,437
Rates Revenue	2	12,147,862	12,018,183	10,816,262	12,147,862	10,816,262
Finance Income	3	2,085,257	3,207,522	2,912,570	2,563,956	3,789,540
Other Revenue	4	5,419,545	4,877,537	7,415,960	13,059,202	6,411,384
Other Gains/(Losses)	5	142,660	137,045	(833,492)	35,829	(2,186,607)
TOTAL INCOME	1	**28,314,240**	**25,198,070**	**26,605,685**	**38,003,331**	**26,875,015**
EXPENDITURE						
Personnel Costs	6	9,122,622	9,586,003	8,859,368	10,307,913	9,894,090
Depreciation and Amortisation	19	837,473	1,062,800	839,759	917,418	932,046
Finance Costs	3	–	1,000	35,045	36,820	55,187
Other Expenditure on Activities	1	26,202,043	26,816,880	15,764,741	29,248,633	19,337,105
Other Expenditure		–	–	–	3,000,000	–
TOTAL OPERATING EXPENDITURE		**36,162,139**	**37,466,683**	**25,498,913**	**43,510,784**	**30,218,428**
NET SURPLUS / (DEFICIT)		**(7,847,899)**	**(12,268,612)**	**1,106,772**	**(5,507,453)**	**(3,343,413)**
Taxation Credit / (Expense)	7	80,732	–	(925,253)	85,866	(698,611)
NET SURPLUS / (DEFICIT) AFTER TAXATION		**(7,767,167)**	**(12,268,612)**	**181,518**	**(5,421,587)**	**(4,042,024)**
OTHER COMPREHENSIVE INCOME						
Gains/(Loss) on Property Revaluations	8	(111,157)	230,643	(323,740)	(3,984,622)	(10,825,964)
Financial Assets at Fair Value through Other Comprehensive Income	8	195,886	–	–	195,886	–
Net Hedging Movement (Associate)		–	–	–	152,976	(1,059,411)
TOTAL OTHER COMPREHENSIVE INCOME		84,729	230,643	(323,740)	(3,635,760)	(11,885,375)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(7,682,437)	(12,037,969)	(142,222)	(9,057,346)	(15,927,399)
Total Comprehensive Income attributable to:						
Northland Regional Council					(8,785,308)	(11,813,155)
Non-controlling interest in surplus of Northland Port Corporation (NZ) Ltd					(272,038)	(4,114,244)
					(9,057,346)	(15,927,399)

Understanding the Council's reported net deficit.

The net surplus/(deficit) after taxation for the 2009/2010 financial year includes a number of non-operational or one-off events. These include:

- $10.4 million contribution towards the Northland Event Centre (2009: 2.9M).
- 2.5 million contribution received from Central Government to contribute towards the Northland Event Centre to bring it to Rugby World Cup standard.
- $500 thousand grant made towards the Kerikeri Sports Complex that was approved by Council from funds collected from the other recreational facilities rate, but was not included in the budget.
- Net fair value gains of $142 thousand relating to investment property (includes $695 thousand decrease relating to Marsden to Oakleigh land and buildings), forestry and financial assets, gains on sale of investment property and property plant and equipment.

If these non-operating items are removed, the actual net operating surplus is approximately $2.4 million.

Other Comprehensive Income losses are the revaluation decreases of Council owner occupied land and buildings, the total decrease of ($111,157) is made of ($80,000) for land and ($31,157) for buildings. These revaluations are offset against revaluation reserves which have accumulated surplus overtime. Due to a change in the international financial reporting standards this information is now shown as "other comprehensive income" and we have a Statement of Comprehensive Income rather than the former Statement of Financial Performance.

The Financial Statements should be read in conjunction with the Accounting Policies and Notes

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

Major Variances Compared to the Long Term Community Plan

Revenue Variances

Revenue from activities is greater than budget due to:

- $2.5 million additional grants and subsidies due to the Government providing a $2.5 million grant for the Northland Event Centre to bring the Event Centre to Rugby World Cup standards.
- $1.0 million additional fees and charges made up of $575 thousand from consents fees, $140 thousand from pilotage and charter of the "Waikare", $90 thousand from additional monitoring charges and infringements, and $165 thousand from additional funding received for various work programmes undertaken.

Finance Income is less than budget due to:

- Interest income being less than budgeted.
- Payments made towards the Event Centre, are charged internal interest for management reporting purposes, but this is excluded for external reporting, internal interest on total payments made to 30 June 2010 is $186 thousand.
- Interest from joint venture between Council and ONTRACK is $200 thousand less than budget as a result of an adjustment in accounting treatment following technical advice.

Other Revenue is greater than budget due to:

- Total Other Revenue is $542 thousand greater than budget due to forestry revenue of $768 thousand greater than budget. This is offset by less than budgeted dividend from Northland Port Corporation (NZ) Ltd of $234 thousand. The increase in forestry revenue is a result of the budget being based on net results and the actual recognising the revenue and expenditure separately. The forestry harvest resulted in a net profit $517 thousand, compared to a budgeted profit of $365 thousand.

Other Gains/(Losses) is greater 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, including a gain on sale of assets of $41 thousand. The net gain was $339 thousand.

Expenditure Variances

Depreciation is less than budget due to:

- Capital expenditure not eventuating as planned.

Other expenditure on activities is less than budget due to:

- $3 million less that budget due to deferred timing of contributions towards the Northland Event Centre.
- $616 thousand of unbudgeted forestry harvest expenditure as a result of the budget being based on net results and the actual recognising the revenue and expenditure separately. The forestry harvest resulted in a net profit of $517 thousand compared to a budgeted profit of $365 thousand.
- $674 thousand expenditure on the priority rivers project and the Awanui River Management scheme.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Balance at 1 July		127,526,389	128,728,321	127,668,611	249,685,725	273,677,863
Share Buy Back		–	–	–	–	(4,047,601)
Less Dividends paid		–	–	–	(1,055,755)	(4,017,138)
Total Comprehensive Income		(7,682,437)	(12,037,969)	(142,222)	(9,057,346)	(15,927,399)
Balance at 30 June		119,843,951	116,690,352	127,526,389	239,572,624	249,685,726
Total Comprehensive Income attributable to:						
Northland Regional Council		119,843,951	116,690,352	127,526,389	179,470,899	188,256,955
Minority interest		–	–	–	60,101,725	61,428,771
Balance at 30 June	8	119,843,951	116,690,352	127,526,389	239,572,624	249,685,726

The Financial Statements should be read in conjunction with the Accounting Policies and Notes

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
EQUITY						
Retained Earnings	8	115,438,937	108,561,310	112,017,469	127,914,564	123,602,160
Other Reserves	8	4,405,014	8,129,041	15,508,920	51,556,335	64,654,795
Total Equity attributable to Northland Regional Council		119,843,951	116,690,351	127,526,389	179,470,899	188,256,955
Minority Interests in Subsidiary Companies		–	–	–	60,101,725	61,428,771
TOTAL EQUITY		119,843,951	116,690,351	127,526,389	239,572,624	249,685,726
ASSETS						
Current Assets						
Cash and Cash Equivalents	9	4,310,520	830,867	2,671,630	4,956,241	4,064,505
Trade and Other Receivables	10	5,283,228	3,398,334	6,169,660	6,662,459	6,697,211
Inventories	11	1,445,049	189,964	1,014,422	1,445,049	1,014,422
Non-Current Assets Held for Sale	12	577,000	7,400,000	390,000	577,000	390,000
Other Investments	18	1,872,927	–	2,619,486	1,872,927	2,619,486
Other Financial Assets	13	–	13,833,219	21,083,155	–	19,321,993
Tax Refundable		80,732	–	–	492,101	107,783
Derivative Financial Instruments	14	–	–	–	–	–
Total Current Assets		13,569,456	25,652,384	33,948,353	16,005,777	34,215,400
Non-Current Assets						
Other Receivables	15	2,692,918	–	3,016,535	2,692,918	3,016,535
Investment Property	16	48,310,499	46,318,237	47,598,499	48,310,500	47,598,499
Investments in Subsidiaries and Associates	17	19,967,086	20,197,672	19,967,086	43,657,844	42,522,638
Other Investments	18	20,983,371	6,456,594	10,368,809	31,407,701	22,372,432
Property, Plant and Equipment	19	18,191,899	18,506,452	17,854,249	98,348,774	101,734,994
Intangible Assets	20	246,969	2,983,420	287,131	246,969	287,131
Biological Assets	21	1,120,240	1,365,045	1,644,724	1,120,240	1,644,724
Capital Projects in Progress	19	570,094	–	78,494	4,520,288	3,883,898
Deferred Taxation Asset		–	–	–	448,412	428,853
Total Non-Current Assets		112,083,076	95,827,420	100,815,527	230,753,646	223,489,703
TOTAL ASSETS		125,652,532	121,479,804	134,763,880	246,759,423	257,705,104
LIABILITIES						
Current Liabilities						
Bank Overdraft		–	–	–	70,776	–
Trade and Other Payables	22	4,312,168	3,643,905	5,464,594	5,541,895	6,119,568
Provisions	25	–	–	–	22,742	22,270
Borrowings	24	–	–	–	11,147	20,217
Tax Liability		–	–	330,539	–	330,539
Employee Benefit Liabilities	23	1,373,493	1,040,185	1,330,326	1,414,093	1,404,932
Total Current Liabilities		5,685,661	4,684,090	7,125,460	7,060,653	7,897,527

The Financial Statements should be read in conjunction with the Accounting Policies and Notes

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Non-Current Liabilities						
Employee Benefit Liabilities	23	122,913	105,363	112,031	122,913	112,031
Provisions Non-Current	25	–	–	–	–	–
Borrowings	24	–	–	–	3,225	9,820
Total Non-Current Liabilities		122,913	105,363	112,031	126,138	121,851
TOTAL LIABILITIES		5,808,574	4,789,453	7,237,491	7,186,791	8,019,378
NET ASSETS		119,843,951	116,690,351	127,526,389	239,572,624	249,685,726

Major Variances Compared to the Long Term Community Plan

Assets

– Increased subsidy revenue and additional fees and charges.

Cash and Cash equivalents are higher than budget due to:

– Progress payments to be made by Council towards the Northland Events Centre, was budgeted at $13 million. $2.9 million was paid in the 2008-2009 financial year. During the 2009-2010 financial year, Council paid $10 million and received a $2.5 million contribution from Central Government towards the Northland Events Centre to meet Rugby World Cup standards. The additional contribution received from the Government has increased Council expenditure from $13 million to $15.5 million. At 30 June 2010 Council had an a commitment to spend a further $2.6 million, to bring total expenditure to $15.5 million.

Trade and other receivables are higher than budget due to:

– $1.8 million increase in outstanding rates debtors compared to when the budget was set in March 2008.

Inventories are greater than budget due to:

– $1.3 million designation asset, being Council's share of the costs of achieving the designation of the rail corridor.

Non-current assets held for sale are less than budget due to:

– $6.7 million of land and buildings purchased along the Marsden Point Rail Link Corridor to secure the rail corridor designation were incorrectly classified as non-current assets held for sale. These are included in investment property.

Other current investments and other current financial assets are less than budget due to:

– Council holding financial investments in longer term investments, partly due to Council using short term investments to fund contributions made towards the Northland Events Centre ($10 million during current financial year).

Non-Current investments are greater than budget due to:

– The assumption that investments would be held in current other financial assets, rather than long term.

– Total (current and non-current) Other Investments and Other Financial Assets are $2.5 million greater than budget. This is due IT related capital expenditure not eventuating as budgeted and Council contribution towards the Northland Event Centre being deferred to the 2010-2011 financial year.

Other receivables are greater than budget due to:

– $2.7 million receivable from ONTRACK for their 50 percent share joint venture costs, including a 50 percent share of the cost of acquiring properties along the proposed rail corridor at Marsden Point.

Liabilities

– Increased subsidy revenue and additional fees and charges.

Trade and other payables are higher than budget due to:

– A number of large year end payments being due, including a $320 thousand contribution towards the Northland Events Centre, $330 thousand to IRD, payroll accruals of $349 thousand and audit fee accruals of $63 thousand.

