financial statements

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
INCOME						
Revenue from Activities	4	5,694,419	5,127,230	8,518,916	7,019,334	10,196,482
Rates Revenue	2	13,624,149	13,187,795	12,147,862	13,624,149	12,147,862
Finance Income	3	1,834,238	2,088,758	2,085,257	2,255,908	2,563,956
Other Revenue	4	4,553,108	4,583,626	5,419,545	10,708,912	13,059,202
Other Gains/(Losses)	5	(2,402,069)	92,960	572,626	(2,725,624)	35,829
TOTAL INCOME	1	23,303,845	25,080,370	28,744,206	30,882,679	38,003,331
EXPENDITURE						
Personnel Costs	6	9,328,954	9,874,880	9,122,622	10,496,061	10,307,913
Depreciation and Amortisation	18	838,537	1,097,872	837,473	949,174	917,418
Finance Costs	3	37,710	1,000	–	50,964	36,820
Other Expenditure on Activities	1	15,291,446	13,373,637	26,202,043	18,180,407	29,248,632
Other Expenditure		–	–	–	–	3,000,000
TOTAL OPERATING EXPENDITURE		25,496,647	24,347,389	36,162,139	29,676,607	43,510,784
NET SURPLUS/(DEFICIT)		(2,192,802)	732,981	(7,417,933)	1,206,073	(5,507,452)
Taxation Credit/(Expense)	7	–	–	80,732	109,982	85,866
NET SURPLUS/(DEFICIT) AFTER TAXATION		(2,192,802)	732,981	(7,337,201)	1,316,055	(5,421,586)
OTHER COMPREHENSIVE INCOME						
Gains/(Loss) on Property Revaluations	8	(58,000)	–	(111,157)	(8,371,389)	(3,984,622)
Financial Assets at Fair Value through other Comprehensive Income	8	223,326	–	195,886	223,326	195,886
Gains/(Loss) on Infrastructure Asset (Awanui River Management) Revaluation	8	1,106,411	–	–	1,106,411	–
Net Hedging Movement (Associate)		–	–	–	104,391	152,976
TOTAL OTHER COMPREHENSIVE INCOME		1,271,737	–	84,729	(6,937,261)	(3,635,760)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(921,065)	732,981	(7,252,470)	(5,621,206)	(9,057,346)
Total Comprehensive Income attributable to:						
Northland Regional Council					(4,006,114)	(8,785,308)
Non-controlling Interest in Surplus/(Deficit) of Northland Port Corporation (NZ) Limited					(1,615,152)	(272,038)
					(5,621,266)	(9,057,346)

Understanding the council's reported net deficit.

The net surplus/(deficit) after taxation for the 2010-2011 financial year includes a number of non-operational or one-off events.

These include:

– $1.52 million contribution towards the Northland Events Centre (2010: 10.4 million).

– Net fair value losses of $2.4 million relating to investment property (includes $526,000 decrease relating to Marsden to the Oakleigh land and buildings), forestry assets, owner occupied buildings and reversal of impairment on council's investment in subsidiary Northland Regional Council Community Trust.

With these items removed there is an operating surplus of $1.7 million.

Other Comprehensive Income gains of $1.27 million are the result of the revaluation increases of council's Awanui River Management Scheme asset of $1.1 million, the fair value increase of financial assets of $223,000 and the decrease in fair value of owner occupied land of $58,000.

Major variances compared to the Long Term Community Plan:

Revenue variances:

Revenue from activities is greater than budget due to:

– Increase in Fees and Charges of $721,000 offset by a decrease in Grants and Subsidies of $150,000. The increase in Fees and Charges is due to an increase in the volume and complexity of consent applications, additional revenue received to administer the Manchurian wild rice National Programme, fees for emergency management contract work undertaken on behalf of the Whāngārei District Council, increased maritime fees resulting from more fee-eligible structures than originally estimated and an unbudgeted contribution from the Whāngārei District Council to assist in funding the Hātea River maintenance programme.

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 2011

Major variances compared to the Long Term Community Plan continued

Revenue from rates is greater than budget due to:

– Rate Penalties charged for late or non payment of rates.

Finance Income is less than budget due to:

– Interest Income being less than budgeted.

Other Revenue is has come in close to budget, we note the following variances exist:

– Dividend Income from the Northland Port Corporation (NZ) Limited is $149,000 less than budget. This is offset by the recognition of $133,000 of New Zealand Emissions Trading Scheme Credits relating to council's pre-1990 Forestry Holdings at Mt Tiger.

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, decrease in value of council's investment property of $2.8 million, decrease in value of council's owner occupied buildings of $361,000. These losses are partly offset by an increase in the value of the forestry of $435,000 (compared to the budgeted $93,000) and the impairment loss reversal of $359,000 on the fair value of council's investment in the Northland Regional Council Community Trust.

– Finally, there was a loss on disposal of property, plant and equipment of $40,000.

Expenditure variances:

Personnel Costs are less than budget due to:

– A reclassification of Personnel Costs and other expenditure on activities in the Annual Report. If the same classification had been applied, there would have been a favourable variance of $46,000. The reduced personnel expenditure will be offset by a corresponding increase in other expenditure on activities. This reclassification has been corrected in the 2011-2012 Annual Plan and will ensure the personnel expenditure disclosed in the 2011-2012 Annual Report is consistent and comparable. The classification of the 2010 comparative information is consistent with the 2011 information.

Depreciation is less than budget due to:

– Capital expenditure not eventuating as planned.

Other Expenditure on activities is less than budget due to:

– Reclassification of personnel and other expenditure on activities resulting in an increase in other expenditure on activities of $500,000 (offset by corresponding savings against budget for personnel expenditure).

– Expenditure on the Northland Events Centre of $1.52 million which was budgeted to occur in the previous financial year, transpired in the current financial year. The final payment towards the Northland Events Centre was made in September 2011. The total cost of the Northland Events Centre has come in on budget.

– Expenditure on activities is less than budget due to some work programmes not been completed during the year. Council has approved the carry forward, or making available of $569,000 dollars from this surplus towards operating expenditure in the 2011-2012 financial year to enable outstanding work programmes to be completed as planned. The work programmes include, environment fund awards, the mangrove removal programme, the Regional Policy Statement and economic development promotion initiatives. A further $420,000 was taken to special reserves, with $127,000 transferred to the Hātea River Reserve, to be available for dredging works and $293,000 repaying funds previously advanced for the priority rivers work programme and Awanui river management scheme.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Balance at 1 July - as restated	37	**117,842,548**	**121,717,029**	**125,095,021**	**239,572,624**	**249,685,726**
Less Dividends paid		–	–	–	(1,050,400)	(1,055,755)
Total Comprehensive Income		(921,065)	732,981	(7,252,471)	(5,621,206)	(9,057,346)
Balance at 30 June		**116,921,483**	**122,450,010**	**117,842,548**	**232,901,018**	**239,572,624**
Total Comprehensive Income attributable to:						
Northland Regional Council		116,921,483	122,450,010	117,842,548	175,466,969	179,470,900
Non-controlling Interest		–	–	–	57,434,049	60,101,725
Balance at 30 June	8	**116,921,483**	**122,450,010**	**117,842,548**	**232,901,018**	**239,572,624**

Previously reported Retained Earnings has been adjusted by a debit of $2,431,369 at 1 July 2009 and a credit of $429,966 at 30 June 2010 for the correction of a prior period error (refer Note 37).

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

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
EQUITY						
Retained Earnings	8	111,967,951	116,789,833	113,437,534	127,762,960	127,914,565
Other Reserves	8	4,953,532	5,660,177	4,405,014	47,704,009	51,556,335
Total Equity attributable to Northland Regional Council		116,921,483	122,450,010	117,842,548	175,466,968	179,470,900
Non-controlling Interest in Subsidiary Companies		–	–	–	57,434,049	60,101,725
TOTAL EQUITY		116,921,483	122,450,010	117,842,548	232,901,018	239,572,624
ASSETS						
Current Assets						
Cash and Cash Equivalents	9	3,518,200	460,703	4,310,520	5,473,235	4,956,241
Trade and Other Receivables	10	4,982,505	5,044,660	5,283,228	5,576,608	6,662,459
Inventories	11	1,440,563	1,514,422	1,445,049	1,440,563	1,445,052
Non-Current Assets Held for Sale	12	–	390,000	577,000	–	577,000
Other Investments	17	1,519,131	–	1,872,927	1,519,131	1,872,927
Other Financial Assets		–	15,433,155	–	–	–
Tax Refundable		80,732	–	80,732	479,563	492,101
Derivative Financial Instruments	13	–	–	–	–	–
Total Current Assets		11,541,131	22,842,940	13,569,456	14,489,100	16,005,780
Non-Current Assets						
Other Receivables	14	5,201,500	3,016,535	2,692,918	5,201,500	2,692,918
Investment Property	15	48,320,999	47,598,499	48,310,500	88,321,000	48,310,500
Investments in Subsidiaries and Associates	16	18,324,504	19,967,086	17,965,683	42,078,983	43,657,844
Other Investments	17	17,782,522	10,368,809	20,983,371	28,506,909	31,407,701
Property, Plant and Equipment	18	19,164,908	20,949,120	18,191,899	57,716,420	98,348,774
Intangible Assets	19	590,823	1,874,729	246,969	590,823	246,969
Biological Assets	20	1,555,536	1,614,244	1,120,240	1,555,536	1,120,240
Capital Projects in Progress	18	376,976	–	570,094	433,000	4,520,288
Deferred Taxation Asset	7	–	–	–	578,912	448,412
Total Non-Current Assets		111,317,768	105,389,022	110,081,673	224,983,082	230,753,645
TOTAL ASSETS		122,858,899	128,231,962	123,651,129	239,472,183	246,759,425
LIABILITIES						
Current Liabilities						
Bank Overdraft					27,954	70,776
Trade and Other Payables	21	4,408,975	4,339,595	4,312,172	4,954,860	5,541,899
Provisions	24	–	–	–	24,976	22,742
Borrowings	23	–	–	–	3,978	11,147
Tax Liability		–	–	–	–	–
Employee Benefit Liabilities	22	1,479,583	1,330,326	1,373,493	1,507,048	1,414,093
Total Current Liabilities		5,888,558	5,669,921	5,685,665	6,518,817	7,060,657

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

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Non-Current Liabilities						
Employee Benefit Liabilities	22	48,858	112,031	122,917	48,857	122,915
Provisions Non-Current	24	–	–	–	–	–
Borrowings	23	–	–	–	3,484	3,225
Total Non-Current Liabilities		48,858	112,031	122,917	52,341	126,140
TOTAL LIABILITIES		5,937,416	5,781,952	5,808,581	6,571,163	7,186,796
NET ASSETS		116,921,483	122,450,010	117,842,548	232,901,018	239,572,624

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:

– Are greater than budget as council held a higher level of short-term cash investments as at 30 June 2011. For further information, refer to the variance explanation for Other Investments.

Other Investments (current and non-current) are higher than budget due to:

– A change in classification of investments in stocks and bonds to 'Other Investments' from 'Other Financial Assets' in the 2010-2011 Annual Plan. Other Financial Assets were budgeted to be $15.4 million in the 2010-2011 Annual Plan, however in the Annual Report they are nil. Other Investments is $8.9 million greater than budget. This leaves a shortfall of $6.5 million. $3 million can be explained by the increase in Cash and Cash Equivalents compared to budget and the remaining variance is due to the purchase of a further property for $4.45 million on the proposed Marsden Point Rail corridor. Council had planned to on-sell the property prior to 30 June 2011, but had not been successful in doing so.

Non-Current Assets held for sale are less than budget due to:

– Council reclassifying these properties as Investment Properties.

Other Receivables are greater than budget due to:

– Council purchasing a further property along the proposed Marsden Point Rail Corridor for $4.45 million, with KiwiRail's liability for their 50 percent share being recognised in this balance.

Investment Properties is higher than budget due to:

– The purchase of a further property along the proposed Marsden Point Rail Link, with council's 50 percent share being $2.225 million and the transfer of properties held for sale of $577,000. These increases were offset by a fair value decrease in Investment Property of $2.795 million. Council did not budget for a fair value decrease in the value of its Investment Properties.

Property Plant and Equipment and Capital Projects in Progress is less than budget due to:

– Number of Information Technology related projects and upgrades being deferred.

Intangible Assets is less than budget due to:

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

Liabilities

– Increased subsidy revenue and additional fees and charges.

There are no significant variances against budget.

