financial statements

Consolidated Statement of Financial Performance

For the Year Ended 30 June 2009

	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
INCOME						
Revenue from activities	4	6,294,385	3,920,340	3,922,970	8,044,437	6,066,262
Rates revenue	2	10,816,262	10,672,367	8,817,468	10,816,262	8,817,468
Other revenue	4	10,328,531	8,755,172	9,785,738	10,200,925	10,441,545
Other gains/(losses)	5	(833,492)	1,303,167	2,192,426	(2,186,607)	9,368,041
TOTAL OPERATING REVENUE	1	**26,605,685**	**24,651,046**	**24,718,602**	**26,875,016**	**34,693,316**
EXPENDITURE						
Personnel costs	6	8,859,368	8,194,325	7,227,757	9,894,090	8,352,760
Depreciation and amortisation	19	839,759	1,264,751	1,013,971	932,046	1,145,331
Finance costs	3	35,045	1,000	25	55,187	59,760
Other expenditure on activities	1	15,764,741	12,005,685	10,237,269	19,337,105	14,150,870
TOTAL OPERATING EXPENSES		**25,498,913**	**21,465,761**	**18,479,022**	**30,218,428**	**23,708,720**
NET SURPLUS (DEFICIT) FROM OPERATIONS		**1,106,772**	**3,185,285**	**6,239,581**	**(3,343,412)**	**10,984,596**
TOTAL SURPLUS (DEFICIT) BEFORE TAXATION		**1,106,772**	**3,185,285**	**6,239,581**	**(3,343,412)**	**10,984,596**
Less tax expense	7	(925,253)	–	(252,367)	(698,611)	(428,477)
NET SURPLUS (DEFICIT) AFTER TAXATION		**181,518**	**3,185,285**	**5,987,214**	**(4,042,024)**	**10,556,119**
Attributable to:						
Northland Regional Council					(5,291,222)	5,776,121
Minority interests in surplus of Northland Port Corporation (NZ) Ltd					1,249,198	4,779,998
					(4,042,024)	10,556,119

Understanding the Council's reported net deficit

The financial results for the 2008-2009 financial year include a number of non-operation or one-off events. These are explained as follows:

- special dividend received from the Northland Port Corporation (NZ) Ltd (net of tax) of $1.8 million;
- proceeds from the share sale of Northland Port Corporation (NZ) Ltd shares of $1.3 million;
- net fair value losses relating to investment property (includes $689 thousand relating to the land and buildings purchased in the Marsden to Oakleigh area), forestry and financial assets of $1.5 million;
- losses on sale of investment property and property plant and equipment of $700 thousand; and
- contribution towards the Northland Events Centre of $3.2 million.

If these non-operating items are removed, the actual net operating surplus is approximately $2.4 million. This operating surplus of $2.4 million includes $435 thousand of net operating expenditure (excluding fair value adjustments of $689 thousand, mentioned above) relating to the joint venture between ONTRACK and the Council.

Similarly, if we remove the items mentioned above from the budgeted net surplus, we would remove the budgeted fair value gain of $1.3 million. This brings the budgeted net surplus of $3.2 million down to a budgeted surplus of $1.9 million. The operating surplus of $2.4 million against the budgeted surplus of $1.9 million includes revenue from the Recreational Facilities Rate of $1.7 million. Recreational Facilities Rate revenue will be set aside in a specific reserve to fund Council's contribution towards the Northland Events Centre and other recreational grants.

Major variances compared to the Annual Plan

Revenue variances compared to the Annual Plan

Revenue from activities is greater than budget due to:

- Increased subsidy revenue and additional fees and charges, including fees and charges and subsidies relating to the operation of the Whāngārei Bus Service.

Other revenue is greater than budget due to:

- Special dividend received from the Northland Port Corporation (NZ) Ltd of $1.8 million (net of tax). The dividend is the result of the sale of the Port's interest in the Marsden Cove waterway and marina joint venture. As the dividend was generated from the sale of assets, this dividend has been set aside for future capital investment.

Other gains/(losses) are less than budget due to:

- Loss on sale of investments and property plant and equipment of $700 thousand, and net fair value decreases in value of investment property and property held for sale of $2.0 million. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by the Council.
- Net fair value increase in financial assets and forestry assets of $545 thousand.
- Gain on sale of Northland Port Corporation (NZ) Ltd shares of $1.3 million. The proceeds from the share sale have been set aside for future capital investment.