29 September 2010 — Chairman — Chief Executive Officer

The Financial Statements should be read in conjunction with the Accounting Policies and Notes

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers		9,923,743	7,264,291	5,555,374	15,201,723	8,455,325
Interest Received		2,054,102	3,207,522	3,194,937	2,069,368	3,876,289
Dividends Received	4	1,218,460	1,367,712	4,445,664	3,523,428	1,532,436
Receipts from Rates Revenue		12,029,757	12,018,183	9,106,663	12,029,757	9,106,663
Subsidies and Grants received		3,718,752	1,203,318	1,906,120	4,104,751	2,223,120
Taxation refund		–	–	–	127,987	132,903
Payments to Suppliers and Employees/Members		(36,853,687)	(36,374,943)	(23,041,750)	(43,794,899)	(27,608,592)
Interest paid		–	(1,000)	(35,045)	(37,449)	(52,578)
Income Tax paid		(330,539)	–	(594,714)	(648,551)	(607,493)
Net Goods and Services Tax received (paid) *		113,220	–	200,912	124,680	201,425
NET CASH FROM OPERATING ACTIVITIES		(8,126,191)	(11,314,917)	738,161	(7,299,205)	(2,740,502)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of Property, Plant and Equipment		61,844	–	195,186	61,847	217,260
Receipt from sale of Property Held for Sale		83,300	429,000	3,000,000	83,300	3,000,000
Proceeds from sale of Investment Property		24	–	–	557,923	1,277,285
Proceeds from the sale of Shares in Associates and Subsidiaries		–	–	1,555,918	–	(1,557)
Receipt from the sale of Investment Stocks and Bonds		20,455,318	–	–	20,455,318	–
Purchase of Other Receivables		323,618	–	675,652	323,618	675,652
Advances repaid		–	–	–	–	12,921,396
Purchase of Property, Plant and Equipment		(2,212,478)	(3,909,903)	(1,020,691)	(3,297,422)	(1,294,131)
Sale of Investment in Associate Company		–	–	–	(1,856)	(2,875)
Purchase of Investment Property		(92,844)	–	(2,350,374)	(92,844)	(2,350,374)
Purchase of Investment Stocks and Bonds		(8,853,700)	–	(10,911,380)	(8,893,421)	(11,060,147)
NET CASH FROM INVESTING ACTIVITIES		9,765,081	(3,480,903)	(8,855,688)	9,196,462	3,382,509
CASH FLOWS FROM FINANCING ACTIVITIES						
Shares repurchased		–	–	–	–	(3,815,456)
Dividends paid		–	–	–	(1,055,755)	(4,017,138)
Repayments made to ASB facility		–	–	–	–	(250,000)
Settlement of Borrowings		–	–	–	(20,541)	(27,896)
NET CASH FROM FINANCING ACTIVITIES		–	–	–	(1,076,296)	(8,110,490)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		1,638,890	(14,795,820)	(8,117,527)	820,961	(7,468,483)
Cash, Cash Equivalents and Bank Overdrafts at the beginning of the year		2,671,630	15,626,687	10,789,158	4,064,506	11,532,989
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR		4,310,520	830,867	2,671,631	4,885,467	4,064,506

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.

The Financial Statements should be read in conjunction with the Accounting Policies and Notes

Reconciliation of Net Surplus to the Cash Flows from Operations

For the year ended 30 June 2010

	Note	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Net Surplus after Taxation		(7,767,167)	181,518	(5,421,587)	(4,042,024)
Add (Less) Non-Cash Items					
Depreciation and Amortisation	19	837,473	839,763	917,418	932,050
Taxation charged to the Profit and Loss		(80,732)	–	(80,732)	–
Deferred Taxation		–	–	(19,559)	6,331
Share of Associate Companies' Retained Surplus		–	–	(378,890)	(1,454,734)
Imputed Interest income		–	–	–	(170,869)
Other Fair Value adjustments		–	1,458,908	91,929	1,578,440
Other Comprehensive Income adjustments		(118,171)	–	(118,171)	–
Impairment Loss recognised		–	–	50,000	–
Other Non-Cash Items		10,888	9,238	10,888	59,361
		649,457	2,307,908	472,882	950,578
Movements in Working Capital					
Decrease (increase) in Trade and Other Receivables		886,432	(3,029,511)	25,960	(2,425,731)
Decrease (increase) in Inventories		(430,630)	(835,377)	(430,630)	(835,377)
Decrease (increase) in Non-Current Assets held for sale		(187,000)	8,485,185	(187,000)	8,485,185
Decrease (increase) in Other Financial Assets		–	(7,249,936)	–	(7,249,936)
(Decrease) increase in Trade and Other Payables		(1,152,424)	2,092,988	(568,879)	2,047,277
(Decrease) increase in Provision for Taxation		(330,539)	330,539	(634,125)	540,155
(Decrease) increase in Provisions		–	–	472	(120,866)
(Decrease) increase in Employee Benefit Liabilities		43,167	315,511	9,161	306,972
		(1,170,993)	109,400	(1,785,040)	747,680
Movements in Other Activities					
Realised (gains)/loss on sale of Assets/Investments	5	(24,488)	699,916	(22,903)	708,277
Purchase of Non-Current Assets Held for Sale		–	(4,540,000)	–	(4,540,000)
Purchase of Other Receivables		–	(256,185)	–	(256,185)
FV adjustment on Property Held for Sale		187,000	(49,000)	187,000	(49,000)
Non-Current Assets sold during the year		–	(3,640,000)	–	(3,640,000)
Movement in Stocks and Bonds		–	6,983,495	–	6,983,494
Loss on Local Government Stocks		–	266,442	–	266,442
Proceeds from Shares in Subsidiaries and Associates		–	(1,325,331)	–	–
(Premiums)/Discounts on Local Government Stock		–	–	–	(446,184)
Investment Income reinvested		–	–	(815,410)	510,860
Non-Operating Capital Items included in Working Capital Movements		–	–	85,849	65,557
		162,512	(1,860,664)	(565,464)	(396,740)
Net Cash Flows from Operating Activities		(8,126,191)	738,162	(7,299,208)	(2,740,505)

The Financial Statements should be read in conjunction with the Accounting Policies and Notes

Statement of Accounting Policies

For the year ended 30 June 2010

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:

1. Northland Port Corporation (NZ) Ltd (53.61% owned) and its subsidiaries
2. 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 2010. The financial statements were authorised for issue by Council on 29 September 2010.

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 yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, 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 as adopted the following revisions to accounting standards during the financial year, which had only a presentational or disclosure effect:

- **NZ IAS 1** *Presentation of Financial Statements* (revised 2007) replaces NZ IAS 1 *Presentation of Financial Statements* (issued 2004). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Council and Group has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been rested accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.
- **NZ IFRS 7** *Financial Instruments*. Amendments to NZ IFRS 7 introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The Council and Group has elected to disclose comparative information.
- **NZ IAS 24** *Related Party Disclosures* (Revised 2009) replaces NZ IAS 24 *Related Party Disclosures* (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Council and group has elected to early adopt the revised standard and its effect has been to disclose further information about commitments between related parties.

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

- **NZ IFRS 9** *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 hedge Accounting. Phase 1 on the

Statement of Accounting Policies

For the year ended 30 June 2010

classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. Council has not yet assessed the effect of the new standard and expects it will not be adopted early.

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 irreversible predetermined by NRC 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.

Any excess of the cost of the business combination over NRC interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the NRC interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of financial performance.

Associates

The NRC accounts for investments in associates in the group financial statements using the equity method. Associates are all entities over which group entities have the significant influence that generally accompanies an interest of between 20% and 50% of the voting rights, and that are neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Northland Regional Council's share of the surplus or deficit of the associate after the date of acquisition. The NRC share of the surplus or deficit of the associate is recognised in the Statement of Financial Performance. Distributions received from an associate reduce the carrying amount of the investment.

If the NRC share of deficits of an associate equals or exceeds its interest in the associate, the NRC discontinues recognising its share of further deficits. After the NRC interest is reduced to zero, additional deficits are provided fro, and a liability is recognised, only to the extent that the NRC has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the NRC will resume recognising its share of those surpluses only after its share of surpluses equals the share of deficits not recognised.

Where the NRC transacts with an associate, surplus or deficits are eliminated to the extent of the NRC's interest in the relevant associate.

The NRC investments in associates are carried at cost in the Council's own "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 jointly controlled operations Northland Regional Council recognises in its financial statements the group's share of the assets, liabilities, revenues and expenses using the proportional consolidation method.

Revenue

Revenue and expenditure are measured at the fair value of the consideration received or paid.

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.

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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 NRC are recognised as revenue when control over the asset is obtained.

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

Interest income is recognised using the effective interest method.

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

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

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that these arise on the acquisition, construction or production of qualifying assets. In that case, borrowing costs will be capitalised as part of the cost of the asset.

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 NRC 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 NRC'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 measure 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 utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting 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

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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, the NRC recognises finance leases 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

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

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 remeasured 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 designates 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 remeasuring 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.

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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 remeasured 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.

The NRC 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 remeasurement 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 that 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.

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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 noncurrent 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.

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

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 derecognition, the cumulative gain or loss previously recognised in equity is recognised other comprehensive income is reclassified from equity to the surplus or defict.

0Included 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 (i.e. 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.

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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 Councils 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 ONTRACK once ONTRACK 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.

Noncurrent 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

The Northland Regional Council and the Northland Regional Council Community Trust revalue the land and buildings' asset class annually, on the basis described below. All other asset classes are carried at depreciated historical costs.

Northland Port Corporation (NZ) Ltd revalues certain classes of asset. Revaluations of property, plant and equipment are accounted for on a class of asset basis. Those asset classes that are revalued 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 revalued assets

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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 and owner occupied buildings, 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 revalued 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%

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) Ltd is revalued annually at fair value, as determined by market-based evidence, by an independent valuer.

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

Land and buildings held by the Northland Regional Council and the Northland Regional Council Community Trust are revalued 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

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 wit 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.

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

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

The useful lives and associated amortisation rates for computer software 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 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 revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Financial Performance, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

Biological Assets

Forestry assets are independently revalued, 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,

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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.

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 initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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.

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.

Where material, provisions are recorded at the best estimate of the expenditure required to settle the obligation. Provisions to be settled beyond 12 months are recorded at their present value.

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;
- 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 NRC.

Statement of Accounting Policies

For the year ended 30 June 2010

Restricted reserves include the Land Management Rate Reserve, Recreational Facilities Rate Reserve, Awanui River Management Rate Reserve, Kaihū River Management Rate Reserve and the Kaeo River Management Rate Reserve, 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.

Northland Port Corporation (NZ) Ltd

The Northland Regional Council owns 22,142,907 25c shares, being 53.61% of the issued capital of the Northland Port Corporation (NZ) Ltd. 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.

Budget Figures

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

Cost Allocation

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 operating activities using a weighted average percentage, based on the gross labour costs, number of staff, gross expenditure, revenues and working capital deployed.

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. The NRC 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.

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 polices 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 and Northland Regional Council Community Trust have policies to manage the risk associated with financial instruments. They are both risk averse and seek to minimise exposure from their treasury activities. The Northland Regional Council and Northland Regional Council Community Trust have established Borrowing and Investment policies. These polices do not allow any transactions that are speculative in nature to be entered into.

Market Risk

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Northland Regional Council's and Northland Regional Council Community Trust'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

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Investments at variable

Statement of Accounting Policies

For the year ended 30 June 2010

interest rates exposure the Northland Regional Council and Northland Regional Council Community Trust to cashflow interest rate risk.

The policies of the Northland Regional Council and Northland Regional Council Community Trust 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. The Northland Regional Council Community Trust has exposure to foreign exchange risk as a result of the transactions denominated in foreign currencies, arising form normal trading conditions and overseas investments within the investment portfolio. A 1% movement in the exchange rate will expose the Trust to an approximate change in value of the portfolio of $13,163.

Northland Port Corporation (NZ) Ltd foreign exchange risk is typically managed through the use of forward foreign exchange contracts.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Northland Regional Council Community Trust causing the Trust to incur a loss.

The Trust's maximum credit exposure relates to investments within the investment portfolio. The portfolio is managed very conservatively regarding credit risk, in accordance with the Goldman Sach JB Were revised Statement of Investment Policies and Objectives (SIPO) and, in particular, paragraph 6.6 of the SIPO, which states "All fixed interest investments must be invested within limits that have been divided into exposures against individual investors and then a total exposure against the credit rating". Limiting exposures against both individual investors and credit rates provides a platform to ensure adequate liquidity within the portfolio.