18 October 2011	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 2011

	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers		7,823,530	6,943,782	9,923,743	10,592,748	15,201,723
Interest received		1,890,884	2,088,758	2,054,102	1,908,846	2,069,368
Dividends received	4	1,218,460	1,367,712	1,218,460	4,497,882	3,523,428
Receipts from Rates Revenue		13,047,081	13,187,795	12,029,757	13,047,081	12,029,757
Subsidies and Grants received		1,245,795	1,399,363	3,718,752	1,771,831	4,104,751
Taxation refund		–	–	–	155,965	127,987
Payments to Suppliers and Employees/Members		(23,993,859)	(23,748,517)	(36,853,687)	(28,001,466)	(43,794,902)
Interest paid		(37,710)	(1,000)	–	(50,964)	(37,449)
Income Tax paid		–	–	(330,539)	(13,060)	(648,551)
Net Goods and Services Tax received (paid)		287,668	–	113,220	(85,109)	124,680
NET CASH FROM OPERATING ACTIVITIES		1,481,849	1,237,893	(8,126,191)	3,823,754	(7,299,208)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of Property, Plant and Equipment		89,445	–	61,844	92,556	61,847
Receipt from sale of Property Held for Sale		–	–	83,300	–	83,300
Proceeds from sale of Investment Property		–	–	24	–	557,923
Proceeds from the sale of Shares in Associates and Subsidiaries		–	–	–	–	(1,856)
Receipt from the sale of Investment Stocks and Bonds		3,777,971	500,000	20,455,318	3,853,613	20,455,315
Purchase of Other Receivables		(2,508,582)	–	323,618	(2,508,582)	323,618
Investments withdrawn		–	–	–	677,450	–
Purchase of Property, Plant and Equipment		(1,403,977)	(2,225,580)	(2,212,478)	(1,939,517)	(3,297,422)
Purchase of Investment Property		(2,229,027)	–	(92,844)	(2,229,027)	(92,844)
Purchase of Investment Stocks and Bonds		–	–	(8,853,700)	(150,887)	(8,893,421)
NET CASH FROM INVESTING ACTIVITIES		(2,274,169)	(1,725,580)	9,765,081	(2,204,394)	9,196,460
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		–	–	–	(1,050,398)	(1,055,755)
Settlement of Borrowings		–	–	–	(9,146)	(20,541)
NET CASH FROM FINANCING ACTIVITIES		–	–	–	(1,059,544)	(1,076,296)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		(792,320)	(487,687)	1,638,890	559,814	820,959
Cash, Cash Equivalents and Bank Overdrafts at the beginning of the year		4,310,520	948,390	2,671,630	4,885,467	4,064,506
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR		3,518,200	460,703	4,310,520	5,445,281	4,885,465

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 2011

	Note	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Net Surplus/(Deficit) after Taxation		(2,192,802)	(7,337,201)	1,316,055	(5,421,586)
Add (Less) Non-Cash Items					
Depreciation and Amortisation	18	838,537	837,473	949,174	917,418
Taxation charged to the Surplus/(Deficit)		–	(80,732)	–	(80,732)
Deferred Taxation		–	–	(130,501)	(19,559)
Share of Associate Companies' Retained Surplus		–	–	(715,167)	(378,890)
Other Fair Value adjustments		–	–	–	91,929
Other Comprehensive Income adjustments		2,721,188	(118,171)	2,721,188	(118,171)
Impairment Loss recognised		(358,821)	(429,966)	61	50,000
Other Non-Cash Items		–	10,888	(1,803)	10,888
		3,200,904	219,491	2,822,952	472,882
Movements in Working Capital					
Decrease (increase) in Trade and Other Receivables		300,723	886,432	1,085,851	25,960
Decrease (increase) in Inventories		4,489	(430,630)	4,489	(430,630)
Decrease (increase) in Non-Current Assets Held for Sale		–	(187,000)	–	(187,000
(Decrease) increase in Trade and Other Payables		96,803	(1,152,424)	(587,034)	(568,879)
(Decrease) increase in provision for Taxation		–	(330,539)	12,538	(634,125)
(Decrease) increase in Provisions		–	–	2,234	472
(Decrease) increase in Employee Benefit Liabilities		32,032	43,167	18,897	9,161
		434,046	(1,170,993)	536,974	(1,785,040)
Movements in Other Activities					
Realised (gains)/loss on sale of Assets/Investments	5	39,702	(24,488)	42,400	(22,903)
FV adjustment on Property Held for Sale		–	187,000	–	187,000
Investment Income reinvested		–	–	(820,306)	(815,410)
Non-Operating Capital Items included in Working Capital Movements		–	–	(74,261)	85,849
		39,702	162,512	(852,167)	(565,464)
Net Cash Flows from Operating Activities		1,481,849	(8,126,191)	3,823,754	(7,299,208)

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

Statement of Accounting Policies

For the year ended 30 June 2011

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 18 October 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 year-end 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 IFRS 7 Financial Instruments*: Disclosures – the effect of early adopting these amendments is the following information is no longer disclosed:
  - The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
  - The maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount in the statement of financial position.
- *NZ IAS 24 Related Party Disclosures:* (Revised 2009) – the effect of early adopting the revised NZ IAS 24 is:
  - More information is required to be disclosed about transactions between the Council and entities controlled, jointly controlled, or significantly influenced by the Crown.
  - Commitments with related parties require disclosure; and
  - Information is required to be disclosed about any related party transactions with Ministers of the Crown.
- *New Zealand Units (Forestry) – Emissions Trading Scheme:* The council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (ETS). The implication of this for the financial statements is two-fold:
  - Should the land be deforested (i.e. the land is changed from forestry to some other purpose), a deforestation penalty will arise;
  - As a result of the deforestation restriction, compensation units are being provided by the Government.

Council will recognise credits received at deemed cost based on the fair value at the date of receipt. Council will only disclose a liability or contingent liability if deforestation has occurred or is planned to occur.

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 three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been

Statement of Accounting Policies

For the year ended 30 June 2011

completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. . The new standard is required to be adopted for the year ended 30 June 2014. Council has not yet assessed the effect of the new standard and expects it will not be adopted early.

– *FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments):* These were issued in may 2011 with the purpose of harmonising Australia and New Zealand's accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012. The council has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

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 the council or where the determination of such policies is unable to materially impact on the level of potential ownership benefits that arise from the activities of the subsidiary.

Any excess of the cost of the business combination over the council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the council's 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 Northland Regional Council 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 percent and 50 percent 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 council's 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 council's share of deficits of an associate equals or exceeds its interest in the associate, the council discontinues recognising its share of further deficits. After the council interest is reduced to zero, additional deficits are provided for and a liability is recognised, only to the extent that the council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the council will resume recognising its share of those surpluses only after its share of surpluses equals the share of deficits not recognised.

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

The Northland Regional Council 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

Statement of Accounting Policies

For the year ended 30 June 2011

actual service provided as a percentage of the total services provided.

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

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

Where 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 Northland Regional Council 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

Non-discretionary 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 Northland Regional Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Northland Regional Council's decision.

Income Tax

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

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

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

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

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

Statement of Accounting Policies

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transaction, affects neither accounting surplus nor taxable surplus.

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

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

Leases

Operating Leases

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

Finance Leases

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

At the commencement of the lease term, the Northland Regional Council 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 derivatives 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 at offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as a non-current 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

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instrument is recognised in the surplus or deficit as part of finance costs.

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

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

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

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently 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 Northland Regional Council classifies its financial assets into the following four categories:

– Financial Assets at Fair Value through Surplus or Deficit;
– Loans and Receivables;
– Held-to-maturity Investments; and
– Financial at Fair Value through Other Comprehensive Income.

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

– *Financial assets at fair value through surplus or deficit*

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

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

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

After initial recognition, financial assets in this category are measured at their fair values. Gains or losses on remeasurement are recognised in 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 non-current 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 non-current assets.

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

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

– ***Financial Assets at Fair Value through other comprehensive income***

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

This category includes:

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

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 deficit.

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

Impairment of Financial Assets

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

– ***Loans and Other Receivables, and held-to maturity investments***

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

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

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nominal consideration, the cost is the current replacement cost at the date of acquisition.

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

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

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

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

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

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

Property, Plant and Equipment

Property, plant and equipment consist of:

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

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

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

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

Revaluation

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) Limited 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 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:

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For the year ended 30 June 2011

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

Amenities owned by Northland Port Corporation (NZ) Limited 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 with the development of software for internal use by council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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, 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 percent 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.

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New Zealand Units (Forestry) – Emissions Trading Scheme

The council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (ETS). The implication of this for the financial statements is two-fold:

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

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

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

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

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.

Statement of Accounting Policies

For the year ended 30 June 2011

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 Northland Regional Council.

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) Limited

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

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 Northland Regional Council has established council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

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.

Statement of Accounting Policies

For the year ended 30 June 2011

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 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 one percent 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.

Northland Port Corporation (NZ) Limited 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

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Notes to the Financial Statements

For the year ended 30 June 2011

Note 1: Summary of Council Cost of Services	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Income						
Democracy and Corporate Services		4,528,601	4,275,301	4,943,001		
Regional Information and Engagement		1,418,651	1,554,147	916,962		
Regional Economic Development		2,930,407	3,016,310	6,827,756		
Resource Management Planning		879,265	1,035,014	787,711		
Transport		2,269,783	2,384,485	2,375,009		
Consents		1,931,011	1,743,662	2,023,692		
Environmental Monitoring		4,544,289	4,360,601	3,398,485		
Land and Rivers		3,633,350	3,639,831	3,338,959		
Biosecurity		2,123,626	2,055,451	1,890,229		
Emergency Management		243,739	194,432	178,613		
Maritime		1,404,929	1,330,940	1,297,999		
Support Services		26,444	–	17,999		
Total Income as per Activity Cost and Funding Statements		**25,934,095**	**25,590,174**	**27,996,415**		
Add/(Remove)						
Rate Penalties Discounts and Remissions		429,102	–	361,316		
Internal Finance Costs		(657,283)	(602,766)	(186,150)		
Other Gains/(Losses) from changes in Fair Value and disposal of Assets and Investments		(2,402,069)	92,961	572,626		
Total Revenue and Rates as per Statement of Comprehensive Income		**23,303,845**	**25,080,369**	**28,744,207**		
Expenditure						
Democracy and Corporate Services		1,994,420	1,765,494	2,102,992		
Regional Information and Engagement		1,767,275	1,959,024	1,571,816		
Regional Economic Development		3,686,815	2,396,311	13,400,793		
Resource Management Planning		1,142,012	1,336,427	1,282,406		
Transport		2,273,450	2,476,549	2,436,307		
Consents		2,104,568	2,050,603	2,390,646		
Environmental Monitoring		5,477,196	5,276,044	4,916,382		
Land and Rivers		3,770,756	3,711,386	4,152,536		
Biosecurity		2,260,404	2,249,551	2,374,755		
Emergency Management		271,669	212,757	248,753		
Maritime		1,405,365	1,516,009	1,470,902		
Support Services		–	–	–		
Total Expenditure as per Activity Cost and Funding Statements		**26,153,930**	**24,950,155**	**36,348,289**		
Add/(Remove)						
Internal Finance Costs		(657,283)	(602,766)	(186,150)		
Total Expenditure as per Statement of Comprehensive Income		**25,496,647**	**24,347,389**	**36,162,139**		
Operating Expenditure disclosed as:						
Personnel Costs	6	9,328,954	9,874,880	9,122,622	10,496,061	10,307,913
Depreciation and Amortisation	18	838,537	1,097,872	837,473	949,174	917,418
Finance Costs	3	37,710	1,000	–	50,964	36,820
Other Expenditure on Activities		15,291,446	13,373,637	26,202,043	18,180,407	29,248,632
Other Expenditure		–	–	–	–	3,000,000
		25,496,647	**24,347,389**	**36,162,139**	**29,676,607**	**43,510,784**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 1: Summary of Council Cost of Services continued	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Operating Expenditure includes:						
Audit Fees paid to Principal Auditor:						
Audit Fees for Financial Statement Audit of Council		124,504	134,290	98,470	248,719	224,153
Audit Fees for Financial Statement Audit of CCO		7,573	–	15,000	7,573	–
Audit Fees for Long Term Council Community Plan and Annual Plan Audit		–	–	–	–	–
Fees for Other Services		–	–	–	15,133	5,478
Audit Fees paid to other auditors		–	–	–	5,083	4,950
Directors'/Councillors' fees and Trustee Remuneration		499,026	515,039	494,090	647,859	638,590
Donations [1]		1,577,037	100,000	11,670,679	435	1,206,256
Insurance Premiums		156,860	183,000	183,537	156,860	183,537
Interest Expenses		37,710	1,000	–	50,964	36,820
Operating Lease payments		–	–	–	71,154	55,063
Bad Debts written off		282,357	–	308,416	282,357	308,416
Rates Arrears written off		210,862	–	31,112	210,862	31,112
Direct Operating Expenditure on Investment Properties		248,306	90,000	51,762	248,306	51,762

[1] During the period Council made a gift of $1,477,034 to Enterprise Northland for it to further economic development by contributing to the funding of the development of the Northland Events Centre (2010: $10,365,679). Enterprise Northland, in turn provided funding towards the Northland Events 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 2011

Note 2: Rates Revenue

	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Targeted Rates attributable to Activities					
Targeted Council Services Rate	5,613,643	5,494,979	4,573,502	5,613,643	4,573,502
Targeted Land Management Rate	4,152,755	4,165,158	3,838,070	4,152,755	3,838,070
Regional Recreational Facilities Rate	1,170,534	1,198,620	1,114,993	1,170,534	1,114,993
Regional Infrastructure Rate	540,668	567,521	545,190	540,668	545,190
Rescue Helicopter Services Rate	615,626	629,192	618,030	615,626	618,030
Transport Rate	400,365	410,408	403,790	400,365	403,790
Awanui River Management Rate	504,393	524,566	501,411	504,393	501,411
Kaihū River Management Rate	72,130	78,613	69,987	72,130	69,987
Kaeo River Management Rate	124,933	118,738	121,572	124,933	121,572
Rates Penalties	429,102	–	361,316	429,102	361,316
Total Revenue from Rates	13,624,149	13,187,795	12,147,862	13,624,149	12,147,862

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 Northland Regional Council's rates on its behalf.