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.

Northport Corporation (NZ) Ltd manages its credit exposure 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 and Northland Regional Council Community Trust 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.

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. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full 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 Council Community Plan (LTCCP) 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 LTCCP.

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.

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 2010

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1: Summary of Council Cost of Services	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Income						
Democracy and Corporate Services		4,943,001	4,211,332	5,358,300		
Regional Information and Engagement		916,962	931,018	876,090		
Regional Economic Development		6,827,756	5,015,301	3,878,430		
Resource Management Planning		787,711	815,670	1,208,421		
Transport		2,375,009	2,457,687	2,525,866		
Consents		2,023,692	1,607,216	1,964,489		
Environmental Monitoring		3,398,485	3,499,877	4,363,888		
Land and Rivers		3,338,959	3,354,054	3,929,437		
Biosecurity		1,890,229	1,969,064	1,871,773		
Emergency Management		178,613	175,984	27,577		
Maritime		1,297,999	1,186,225	1,334,164		
Support services		17,999	–	15,102		
Total Income as per Activity Cost and Funding Statements		**27,996,414**	**25,223,429**	**27,353,538**		
Add / (Remove)						
Rate Penalties		361,316	–	85,640		
Internal Finance Costs		(186,150)	(162,404)	–		
Other Gains /(Losses) from changes in Fair Value and disposal of Assets and Investments		142,660	137,045	(833,493)		
Total Revenue and Rates as per Statement of Comprehensive Income		**28,314,240**	**25,198,070**	**26,605,685**		
Expenditure						
Democracy and Corporate Services		2,102,992	1,557,566	2,755,820		
Regional Information and Engagement		1,571,816	1,534,992	914,447		
Regional Economic Development		13,400,793	15,938,360	3,908,539		
Resource Management Planning		1,282,406	1,349,116	1,260,431		
Transport		2,436,307	2,673,900	2,543,752		
Consents		2,390,646	2,213,199	2,048,550		
Environmental Monitoring		4,916,382	4,924,253	4,720,590		
Land and Rivers		4,152,536	3,478,840	4,003,279		
Biosecurity		2,374,755	2,306,934	1,910,999		
Emergency Management		248,753	210,150	27,577		
Maritime		1,470,902	1,441,776	1,404,928		
Support services		–	–	–		
Total Expenditure as per Activity Cost and Funding Statements		**36,348,288**	**37,629,087**	**25,498,913**		
Add / (Remove)						
Internal Finance Costs		(186,150)	(162,404)	–		
Total Expenditure as per Statement of Comprehensive Income		**36,162,138**	**37,466,683**	**25,498,913**		
Operating Expenditure disclosed as:						
Personnel Costs	6	9,122,622	9,586,003	8,859,368	10,307,913	9,894,090
Depreciation and Amortisation	19	837,473	1,062,800	839,759	917,418	932,046
Finance Costs	3	–	1,000	35,045	36,820	55,187
Other Expenditure on Activities		26,202,043	26,816,880	15,764,741	29,248,632	19,337,105
Other Expenditure		–	–	–	3,000,000	–
		36,162,138	**37,466,683**	**25,498,913**	**43,510,783**	**30,218,428**

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1: Summary of Council Cost of Services continued	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Operating Expenditure includes:						
Audit Fees paid to Principal Auditor:						
Audit Fees for Financial Statement Audit of Council		98,470	130,000	96,653	224,153	207,565
Audit Fees for Financial Statement Audit of CCO		15,000	–	–	15,000	–
Audit Fees for LTCCP/Annual Plan Audit		–	–	65,500	–	65,500
Fees for other services		–	–	–	5,478	10,507
Audit Fees paid to other auditors		–	–	–	4,950	4,568
Directors'/Councillors' Fees and Trustee Remuneration		494,090	497,935	451,616	638,590	594,282
Donations [1]		11,670,679	13,800,000	2,870,564	1,206,256	150
Insurance Premiums		183,537	180,500	164,813	183,537	164,813
Interest Expenses		–	1,000	35,045	36,820	55,187
Lease Payments		–	–	–	55,063	146,862
Bad Debts written off		308,416	–	1,599	308,416	1,599
Rates Arrears written off		31,112	–	24,214	31,112	24,214
Direct Operating Expenditure on Investment Properties		51,762	90,000	51,762	51,762	51,762

[1] During the period, Council made a gift of $10,365,679 to Enterprise Northland for it to further Economic Development by contributing to the funding of the development of the Northland Event Centre (2009: $2,870,564). Enterprise Northland, in turn provided funding towards the Northland Event Centre and vested this asset with the Whāngārei District Council. The Whāngārei District Council has formed a council controlled organisation, which is a Charitable Trust to operate the Northland Events Centre.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 2: Rates Revenue	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Targeted Rates attributable to Activities					
Targeted Council Services Rate	4,573,502	4,632,283	3,968,991	4,573,502	3,968,991
Targeted Land Management Rate	3,838,070	3,916,540	3,659,542	3,838,070	3,659,542
Regional Recreational Facilities Rate	1,114,993	1,128,155	1,725,362	1,114,993	1,725,362
Regional Infrastructure Rate	545,190	566,626	528,927	545,190	528,927
Rescue Helicopter Service Rate	618,030	625,412	–	618,030	–
Transport Rate	403,790	408,690	–	403,790	–
Awanui River Management Rate	501,411	549,430	478,578	501,411	478,578
Kaihū River Management Rate	69,987	76,102	66,250	69,987	66,250
Kaeo River Management Rate	121,572	114,945	110,639	121,572	110,639
Rates Penalties	361,316	–	277,971	361,316	277,971
Total Revenue from Rates	**12,147,862**	**12,018,183**	**10,816,262**	**12,147,862**	**10,816,262**

Rates Remissions and Postponements

Disclosure pursuant to sections 86, 89 of Local Government (Rating) Act 2002:

Rates revenue is shown net of rates remissions and postponements. 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 Northlands Regional Council's rates on its behalf.

	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Total Rates Revenue	12,721,295	12,018,183	11,134,277	12,721,295	11,134,277
Rates Remissions					
Kaipara	7,547	–	8,199	7,547	8,199
Whāngārei	187,823	–	8,109	187,823	8,109
Far North	116,888	–	73,738	116,888	73,738
Rates Postponements					
Kaipara	–	–	–	–	–
Whāngārei	17,970	–	17,810	17,970	17,810
Far North	243,205	–	210,159	243,205	210,159
Total Remissions and Postponements	**573,432**	–	**318,016**	**573,432**	**318,016**
Rates Revenue Net of Remissions and Postponements	12,147,862	12,018,183	10,816,262	12,147,862	10,816,262

Notes to the Financial Statements

For the year ended 30 June 2010

Note 3: Finance Income and Finance Costs	Note	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Finance Income						
Interest Income:						
- Term and Bank Deposits		677,551	2,689,522	1,948,383	692,186	2,247,343
- Investment Stock and Bonds		1,188,046	–	726,027	1,652,110	1,133,438
- Joint Venture		218,115	518,000	233,539	218,115	233,539
- Other		1,546	–	4,620	1,546	175,489
Total Finance Income	4	2,085,257	3,207,522	2,912,570	2,563,956	3,789,810
Finance Costs						
Interest Expense:						
- Interest on Bank Borrowings		–	1,000	35,045	36,820	55,187
Total Finance Costs		–	1,000	35,045	36,820	55,187
Net Finance Income		2,085,257	3,206,522	2,877,525	2,527,136	3,734,623

Note 4: Revenue from Activities and Other Revenue	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Fees and Charges	4,800,164	3,754,466	4,388,264	6,477,730	6,138,316
Grants and Subsidies [1]	3,718,752	1,203,318	1,906,120	3,718,752	1,906,120
Revenue from Activities	8,518,916	4,957,784	6,294,385	10,196,482	8,044,437
Investment Income (Rents)	3,067,474	3,112,000	2,970,296	3,319,791	3,210,448
Imputed Interest Income	–	–	–	–	–
Dividend Income	1,218,460	1,367,712	4,445,664	137,386	109,893
Forestry Revenue	1,133,611	365,825	–	1,133,611	–
Sundry Income	–	32,000		3,353,281	216,999
Northland Port Corporation (NZ) Ltd					
- Share of Joint Venture Revenues	–	–	–	795,138	788,751
- Share of Associate Companies' Net Surplus	–	–	–	3,893,002	2,986,686
- Other Income	–	–	–	24,272	39,759
Northland Regional Council Community Trust					
- Realised Income/(Deficit) from Equities	–	–	–	153,305	(359,945)
- Unrealised Income/(Deficit) from Equities	–	–	–	249,416	(581,208)
Other Revenue	5,419,545	4,877,537	7,415,960	13,059,202	6,411,384

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

Notes to the Financial Statements

For the year ended 30 June 2010

Note 5: Other Revenues and Gains/(Losses)	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Net Gain on disposal of Assets and Investments, including Capital Profit	83,300	–	(640,000)	83,300	(640,000)
Net Gain on disposal of Northland Port Corporation (NZ) Ltd sale of shares	–	–	1,325,331	–	–
Net Gain/(Loss) on disposal of Property, Plant and Equipment	(58,812)	–	(59,916)	(58,812)	(111,117)
Gain/(Loss) on changes in Fair Value of Investment Property (note 16)	619,156	–	(1,954,874)	619,156	(1,954,874)
Gain/(Loss) on changes in Fair Value of Non-Current Assets Held for sale (note 12)	187,000	–	(49,000)	187,000	(49,000)
Gain/(Loss) on changes in Fair Value of Forestry Assets (note 21)	(524,484)	137,045	278,524	(524,484)	278,524
Gain/(Loss) on changes in Fair Value Land	–	–	–	(91,929)	–
Gain/(Loss) on changes in Fair Value Buildings	(354,081)	–	–	(354,081)	–
Gain/(Loss) on changes in Fair Value of Financial Derivatives	–	–	–	–	–
Gain/(loss) on changes in Fair Value of shares held in Fonterra Co-operative Group Ltd	–	–	–	–	(119,532)
Gain/(loss) on changes in Fair Value of Investments	190,581	–	266,442	190,581	266,442
Impairment Loss recognised	–	–	–	(50,000)	–
PIE excluded Income	–	–	–	26,364	60,926
Foreign Exchange Gains/(Losses)	–	–	–	8,734	82,023
Total Gains/(Losses)	**142,660**	**137,045**	**(833,492)**	**35,829**	**(2,186,607)**

The fair value gains and losses on investment property, non-current assets held for sale and forestry assets arise from the annual revaluation of these investments.

Note 6: Personnel Costs	Council 30-Jun-10 $	LTCCP 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Salaries and Wages [1]	8,971,017	9,537,056	8,456,281	10,159,657	9,499,542
Employer contributions to Defined Benefit Plans	97,553	48,947	78,338	97,553	78,338
Increase/(decrease) in Employee Benefit Liabilities	54,053	–	324,749	50,704	316,210
Total Personnel Costs	**9,122,622**	**9,586,003**	**8,859,368**	**10,307,913**	**9,894,090**

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

Notes to the Financial Statements

For the year ended 30 June 2010

Note 7: Taxation	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Components of Tax Expense				
Current Tax Expense/(Credit)	(80,732)	925,253	(174,887)	692,282
Deferred Tax Asset	–	–	89,021	6,329
	(80,732)	925,253	(85,866)	698,611
Relationship between Tax Expense and Accounting Profit				
Net Surplus/(Deficit)	(7,847,899)	1,106,772	(5,507,453)	(3,343,412)
Dividend Income	–	–	–	–
Surplus/(Deficit) before Tax	(7,847,899)	1,106,772	(5,507,453)	(3,343,412)
Taxation at 30%	(2,354,370)	332,032	(1,652,236)	(1,003,024)
Adjusted for Tax Effects:				
Tax Paid on Associate Companies' earnings	–	–	(70,344)	(400,735)
Non-Assessable Income	4,295,742	1,338,410	4,497,059	2,990,859
Non-Deductible Expenses	(1,905,000)	(168,412)	(1,876,215)	244,212
Over Provision prior year	(80,732)	(66,347)	(18,668)	(94,092)
Imputation Credits	(545,579)	(510,430)	(1,599,813)	(1,038,609)
Impact of impending change in Company Tax Rate to 28%	–	–	25,646	–
Impact of other changes in tax legislation	–	–	99,498	–
Tax Losses not recognised	509,207	–	509,207	–
Tax Expense/(Credit)	(80,732)	925,253	(85,866)	698,611

Northland Port Corporation (NZ) Ltd

On 20 May 2010, the New Zealand Government announced its 2010 Budget. The legislation was substantively enacted on 21 May 2010 and received Royal Assent on 27 May 2010. The Company Tax Rate will reduce from 30% to 28% from the start of the 2011-2012 reporting period. The effect of this change has been reflected in these financial statements, being a reduction of $29,132 in the value of tax losses carried forward by the Northland Port Corporation (NZ) Ltd Group together with a movement in Northland Port Corporation (NZ) Ltd deferred tax of 3,486.