	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Total Rates Revenue	14,262,255	13,187,795	12,721,295	14,262,255	12,721,295
Rates Remissions					
Kaipara	10,712	–	7,547	10,712	7,547
Whāngārei	214,814	–	187,823	214,814	187,823
Far North	111,832	–	116,888	111,832	116,888
Rates Postponements					
Kaipara	–	–	–	–	–
Whāngārei	14,980	–	17,970	14,980	17,970
Far North	285,768	–	243,205	285,768	243,205
Total Remissions and Postponements	638,106	–	573,433	638,106	573,433
Rates Revenue Net of Remissions and Postponements	13,624,149	13,187,795	12,147,862	13,624,149	12,147,862

Non-Rated Land

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

Non-rateable land does not constitute a remission under the council's Rates Remission Policy.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 3: Finance Income and Finance Costs	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Finance Income					
Interest Income:					
– Term and Bank Deposits	233,126	1,829,758	677,551	250,665	692,186
– Investment Stock and Bonds	1,382,079	–	1,188,046	1,786,210	1,652,110
– Joint Venture	217,620	259,000	218,115	217,620	218,115
– Other	1,413	–	1,546	1,413	1,546
Total Finance Income	**1,834,238**	**2,088,758**	**2,085,257**	**2,255,908**	**2,563,956**
Finance Costs					
Interest Expense	37,710	1,000	–	50,964	36,820
Total Finance Costs	**37,710**	**1,000**	**–**	**50,964**	**36,820**
Net Finance Income	**1,796,528**	**2,087,758**	**2,085,257**	**2,204,944**	**2,527,136**

Note 4: Revenue from Activities and Other Revenue	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Fees and Charges	4,448,624	3,727,867	4,800,164	5,776,222	6,477,730
Grants and Subsidies [1]	1,245,795	1,399,363	3,718,752	1,245,795	3,718,752
Revenue from Activities	**5,694,419**	**5,127,230**	**8,518,916**	**7,022,017**	**10,196,482**
Investment Income (Rents)	3,201,458	3,184,585	3,067,474	3,503,886	3,319,791
Dividend Income	1,218,460	1,367,712	1,218,460	152,517	137,386
Forestry Revenue	–	–	1,133,611	–	1,133,611
Sundry Income	–	31,329	–	509,198	3,353,281
Emission Trading Scheme - NZU's	133,191	–	–	133,191	–
Northland Port Corporation (NZ) Limited					
– Share of Joint Venture Revenues	–	–	–	791,858	795,138
– Share of Associate Companies' Net Surplus	–	–	–	5,183,256	3,893,002
– Other Income	–	–	–	21,572	24,272
Northland Regional Council Community Trust					
– Realised Income/(Deficit) from Equities	–	–	–	–	153,305
– Unrealised Income/(Deficit) from Equities	–	–	–	413,435	249,416
Other Revenue	**4,553,108**	**4,583,626**	**5,419,545**	**10,708,912**	**13,059,202**

[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 2011

Note 5: Other Revenues and Gains/(Losses)	Note	Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Net Gain on disposal of Assets and Investments, including Capital Profit		–	–	83,300	–	83,300
Net Gain/(Loss) on disposal of Property, Plant and Equipment		(39,702)	–	(58,812)	(37,899)	(58,812)
Gain/(Loss) on changes in Fair Value of Investment Property	16	(2,795,527)	–	619,156	(2,795,527)	619,156
Gain/(loss) on changes in Fair Value of Non-Current Assets Held for Sale	12	–	–	187,000	–	187,000
Gain/(Loss) on changes in Fair Value of Forestry Assets	21	435,296	92,960	(524,484)	435,296	(524,484)
Gain/(Loss) on changes in Fair Value Land		–	–	–	–	(91,929)
Gain/(Loss) on changes in Fair Value Buildings		(360,957)	–	(354,081)	(360,957)	(354,081)
Gain/(loss) on changes in Fair Value of Investments		–	–	190,581	–	190,581
Impairment Loss reversed/(Impairment Loss recognised)		358,821	–	429,966	(71,145)	21,145
PIE excluded Income		–	–	–	26,650	26,364
Foreign Exchange Gains/(Losses)		–	–	–	6,813	8,734
Total Gains/(Losses)		**(2,402,069)**	**92,960**	**572,626**	**(2,796,769)**	**106,974**

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. Impairment Loss reversed/(Impairment Loss recognised) includes an prior period error and required the 2010 comparative financial information to be restated. Refer to Note 37: Prior Period Error for further details.

Note 6: Personnel Costs		Council 30-Jun-11 $	Annual Plan 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Salaries and Wages [1]		9,178,895	9,826,221	8,971,017	10,346,387	10,159,657
Employer contributions to Defined Contibution Plans		118,027	48,659	97,553	118,027	97,553
Increase/(Decrease) in Employee Benefit Liabilities	22	32,032	–	54,053	31,647	50,704
Total Personnel Costs		**9,328,954**	**9,874,880**	**9,122,622**	**10,496,061**	**10,307,913**

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

Notes to the Financial Statements

For the year ended 30 June 2011

Note 7: Taxation

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Components of Tax Expense				
Current Tax Expense/(Credit)	–	(80,732)	–	(174,887)
Deferred Tax Asset	–	–	(109,982)	89,021
	–	(80,732)	(109,982)	(85,866)
Relationship between Tax Expense and Accounting Profit				
Net Surplus/(Deficit)	(2,192,803)	(7,417,933)	1,564,893	(5,507,453)
Surplus/(Deficit) before Tax	(2,192,803)	(7,417,933)	1,564,893	(5,507,453)
Taxation at 30%	(657,841)	(2,225,380)	480,233	(1,652,236)
Adjusted for Tax Effects:				
Tax Paid on Associate Companies' earnings	–	–	(183,093)	(70,344)
Non-Assessable Income	2,725,495	4,166,752	3,409,875	4,497,059
Non-Deductible Expenses	(2,032,841)	(1,905,000)	(2,492,966)	(1,876,215)
Over Provision prior year	–	(80,732)	39,099	(18,668)
Imputation Credits	(522,209)	(545,579)	(1,862,692)	(1,599,813)
Impact of impending change in Company Tax Rate to 28%	–	–	12,169	25,646
Impact of other changes in tax legislation	–	–	–	99,498
Tax Losses not recognised	487,395	509,207	487,395	509,207
Tax Expense/(Credit)	–	(80,732)	(109,982)	(85,866)

Deferred Tax Asset/(Liability)	Property Plant and Equipment $	Financial Instruments $	Employee Entitlements $	Other Provisions $	Losses $	Total $
COUNCIL						
Balance at 1 July 2009	–	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–	–
Charged to Equity	–	–	–	–	–	–
Balance at 1 July 2010	–	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–	–
Charged to Equity	–	–	–	–	–	–
Balance at 1 July 2011	–	–	–	–	–	–
GROUP						
Balance at 1 July 2009	53,935	–	–	19,043	355,875	428,853
Charged to Statement of Financial Performance	(85,141)	–	–	(3,878)	108,578	19,559
Charged to Equity	–	–	–	–	–	–
Balance at 1 July 2010	(31,206)	–	–	15,165	464,453	448,412
Charged to Statement of Financial Performance	(45,751)	–	–	10,215	166,036	130,500
Charged to Equity	–	–	–	–	–	–
Balance at 1 July 2011	(76,957)	–	–	25,380	630,489	578,912

Northland Port Corporation (NZ) Limited Group has Recognised Taxation Losses carried forward of $2,251,747 as at 30 June 2011 (2010: $1,658,761).

Northland Regional Council Community Trust has Unrecognised Tax Losses of $605,108 (2010: $437,975).

Council also has Unrecognised Tax Losses of $3,559,293 as at 30 June 2011 (2010: $1,818,597).

As at 30 June 2011, Northland Port Corporation (NZ) Limited, its subsidiaries and associates held Imputation and Dividend Withholding Tax Credits totalling $3,850,272 (2010: $2,349,031).

Notes to the Financial Statements

For the year ended 30 June 2011

Note 8: Equity	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Accumulated Funds				
As at 1 July	117,842,548	125,095,020	239,572,623	249,685,726
Surplus/(Deficit) for Year	(2,192,802)	(7,337,201)	1,316,053	(5,241,587)
Transfers to/(from) Freehold Land Revaluation Reserves	(58,000)	(80,000)	(8,371,389)	(3,953,465)
Transfers to/(from) Buildings Revaluation Reserves	–	(31,157)	–	(31,157)
Transfers to/(from) Infrastructure Assets Revaluation Reserves	1,106,411		1,106,413	–
Financial Assets at Fair Value through Equity	223,326	195,886	223,326	195,886
Less Dividends paid	–	–	(1,050,398)	(1,055,755)
Hedging Reserve	–	–	104,391	152,976
As at 30 June	116,921,483	117,842,548	232,901,018	239,572,623
Made up of:				
Retained Earnings				
As at 1 July	113,437,534	109,586,100	127,914,564	123,602,160
Surplus/(Deficit) for Year	(2,192,803)	(7,337,201)	(876,949)	(6,875,484)
Transfers from Special Reserves	1,713,447	11,557,831	1,713,447	11,557,831
Transfers to Special Reserves	(990,227)	(369,196)	(990,227)	(369,196)
Dividends paid	–	–	2,125	(747)
As at 30 June	111,967,951	113,437,534	127,762,960	127,914,564
Asset Revaluation Reserve				
As at 1 July	976,790	1,087,947	48,469,047	50,656,768
Revaluation Gains/(Losses) Buildings	–	(31,157)	–	(31,157)
Revaluation Gains/(Losses) Land	(58,000)	(80,000)	(4,514,808)	(2,156,565)
Revaluation Gains/(Losses) Infrastructure Assets	1,106,411	–	1,106,411	–
As at 30 June	2,025,201	976,790	45,060,650	48,469,047
Asset Revaluation Reserve consists of:				
Land	918,790	976,790	43,954,239	48,469,047
Buildings	–	–	–	–
Infrastructure Assets	1,106,411	–	1,106,411	–
Total	2,025,201	976,790	45,060,650	48,469,047
Financial Assets at Fair Value through Equity				
As at 1 July	195,886	–	195,886	–
Transfer to/(from) Accumulated Funds	223,326	195,886	223,326	195,886
As at 30 June	419,212	195,886	419,212	195,886

Notes to the Financial Statements

For the year ended 30 June 2011

Note 8: Equity continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Special Reserves				
Land Management Reserve				
As at 1 July	1,673,039	1,673,039	1,673,039	1,673,039
Transfer to/(from) Accumulated Funds	(280,192)	–	(280,192)	–
As at 30 June	1,392,847	1,673,039	1,392,847	1,673,039
Awanui River Reserve				
As at 1 July	(137,750)	(338,077)	(137,750)	(338,077)
Transfer to/(from) Accumulated Funds	228,066	200,327	228,066	200,327
As at 30 June	90,316	(137,750)	90,316	(137,750)
Kaihū River Reserve				
As at 1 July	(8,684)	(2,817)	(8,684)	(2,817)
Transfer to/(from) Accumulated Funds	(769)	(5,867)	(769)	(5,867)
As at 30 June	(9,453)	(8,684)	(9,453)	(8,684)
Kaeo River Reserve				
As at 1 July	82,111	47,667	82,111	47,667
Transfer to/(from) Accumulated Funds	(18,211)	34,444	(18,211)	34,444
As at 30 June	63,900	82,111	63,900	82,111
Priority Rivers Reserve				
As at 1 July	(324,057)	–	(324,057)	–
Transfer to/(from) Accumulated Funds	65,587	(324,057)	65,587	(324,057)
As at 30 June	(258,470)	(324,057)	(258,470)	(324,057)
Infrastructure Facilities Reserve				
As at 1 July	(603,908)	–	(603,908)	–
Transfer to/(from) Accumulated Funds	(110,622)	(603,908)	(110,622)	(603,908)
As at 30 June	(714,530)	(603,908)	(714,530)	(603,908)
Recreational Facilities Reserve				
As at 1 July	(8,469,650)	2,143,331	(8,469,650)	2,143,331
Transfer to/(from) Accumulated Funds	(1,103,653)	(10,612,981)	(1,103,653)	(10,612,981)
As at 30 June	(9,573,303)	(8,469,650)	(9,573,303)	(8,469,650)
Investment Fund Reserve				
As at 1 July	8,335,297	8,335,297	8,335,297	8,335,297
Transfer to/(from) Accumulated Funds	–	–	–	–
As at 30 June	8,335,297	8,335,297	8,335,297	8,335,297
Forest Income Equalisation Fund				
As at 1 July	2,601,748	2,518,323	2,601,748	2,518,323
Transfer to/(from) Accumulated Funds	(200,000)	83,425	(200,000)	83,425
As at 30 June	2,401,748	2,601,748	2,401,748	2,601,748

Notes to the Financial Statements

For the year ended 30 June 2011

Note 8: Equity continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Special Reserves continued				
Hātea River Reserve				
As at 1 July	–	–	–	–
Transfer to/(from) Accumulated Funds	127,189	–	127,189	–
As at 30 June	127,189	–	127,189	–
Environment Fund Reserve				
As at 1 July	33,192	44,210	33,192	44,210
Transfer to/(from) Accumulated Funds	84,281	(11,018)	84,281	(11,018)
As at 30 June	117,473	33,192	117,473	33,192
Approved Carry Forwards - General Funds				
As at 1 July	51,000	–	51,000	–
Transfer to/(from) Accumulated Funds	485,104	51,000	485,104	51,000
As at 30 June	536,104	51,000	536,104	51,000
Hedging Reserve				
As at 1 July	–	–	(340,936)	(422,946)
Gains/Losses recognised	–	–	55,964	82,010
Transfer to/(from) Accumulated Funds	–	–	–	–
As at 30 June	–	–	(284,972)	(340,936)
Total Special Reserves at 30 June	4,953,532	4,405,014	47,704,009	51,556,335
Non-Controlling Interest	–	–	57,434,049	60,101,725
Total Equity at 30 June	116,921,483	117,842,548	232,901,018	239,572,623

Note 9: Cash and Cash Equivalents	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Cash on Hand at Trading Banks	3,095,452	1,810,520	5,050,487	2,456,241
Term Deposits with maturities less than 3 months	422,748	2,500,000	422,748	2,500,000
Total Cash and Cash Equivalents	3,518,200	4,310,520	5,473,235	4,956,241

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 2011 that were not available for use by the group.

Northland Port Corporation (NZ) Limited

At balance date, the interest rate on the overdraft for Northland Port Corporation (NZ) Limited Group's $400,000 overdraft facility was 9.3% (June 2010: $400,000, 9.55%). Current account deposits held with the ASB Bank are non-interesting bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 2.5% (June 2010: 2.75% - 3.40%).

Notes to the Financial Statements

For the year ended 30 June 2011

Note 10: Trade and Other Receivables	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Rates Receivables	3,709,037	3,342,830	3,709,037	3,342,830
Other Receivables	2,201,983	2,632,835	2,739,726	3,986,202
GST Receivable	287,668	113,220	308,940	119,073
Related Party Receivables (Note 29)	–	–	15,704	1,687
Prepayments	51,568	179,736	70,952	198,060
Gross Debtors and Other Receivables	6,250,256	6,268,621	6,844,359	7,647,852
Less provision for Impairment of Receivables	(1,267,751)	(985,393)	(1,267,751)	(985,393)
Total Trade and Other Receivables	**4,982,505**	**5,283,228**	**5,576,608**	**6,662,459**

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 2011 and 2010, 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:	2011 Gross $	2011 Impairment $	2011 Net $	2010 Gross $	2010 Impairment $	2010 Net $
Council						
Not past due	4,892,084	–	4,892,084	5,191,653	–	5,191,653
Past due 1-60 days	73,260	–	73,260	37,136	–	37,136
Past due 61-120 days	17,161	–	17,161	54,439	–	54,439
Past due > 120 days	1,267,751	(1,267,751)	–	985,393	(985,393)	–
Total	**6,250,256**	**(1,267,751)**	**4,982,505**	**6,268,621**	**(985,393)**	**5,283,228**
Group						
Not past due	5,486,187	–	5,486,187	6,570,884	–	6,570,884
Past due 1-60 days	73,260	–	73,260	37,136	–	37,136
Past due 61-120 days	17,161	–	17,161	54,439	–	54,439
Past due > 120 days	1,267,751	(1,267,751)	1	985,393	(985,393)	–
Total	**6,844,359**	**(1,267,751)**	**5,576,608**	**7,647,852**	**(985,393)**	**6,662,459**

Notes to the Financial Statements

For the year ended 30 June 2011

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-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Individual Impairment	93,939	66,439	93,939	66,439
Collective Impairment	1,173,812	918,954	1,173,812	918,954
Total provision for Impairment	**1,267,751**	**985,393**	**1,267,751**	**985,393**

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	93,939	66,439	93,939	66,439
Total Individual Impairment	**93,939**	**66,439**	**93,939**	**66,439**

Movements in the provision for impairment of receivables are as follows				
At 1 July	985,394	676,979	985,394	676,979
Additional provisions made during the year	493,219	339,527	493,219	339,527
Receivables written off during the period	(210,862)	(31,112)	(210,862)	(31,112)
At 30 June	1,267,751	985,394	1,267,751	985,394

Note 11: Inventories

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Stores and Materials [1]	124,252	147,249	124,252	147,249
Marsden to Oakleigh Rail Corridor Designation [2]	1,316,311	1,297,800	1,316,311	1,297,800
	1,440,563	1,445,049	1,440,563	1,445,049

[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. At this time, KiwiRail is reviewing its rail corridors and the Marsden Point Rail Link is not expected to be built in the foreseeable future.This accounting treatment is in accordance with Accounting Standard NZ IAS 2: Inventories. Refer to Note 27 for further information on the joint venture between council and ONTRACK.

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

Notes to the Financial Statements

For the year ended 30 June 2011

Note 12: Non-Current Assets Held for Sale	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Balance 1 July	577,000	390,000	577,000	390,000
Transfers from Investment Properties	–	–	–	–
Properties purchased	–	–	–	–
Properties transferred to Investment Properties	(577,000)		(577,000)	–
Reclassification of Asset to Other Receivables	–	–	–	–
Properties sold during the year	–	–	–	–
Fair Value Gains/(Loss) on Valuation (Note 5)	–	187,000	–	187,000
Total Non-Current Assets Held for Sale	–	577,000	–	577,000

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. For the year ending 30 June 2010, assets held for sale was comprised of two leasehold properties held by council, available for sale. As the properties have not been actively marketed they do not meet the requirements to continue to be classified as assets held for sale and so have been transferred to Investment Property - refer Note 16.

Note 13: Derivative Financial Instruments

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

At 30 June 2011, the associate entity Northport Ltd, together with its associate North Tugz Ltd, were party to fixed interest swap contracts with principal amounts totalling $42,000,000 and $9,350,000 respectively (2010 - $44,500,000 and $7,750,000).

Note 14: Other Receivables	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Other Receivables	5,201,500	2,692,918	5,201,500	2,692,918
	5,201,500	2,692,918	5,201,500	2,692,918

Other Receivables relate to the outstanding amount owed to council from ONTRACK relating to the Northland Regional Council/ONTRACK Unincorporated Joint Venture. Refer to Note 26 for further information on the Joint venture between council and ONTRACK.

In January 2009 KiwiRail and the Northland Regional Council entered into a Rail Corridor Acquisition Agreement to secure the Marsden Point Rail Corridor. In the agreement, it was agreed that council would acquire the land and KiwiRail would procure the designation for the Marsden Point Rail Link. The parties agreed to share equally in the cost of acquiring and holding and managing the land, the cost of subdividing the rail corridor, the cost of obtaining the designation, the income from leasing the land and the costs and proceeds arising from disposing of the surplus land.

There were no impairment provisions for other receivables.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 15: Investment Property	Note	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Balance at 1 July		48,310,500	47,598,499	88,310,500	47,598,499
Additions from acquisitions		2,229,027	92,845	2,229,027	92,845
Disposals		–	–	–	–
Transfers to Property Held for Sale		–	–	–	–
Transfers from Property Held for Sale	12	577,000	–	577,000	–
Fair Value gains/(losses) on Valuation	4	(2,795,527)	619,156	(2,795,527)	619,156
Balance at 30 June		48,320,999	48,310,500	88,321,000	48,310,500

Council

Investment properties are stated at fair value, effective 30 June 2011. The valuation has been undertaken by Telfer Young (Northland) Ltd who are independent valuers that hold a recognised and relevant professional qualification and who have recent experience. Values for investment properties valued under NZ IAS 40 have been assessed primarily on a market related basis where sufficient data is available. For commercial properties, rentals, investment return rates and land improvement levels have been related directly to a wide range of Northland sales evidence while for rural blocks direct sales analysis has been used.

The council's investment properties comprise ground leases of $35,790,000 (2010: $36,788,000) and land and buildings held for investment purposes of $8,776,000 (2010: $9,470,000) and properties purchased along the proposed Marsden Point Rail corridor of $3,755,000 (2010: $2,052,500). 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 eight properties have been purchased. Seven of these properties were purchased during the 2007-2008 and 2008-2009 and one further property was purchased in the 2010-2011 year. The total acquisition cost of these properties is $11,322,000 with council's half share being $5,661,000.

A Joint Venture has been established between the Northland Regional Council and 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.

Northland Port Corporation (NZ) Limited

Effective 30 June 2011, the Group determined that certain property holdings (comprising an overall area of some 62.54ha) warranted being transferred to investment property (from property plant and equipment). The transfer was considered appropriate as the property in question is no longer regarded as owner occupied and it is being held with the specific intention of earning rental income. The valuations were performed in accordance with NZ IAS 40 as at 30 June 2011, by John Hudson of Telfer Young (Northland) Ltd, an industry specialist in valuing these types of assets. The fair value, highest and best use approach has been adopted. The valuation was assessed in accordance with NZ IAS 40 which defines 'fair value' as being the amount at which as asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

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

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Rental Income	3,201,458	3,067,474	3,201,458	3,067,474
Expenses from Investment Property generating income	248,306	48,857	248,306	48,857

Notes to the Financial Statements

For the year ended 30 June 2011

Note 16: Investments in Subsidiaries and Associates	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Council				
Investment in Northland Regional Council Community Trust	10,496,941	10,138,120	–	–
Shares in Northland Port Corporation (NZ) Limited (22.14 million shares)	7,827,563	7,827,563	42,078,983	43,657,844
Total Investments in Subsidiaries and Associates	**18,324,504**	**17,965,683**	**42,078,983**	**43,657,844**

The investments in the subsidiary and associate entities are carried at cost (subject to impairment) in the Northland Regional Council's (parent entity) balance sheet. As at 30 June 2011, the Northland Regional Council Community Trust (NRCCT) fund was valued at $10.5 million (2010: $9.959M). In 2006, council vested $12.14 million to NRCCT to establish a trust fund. The accounting policy of council is to carry its subsidiaries at cost. In accordance with NZ IAS, council is required to impair this asset to the estimated recoverable amount.