In addition the ability to claim tax depreciation deductions on buildings with an estimated useful life of 50 years or more will be removed from the start of the 2011-2012 income tax year. A review has been undertaken of the assets included in this category which has resulted in an increase to tax expense and a movement in deferred tax of $99,498 in the financial statements for the Northland Port Corporation (NZ) Ltd Group.

The impact of the above changes has also been reflected in current year earnings from the associate entity Northport Ltd which incorporate an additional taxation expense of $394,712.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 7: Taxation continued	Property Plant and Equipment $	Financial Instruments $	Employee Entitlements $	Other Provisions $	Losses $	Total $
Deferred Tax Asset/(Liability)						
Council						
Balance at 1 July 2008	–	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–	–
Charged to Equity	–	–	–	–	–	–
Balance at 1 July 2009	–	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–	–
Charged to Equity	–	–	–	–	–	–
Balance at 1 July 2010	–	–	–	–	–	–
Group						
Balance at 1 July 2008	60,884	–	–	18,424	355,875	435,183
Balance at 1 July 2009	53,935	–	–	19,043	355,875	428,853
Balance at 1 July 2010	(31,206)	–	–	15,165	464,453	448,412

The balance of recognised group taxation losses carried forward is $1,658,761 as at 30 June 2010 (2009: $1,186,250). Council also has unrecognised tax losses of $1,818,597 as at 30 June 2010 (2009: Nil). As at 30 June 2010, Northland Port Corporation (NZ) Ltd, its subsidiaries and associates held imputation and dividend withholding tax credits totalling $2,349,031 (2009: $2,373,244).

Notes to the Financial Statements

For the year ended 30 June 2010

Note 8: Equity	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Accumulated Funds				
As at 1 July	127,526,389	127,668,611	249,685,725	273,447,140
Surplus/(Deficit) for Year	(7,767,167)	181,518	(5,421,587)	(4,042,024)
Transfers to/(from) Freehold Land Revaluation Reserves	(80,000)	(65,000)	(3,953,465)	(10,567,224)
Transfers to/(from) Buildings Revaluation Reserves	(31,157)	(258,740)	(31,157)	(258,740)
Financial Assets at Fair Value through Equity	195,886	–	195,886	–
Share Buy Back	–	–	–	(4,047,601)
Less Dividends paid	–	–	(1,055,755)	(4,017,138)
Hedging Reserve	–	–	152,976	(1,059,411)
Other consolidation adjustments	–	–	–	230,724
As at 30 June	119,843,951	127,526,389	239,572,624	249,685,725
Made up of:				
Retained Earnings				
As at 1 July	112,017,469	117,042,548	123,602,159	135,746,321
Surplus/(Deficit) for Year	(7,767,167)	181,518	(6,875,484)	(5,291,223)
Transfers from Special Reserves	11,557,831	1,392,100	11,557,831	1,392,100
Transfers to Special Reserves	(369,196)	(6,598,697)	(369,196)	(6,598,697)
Dividends Paid	–	–	(747)	(91,244)
Share Buy Back	–	–	–	(1,555,098)
As at 30 June	115,438,937	112,017,469	127,914,564	123,602,159
Asset Revaluation Reserve				
As at 1 July	1,087,947	1,411,687	50,656,768	56,610,751
Revaluation gains/(losses) - Buildings	(31,157)	(258,740)	(31,157)	(258,740)
Revaluation gains/(losses) - Land	(80,000)	(65,000)	(2,156,565)	(5,695,242)
Transfer to Retained Earnings on disposal of Land and Buildings	–	–	–	–
As at 30 June	976,790	1,087,947	48,469,047	50,656,768
Asset Revaluation Reserve consists of:				
Land	976,790	1,056,790	48,469,047	50,625,611
Buildings	–	31,157	–	31,157
Total	976,790	1,087,947	48,469,047	50,656,768
Financial Assets at Fair Value through Equity				
As at 1 July	–	–	–	–
Transfer to/(from) Accumulated Funds	195,886	–	195,886	–
As at 30 June	195,886	–	195,886	–

Notes to the Financial Statements

For the year ended 30 June 2010

Note 8: Equity continued

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Special Reserves				
Land Management Reserve				
As at 1 July	1,673,039	1,422,033	1,673,039	1,422,033
Transfer to/(from) Accumulated Funds	(324,057)	251,006	(324,057)	251,006
As at 30 June	1,348,982	1,673,039	1,348,982	1,673,039
Awanui River Reserve				
As at 1 July	(338,077)	(458,389)	(338,077)	(458,389)
Transfer to/(from) Accumulated Funds	200,327	120,312	200,327	120,312
As at 30 June	(137,750)	(338,077)	(137,750)	(338,077)
Kaihū River Reserve				
As at 1 July	(2,817)	30,083	(2,817)	30,083
Transfer to/(from) Accumulated Funds	(5,867)	(32,900)	(5,867)	(32,900)
As at 30 June	(8,684)	(2,817)	(8,684)	(2,817)
Kaeo River Reserve				
As at 1 July	47,667	–	47,667	–
Transfer to/(from) Accumulated Funds	34,444	47,667	34,444	47,667
As at 30 June	82,111	47,667	82,111	47,667
Infrastructure Facilities Reserve				
As at 1 July	–	–	–	–
Transfer to/(from) Accumulated Funds	(603,908)	–	(603,908)	–
As at 30 June	(603,908)	–	(603,908)	–
Recreational Facilities Reserve				
As at 1 July	2,143,331	3,502,531	2,143,331	3,502,531
Transfer to/(from) Accumulated Funds	(10,612,981)	(1,359,200)	(10,612,981)	(1,359,200)
As at 30 June	(8,469,650)	2,143,331	(8,469,650)	2,143,331
Investment Fund Reserve				
As at 1 July	8,335,297	2,199,795	8,335,297	2,199,795
Transfer to/(from) Accumulated Funds	–	6,135,502	–	6,135,502
As at 30 June	8,335,297	8,335,297	8,335,297	8,335,297
Forest Income Equalisation Fund				
As at 1 July	2,518,323	2,518,323	2,518,323	2,518,323
Transfer to/(from) Accumulated Funds	83,425	–	83,425	–
As at 30 June	2,601,748	2,518,323	2,601,748	2,518,323
Environment Fund Reserve				
As at 1 July	44,210	–	44,210	–
Transfer to/(from) Accumulated Funds	(11,018)	44,210	(11,018)	44,210
As at 30 June	33,192	44,210	33,192	44,210

Notes to the Financial Statements

For the year ended 30 June 2010

Note 8: Equity continued	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Approved Carry Forwards - General Funds				
As at 1 July	–	–	–	–
Transfer to/(from) Accumulated Funds	51,000	–	51,000	–
As at 30 June	51,000	–	51,000	–
Hedging Reserve				
As at 1 July	–	–	(422,946)	145,004
Gains/Losses recognised	–	–	82,010	(567,950)
Transfer to/(from) Accumulated Funds	–	–	–	–
As at 30 June	–	–	(340,936)	(422,946)
Total Special Reserves at 30 June	4,405,014	15,508,920	51,360,449	64,654,795
Minority Interest	–	–	60,101,725	61,428,771
Total Equity at 30 June	119,843,951	127,526,389	239,376,738	249,685,725

Note 9: Cash and Cash Equivalents	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Cash on Hand at Trading Banks	1,810,520	2,671,629	2,456,241	4,064,504
Term Deposits with maturities less than 3 months	2,500,000	–	2,500,000	–
Total Cash and Cash Equivalents	4,310,520	2,671,630	4,956,241	4,064,505

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 2010 that were not available for use by the Group.

Northland Port Corporation (NZ) Ltd

At balance date, the interest rate on the overdraft for Northland Port Corporation (NZ) Ltd Group's $400,000 overdraft facility was 9.55% (June 2009: $400,000, 9.85%). Current account deposits held with the ASB Bank form part of the Northland Port Corporation Group's offset facility and are non-interest bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 2.75% and 3.4% (June 2009: 2.5%) (June 2008: Nil).

Notes to the Financial Statements

For the year ended 30 June 2010

Note 10: Trade and Other Receivables	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Rates Receivables	3,342,830	3,224,725	3,342,830	3,224,725
Other Receivables	2,632,835	3,268,449	3,986,202	3,779,560
GST Receivable	113,220	200,912	119,073	200,912
Related Party Receivables (Note 29)	–	–	1,687	1,687
Prepayments	179,736	152,553	198,060	167,305
Gross Debtors and Other Receivables	6,268,621	6,846,639	7,647,852	7,374,189
Less Provision for Impairment of Receivables	(985,393)	(676,979)	(985,393)	(676,979)
Total Trade and Other Receivables	**5,283,228**	**6,169,660**	**6,662,459**	**6,697,210**

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 2010 and 2009, 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:	2010 Gross $	2010 Impairment $	2010 Net $	2009 Gross $	2009 Impairment $	2009 Net $
Council						
Not past due	5,191,653	–	5,191,653	6,071,721	–	6,071,721
Past due 1-60 days	37,136	–	37,136	73,350	–	73,350
Past due 61-120 days	54,439	–	54,439	24,589	–	24,589
Past due > 120 days	985,393	(985,393)	–	676,979	(676,979)	–
Total	**6,268,621**	**(985,393)**	**5,283,228**	**6,846,639**	**(676,979)**	**6,169,660**
Group						
Not past due	6,578,270	–	6,578,270	6,599,272	–	6,599,272
Past due 1-60 days	37,136	–	37,136	73,350	–	73,350
Past due 61-120 days	54,439	–	54,439	24,589	–	24,589
Past due > 120 days	978,007	(985,393)	(7,386)	676,979	(676,979)	–
Total	**7,647,852**	**(985,393)**	**6,662,459**	**7,374,190**	**(676,979)**	**6,697,211**

Notes to the Financial Statements

For the year ended 30 June 2010

Note 10: Trade 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-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Individual Impairment	66,439	7,836	66,439	7,836
Collective Impairment	918,954	669,143	918,954	669,143
Total Provision for Impairment	**985,393**	**676,979**	**985,393**	**676,979**

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 are as follows:

Past due 1-60 days	–	–	–	–
Past due 61-120 days	–	–	–	–
Past due > 120 days	66,439	7,836	66,439	7,836
Total Individual Impairment	**66,439**	**7,836**	**66,439**	**7,836**

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

At 1 July	676,979	578,490	676,979	578,490
Additional provisions made during the year	339,527	219,593	339,527	219,593
Receivables written off during the period	(31,112)	(121,104)	(31,112)	(121,104)
At 30 June	985,393	676,979	985,393	676,979

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

Notes to the Financial Statements

For the year ended 30 June 2010

Note 11: Inventories	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Stores and Materials [1]	147,246	184,059	147,246	184,059
Marsden to Oakleigh Rail Corridor Designation [2]	1,297,803	830,364	1,297,803	830,364
	1,445,049	1,014,422	1,445,049	1,014,422

[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 ONTRACK. The Rail Corridor will be transferred to ONTRACK once ONTRACK has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link. This accounting treatment is in accordance with Accounting Standard NZ IAS 2: Inventories.

Refer to Note 27 for further information on the joint venture between Council and ONTRACK.