The following impairment/reversal of impairment has been made:

Opening Value of investment in subsidiary Northland Regional Council Community Trust	**12,139,523**	
Impairment made in 2009	(2,431,369)	
Impairment reversed in 2010	429,966	
Impairment reversed in 2011	358,821	
Closing Value of investment in subsidiary Northland Regional Council Community Trust	**10,496,941**	
Northland Regional Council Community Trust		
Current Assets	458,864	1,126,953
Non-Current Assets	10,306,813	10,002,477
Current Liabilities	265,252	988,085
Non-Current Liabilities	3,484	3,225
Net Assets	10,496,941	10,138,120
Total Investment at Cost	**10,496,941**	**10,138,120**

Correction of prior period error

In 1996, the council acquired its investment in Northland Regional Council Community Trust (NRCCT) at a cost of $12.14 million. The acquisition funds were used to establish a trust fund for use, subject to certain stipulations, by the entity. In the 2011 financial year, council has corrected a prior period error. In 2009 the fund had a value of $9.7 million and council held its investment in NRCCT at historical cost. In accordance with IAS 36 Impairment of Assets, council should have recognised the impairment of $2,431,369 of its investment in NRCCT. Recognising the impairment would restate the value of council's investment in NRCCT to the market value of its fund - $9.7 million. In 2010, a reversal of the impairment of $429,966 is to be recognised. The financial statements for 2010, which are presented as comparative information in the 30 June 2010 financial statements, have been rested to correct this error. At 30 June 2011, the fund had a value of $10.497 million (2010: 10.138M). Refer Note 5: Other Revenues and Gains.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 16: Investments in Subsidiaries and Associates continued

Northland Port Corporation (NZ) Limited

Northland Port Corporation (NZ) Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2011, is $1.62 per share (2010: $1.63 per share). The shares are held at historical cost of $0.35 cents per share. Council shareholding in Northland Port Corporation (NZ) Limited is 53.61%.

Shares in Northland Port Corporation (NZ) Limited - Investments in Associate Companies

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

	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Current Assets	3,691,723	4,184,076
Non-Current Assets	124,206,221	98,003,132
Current Liabilities	4,549,244	42,253,790
Non-Current Liabilities	35,368,768	1,855,349
Net Assets	**87,979,932**	**58,078,069**
Group Share of Net Assets (50%)	43,989,966	29,039,035
Land Revaluation not recognised by Northport Ltd	–	16,634,651
Other consolidation adjustments	(1,911,121)	(2,015,980)
Total Investment in Associate Companies	**42,078,845**	**43,657,706**
Opening Carrying Value	43,657,706	42,522,500
Share of After Tax Surplus	5,183,256	3,893,002
Dividends paid	(4,468,089)	(3,514,112)
Share of Land Revaluation Movement	(2,398,420)	603,340
Share of Hedge Reserve Movement	104,392	152,976
	42,078,845	43,657,706

The majority of the valuation of Northport Limited's land relates to areas of reclamation for which title or beneficial interest has yet to be established. The valuation assumes that this will be grated in some form but to cater for the uncertainty associated with this process, the valuation of the relevant areas has been discounted by rates of either 15% or 20% dependent on the level of applicable uncertainty. The land revaluation of $14,236,231 as shown above is stated net of discount amounting to $7,527,182.

The current lease of the reclaimed land at Marsden Point, which is the land upon which Northport's Marsden Point facilities are sited, expire on 30 September 2011. Northland Port Corporation (NZ) Limited is currently in negotiations with the Crown to secure a long term lease arrangement for this land, which also protects its right to apply for freehold title. The directors of Northland Port Corporation (NZ) Limited are confident that a long term lease or vesting arrangement will be negotiated with the crown.

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 27 and 28.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 17: Other Investments	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Current Portion				
Term Deposits, Local Authority and Government Stock and Other Securities [1]	1,519,131	1,872,927	1,519,131	1,872,927
Total Current Portion	1,519,131	1,872,927	1,519,131	1,872,927
Non-Current Portion				
Term Deposits, Local Authority and Government Stock and Other Securities [1]	17,649,331	20,983,371	18,120,530	21,448,256
Advances	–	–	–	–
Other Investments [2]	–	–	10,253,188	9,959,445
Emission Trading Scheme - NZU's	133,191	–	133,191	–
Total Non-Current Portion	17,782,522	20,983,371	28,506,909	31,407,701
Balance of Other Investments at 30 June	19,301,653	22,856,298	30,026,040	33,280,628
[1] **Term Deposits, Local Authority and Government Stock and Other Securities**				
Term Deposits, Local Authority and Government Stock	19,168,462	22,856,298	19,168,462	22,856,298
Fonterra Co-operative Group Ltd - Shares	–	–	445,229	438,915
Balance Agri-Nutrients Ltd - Shares	–	–	25,970	25,970
	19,168,462	22,856,298	19,639,661	23,321,182

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 2011 is $18,401,000 (2010: $20,146,969).

Emissions Trading Scheme

The council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (ETS). Council will recognise credits received at deemed cost based on the fair value at the date of receipt. Council received the first tranche of 6,693 units in December 2010.

Other Investments

[2] **Northland Regional Council Community Trust Investment**

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 2011, Northland Port Corporation (NZ) Limited and its Group held 98,502 shares in Fonterra Co-operative Group Ltd having a disclosed fair value of $4.52 per share (2010: total holding of 97,105 shares at an average of $4.52 per share).

Balance Agri-Nutrients Ltd Shares

As at 30 June 2011, Northland Port Corporation (NZ) Limited and its 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 (2010: 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	3.0%	4.9%	3.0%	4.9%
Other Securities	6.5%	7.0%	9.5%	9.5%

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Freehold Land				
Freehold Land - at Cost - Opening Balance	–	–	–	–
Freehold Land - at Valuation - Opening Balance	1,425,000	1,505,000	1,425,000	1,505,000
Less Accumulated Depreciation	–	–	–	–
Total Freehold Land - Opening Balance	**1,425,000**	**1,505,000**	**1,425,000**	**1,505,000**
Additions	243,000	–	243,000	–
Disposals	–	–	–	–
Accumulated Depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	(58,000)	(80,000)	(58,000)	(80,000)
Depreciation Expense	–	–	–	–
Total Freehold Land - Closing Balance	**1,610,000**	**1,425,000**	**1,610,000**	**1,425,000**
Land at Cost - Closing Balance	–	–	–	–
Land at Valuation - Closing Balance	1,610,000	1,425,000	1,610,000	1,425,000
Less Accumulated Depreciation	–	–	–	–
Total Freehold Land - Closing Balance	**1,610,000**	**1,425,000**	**1,610,000**	**1,425,000**
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 Depreciation	–	–	–	–
Total Other Land - Closing Balance	**706,856**	**706,856**	**706,856**	**706,856**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Freehold Land - Port				
Freehold Land Port - at Cost - Opening Balance	–	–	–	–
Freehold Land Port - at Valuation - Opening Balance	–	–	79,700,000	83,300,000
Less Accumulated Depreciation	–	–	–	–
Total Freehold Land Port - Opening Balance	**–**	**–**	**79,700,000**	**83,300,000**
Additions	–	–	582,231	968,734
Disposals	–	–	–	–
Accumulated Depreciation on Disposals	–	–	–	–
Transfer between asset classes	–	–	(36,167,263)	–
Revaluation Movement	–	–	(5,914,968)	(4,568,734)
Depreciation Expense	–	–	–	–
Total Freehold Land Port - Closing Balance	**–**	**–**	**38,200,000**	**79,700,000**
Land at Cost - Closing Balance	–	–	–	–
Land at Valuation - Closing Balance	–	–	38,200,000	79,700,000
Less Accumulated Depreciation	–	–	–	–
Total Freehold Land Port - Closing Balance	**–**	**–**	**38,200,000**	**79,700,000**
Buildings				
Buildings - at Cost - Opening Balance	–	–	–	–
Buildings - at Valuation - Opening Balance	5,425,000	5,703,000	5,425,000	5,703,000
Total Buildings Cost/Valuation	**5,425,000**	**5,703,000**	**5,425,000**	**5,703,000**
Accumulated Depreciation	–	–	–	–
Total Buildings - Opening Balance	**5,425,000**	**5,703,000**	**5,425,000**	**5,703,000**
Additions	95,957	107,238	95,957	107,238
Disposals	–	–	–	–
Accumulated Depreciation on Disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	(360,957)	(385,238)	(360,957)	(385,238)
Depreciation Expense	–	–	–	–
Total Buildings - Closing Balance	**5,160,000**	**5,425,000**	**5,160,000**	**5,425,000**
Buildings - at Cost - Closing Balance	–	–	–	–
Buildings - at Valuation - Closing Balance	5,160,000	5,425,000	5,160,000	5,425,000
Total Buildings Cost/Valuation	**5,160,000**	**5,425,000**	**5,160,000**	**5,703,000**
Accumulated Depreciation	–	–	–	–
Total Buildings - Closing Balance	**5,160,000**	**5,425,000**	**5,160,000**	**5,425,000**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Infrastructure				
Infrastructure - at Cost - Opening Balance	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 Opening Balance	**6,895,550**	**6,901,498**	**6,895,550**	**6,901,498**
Additions	–	–	–	–
Disposals	–	–	–	–
Accumulated Depreciation on Disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation Movement	1,106,411	–	1,106,411	–
Depreciation Expense	–	(5,948)	–	(5,948)
Total Infrastructure Closing Balance	**8,001,961**	**6,895,550**	**8,001,961**	**6,895,550**
Infrastructure - at Cost - Closing Balance	–	6,925,283	–	6,925,283
Infrastructure - at Valuation - Closing Balance	8,001,961	–	8,001,961	–
Total Infrastructure Cost/Valuation	**8,001,961**	**6,925,283**	**8,001,961**	**–**
Less Accumulated Depreciation	–	(29,733)	–	(29,733)
Total Infrastructure Closing Balance	**8,001,961**	**6,895,550**	**8,001,961**	**6,895,550**
Amenities				
Amenities - at Cost - Opening Balance	–	–	815,357	865,357
Less Accumulated Depreciation	–	–	(479,026)	(439,328)
Total Amenities Opening Balance	**–**	**–**	**336,331**	**426,029**
Additions	–	–	41,957	–
Disposals	–	–	(1,190)	–
Accumulated Depreciation on Disposals	–	–	–	–
Transfer between asset classes	–	–	(100,000)	–
Revaluation Movement	–	–	–	–
Impairment Loss	–	–	–	(50,000)
Depreciation Expense	–		(67,506)	(39,698)
Total Amenities Closing Balance	**–**	**–**	**209,592**	**336,331**
Amenities - at Cost	–	–	756,124	865,357
Less Impairment Loss	–	–	–	(50,000)
Less Accumulated Depreciation	–	–	(546,532)	(479,026)
Total Amenities Closing Balance	**–**	**–**	**209,592**	**336,331**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Plant and Equipment				
Plant and Equipment- at Cost - Opening Balance	6,252,655	5,166,860	6,911,137	5,822,554
Less Accumulated Depreciation	(4,171,426)	(3,736,328)	(4,734,832)	(4,278,309)
Total Plant and Equipment Opening Balance	**2,081,228**	**1,430,531**	**2,176,304**	**1,544,244**
Additions	455,853	1,093,812	498,330	1,096,600
Disposals	(855,007)	(8,017)	(859,640)	(8,017)
Accumulated Depreciation on Disposals	844,923	7,662	848,962	7,662
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(459,207)	(442,760)	(489,942)	(464,185)
Total Plant and Equipment Closing Balance	**2,067,790**	**2,081,228**	**2,174,014**	**2,176,304**
Plant and Equipment - at Cost	5,853,501	6,252,655	6,549,827	6,911,137
Less Accumulated Depreciation	(3,785,710)	(4,171,426)	(4,375,812)	(4,734,832)
Total Plant and Equipment Closing Balance	**2,067,790**	**2,081,228**	**2,174,014**	**2,176,304**
Leased Equipment				
Leased Equipment - at Cost - Opening Balance	–	–	66,548	71,555
Less Accumulated Depreciation	–	–	(54,901)	(50,704)
Total Leased Equipment Opening Balance	**–**	**–**	**11,647**	**20,851**
Additions	–	–	5,192	4,880
Disposals	–	–	(27,617)	(9,887)
Accumulated Depreciation on Disposals	–	–	22,440	8,293
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	–	–	(5,164)	(12,490)
Total Leased Equipment Closing Balance	**–**	**–**	**6,498**	**11,647**
Leased Equipment - at Cost	–	–	44,123	66,548
Less Accumulated Depreciation	–	–	(37,625)	(54,901)
Total Leased Equipment Closing Balance	**–**	**–**	**6,498**	**11,647**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Navigational Aids				
Navigational Aids - at Cost - Opening Balance	505,792	400,203	505,792	400,203
Less Accumulated Depreciation	(304,980)	(288,342)	(304,980)	(288,342)
Total Navigational Aids Opening Balance	**200,812**	**111,861**	**200,812**	**111,861**
Additions	29,519	112,408	29,519	112,408
Disposals	(8,612)	(6,819)	(8,612)	(6,819)
Accumulated Depreciation on Disposals	2,124	3,894	2,124	3,894
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(26,298)	(20,532)	(26,298)	(20,532)
Total Navigational Aids Closing Balance	**197,545**	**200,812**	**197,545**	**200,812**
Navigational Aids - at Cost	526,699	505,792	526,699	505,792
Less Accumulated Depreciation	(329,154)	(304,980)	(329,154)	(304,980)
Total Navigational Aids Closing Balance	**197,545**	**200,812**	**197,545**	**200,812**
Vehicles				
Vehicles - at Cost - Opening Balance	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 Opening Balance	**961,637**	**949,200**	**975,458**	**969,353**
Additions	305,060	318,440	327,669	318,440
Disposals	(292,464)	(285,718)	(292,464)	(285,718)
Accumulated Depreciation on Disposals	150,507	168,350	150,507	168,350
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(166,359)	(188,635)	(173,591)	(194,967)
Total Vehicles Closing Balance	**958,381**	**961,637**	**987,579**	**975,458**
Vehicles - at Cost	1,560,685	1,548,089	1,637,517	1,602,312
Less Accumulated Depreciation	(602,304)	(586,452)	(649,938)	(626,854)
Total Vehicles Closing Balance	**958,381**	**961,637**	**987,579**	**975,458**
Vessels and Dredging Equipment				
Vessels and Dredging Equipment - at Cost - Opening Balance	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 Opening Balance	**495,816**	**546,303**	**495,816**	**546,303**
Additions	22,582	3,809	22,582	3,809
Disposals	–	(489)	–	(489)
Accumulated Depreciation on Disposals	–	484	–	484
Transfer between asset classes	–	–	–	–
Revaluation Movement	–	–	–	–
Depreciation Expense	(56,022)	(54,291)	(56,022)	(54,291)
Total Vessels and Dredging Equipment Closing Balance	**462,376**	**495,816**	**462,376**	**495,816**
Vessels and Dredging Equipment - at Cost	1,129,837	1,107,255	1,129,837	1,107,255
Less Accumulated Depreciation	(667,461)	(611,439)	(667,461)	(611,439)
Total Vessels and Dredging Equipment Closing Balance	**462,376**	**495,816**	**462,376**	**495,816**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment continued	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Total Assets				
Total Assets - at Cost	17,045,929	15,818,503	98,340,539	17,465,332
Total Assets - at Valuation	6,850,000	7,208,000	6,850,000	90,508,000
Total Assets Cost/Valuation	23,895,929	23,026,503	105,190,539	107,973,332
Less Accumulated Depreciation	(5,704,030)	(5,172,254)	(6,841,765)	(6,238,337)
Total Assets - Opening Balance	18,191,899	17,854,249	98,348,774	101,734,995
Additions	1,151,971	1,635,707	1,846,437	2,612,109
Disposals	(1,156,083)	(301,043)	(1,189,523)	(310,930)
Accumulated Depreciation on Disposals	997,554	180,390	1,024,033	188,683
Transfer between asset classes	–	–	(36,267,263)	–
Revaluation Movement	687,454	(465,238)	(5,227,514)	(5,033,972)
Impairment Loss	–	–	–	(50,000)
Depreciation Expense	(707,886)	(712,166)	(818,523)	(792,111)
Total Assets - Closing Balance	19,164,908	18,191,899	57,716,420	98,348,774
Total Assets - at Cost - Closing Balance	9,777,577	17,045,929	62,730,190	18,690,539
Total Assets at Valuation - Closing Balance	14,771,961	6,850,000	1,622,486	86,550,000
Total Assets Cost/Valuation	24,549,538	23,895,929	64,352,676	105,240,539
Impairment Loss	–	–	–	(50,000)
Less Accumulated Deprecation	(5,384,629)	(5,704,030)	(6,636,255)	(6,841,765)
Total Assets - Closing Balance	19,164,908	18,191,899	57,716,420	98,348,774
Capital Work in Progress	376,976	570,094	433,000	4,520,288
Total Fixed Assets	19,541,884	18,761,993	58,149,420	102,869,062
Depreciation and Amortisation Expense				
Property, Plant and Equipment	707,886	712,166	818,523	792,111
Intangibles	130,651	125,306	130,651	125,306
Forest (on Forest Harvesting Strategy)	–	–	–	–
	838,537	837,473	949,174	917,418