Note 12: Non-Current Assets Held for Sale	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Balance 1 July	390,000	8,875,185	390,000	8,875,185
Transfers from Investment Properties	–	–	–	–
Properties purchased	–	–	–	–
Properties transferred to Investment Properties	–	(4,540,000)	–	(4,540,000)
Reclassification of Asset to Other Receivables	–	(256,185)	–	(256,185)
Properties sold during the year	–	(3,640,000)	–	(3,640,000)
Fair Value gains/(loss) on Valuation (Note 5)	187,000	(49,000)	187,000	(49,000)
Total Non-Current Assets Held for Sale	577,000	390,000	577,000	390,000

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. During the 2007-2008 year, properties classified as held for sale included four properties purchased during the year in the Oakleigh to Marsden Point area. The acquisition cost of these properties was $4,540,000. Council has now reclassified its properties held in the Marsden Point to Oakleigh area as Investment Properties.

Refer to Investment Property, Note 16 for more information on Investment Properties and Note 27 for further information on the Joint Venture between Council and ONTRACK.

Note 13: Other Financial Assets	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Current Portion				
Loans and Receivables				
Short Term Advances with maturities of 4 - 12 months	–	21,083,155	–	21,083,155
Fonterra Co-operative Group Ltd Shares	–	–	–	–
Total Current Portion	–	21,083,155	–	21,083,155

Impairment

There were no impairment provisions for other financial assets. None of the assets are either past due or impaired.

Short Term Advances

Northland Regional Council short term deposits with maturity dates of four to six months.

Note 14: 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 2010, the associate entity Northport Ltd, together with its associate North Tugz Ltd, were party to fixed interest swap contracts with principal amounts totalling $44,500,000 and $7,750,000 respectively, as at 30 June 2009 (2009: $34,500,000 and $10,150,000).

Notes to the Financial Statements

For the year ended 30 June 2010

Note 15: Other Receivables	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Other Receivables	2,692,918	3,016,535	2,692,918	3,016,535
	2,692,918	3,016,535	2,692,918	3,016,535

Other Receivables relate to the outstanding amount owed to Council from ONTRACK relating to the NRC/ONTRACK Unincorporated Joint Venture. Refer to Note 27 for further information on the Joint venture between Council and ONTRACK.

There were no impairment provisions for Other Receivables.

Note 16: Investment Property	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Balance at 1 July	47,598,499	46,099,000	47,598,499	46,099,000
Additions from acquisitions	92,845	2,350,374	92,845	2,350,374
Disposals	–	–	–	–
Transfers to Property Held for Sale	–	–	–	–
Transfers from Property Held for Sale	–	4,540,000	–	4,540,000
Property accounted for by ONTRACK	–	(3,436,001)	–	(3,436,001)
Fair Value gains/(losses) on Valuation (Note 4)	619,156	(1,954,874)	619,156	(1,954,874)
Balance at 30 June	48,310,499	47,598,499	48,310,499	47,598,499

Investment Properties are stated at fair value, effective 30 June 2010. 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.

The Council's Investment Properties comprise ground leases of $36,788,000 (2009: $35,266,000) and land and buildings held for investment purposes of $9,470,000 (2009: $9,585,000) and properties purchased along the proposed Marsden Point Rail corridor of $2,052,500 (2009: $2,747,500).

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 include 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 six properties were purchased during the 2007-2008 and 2008-2009 financial years in the Oakleigh to Marsden Point area. The total acquisition cost of these properties was $6,872,000, with Councils half share being $3,436,000. A Joint Venture has been established between the Northland Regional Council and ONTRACK, 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 ONTRACK will each recognise a 50 percent share of the land. Council will have a receivable from ONTRACK to account for the remaining 50 percent share of security interest held in the ownership of the land. Council has recognised the liability owed by ONTRACK for their 50 percent share of the cost of the properties and their 50 percent share of all other associated costs as Other Receivables, refer Note 15. Refer to Note 27 for further information on the joint venture between Council and ONTRACK.

Rental Income	3,067,474	2,970,296	3,067,474	2,970,296
Expenses from Investment Property generating income	48,857	78,775	48,857	78,775

Notes to the Financial Statements

For the year ended 30 June 2010

Note 17: Investments in Subsidiaries and Associates	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Council				
Investment in Northland Regional Council Community Trust	12,139,523	12,139,523	–	–
Shares in Northland Port Corporation (NZ) Ltd (22.14 million shares)	7,827,563	7,827,563	43,657,844	42,522,638
Total Investments in Subsidiaries and Associates	19,967,086	19,967,086	43,657,844	42,522,638

The investments in the subsidiary and associate entities are carried at cost in the Northland Regional Council's (parent entity) Balance Sheet.

As at 30 June 2010 the Northland Regional Council Community Trust fund was valued at $9.959 million.

Northland Port Corporation (NZ) Ltd is a listed company. The fair value of these shares, as per the market price at 30 June 2010, is $1.63 per share (2009: $2.12 per share). Northland Regional Council holds 22,142,907 shares (2009: 22,142,907). The shares are held at historical cost of $0.35 cents per share. Council shareholding in North Port Corporation (NZ) Ltd is 53.61%.

Northland Regional Council Community Trust	Council 30-Jun-10 $	Council 30-Jun-09 $
Current Assets	820,635	399,203
Non-Current Assets	10,002,477	9,764,384
Current Liabilities	687,556	445,613
Non-Current Liabilities	3,225	9,820
Net Assets	10,132,331	9,708,154
Total Investment at Cost	12,139,523	12,139,523

Shares in Northland Port Corporation (NZ) Ltd - 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) Ltd, Northport Ltd, Northland Stevedoring Services Ltd, Marsden Point Stevedoring Services Ltd.

	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Current Assets	4,184,076	3,100,436
Non-Current Assets	98,003,132	101,163,151
Current Liabilities	42,253,790	4,131,249
Non-Current Liabilities	1,855,349	42,829,180
Net Assets	58,078,069	57,303,158
Group Share of Net Assets (50%)	29,039,035	28,651,579
Land Revaluation not recognised by Northport Ltd	16,634,651	16,031,311
Other consolidation adjustments	(2,015,980)	(2,160,390)
Total Investment in Associate Companies	43,657,706	42,522,500
Opening Carrying Value	42,522,500	43,541,982
Share of After Tax Surplus	3,893,002	2,986,686
Dividends Paid	(3,514,112)	(1,531,952)
Share of Land Revaluation Movement	603,340	(1,414,754)
Share of Hedge Reserve Movement	152,976	(1,059,412)
Inter Entity Asset Gain Elimination (50%)	–	–
Offset with Advance	–	–
Sale (Carrying Value)	–	(50)
	43,657,706	42,522,500

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 28 and 29.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 18: Other Investments

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Current Portion				
Term Deposits, Local Authority and Government Stock and other securities [1]	1,872,927	2,619,486	1,872,927	2,619,486
Total Current Portion	1,872,927	2,619,486	1,872,927	2,619,486
Non-Current Portion				
Term Deposits, Local Authority and Government Stock and other securities [1]	20,983,371	10,368,809	21,448,256	10,909,336
Advances	–	–	–	–
Other Investments [2]	–	–	9,959,445	9,701,934
Total Non-Current Portion	20,983,371	10,368,809	31,407,701	20,611,270
Balance of Other Investments at 30 June	22,856,298	12,988,295	33,280,628	23,230,756
[1] Term Deposits, Local Authority and Government Stock and other securities				
Term Deposits, Local Authority and Government Stock	22,856,298	12,988,295	22,856,298	12,988,295
Fonterra Co-operative Group Ltd - Shares	–	–	438,915	514,557
Balance Agri-Nutrients Ltd - Shares	–	–	25,970	25,970
	22,856,298	12,988,295	23,321,182	13,528,821

[1] 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 2009 is $20,146,9691 (2009: $13,156,261).

Other Investments

Northland Regional Council Community Trust Investment

[2] Northland Regional Council Community Trust investments 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. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair value recorded in equity are reasonable and the most appropriate at balance date.

Fonterra Co-operative Group Ltd Shares

As at 30 June 2010, Northland Port Corporation (NZ) Ltd and its Group held 97,105 co-operative shares in Fonterra Co-operative Group Ltd (2009: Total holding of 113,840 shares at an average of $4.52 per share).

Balance Agri-Nutrients Ltd Shares

As at 30 June 2010, the Council and Group held 3,710 shares in Balance Agri Nutrients Ltd with a disclosed fair value of $7.00 per share and a total fair value of $25,970 (2009: 3,710 shares at $7.00 per 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				
Term Deposits	4.9%	5.3%	4.9%	5.3%
Other Securities	7.0%	7.2%	9.5%	9.5%

Notes to the Financial Statements

For the year ended 30 June 2010

Note 19: Property, Plant and Equipment	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Freehold Land				
Freehold Land - at Cost - Opening Balance	–	–	–	–
Freehold Land - at Valuation - Opening Balance	1,505,000	1,570,000	1,505,000	1,570,000
Less Accumulated Depreciation	–	–	–	–
Total Freehold Land - Opening Balance	1,505,000	1,570,000	1,505,000	1,570,000
Additions	–	–	–	–
Disposals	–	–	–	–
Accumulated Depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	(80,000)	(65,000)	(80,000)	(65,000)
Depreciation Expense	–	–	–	–
Total Freehold Land - Closing Balance	1,425,000	1,505,000	1,425,000	1,505,000
Land at Cost - Closing Balance	–	–	–	–
Land at Valuation - Closing Balance	1,425,000	1,505,000	1,425,000	1,505,000
Less Accumulated Deprecation	–	–	–	–
Total Freehold Land - Closing Balance	1,425,000	1,505,000	1,425,000	1,505,000
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

Notes to the Financial Statements

For the year ended 30 June 2010

Note 19: Property, Plant and Equipment continued	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Freehold Land - Port				
Freehold Land Port - at Cost - Opening Balance	–	–	–	–
Freehold Land Port - at Valuation - Opening balance	–	–	83,300,000	92,250,000
Less Accumulated Depreciation	–	–	–	–
Total Freehold Land Port - Opening Balance	–	–	83,300,000	92,250,000
Additions	–	–	968,734	137,470
Disposals	–	–	–	–
Accumulated Depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	(4,568,734)	(9,087,470)
Depreciation Expense	–	–	–	–
Total Freehold Land Port - Closing Balance	–	–	79,700,000	83,300,000
Land at Cost - Closing Balance	–	–	–	–
Land at Valuation - Closing Balance	–	–	79,700,000	83,300,000
Less Accumulated Deprecation	–	–	–	–
Total Freehold Land Port - Closing Balance	–	–	79,700,000	83,300,000
Buildings				
Buildings - at Cost	–	–	–	–
Buildings - at Valuation	5,703,000	5,960,000	5,703,000	5,960,000
Total Buildings Cost/Valuation	5,703,000	5,960,000	5,703,000	5,960,000
Accumulated Depreciation	–	–	–	–
Total Buildings - Opening Balance	5,703,000	5,960,000	5,703,000	5,960,000
Additions	107,238	1,740	107,238	1,740
Disposals	–	–	–	–
Accumulated Depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	(385,238)	(258,740)	(385,238)	(258,740)
Depreciation Expense	–	–	–	–
Total Buildings - Closing Balance	5,425,000	5,703,000	5,425,000	5,703,000
Buildings at Cost - Closing Balance	–	–	–	–
Buildings at Valuation - Closing Balance	5,425,000	5,703,000	5,425,000	5,703,000
Total Cost/Valuation	5,425,000	5,703,000	5,703,000	5,703,000
Accumulated Deprecation	–	–	–	–
Total Buildings - Closing Balance	5,425,000	5,703,000	5,425,000	5,703,000

Notes to the Financial Statements

For the year ended 30 June 2010

Note 19: Property, Plant and Equipment continued	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Infrastructure				
Infrastructure - at Cost - Opening Balance	6,925,283	6,925,283	6,925,283	6,925,283
Less Accumulated Depreciation	(23,785)	(17,837)	(23,785)	(17,837)
Total Infrastructure Opening Balance	6,901,498	6,907,446	6,901,498	6,907,446
Additions	–	–	–	–
Disposals	–	–	–	–
Accumulated Depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(5,948)	(5,948)	(5,948)	(5,948)
Total Infrastructure Closing Balance	6,895,550	6,901,498	6,895,550	6,901,498
Infrastructure - at Cost	6,925,283	6,925,283	6,925,283	6,925,283
Less Accumulated Depreciation	(29,733)	(23,785)	(29,733)	(23,785)
Total Infrastructure Closing Balance	6,895,550	6,901,498	6,895,550	6,901,498
Amenities				
Amenities - at Cost - Opening Balance	–	–	865,357	618,297
Less Accumulated Depreciation	–	–	(439,328)	(90,759)
Total Amenities Opening Balance	–	–	426,029	527,538
Additions	–	–	–	–
Disposals	–	–	–	(62,475)
Accumulated Depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Impairment Loss	–	–	(50,000)	–
Depreciation Expense	–	–	(39,698)	(39,034)
Total Amenities Closing Balance	–	–	336,331	426,029
Amenities - at Cost	–	–	865,357	555,822
Less Impairment Loss	–	–	(50,000)	–
Less Accumulated Depreciation	–	–	(479,026)	(129,793)
Total Amenities Closing Balance	–	–	336,331	426,029