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 $6,770,000 (2010: $6,850,000). The valuation was conducted in accordance with NZIAS 16 - Property, Plant and Equipment which defines "Fair Value" as being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

"Fair Value" is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms length transaction. "Fair Value" requires the consideration of "market-based" evidence for the determination of the value where such evidence exists and can be used to reliably determine the value. The "Fair Value" is assessed with reference to the "highest and best use" being defined as "the most probably use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". Where the "Fair Value" of an asset can be determined by reference to price in an active market for the same or similar asset, the "Fair Value" of the asset is determined using this information. Where "Fair Value" of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost (ODRC) is considered the most appropriate basis for determination of "Fair Value". This situation usually occurs where the asset is specialised in nature. Specialised assets are those that are rarely, if ever, sold on the open market, (except by way of a sale of the business of which they are art), due to their uniqueness, which may rise form the specialised nature of the design of the buildings, their configuration, size or location or other factors.

Key characteristics of specialised assets are that they:

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

Continued on following page.

$6,770,000 (2010 $6,850,000

Notes to the Financial Statements

For the year ended 30 June 2011

Note 18: Property, Plant and Equipment continued

In general, specialised assets are those that, due to some specialised physical or geographical factor, offer very little utility for any purpose other than that for which they were originally designed. The market based approach has been applied to those properties where market evidence can be reliably analysed to assess open market rentals for the buildings or land. Therefore, buildings and land identified in the property schedule has been assessed utilising a market based approach whereby we have capitalised potential market rentals to derive a market value of the property. The prevailing land value as at 30 June 2011 has then been deducted to provide an indicated value of improvements. Adjustment has been made where appropriate for site improvements to provide the residual building value. We have also undertaken an optimised depreciated replacement cost analysis as a check method. There are no restricted assets.

Northland Port Corporation (NZ) Limited

At 30 June 2011 Freehold Land has been revalued and stated at "Fair Value" being $38,200,000 (2010: $79,700,000). It should be noted that a substantial portion of the Group's property holdings was transferred to Investment Property as at 30 June 2011 (refer Note 15). The valuation was undertaken by independent valuer John Hudson of Telfer Young (Northland) Ltd. Mr Hudson is a registered valuer, 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 prepared having regard to the requirement for a compliance statement in terms of internal Valuation Standard 3 of the Australian and New Zealand Property standards. The 'fair value', highest and best use approach has been adopted.

Freehold Land has been valued on the basis of valuation differentiation, being an adjustment for lot size and reducing value rates beyond Northport's port operations area. The valuation has been prepared after considering various market drivers for land demand in the Marsden Point area together with limited, recent sales evidence for the area. The Group's freehold land holdings in the Marsden Point area, comprising 115.24ha (excluding that held as Investment Property have been valued at between approximately $250,000/ha and $380,000/ha depending on the specific location and characteristics of each property). The valuation was assessed in accordance with NZ IAS 16 which defines "Fair Value" as being the amount which as asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The effective valuation date was 30 June 2011.

Impairment

There has been no Impairment Losses recognised during the year.

Leasing

The net carrying amount of the PPE under the finance lease is $6,498 (2010: 11,647) and refers to borrowing now.

Note 19: Intangible Assets

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Computer Software				
Cost - Opening Balance	2,625,341	2,551,982	2,637,127	2,551,982
Accumulated Amortisation	(2,378,370)	(2,264,850)	(2,390,156)	(2,264,850)
Computer Software Opening Carrying Amount	246,970	287,131	246,971	287,131
Additions	474,859	85,170	474,859	85,170
Net Disposals *	(353)	(24)	(353)	(24)
Amortisation Charge	(130,651)	(125,306)	(130,651)	(125,306)
Total Computer Software - Closing Balance	**590,824**	**246,970**	**590,824**	**246,970**
Cost	2,361,216	2,625,341	3,111,633	2,637,127
Accumulated amortisation	(1,770,393)	(2,378,370)	(2,520,807)	(2,390,156)
Total Computer Software - Closing Balance	**590,823**	**246,970**	**590,824**	**246,970**

* Disposals are reported Net after Accumulated Depreciation.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 20: Biological Assets	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Balance at 1 July	1,120,240	1,644,724	1,120,240	1,644,724
Gains arising from changes in Fair Values less estimated point-of-sale costs	435,296	(524,484)	435,296	(524,484)
Depreciation on Biological Asset excluded from valuation	–	–	–	–
Balance at 30 June	1,555,536	1,120,240	1,555,536	1,120,240

Northland Regional Council owns 319 hectares of radiata pine forest which are at varying stages of maturity, ranging from 1 to 27 years.

Valuation Assumptions

Independent registered forestry industry consultants, Chandler Fraser Keating Ltd, have valued forestry assets at Fair Value and provided estimated point-of-sale costs as at 30 June 2011. The valuation has been undertaken in accordance with the New Zealand equivalent to International Standard 41 (NZ IAS 41). The purpose is to assess a "Fair" (i.e. market) value of the tree crop asset exclusive of land. Only the current existing tree crop is valued.

Fair Value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day projected net cash flow of the forest. The calculated net present value is then linked to sales evidence through the application of a discount rate of 11% (2010: 11%) derived from the analysis of actual transactions. No allowance for inflation has been provided.

The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (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% (2010: 0%) was used in the 2011 cost based approach.

Financial Risk Management Strategies

The council is exposed to financial risks arising from change in timber prices. The council is a long term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, council has not taken any measures to manage the 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.

Note 21: Trade and Other Payables	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Trade Creditors	2,681,087	3,054,387	3,211,159	4,278,002
Accrued Expenses	1,005,072	530,634	1,005,072	530,634
Revenue Received in Advance	722,816	719,814	722,816	719,814
Related Parties Trade and Other Payables (Note 29)	–	7,336	15,813	13,448
Total Trade and Other Payables	4,408,975	4,312,172	4,954,860	5,541,899

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

Note 22: Employee Benefit Liabilities	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Annual Leave	1,047,211	995,486	1,074,176	1,008,736
Accrued Pay	317,385	281,902	317,885	309,252
Sick Leave	54,556	40,808	54,556	40,808
Retirement Gratuities	109,289	178,214	109,289	178,214
	1,528,441	1,496,410	1,555,906	1,537,010
Represented by:				
Current Benefit Liabilities	1,479,583	1,373,493	1,507,048	1,414,093
Non-Current Benefit Liabilities	48,858	122,917	48,858	122,917
	1,528,441	1,496,410	1,555,906	1,537,010

Notes to the Financial Statements

For the year ended 30 June 2011

Note 23: Borrowings

	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Current		
Secured Loans	–	–
Lease Liabilities	3,978	11,147
Total Current Borrowings	3,978	11,147
Non-Current		
Secured Loans	-	-
Lease Liabilities	3,484	3,325
Total Non-Current Borrowings	3,484	3,325

Finance Lease Arrangements

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

Maturity Analysis and Effective Interest Rates	Secured Loans Group $	Lease Group $
2011		
Less than one year	–	3,978
Later than one year but not more than five years	–	3,484
	–	7,462
2010		
Less than one year	–	11,147
Later than one year but not more than five years	–	3,225
	–	14,372

Notes to the Financial Statements

For the year ended 30 June 2011

Note 24: Provisions

	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Current Provisions are represented by:		
Onerous Lease Provision	–	–
Payroll Related Provisions	–	–
Sundry Provisions	24,976	22,742
	24,976	22,742
Non-Current Provisions are represented by:		
Sundry provisions	–	–
	–	–

Council and Group	Onerous Lease Provision 2011	Payroll Related Provisions 2011	Sundry Provisions 2011	Onerous Lease Provision 2010	Payroll Related Provisions 2010	Sundry Provisions 2010
Opening Balance	–	–	22,742	–	–	22,270
Additional Provisions made during the Year	–	–	2,234	–	–	472
Amounts Used during the Year	–	–	–	–	–	–
Unused Amounts reversed during the Year	–	–	–	–	–	–
Closing Balance	–	–	24,976	–	–	22,742

Sundry Provisions

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

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

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Limited 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-11 $	30-Jun-10 $
Share of Net Assets		
Current Assets	236,717	271,771
Non-Current Assets	78,731	85,245
Current Liabilities	114,509	86,242
Non-Current Liabilities	24,976	22,742

Share of Revenue and Expenses

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

Operational Expenses	545,341	520,718
Land Rates and Lease Expenses	23,990	23,990
Administrative Expenses (including Audit Fees)	78,528	41,579
Depreciation	20,497	16,776

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 2011

Note 26: Joint Venture - Between Northland Regional Council and ONTRACK (Unincorporated)	30-Jun-11 $	30-Jun-10 $
Share of Net Assets		
Current Assets	60,472	500,000
Non-Current Assets	–	–
Current Liabilities	–	–
Non-Current Liabilities	–	–

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

The agreement between council and KiwiRail requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50 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.