Notes to the Financial Statements

For the year ended 30 June 2010

Note 19: Property, Plant and Equipment continued	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Plant and Equipment				
Plant and Equipment- at Cost - Opening Balance	5,166,860	4,912,711	5,822,554	5,257,454
Less Accumulated Depreciation	(3,736,328)	(3,288,441)	(4,278,309)	(3,496,086)
Total Plant and Equipment Opening Balance	**1,430,531**	**1,624,270**	**1,544,244**	**1,761,368**
Additions	1,093,812	298,715	1,096,600	305,110
Disposals	(8,017)	(44,566)	(8,017)	(88,039)
Accumulated Depreciation on disposals	7,662	43,633	7,662	81,896
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(442,760)	(491,520)	(464,185)	(516,090)
Total Plant and Equipment Closing Balance	**2,081,228**	**1,430,531**	**2,176,304**	**1,544,244**
Plant and Equipment - at Cost	6,252,655	5,166,860	6,911,137	5,474,525
Less Accumulated Depreciation	(4,171,426)	(3,736,328)	(4,734,832)	(3,930,280)
Total Plant and Equipment Closing Balance	**2,081,228**	**1,430,531**	**2,176,304**	**1,544,244**
Leased Equipment				
Leased Equipment- at Cost - Opening Balance	–	–	71,555	97,982
Less Accumulated Depreciation	–	–	(50,704)	(60,595)
Total Leased Equipment Opening Balance	**–**	**–**	**20,851**	**37,387**
Additions	–	–	4,880	13,300
Disposals	–	–	(9,887)	(39,727)
Accumulated Depreciation on disposals	–	–	8,293	29,184
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	–	–	(12,490)	(19,293)
Total Leased Equipment Closing Balance	**–**	**–**	**11,647**	**20,851**
Leased Equipment - at Cost	–	–	66,548	71,555
Less Accumulated Depreciation	–	–	(54,901)	(50,704)
Total Leased Equipment Closing Balance	**–**	**–**	**11,647**	**20,851**

Notes to the Financial Statements

For the year ended 30 June 2010

Note 19: Property, Plant and Equipment continued

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Navigational Aids				
Navigational Aids - at Cost - Opening Balance	400,203	334,684	400,203	334,684
Less Accumulated Depreciation	(288,342)	(276,585)	(288,342)	(276,585)
Total Navigational Aids Opening Balance	111,861	58,099	111,861	58,099
Additions	112,408	68,824	112,408	68,824
Disposals	(6,819)	(3,305)	(6,819)	(3,305)
Accumulated Depreciation on disposals	3,894	753	3,894	753
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(20,532)	(12,510)	(20,532)	(12,510)
Total Navigational Aids Closing Balance	200,812	111,861	200,812	111,861
Navigational Aids - at Cost	505,792	400,203	505,792	400,203
Less Accumulated Depreciation	(304,980)	(288,342)	(304,980)	(288,342)
Total Navigational Aids Closing Balance	200,812	111,861	200,812	111,861
Vehicles				
Vehicles - at Cost - Opening Balance	1,515,367	1,482,616	1,569,590	1,545,284
Less Accumulated Depreciation	(566,167)	(632,425)	(600,237)	(662,502)
Total Vehicles Opening Balance	949,200	850,191	969,353	882,782
Additions	318,440	430,369	318,440	430,369
Disposals	(285,718)	(397,618)	(285,718)	(406,063)
Accumulated Depreciation on disposals	168,350	206,239	168,350	211,633
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(188,635)	(139,981)	(194,967)	(149,368)
Total Vehicles Closing Balance	961,637	949,200	975,458	969,353
Vehicles - at Cost	1,548,089	1,515,367	1,602,312	1,569,590
Less Accumulated Depreciation	(586,452)	(566,167)	(626,854)	(600,237)
Total Vehicles Closing Balance	961,637	949,200	975,458	969,353
Vessels and Dredging Equipment				
Vessels and Dredging Equipment - at Cost - Opening Balance	1,103,935	1,114,880	1,103,935	1,114,880
Less Accumulated Depreciation	(557,632)	(517,236)	(557,632)	(517,236)
Total Vessels and Dredging Equipment Opening Balance	546,303	597,644	546,303	597,644
Additions	3,809	2,831	3,809	2,831
Disposals	(489)	(13,776)	(489)	(13,776)
Accumulated Depreciation on disposals	484	13,343	484	13,343
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(54,291)	(53,739)	(54,291)	(53,739)
Total Vessels and Dredging Equipment Closing Balance	495,816	546,303	495,816	546,303
Vessels and Dredging Equipment - at Cost	1,107,255	1,103,935	1,107,255	1,103,935
Less Accumulated Depreciation	(611,439)	(557,632)	(611,439)	(557,632)
Total Vessels and Dredging Equipment Closing Balance	495,816	546,303	495,816	546,303

Notes to the Financial Statements

For the year ended 30 June 2010

Note 19: Property, Plant and Equipment continued	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Total Assets				
Total Assets - at Cost	15,818,503	15,477,030	17,465,332	16,600,720
Total Assets - at Valuation	7,208,000	7,530,000	90,508,000	99,780,000
Total Assets Cost/Valuation	23,026,503	23,007,030	107,973,332	116,380,720
Accumulated Depreciation	(5,172,254)	(4,732,524)	(6,238,337)	(5,121,600)
Total Assets - Opening Balance	17,854,249	18,274,506	101,734,995	111,259,120
Additions	1,635,707	802,478	2,612,109	959,643
Disposals	(301,043)	(459,265)	(310,930)	(613,385)
Accumulated Depreciation on disposals	180,390	263,967	188,683	336,808
Transfer between asset classes	–	–	–	–
Revaluation Movement	(465,238)	(323,740)	(5,033,972)	(9,411,210)
Impairment Loss	–	–	(50,000)	–
Depreciation Expense	(712,166)	(703,697)	(792,111)	(795,981)
Total Assets - Closing Balance	18,191,899	17,854,249	98,348,774	101,734,995
Total Assets at Cost - Closing Balance	17,045,929	15,818,503	18,690,539	16,807,768
Total Assets at Valuation - Closing Balance	6,850,000	7,208,000	86,550,000	90,508,000
Total Cost/Valuation	23,895,929	23,026,503	105,240,539	107,315,768
Impairment Loss	–	–	(50,000)	–
Accumulated Deprecation	(5,704,030)	(5,172,254)	(6,841,765)	(5,580,773)
Total Assets - Closing Balance	18,191,899	17,854,249	98,348,774	101,734,995
Capital Work in Progress	570,094	78,494	4,520,288	3,883,898
Total Fixed Assets	18,761,993	17,932,743	102,869,062	105,618,893
Depreciation and Amortisation Expense				
Property, Plant and Equipment	712,166	703,697	792,111	795,985
Intangibles	125,306	136,061	125,306	136,061
Forest (on Forest Harvesting Strategy)	–	–	–	–
	837,473	839,759	917,418	932,046

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 $6,850,000 (2009: $7,208,000). 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.

There are no restricted assets.

Northland Port Corporation (NZ) Ltd

Northland Port Corporation (NZ) Ltd freehold land as at 30 June has been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of $79,700,000 (2009: $83,300,000). The valuer is a Fellow of the New Zealand Institute of Valuers and the Property Institute of New Zealand and holds a current practising certificate. The valuation was conducted in accordance with IAS-16 which defines "fair value" as being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. Northland Port Corporation (NZ) Ltd Buildings and Amentities are recorded at cost less accumulated depreciation and less impairment loss provision. In the opinion of the Directors, this approximates fair value.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 20: Intangible Assets

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Computer Software				
Cost - Opening Balance	2,551,982	2,462,437	2,557,811	2,468,266
Accumulated Amortisation	(2,264,850)	(2,128,788)	(2,270,678)	(2,134,617)
Computer Software Opening Carrying Amount	287,131	333,648	287,133	333,648
Additions	85,170	89,545	85,170	89,545
Net Disposals *	(24)	–	–	–
Amortisation Charge	(125,306)	(136,061)	(125,306)	(136,061)
Total Computer Software - Closing Balance	**246,969**	**287,131**	**246,995**	**287,131**
Cost	2,625,340	2,551,982	2,642,981	2,557,811
Accumulated Amortisation	(2,378,370)	(2,264,850)	(2,395,985)	(2,270,678)
Total Computer Software - Closing Balance	**246,969**	**287,131**	**246,995**	**287,132**

* Disposals are reported Net after Accumulated Depreciation.

Note 21: Biological Assets

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Balance at 1 July	**1,644,724**	**1,366,200**	**1,644,724**	**1,366,200**
Gains arising from changes in Fair Values less estimated point-of-sale costs	(524,484)	278,524	(524,484)	278,524
Depreciation on Biological Asset excluded from valuation	–	–	–	–
Balance at 30 June	**1,120,240**	**1,644,724**	**1,120,240**	**1,644,724**

Northland Regional Council owns 292 hectares of radiata pine forest which are at varying stages of maturity, ranging from 1 to 29 years. 26 hectares of Mt Tiger Forest was harvested during the 2009-2010 year.

Valuation Assumptions

Independent registered forestry industry consultants, Chandler Fraser Keating Ltd, have valued forestry assets at fair value less point-of-sale costs as at 30 June 2010. 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 property 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 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 of 11% (2009 10%) derived from the analysis of actual transactions. No allowance for inflation has been provided and the valuation pertains only to the tree crop growing on the land.

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. A compounding rate of 0% (2009: 0%) was used in the 2010 cost based approach.

Financial Risk Management Strategies

The Council is exposed to financial risks arising from changes in timber prices. 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 risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly, by considering the need for active financial risk management. As recently evidenced, Council can defer harvesting over the short-term to obtain the most favourable prices.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 22: Trade and Other Payables

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Trade Creditors	3,054,383	3,320,971	4,277,998	3,967,804
Accrued Expenses	530,634	302,511	530,634	302,511
Revenue received in advance	719,814	709,362	719,814	709,362
Related Parties Trade and Other Payables (Note 29)	7,336	6,750	13,448	14,891
Current Account NRC/ONTRACK Joint Venture (Unincorporated) [1]	–	1,125,000	–	1,125,000
Total Trade and Other Payables	4,312,168	5,464,594	5,541,895	6,119,568

Trade and Other Payables are non-interest bearing and are normally settled on terms varying between 7 days and 20th of the month following the invoice date. Therefore, the carrying value of Trade and Other Payables approximates their fair value.

[1] As at 30 June 2009, the funds relating to the Annual Contribution paid by Council and ONTRACK to the Joint Venture were held in Council's bank account. The funds were transferred to the Joint Venture bank account in July.

Note 23: Employee Benefit Liabilities

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Annual Leave	995,486	929,926	1,008,736	973,828
Accrued Pay	281,902	219,638	309,252	250,342
Sick Leave	40,808	37,866	40,808	37,866
Retirement Gratuities	178,210	254,926	178,214	254,926
	1,496,406	1,442,357	1,537,010	1,516,963
Represented by:				
Current Benefit Liabilities	1,373,493	1,330,326	1,414,093	1,404,932
Non-Current Benefit Liabilities	122,913	112,031	122,917	112,031
	1,496,406	1,442,357	1,537,010	1,516,963

Notes to the Financial Statements

For the year ended 30 June 2010

Note 24: Borrowings	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Current		
Secured Loans	–	–
Lease Liabilities	11,147	20,217
Total Current Borrowings	**11,147**	**20,217**
Non-Current		
Secured Loans	–	–
Lease Liabilities	3,325	9,821
Total Non-Current Borrowings	**3,325**	**9,821**

Northland Port Corporation (NZ) Ltd - Floating Rate Debt

During the period this facility was repaid. As at 30 June 2008 a total sum of $250,000 had been outstanding at an interest rate of 9.126%. The funding facility ($12,000,000 limit) was for a term of five years which expired on 19 September 2008, at which time it was determined that a replacement facility was not required.

Finance Lease Arrangements

The Northland Regional Council Community Trust has entered into finance lease arrangements for various items of office equipment.

Maturity Analysis and Effective Interest Rates	Secured Loans Group $	Lease Group $
2009		
Less than one year	–	11,147
Later than one year but not more than five years	–	3,225
	–	14,372
2008		
Less than one year	–	20,217
Later than one year but not more than five years	–	9,819
	–	30,036

Notes to the Financial Statements

For the year ended 30 June 2010

Note 25: Provisions

	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Current Provisions are represented by:		
Onerous Lease Provision	–	–
Payroll Related Provisions	–	–
Sundry Provisions	22,742	22,270
	22,742	22,270
Non-Current Provisions are represented by:		
Sundry Provisions	–	–
	–	–

Council and Group	Onerous Lease Provision 2010	Payroll Related Provisions 2010	Sundry Provisions 2010	Onerous Lease Provision 2009	Payroll Related Provisions 2009	Sundry Provisions 2009
Opening Balance	–	–	22,270	–	33,113	118,610
Additional Provisions made during the year	–	–	472	–	–	–
Amounts Used during the year	–	–	–	–	(33,113)	(96,340)
Unused Amounts reversed during the year	–	–	–	–	–	–
Closing Balance	–	–	22,742	–	–	22,270

Sundry Provisions

Sundry Provision relating to Northland Port Corporation (NZ) Ltd comprises an allowance for the Group's share of possible cargo damages claims against the joint venture operation, Northland Stevedoring Services.

Note 26: Joint Venture - Northland Port Corporation (NZ) Ltd

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.

	30-Jun-10 $	30-Jun-09 $
Share of Net Assets		
Current Assets	271,771	214,964
Non-Current Assets	85,245	91,355
Current Liabilities	86,242	54,131
Non-Current Liabilities	22,742	22,270

Share of Revenue and Expenses

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

Operational Expenses	520,718	524,209
Land Rates and Lease Expenses	23,990	23,765
Administrative Expenses (including Audit Fees)	41,579	56,180
Depreciation	16,776	18,551

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.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 27: Joint Venture - Between NRC and ONTRACK (Unincorporated)

	30-Jun-10 $	30-Jun-09 $
Share of Net Assets		
Current Assets	500,000	62,500
Non-Current Assets	–	–
Current Liabilities	–	62,500
Non-Current Liabilities	–	–

In January 2009, the Council entered into a Memorandum of Understanding with ONTRACK 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. Council negotiations ceased on the commencement of the formal designation process by ONTRACK. 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 ONTRACK will each recognise a 50 percent share of the land. Council will have a receivable from ONTRACK to account for the remaining 50 percent share of the security interest held in the ownership of the land.

The agreement between Council and ONTRACK requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50 percent 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 $500,000 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.

ONTRACK 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 was appealed and negotiations are currently taking place with the intention of resolving and agreeing matters appealed. If negotiations are not successful the matter will proceed to a hearing.

In the current financial year, the total net operating expenditure incurred by Council in relation to the joint venture is $785 thousand, this includes $695 thousand for the fair value decrease in land and buildings. Council recognised $218 thousand in income for ONTRACK 50 percent share of the Councils opportunity cost of capital. ONTRACK incurred approximately $934 thousand in costs in relation to the designation ($2009: $1.66 million). Council's 50 percent share of the designation costs is recognised as an Inventory, refer Note 11. As at 30 June 2010, ONTRACK has a liability of $2.6 million to Council ($2009: $3 million). Council has recognised this as an Other Receivable, refer Note 15.

Council has recognised the liability owed by ONTRACK for their 50 percent share of the cost of the properties and their 50 percent share of all other associated costs as Other Receivables, refer Note 15. Council will only transfer the rail corridor to ONTRACK once ONTRACK has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

As at 30 June 2009, the assets and liabilities of the Joint Venture comprised of cash $1 million. Council's share of properties acquired are included in Council's Investment Properties, refer Note 16.

Note 28: Capital Commitments and Operating Leases

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Capital Commitments				
Committed Grant Funding	2,263,756	11,000,000	2,263,756	11,000,000
Approved Capital Expenditure	–	–	–	–
Other Capital Commitments	–	–	–	–
	2,263,756	11,000,000	2,263,756	11,000,000

Committed Grant Funding

The Northland Regional Council agreed to contribute $13 million towards the construction of a Regional Events Centre. Whāngārei District Council contributed $3 million. The Government contributed a further $2.5 million to bring the Events Centre to Rugby World Cup standards. The Regional Council liability is capped at $13 million, this being the total contribution agreed in the 2006-2016 Northland Long Term Council Community Plan. Council paid $2.9 million in the 2008-2009 financial year. A total of $16.2 million has been paid to date, including the contribution made by the Government and Whāngārei District Council with $2.3 million to be paid in the 2010-2011 financial year.

Northland Port Corporation (NZ) Ltd Capital Commitments

Commitments for capital expenditure at 30 June 2010 are nil (June 2009: Nil). The Group's share of committed capital expenditure in respect of its Associate Interest also amounts to nil (June 2009: nil).

Operating Lease 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:

Notes to the Financial Statements

For the year ended 30 June 2010

Note 28: Capital Commitments and Operating Leases continued

Operating Lease 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:

	NPC 30-Jun-10 $	NPC 30-Jun-09 $	NRCCT 30-Jun-10 $	NRCCT 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Not later than one year	200,112	189,230	50,527	99,635	250,639	288,865
Later than one year and not later than five years	168,587	534,622	11,293	58,821	179,880	593,443
Later than five years	1,998,961	1,483,531	–	–	1,998,961	1,483,531
Total Operating Leases	**2,367,660**	**2,207,383**	**61,820**	**158,456**	**2,429,480**	**2,365,839**

The Council has no lease commitments.

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 5 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 leasee does not have an option to purchase the property at the expiry of the lease period. Council owns some farm and dwellings. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between 2 and 20 years.

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Not later than one year	3,083,264	3,112,000	3,083,264	3,112,000
Later than one year and not later than five years	7,739,153	8,340,338	7,739,153	8,340,338
Later than five years	18,788,279	17,602,861	18,788,279	17,602,861
Total Operating Leases	**29,610,696**	**29,055,199**	**29,610,696**	**29,055,199**

Note 29: Contingent Liabilities

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Committed Funding	–	–	–	–
Risk Pool - call on funds	–	–	–	–
Guarantees	–	–	–	–
Bonds	–	–	75,000	75,000
Share of Associated Companies' Contingent Liabilities	–	–	675,000	675,000
Rates Postponed	–	–	93,526	75,034
	–	**–**	**843,256**	**825,034**

Council

1. RiskPool - call on funds: RiskPool provides public liability and professional indemnity insurance for its members. The Council is a member of RiskPool. The Trust Deed of RiskPool provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for that fund year. The Council received a notice during 2009 for a call for an additional contribution of $44,719 to be paid in the 2009-2010 financial year and gave notice there will be two further calls in the 2010-2011 and 2011-2012 financial years. The calls have been made to address the deficits in fund years dating back to 2002-2003 and 2003-2004. RiskPool have advised that the actual call for 2010-2011 and 2011-2012 will depend upon the evolution of the liability environment and the flow-on effect on open claims provisions so there is potential for the actual call to be higher than the provision made.Council made a provision for the 2010-2011 and 2011-2012 call on funds during the current financial year using the actual call made during 2009-2010.

Northland Port Corporation (NZ) Ltd

1. Bank of New Zealand - a bond given by them to the New Zealand Stock Exchange - $75,000 (2009: $75,000).
2. To the Whāngārei District Council in respect of postponed land rates on Company owned farmland in accordance with the Council's postponed rates policy - $93,526 (June 2009: $75,034). This amount becomes payable immediately if the said land ceases to be farmland or is sold.
3. The Group's share of Associate Companies' Contingent Liabilities $675,000 (June 2009: Nil).

Notes to the Financial Statements

For the year ended 30 June 2010

Note 30: Related Party Transactions

Northland Regional Council is the ultimate parent of the Group and controls two entities, being Northland Port Corporation (NZ) Ltd (52.4% 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 it's subsidiary, Northland Port Corporation (NZ) Ltd.

The following transactions were carried out with related parties:	Council 30-Jun-10 $	Council 30-Jun-09 $
Northland Port Corporation (NZ) Ltd		
Dividend received by Council	1,218,460	4,445,064
Profit on Sale of Shares (share buy back)	Nil	1,325,331
North Port Cool Stores (1989) Ltd	Nil	Nil
North Tugz Ltd		
Payments received by the Council for services provided in the normal course of business	75	68
Payments made from the Council for services provided in the normal course of business	5,459	16,132
Accounts receivable from the Council for services provided in the normal course of business	Nil	2,250
Accounts payable to the Council for services provided in the normal course of business	Nil	Nil
Northland Port Corporation (NZ) Ltd		
Payments received by the Council for services provided in the normal course of business	2,245	Nil
Payments made from the Council for services provided in the normal course of business	Nil	380
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	218	Nil
Northland Regional Council Community Trust		
Accounts payable to the Council for services provided in the normal course of business	Nil	Nil
Grant received from the Council	Nil	Nil
Enterprise Northland		
Payment made from the Council for services provided in the normal course of business	25,218	162,487
Grant received from the Council	10,365,679	2,870,565
Accounts payable to Enterprise Northland for operating Grant received from the Council	7,500	7,500
Destination Northland Limited		
Payment made from the Council for services provided in the normal course of business	700	Nil
Grant received from the Council	100,000	100,000
Northport Ltd		
Payments received by the Council for services provided in the normal course of business	231,998	198,636
Payments made from the Council for services provided in the normal course of business	20,981	19,280
Accounts payable to the Council for services provided in the normal course of business	38,438	11,525
Accounts receivable from the Council for services provided in the normal course of business	7,336	6,750
Northland Stevedoring Services (UJV)	Nil	Nil
Key Management Personnel	Nil	Nil

Notes to the Financial Statements

For the year ended 30 June 2010

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) Ltd 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 (2009 - Nil).

Enterprise Northland staff are located in the 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.

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 shareholder of Club 21 Trust Company Limited. The Trust holds five ground leases with Council. During the year the Club 21 Trust Company Limited was invoiced $50,529.49 (including GST) and $8,476.88 was outstanding as a current receivable at 30 June 2010.

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 $9,651. There were no outstanding balances at 30 June 2010.

Except for these transactions, no key management personnel have entered into related party transactions with the Group (2009: Nil).

Key management personnel comprises the Councillors and Chair, the Chief Executive, and the management team. All the relevant information relating to remuneration is disclosed in Note 31.

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 2010 was $273,579 for the year (2009: $247,564).

A breakdown of the Chief Executive's remuneration package is as follows:	Council 30-Jun-10 $	Council 30-Jun-09 $
Salary	260,968	235,329
Vehicle - FBT Cost	12,611	12,235
Total Remuneration	**273,579**	**247,564**

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 and the Chair totalled $516,090 (2009: 523,539).

	Monetary Remuneration Salary $	Monetary Remuneration Non-salary $	Total Council Remuneration $	Director/ Trustee Fees $	Total Remuneration 30-Jun-10 $	Total Remuneration 30-Jun-09 $
Chairman - Mark Farnsworth	98,583	–	98,583	–	98,583	98,669
Deputy Chairman - Ian Walker [1]	50,421	6,627	57,048	19,333	76,381	81,880
Chair, Audit and Finance Committee - Peter Jensen	50,421	1,914	52,335	–	52,335	52,800
Chair, Hearings Committee - Lorraine Hill	50,421	12,592	63,013	–	63,013	62,628
Bill Rossiter	50,421	3,122	53,543	–	53,543	53,172
Chair, Environmental Management Committee - Craig Brown	50,471	2,581	53,052	–	53,052	55,762
Chair, Regional Land Transport - John Bain	50,421	2,593	53,014	–	53,014	52,527
Chair, Catchment Management Committee - Joe Carr	50,421	13,082	63,503	–	63,503	66,101
	451,580	42,511	494,090	19,333	513,423	523,539

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

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.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 31: Remuneration continued

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 2009-2010 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-10 $	Council 30-Jun-09 $
Remuneration paid to Key Management Personnel [1]	1,572,292	1,562,031
Post Employment Benefits	9,695	6,129
	1,581,986	1,568,160

[1] Key management personnel include the Chair, Councillors, Chief Executive and other senior management personnel.