KiwiRail commenced the designation process in March 2009, the application was heard in September 2009 and consent was granted, subject to certain conditions in October 2009. The consent 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 $665,000, this includes $527,000 for the fair value decrease in land and buildings. Council recognised $217,000 in income for KiwiRail's 50 percent share of the council's opportunity cost of capital. KiwiRail incurred approximately $19,000 in costs in relation to the designation (2010: $934,000). Council's 50 percent share of the designation costs is recognised as an Inventory, refer Note 11.

As at 30 June 2011, KiwiRail has a liability of $5.2 million to council (2010: $2.6 million). The increase is largely due to the purchase of the additional property for $4.45 million, with KiwiRail liable to council for its 50 percent share. Council has recognised the amounts owed to it by KiwiRail as an other receivable, refer Note 15. Council has recognised the liability owed by KiwiRail 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 14. Council will only transfer the rail corridor to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

As at 30 June 2011, the assets and liabilities of the Joint Venture comprised of cash $60,000. Council's share of properties acquired are included in council's Investment Properties, refer Note 15.

Note 27: Capital Commitments and Operating Leases	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Capital Commitments				
Committed Grant Funding	201,520	2,263,756	201,520	2,263,756
Approved Capital Expenditure	384,000	–	384,000	–
Other Capital Commitments [1]	–	–	–	–
	585,520	2,263,756	585,520	2,263,756

[1] 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. The final payment towards the Events Centre totalling $201,520 was made on 19 September 2011.

Northland Port Corporation (NZ) Limited Capital Commitments

Commitments for capital expenditure at 30 June 2011 are nil (June 2010: Nil). The Group's share of committed capital expenditure in respect of its Associate Interest also amounts to nil (June 2010: nil).

Notes to the Financial Statements

For the year ended 30 June 2011

Note 27: Capital Commitments and Operating Leases continued

Operating Leases Commitments

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

	NPC 30-Jun-11 $	NPC 30-Jun-10 $	NRCCT 30-Jun-11 $	NRCCT 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Not later than one year	197,913	200,112	42,022	50,527	239,935	250,639
Later than one year and not later than five years	599,591	571,172	26,829	11,293	626,420	582,465
Later than five years	1,014,789	1,596,376	–	–	1,014,789	1,596,376
Total Operating Leases	**1,812,293**	**2,367,660**	**68,851**	**61,820**	**1,881,144**	**2,429,480**

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 five to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The leasee does not have an option to purchase the property at the expiry of the lease period. Council owns some farms and dwellings. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between two and 20 years.

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Not later than one year	3,041,364	3,083,264	3,041,364	3,083,264
Later than one year and not later than five years	8,710,640	7,739,153	8,710,640	7,739,153
Later than five years	13,683,600	18,788,279	13,683,600	18,788,279
Total Operating Leases	**25,435,604**	**29,610,696**	**25,435,604**	**29,610,696**

Note 28: Contingent Liabilities

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Bonds	–	–	75,000	75,000
Share of Associated Companies' Contingent Liabilities	–	–	675,000	675,000
Rates Postponed	–	–	93,526	93,526
	–	–	**750,000**	**843,526**

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 2009-2010 financial year. The calls were paid in June 2010 and August 2011.

Northland Port Corporation (NZ) Limited

1. Bank of New Zealand - a bond given by them to the New Zealand Stock Exchange - $75,000 (2010: $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 2010: $93,526). 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 2010: $675,000).

Notes to the Financial Statements

For the year ended 30 June 2011

Note 29: Contingent Assets	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Emissions Trading Scheme - New Zealand Units	193,268	–	193,268	–

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

Note 30: Related Party Transactions

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

The following transactions were carried out with related parties:	Council 30-Jun-11 $	Council 30-Jun-10 $
Northland Port Corporation (NZ) Limited		
Dividend received by council	1,217,860	1,217,860
Profit on Sale of Shares (share buy back)	Nil	Nil
North Port Cool Stores (1989) Limited	Nil	Nil
North Tugz Limited		
Payments received by the council for services provided in the normal course of business	145	75
Payments made from the council for services provided in the normal course of business	16,784	15,459
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Northland Port Corporation (NZ) Limited		
Payments received by the council for services provided in the normal course of business	12,415	2,245
Payments made from the council for services provided in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	440	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	218
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	16,839	25,218
Grant received from the council	1,282,196	10,365,679
Accounts payable to Enterprise Northland for operating grant received from the council	Nil	7,500
Destination Northland Limited		
Payment made from the council for services provided in the normal course of business	Nil	700
Grant received from the council	100,000	100,000
Northport Limited		
Payments received by the council for services provided in the normal course of business	198,660	231,998
Payments made from the council for services provided in the normal course of business	18,563	20,981
Accounts payable to the council for services provided in the normal course of business	Nil	38,438
Accounts receivable from the council for services provided in the normal course of business	Nil	7,336
Northland Stevedoring Services (UJV)		
Payments received by the council for services provided in the normal course of business	70	Nil
Payments made from the council for services provided in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil
Key Management Personnel	Nil	Nil

Notes to the Financial Statements

For the year ended 30 June 2011

Note 30: Related Party Transactions continued

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

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

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

No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2010 - Nil).

Enterprise Northland staff are located in council's Water Street office. The office space made available to Enterprise Northland has an estimated market value of $4,500. Council does not invoice Enterprise Northland for this space and therefore the financial value is not recognised in the disclosure.

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 $51,372 (including GST) and $8,665 (including GST) was outstanding as a current receivable at 30 June 2011.

Councillor John Bain is the Chairman of the Northland Emergency Services Trust (NEST), during the year council paid NEST $610,279. The NEST payment is funded from the Targeted Rescue Helicopter rate. Council agreed as part of its 2009-2019 Long Term Plan process to make an annual funding contribution of $600,000 plus GST per year, to provide funding certainty and to ensure the service remained.

Councillor Graeme Ramsey is a shareholder of Anglesea Consulting Limited. Council invoiced this company $259.

Councillor Ian Walker is a director of Far North Holdings Limited, during the year council received $69,126 and paid $18,028 to this company.

Councillor Ian Walker is associated with Kaikora Farms Limited and it paid council $248.

Since the elections in October 2010, where the former Chairman Mark Farnsworth was not re-elected, council has paid Farnsworth Management Service $18,025. Mr Farnsworth is a principal partner of this company.

Mr Farnsworth is a National Councillor of Local Government New Zealand. Council paid this company $38,071 during the year.

Former Councillor Lorraine Hill is a Community Representative of Ministry of Social Development - Northland, council received $523 from this organisation.

Councillor John Bain and Chairman Craig Brown are also members on the Northland District Health Board, council was paid $1,791.

Chairman Craig Brown and Councillor Tony Davies Colley spouse are Board Members of NorthTec and during the year, council received $84 and paid $2211.

Councillor Tony Davies Colley's spouse is a Board Member of the Northland Events Centre Trust and during the year, council paid the Trust $1,539.

Councillor Tony Davies Colley and Councillor Bill Rossiter are Trustees of the Northpower Trust and during the year, council received $3,585 and paid $2,270.

Councillor Tony Davies Colley is associated with Park Point Limited and during the year, council received $169 from this company.

Councillor Tony Davies Colley is associated with Port Nikau Joint Venture and during the year this company paid council $2,057.

Councillor Tony Davies Colley is associated with Westpoint Farms Limited and during the year this company paid council $253.

Councillor Tony Davies Colley is associated with Westpoint Management Limited and during the year this company paid council $6,894.

Councillor Tony Davies Colley is associated with Marine Park Limited and during the year this company paid council $9,194.

Councillor Joe Carr is associated with Ravensdown Co. Limited and during the year council received $2,000.

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 $52,307 (including GST).The outstanding balance as a 30 June 2011 was $5,962.

Except for these transactions, no key management personnel have entered into related party transactions with the Group (2010: 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.

Notes to the Financial Statements

For the year ended 30 June 2011

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 2011 was $284,767 for the year (2010: $273,579).

	Council 30-Jun-11 $	Council 30-Jun-10 $
Salary	282,605	260,968
Vehicle - FBT Cost	12,802	12,611
Total Remuneration	295,407	273,579

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 $517,026 (2010: 513,423).

	Monetary Remuneration Salary $	Monetary Remuneration Non-salary $	Total Council Remuneration $	Director/ Trustee Fees $	Total Remuneration 30-Jun-11 $	Total Remuneration 30-Jun-10 $
Chair, Craig Brown	89,093	794	89,887	–	89,887	53,052
Deputy Chair - John Bain	52,018	1,986	54,005	–	54,005	53,014
Chair, Regional Policy Development Committee - Ian Walker [1]	52,018	5,567	57,585	18,000	75,585	76,381
Chair, Audit and Finance Committee - Bill Rossiter	52,018	1,764	53,782	–	53,782	53,543
Chair, Environmental Management Committee - Joe Carr	52,018	10,836	62,854	–	62,854	63,503
Tony Davies-Colley	36,731	545	37,276	–	37,276	–
Graeme Ramsey	36,731	2,374	39,105	–	39,105	–
Bronwyn Hunt	36,731	4,602	41,333	–	41,333	–
Mark Farnsworth [2]	29,799	160	29,958	–	29,958	98,583
Lorraine Hill [2]	15,287	2,226	17,513	–	17,513	63,013
Peter Jensen [2]	15,287	440	15,728	–	15,728	52,335
	467,733	31,293	499,026	18,000	517,026	513,423

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

[2] Local government elections where held 9 October 2010 and saw Cr Tony Davies-Colley, Cr Graeme Ramsey and Cr Bronwyn Hunt elected to council. Cr Lorraine Hill retired and the former Chairman Mark Farnsworth and Cr Peter Jensen were not re-elected.

Salary

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

Non-Salary

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of $85 per hour for the chair and $68 per hour for other members of the committee. The level of fees received by councillors who have sat on resource consent hearings for the 2010-2011 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-11 $	Council 30-Jun-10 $
Remuneration paid to Key Management Personnel [1]	1,580,345	1,572,292
Post Employment Benefits	13,000	9,695
	1,593,345	1,581,986

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

Notes to the Financial Statements

For the year ended 30 June 2011

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 2011, one severance payment totalling $2,274 was made. (2010: two employees totalling $12,250 and $40,000 respectively).

Note 33: Events After Balance Sheet Date

Subsequent to balance date, Northland Port Corporation (NZ) Limited declared a fully imputed dividend of 4 cents per share with payment made 23 September 2011. There were no other significant events after balance date.

Note 34: Segment Reporting

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

Note 35A: Financial Instrument Catagories

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
FINANCIAL ASSETS				
Loans and Receivables				
Cash and Cash Equivalents (Note 9)	3,518,200	4,310,520	5,473,235	4,956,241
Trade and Other Receivables (Note 10)	4,982,505	5,283,228	5,576,608	6,662,459
Other Receivables (Long Term)	5,201,500	2,692,918	5,201,500	2,692,918
Total Loans and Receivables	**13,702,205**	**12,286,666**	**16,251,343**	**14,311,618**
Financial Assets at Fair Value through Profit and Loss				
Other Financial Assets:				
Term Deposits, Local Authority and Government Stock	–	–	5,487,233	6,104,762
Listed Shares	–	–	3,880,281	3,002,735
Private Equity	–	–	910,236	920,056
Property Trusts	–	–	446,637	396,777
Total Financial Assets at Fair Value through Surplus/(Deficit)	**–**	**–**	**10,724,387**	**10,424,330**
Fair Value through Other Comprehensive Income				
Other Financial Assets:				
Term Deposits, Local Authority and Government Stock	19,168,462	22,856,298	19,168,462	22,856,298
Emissions Trading Scheme - NZU's	133,191	–	133,191	–
Listed shares	–	–	–	–
Total Fair Value through Equity	**19,301,653**	**22,856,298**	**19,301,653**	**22,856,298**
FINANCIAL LIABILITIES				
Financial Liabilities measured at Amortised Cost				
Trade and Other Payables (Note 22)	4,408,970	4,312,172	4,954,860	5,541,899
Borrowings:				
Bank Overdraft	–	–	27,954	70,776
Secured Loans	–	–	–	–
Lease Liability	–	–	7,462	14,372
Total Financial Liabilities measured at Amortised Cost	**4,408,970**	**4,312,172**	**4,990,276**	**5,627,047**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 35B: Financial Instrument Risks

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

- Quoted Market Price (Level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation Technique using Observable Inputs (Level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation Techniques with Significant Non-Observable Inputs (Level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position.