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 2010, Council made severance payments to two employees totalling $12,250 and $40,000 respectively (2009: nil).

Note 33: Events After Balance Sheet Date

Subsequent to balance date, Northland Port Corporation (NZ) Ltd declared a fully imputed dividend of 3 cents per share with payment to be made 24 September 2010. There were no other significant events after balance date.

Note 34: Public availability of the Annual Report

The Local Government Act 2002 requires Council to make publicly available its Annual Report and a summary of the information contained in its Annual Report within one month of its adoption. The 2009-2010 Annual Report was adopted on the 29 September 2010 and was not publicly available until 30 November 2010. The Summary Annual Report was made publicly available within the statutory timeframes.

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) Ltd, is an entity whose securities are publicly traded, and it will therefore present segment information in its own separate financial report.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36A: Financial Instrument Catagories	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
FINANCIAL ASSETS				
Loans and Receivables				
Cash and Cash Equivalents (Note 9)	4,310,520	2,671,630	4,956,241	4,064,505
Trade and Other Receivables (Note 10)	5,283,228	6,169,660	6,662,459	6,697,210
Total Loans and Receivables	9,593,748	8,841,290	11,618,700	10,761,715
Financial Assets at Fair Value through Profit and Loss				
Other Financial Assets:				
Term Deposits, Local Authority and Government Stock	–	–	–	–
Listed Shares	–	–	464,885	540,527
Advances	–	–	–	–
Trust-Managed Investment Fund	–	–	257,511	(1,110,860)
Other	–	–	9,701,934	10,812,794
Total Financial Assets at Fair Value through Profit and Loss	–	–	10,424,330	10,242,461
Fair Value through Equity				
Other Financial Assets:				
Term Deposits, Local Authority and Government Stock	22,856,298	34,071,450	22,856,298	34,071,450
Listed Shares	–	–	–	–
Total Fair Value through Equity	22,856,298	34,071,450	22,856,298	34,071,450
FINANCIAL LIABILITIES				
Financial Liabilities measured at Amortised Cost				
Trade and Other Payables (Note 22)	4,312,168	5,464,594	5,541,895	6,119,568
Borrowings:				
Bank Overdraft	–	–	70,776	–
Secured Loans	–	–	–	–
Lease Liability	–	–	14,372	30,036
Total Financial Liabilities measured at Amortised Cost	4,312,168	5,464,594	5,627,043	6,149,604

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: Financial Instrument Risks

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 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.

	Total $	Quoted Market Price $	Observable Inputs $	Significant Non-Observable Inputs $
Council 30 June 2010				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	20,795,135	–	20,795,135	–
Shares	–	–	–	–
Government Bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–
Group 30 June 2010				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	20,795,135	–	20,795,135	–
Shares	10,424,330	10,424,330	–	–
Government Bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–
Council 30 June 2009				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	12,988,295	–	12,988,295	–
Shares	–	–	–	–
Government Bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–
Group 30 June 2009				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	12,988,295	–	12,988,295	–
Shares	10,242,461	–	–	–
Government Bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–

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

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: Financial Instrument Risks continued

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-10 $	30-Jun-09 $
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. NRC 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-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Cash at Bank and Term Deposits	4,310,520	2,671,630	4,956,241	4,064,505
Debtors and Other Receivables	5,283,228	6,169,660	6,662,459	6,697,210
Other Receivables	2,692,918	3,016,535	2,692,918	3,016,535
Term Deposits, local Authority and Government Stock	22,856,298	34,071,450	22,856,298	34,071,450
Derivative Financial Instruments Assets	–	–	–	–
	35,142,964	45,929,275	37,167,916	47,849,700

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: 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:

	Council 30-Jun-10 $	Council 30-Jun-09 $	Consolidated 30-Jun-10 $	Consolidated 30-Jun-09 $
Counterparties with Credit Ratings				
Cash at Bank and Current Term Deposits				
AA	1,810,520	2,671,630	4,956,241	4,064,505
BBB+	2,500,000	–	–	–
Total Cash at Bank and Current Term Deposits	4,310,520	2,671,630	4,956,241	4,064,505
Term Deposits, Local Authority and Government Stock				
A+	2,248,490	2,123,443	2,248,490	2,123,443
AA	13,797,779	15,358,453	13,797,779	15,358,453
A	1,029,766	3,512,387	1,029,766	3,512,387
AA-	1,012,314	1,915,286	1,012,314	1,915,286
BBB+	–	6,500,000	–	6,500,000
Unrated - Local Authority	2,446,608	2,502,306	2,446,608	2,502,306
Unrated	2,321,341	2,159,577	2,321,341	2,159,577
Total Local Authority and Government Stock	22,856,297	34,071,450	22,856,297	34,071,450
Derivative Financial Instrument Assets				
AA	–	–	–	–
AA-	–	–	–	–
Total Derivative Financial Instrument Assets	27,166,817	36,743,080	27,812,538	38,135,955

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 advise and is continuing to monitor the credit worthiness of these investments.

Council currently holds $17.483 million of investments with institutions who have a credit rating between A+ or AA- (2009: $11.9M).

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: Financial Instrument Risks continued

Debtors and other receivables mainly arise from Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables. The Territorial Local Authorities in the Northland Region administer the collection of rates on behalf of Council. The Local Government (Rating) Act provides powers to recover outstanding debts from ratepayers.

Contractual Maturity of Financial Liabilities

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

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1-2 Years $	2-5 Years $	More than 5 Years $
Council 2010						
Creditors and Other Payables	4,312,168	4,312,168	4,312,168	–	–	–
Group 2010						
Creditors and Other Payables	5,541,895	5,541,895	5,541,895	–	–	–
Secured Loans	–	–	–	–	–	–
Finance Leases	14,372	16,249	11,147	3,225	–	–
Total	**5,556,267**	**5,558,144**	**5,553,042**	**3,225**	–	–
Council 2009						
Creditors and Other Payables	5,464,594	5,464,594	5,464,594	–	–	–
Group 2009						
Creditors and Other Payables	6,119,568	6,119,568	6,119,568	–	–	–
Secured Loans	–	–	–	–	–	–
Finance Leases	30,036	33,040	20,217	9,819	–	–
Total	**6,149,604**	**6,152,608**	**6,139,785**	**9,819**	–	–

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: Financial Instrument Risks continued

The table below analyses Council's derivative financial instruments that will be settled on a gross basis 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 2010						
Cash and Cash Equivalents	4,310,520	4,310,520	4,310,520	–	–	–
Debtors and Other Receivables	5,283,228	5,283,228	5,283,228	–	–	–
Other Receivables	2,692,918	2,692,918	2,692,918	2,692,918		
Other Financial Assets:						
Term Deposits, Local Authority and Government Stock	22,856,298	33,777,921	5,431,770	15,928,277	9,052,673	3,365,201
Total	35,142,964	46,064,587	17,718,436	18,621,195	9,052,673	3,365,201
Group 2010						
Cash and Cash Equivalents	4,956,241	5,013,400	5,013,400	–	–	–
Debtors and Other Receivables	6,662,459	6,662,459	6,662,459	–	–	–
Other Receivables	2,692,918	2,692,918	–	2,692,918	–	–
Other Financial Assets:						
Term Deposits, Local Authority and Government Stock	22,856,298	33,777,921	5,431,770	15,928,277	9,052,673	3,365,201
Total	37,167,916	48,146,698	17,107,629	18,621,195	9,052,673	3,365,201
Council 2009						
Cash and Cash Equivalents	2,671,630	2,728,789	2,728,789	–	–	–
Debtors and Other Receivables	6,169,660	6,169,660	6,169,660	–	–	–
Other Receivables	3,016,535	3,016,535	3,016,535	–	–	–
Other Financial Assets:						
Term Deposits, Local Authority and Government Stock	34,071,450	47,332,848	25,157,543	7,151,084	11,386,093	3,638,128
Total	45,929,275	59,247,833	37,072,528	7,151,084	11,386,093	3,638,128
Group 2009						
Cash and Cash Equivalents	4,064,505	4,121,664	4,121,664	–	–	–
Debtors and Other Receivables	6,697,210	6,697,210	6,697,210	–	–	–
Other Receivables	3,016,535	3,016,535	–	3,016,535	–	–
Other Financial Assets:						
Term Deposits, Local Authority and Government Stock	34,071,450	47,332,848	25,157,543	7,151,084	11,386,093	3,638,128
Total	47,849,700	61,168,257	35,976,417	10,167,619	11,386,093	3,638,128

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: Financial Instrument Risks continued

Sensitivity Analysis

The table below illustrates the potential profit and loss 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.

	2010				2009			
	+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	43,105	–	–	(43,105)	–	26,716	–	(26,716)
Other Financial Assets: Term Deposits, Local Authority and Government Stock	228,563	–	–	(228,563)	–	340,714	–	(340,714)
Financial Liabilities								
Borrowings:								
Bank overdraft	–	–	–	–	–	–	–	–
Term loans	–	–	–	–	–	–	–	–
Total Sensitivity to Interest Rate Risk	271,668	–	–	(271,668)	–	367,431	–	(367,431)

Explanation of Sensitivity Analysis - Council

Cash and cash equivalents: Cash and Cash Equivalents include deposits, at call, totalling $4,310,520 (2009: $2,671,629) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $43,105 (2009: $26,716).

Term Deposits, Local Authority and Government Stock: A total of $22,856,298 (2009: $34,071,450) 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 $228,563 (2009: $340,714) 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.

Notes to the Financial Statements

For the year ended 30 June 2010

Note 36B: Financial Instrument Risks continued

Sensitivity Analysis

	2010				2009			
	+100bps		-100bps		+100bps		-100bps	
	Profit $	Other Equity $	Profit $	Other Equity $	Profit $	Other Equity $	Profit $	Other Equity $
GROUP								
INTEREST RATE RISK								
Financial Assets								
Cash and Cash Equivalents	49,562	–	(49,562)	–	40,645	–	(40,645)	–
Other Financial Assets:								
Term Deposits, Local Authority and Government Stock	228,563	–	(228,563)	–	340,715	–	(340,715)	–
Financial Liabilities								
Derivatives – Hedge Accounted	–	–	–	–	–	–	–	
Borrowings:								
Bank Overdraft	(708)	–	708	–	–	–	–	–
Term Loans	–	–	–	–	–	–	–	–
Total Sensitivity to Interest Rate Risk	**277,418**	–	**(277,418)**	–	**381,360**	–	**(381,360)**	–
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	104,243	–	(104,243)	–	102,425	–	(102,425)	–
Total Sensitivity to Equity Price Risk	**104,243**	–	**(104,243)**	–	**102,425**	–	**(102,425)**	–

Explanation of Sensitivity Analysis - Group

Cash and Cash Equivalents: Cash and Cash Equivalents include deposits, at call, totalling $4,962,409 (2009: $4,064,504) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $49,562 (2009: $40,465).

Term Deposits, Local Authority and Government Stock: A total of $22,856,297 (2009: $34,071,450) 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 $228,563 (2009: $340,7141) 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. At 30 June, the Group was not party to any such transactions. (2009: Nil).

Creditors and Other Payables: The Northland Regional Council Community Trust has exposure to foreign exchange risk as a result of the transactions denominated in foreign currencies, arising from normal trading conditions and overseas investments within the investment portfolio. A 1% movement in the exchange rate will expose the Trust to an approximate change in value of the portfolio of $13,163 (2009: $11,082). 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. The Northland Council Community Trust holds an investment portfolio with a value of $9,959,445 (2009: 9,701,934). The fund is 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. The investment portfolio is managed very conservatively, regarding credit risk, and in accordance with the Goldman Sachs JBWere revised Statement of Investment Policies and Objectives (SIPO) and, in particular, paragraph 6.6 of the SIPO, which states "All fixed interest investments must be invested within limits that have been divided into exposures against individual investors, and then a total exposure against the credit rating". Limiting exposures against both individual investors and credit ratings provides a platform to ensure adequate liquidity within the portfolio.