	Total $	Quoted Market Price $	Observable Inputs $	Significant Non-Observable Inputs $
Council 30 June 2011				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	19,168,461	–	19,168,461	–
Emissions Trading Scheme - NZU's	133,191	133,191	–	–
Shares	–	–	–	–
Government Bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–
Group 30 June 2011				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	19,168,461	–	19,168,461	–
Emissions Trading Scheme - NZU's	133,191	133,191	–	–
Shares	10,724,387	10,724,387	–	–
Government Bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–
Council 30 June 2010				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	22,856,297	–	22,856,297	–
Shares	–	–	–	–
Government bonds	–	–	–	–
Financial Liabilities				
Derivatives	–	–	–	–
Group 30 June 2010				
Financial Assets				
Derivatives	–	–	–	–
Local Authority Stock	22,856,297	–	22,856,297	–
Shares	10,424,330	–	–	–
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 2011

Note 35B: 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-11 $	30-Jun-10 $
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. Northland Regional Council has established council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Maximum Exposure to Credit Risk

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

	Council 30-Jun-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Cash at Bank and Term Deposits	3,518,200	4,310,520	5,473,235	4,956,241
Debtors and Other Receivables	4,982,505	5,283,228	5,576,608	6,662,459
Other Receivables	5,201,500	2,692,918	5,201,500	2,692,918
Term Deposits, Local Authority and Government Stock	19,168,462	22,856,298	24,655,695	28,961,060
Shares	–	–	3,880,281	3,002,735
Private Equity	–	–	910,236	920,056
Property Trusts	–	–	446,637	396,777
	32,870,667	35,142,964	46,144,192	47,592,245

Notes to the Financial Statements

For the year ended 30 June 2011

Note 35B: 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-11 $	Council 30-Jun-10 $	Consolidated 30-Jun-11 $	Consolidated 30-Jun-10 $
Counterparties with Credit Ratings				
Cash at Bank and Current Term Deposits				
AA	3,518,200	1,810,520	5,473,235	4,956,241
BBB+	–	2,500,000	–	–
Total Cash at Bank and Current Term Deposits	3,518,200	4,310,520	5,473,235	4,956,241
Term Deposits, Local Authority and Government Stock				
A+	2,299,516	2,248,490	2,299,516	2,248,490
AA	10,824,090	13,797,779	10,824,090	13,797,779
A	1,014,909	1,029,766	1,014,909	1,029,766
AA-	504,222	1,012,314	504,222	1,012,314
BBB+	–	–	–	–
Unrated - Local Authority	2,534,510	2,446,608	2,534,510	2,446,608
Unrated	2,413,962	2,321,341	2,413,962	2,321,341
Total Local Authority and Government Stock	19,591,209	22,856,297	19,591,209	22,856,297
Derivative Financial Instrument Assets				
AA	–	–	–	–
AA-	–	–	–	–
Total Derivative Financial Instrument Assets	23,109,409	27,166,817	25,064,444	27,812,538

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 $14.139 million of investments with institutions who have a credit rating between A+ or AA- (2010:$17.483 million).

Notes to the Financial Statements

For the year ended 30 June 2011

Note 35B: 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 Northland 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 2011						
Creditors and Other Payables	4,408,970	4,408,970	4,408,970	–	–	–
Group 2011						
Creditors and Other Payables	4,954,860	4,954,860	4,954,860	–	–	–
Secured Loans	–	–	–	–	–	–
Finance Leases	7,462	8,444	4,711	3,733	–	–
Total	4,962,322	4,963,304	4,959,571	3,733	–	–
Council 2010						
Creditors and Other Payables	4,312,172	4,312,172	4,312,172	–	–	–
Group 2010						
Creditors and Other Payables	5,541,899	5,541,899	5,541,899	–	–	–
Secured Loans	–	–	–	–	–	–
Finance Leases	14,372	16,249	12,694	3,555	–	–
Total	5,556,271	5,558,148	5,554,593	3,555	–	–

Notes to the Financial Statements

For the year ended 30 June 2011

Note 35B: Financial Instrument Risks continued

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

Contractual Maturity Analysis of Financial Assets

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1-2 Years $	2-5 Years $	More than 5 Years $
Council 2011						
Cash and Cash Equivalents	3,518,200	3,518,200	3,518,200	–	–	–
Debtors and Other Receivables	4,982,505	4,982,505	4,982,505	–	–	–
Other Receivables	5,201,500	5,201,500	5,201,500	–	–	–
Other Financial Assets:						
Term Deposits, Local Authority and Government Stock	19,168,462	27,890,292	3,257,214	15,323,757	6,101,370	3,207,951
Total	32,870,667	41,592,497	16,959,418	15,323,757	6,101,370	3,207,951
Group 2011						
Cash and Cash Equivalents	5,473,235	5,530,395	5,530,395	–	–	–
Debtors and Other Receivables	5,576,608	5,576,608	5,576,608	–	–	–
Other Receivables	5,201,500	5,201,500	5,201,500	–	–	–
Other Financial Assets:						
Term Deposits, Local Authority and Government Stock	24,655,695	33,377,525	8,744,447	15,323,757	6,101,370	3,207,951
Term deposits, Local Authority and Government Stock	5,487,233	5,487,233	5,487,233	–	–	–
Listed Shares	3,880,281	3,880,281	3,880,281	–	–	–
Private Equity	910,236	910,236	910,236	–	–	–
Property Trusts	446,637	446,637	446,637	–	–	–
Total	51,631,425	60,410,414	35,777,336	15,323,757	6,101,370	3,207,951
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			
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
Bank Overdraft	27,954	27,954	27,954	–	–	–
Total	35,170,918	46,092,541	17,746,390	15,928,277	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	28,961,060	33,777,921	5,431,770	15,928,277	9,052,673	3,365,201
Bank Overdraft	70,776	70,776	70,776	–	–	–
Term Deposits, Local Authority and Government Stock	6,104,762	6,104,762	6,104,762	–	–	–
Listed Shares	3,002,735	3,002,735	3,002,735	–	–	–
Private Equity	920,056	920,056	920,056	–	–	–
Property Trusts	396,777	396,777	396,777	–	–	–
Total	53,767,783	58,641,803	30,295,652	15,928,277	9,052,673	3,365,201

Notes to the Financial Statements

For the year ended 30 June 2011

Note 35B: Financial Instrument Risks continued

Sensitivity Analysis

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

	2011				2010			
	+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	35,182	–	(35,182)	–	43,105	–	–	(43,105)
Other Financial Assets:								
Term Deposits, Local Authority and Government Stock	193,017	–	(193,017)	–	228,563	–	–	(228,563)
Financial Liabilities								
Borrowings:								
Bank Overdraft	–	–	–	–	–	–	–	–
Term Loans	–	–	–	–	–	–	–	–
Total Sensitivity to Interest Rate Risk	228,199	–	(228,199)	–	271,668	–	–	(271,668)

Explanation of Sensitivity Analysis - Council

Cash and Cash Equivalents: Cash and cash equivalents include deposits, at call, totalling $3,518,200 (2010: $4,310,520) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $35,182 (2010: $43,105).

Term Deposits, Local Authority and Government Stock: A total of $19,168,462 (2010: $22,856,298) 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 $193,017 (2010: $228,563) on the fair value through equity reserve.

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

Notes to the Financial Statements

For the year ended 30 June 2011

Note 35B: Financial Instrument Risks continued

Sensitivity Analysis

	2011				2010			
	+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	54,732	–	–	(54,732)	–	49,562	–	(49,562)
Other Financial Assets:								
Term Deposits, Local Authority and Government Stock	193,017	–	–	(193,017)	–	228,563	–	(228,563)
Financial Liabilities								
Derivatives - Hedge Accounted	–	–	–	–	–	–	–	–
Borrowings:								
Bank Overdraft	(280)	–	–	280	–	(708)	–	708
Term Loans	–	–	–	–	–	–	–	–
Total Sensitivity to Interest Rate Risk	**247,469**	–	–	**(247,469)**	–	**277,418**	–	**(277,418)**
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	107,244	–	–	107,244	–	102,425	–	102,425
Total Sensitivity to Equity Price Risk	**107,244**	–	–	**107,244**	–	**102,425**	–	**102,425**

Explanation of Sensitivity Analysis - Group

Cash and Cash Equivalents: Cash and cash equivalents include deposits, at call, totalling $5,473,235 (2010: $4,956,241) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $54,732 (2010: $49,562).

Term Deposits, Local Authority and Government Stock: A total of $19,168,462 (2010: $22,856,297) 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 $193,017(2010: $228,563) on the fair value through equity reserve.

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

Creditors and Other Payables: The Northland 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 one percent movement in the exchange rate will expose the Trust to an approximate change in value of the portfolio of $17,125 (2010: $13,163). The Northland Port Corporation (NZ) Limited'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) Limited, which are publicly traded and included in the New Zealand Stock Exchange. The Northland Regional Council's investment in the Northland Port Corporation (NZ) Limited is carried at cost. The Northland Council Community Trust holds an investment portfolio with a value of $10,253,188 (2010: $9,959,445). 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.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 36: Capital Management

The council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets. The Local Government Act 2002 (the Act) requires 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 cost of long-term assets that will benefit ratepayers in future renewal and maintenance programmes, to ensure that 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 Community Plan (LTP) and its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act 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 in the funding and financial policies in the council's LTP.

The reserves are set out in Note 9: Equity. Council has reserves for difference areas of benefit and self-insurance reserves. Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Self insurance reserves are built up annually from general or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.

Note 37: Prior Period Error

Correction of Prior Period Error

In 1996, the council acquired its investment in Northland Regional Council Community Trust (NRCCT) at a cost of $12.14 million. The acquisition funds were used to establish a Trust Fund for use, subject to certain stipulations, by the entity.

In the 2011 financial year, council has corrected a prior period error. In 2009 the fund had a value of $9.7 million and council held its investment in NRCCT at historical cost. In accordance with accounting standard IAS 36 Impairment of Assets, council should have recognised the impairment of $2,431,369 of its investment in NRCCT. Recognising the impairment would restate the value of council's investment in NRCCT to the market value of its fund - $9.7 million. In 2010 a reversal of the impairment of $429,966 is to be recognised. The financial statements for 2010, which are presented as comparative information in the 30 June 2010 financial statements have been restated to correct this error. At 30 June 2011 the Trust Fund had a value of $10.497 million (2010: 10.138 million). Refer Note 16: Investment in Subsidiaries and Note 5: Other Gains and Losses.

Further detail on the impact of the statement of Financial Position, Statement of Changes in Equity and Statement of Comprehensive Income is provided here:

	Council 30-Jun-10 Before Adjustment $	Adjustment $	Council 30-Jun-10 Restated $
STATEMENT OF FINANCIAL POSITION			
Total Current Assets	13,569,456	–	11,910,505
Investments in Subsidiaries and Associates	19,967,086	(2,001,403)	17,965,683
Other Non-Current Assets	112,083,076	–	112,083,076
Total Assets	**125,652,532**	**(2,001,403)**	**123,651,129**
Total Current Liabilities	5,685,665	–	5,397,911
Total Non-Current Liabilities	122,917	–	48,858
Total Liabilities	**5,808,581**	**–**	**5,808,581**
Retained Earnings	115,438,937	(2,001,403)	113,437,534
Other Reserves	4,405,014	–	5,598,334
Total Equity	**119,843,951**	**(2,001,403)**	**117,842,548**

Notes to the Financial Statements

For the year ended 30 June 2011

Note 37: Prior Period Error continued

	Council 30-Jun-10 Before Adjustment $	Adjustment $	Council 30-Jun-10 Restated $
STATEMENT OF CHANGES IN EQUITY			
Balance at 1 July	127,526,387	(2,431,369)	125,095,018
Total Comprehensive Income	(7,682,436)	429,966	(7,252,470)
Balance at 30 June	**119,843,951**	**(2,001,403)**	**117,842,548**
Total Comprehensive Income attributable to:			
Northland Regional Council	119,843,951	(2,001,403)	117,842,548
Non-Controlling Interest	–	–	–
Balance at 30 June	**119,843,951**	**(2,001,403)**	**117,842,548**
STATEMENT OF COMPREHENSIVE INCOME			
Income			
Revenue from Activities	8,518,916	–	8,518,916
Rates Revenue	12,147,862	–	12,147,862
Finance Income	2,085,257	–	2,085,257
Other Revenue	5,419,545	–	5,419,545
Other Gains/(Losses)	142,660	429,966	572,626
Total Income	**28,314,240**	**429,966**	**28,744,206**
Total Operating Expenditure	**36,162,139**	–	**36,162,139**
Surplus Before Tax	**(7,847,899)**	**429,966**	**(7,417,933)**
Tax Credit	80,732	–	80,732
Surplus After Tax	**(7,767,167)**	**429,966**	**(7,337,201)**
Total Other Comprehensive Income	84,729	–	84,729
Total Comprehensive Income for the Year	**(7,682,436)**	**429,966**	**(7,252,470)**