Expenditure variances compared to the Annual Plan

Other expenditure on activities is greater than budget due to:

- Contribution of $3.2 million towards the construction of the Northland Events Centre. This expenditure was funded from the Recreational Facilities Rate collected in the current year and from funds set aside in the Regional Recreational Facilities reserve from rates collected in previous years. Council has agreed to fund $13 million towards the Northland Events Centre.

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2009

	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Balance at 1 July		127,668,611	126,386,402	121,207,073	273,447,140	266,489,862
Property, plant and equipment						
Revaluation gains/ (losses) taken directly to equity	8	(323,740)	–	474,324	(10,825,964)	420,806
Less dividends paid		–	–	–	(4,017,138)	(3,929,042)
Reserve movement		–	–	–	(1,059,411)	(90,606)
Share buy back		–	–	–	(4,047,601)	–
Other consolidation adjustments		–	–	–	230,724	–
Surplus/(deficit) for the year		181,518	3,185,285	5,987,214	(4,042,024)	10,556,120
Total recognised income/(expense) for the year ended 30 June		127,526,389	129,571,687	127,668,611	249,685,726	273,447,140
Attributable to:						
Northland Regional Council		127,526,389	129,571,687	127,668,611	188,256,955	199,660,957
Minority interest		–	–	–	61,428,771	73,786,182
Balance at 30 June	8	127,526,389	129,571,687	127,668,611	249,685,726	273,447,139

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

Consolidated Statement of Financial Position

As at 30 June 2009

	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
EQUITY						
Retained earnings	8	112,017,469	119,308,052	117,042,548	123,602,160	134,905,216
Other reserves	8	15,508,920	10,263,637	10,626,063	64,654,795	64,755,741
Total equity attributable to Northland Regional Council		127,526,389	129,571,689	127,668,611	188,256,955	199,660,957
Minority interests in subsidiary companies					61,428,771	73,786,182
TOTAL EQUITY		127,526,389	129,571,689	127,668,611	249,685,726	273,447,139
ASSETS						
Current assets						
Cash and cash equivalents	9	2,671,630	8,050,376	10,789,158	4,064,505	11,532,989
Trade and other receivables	10	6,169,660	2,366,851	3,202,954	6,697,211	4,328,661
Inventories	11	1,014,422	138,994	179,042	1,014,422	179,042
Non-current assets held for sale	12	390,000	2,041,000	8,875,185	390,000	8,875,185
Other investments	18	2,619,486	–	–	2,619,486	–
Other financial assets	13	21,083,155	8,055,132	13,833,219	21,083,155	27,358,842
Tax refundable		–	–	–	107,783	152,301
Tax losses carried forward		–	–	–	355,875	–
Total current assets		33,948,353	20,652,353	36,879,557	36,332,437	52,427,019
Non-current assets						
Other receivables	15	3,016,535	–	–	3,016,535	–
Investment property	16	47,598,499	48,591,001	46,099,000	47,598,500	46,099,001
Investments in subsidiaries and associates	17	19,967,086	20,197,673	20,197,673	42,522,638	43,541,982
Other investments	18	10,368,809	18,950,097	9,060,409	20,611,270	20,418,484
Property, plant and equipment	19	17,854,249	22,945,694	18,274,506	101,734,994	114,939,493
Intangible assets	20	287,131	491,538	333,648	287,131	334,011
Biological assets	21	1,644,724	1,690,483	1,366,200	1,644,724	1,366,200
Capital projects in progress	19	78,494	–	9,632	3,883,898	9,632
Deferred taxation asset		–	–	–	72,978	79,308
Total non-current assets		100,815,527	112,866,486	95,341,067	221,372,667	226,788,110
TOTAL ASSETS		134,763,879	133,518,839	132,220,625	257,705,104	279,215,130

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

Consolidated Statement of Financial Position

As at 30 June 2009

	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
LIABILITIES						
Current liabilities						
Trade and other payables	22	5,464,594	2,875,854	3,434,406	6,119,568	4,120,881
Provisions	25	–	–	–	22,270	151,723
Borrowings	24	–	–	–	20,217	274,989
Deferred tax liability	7					
Tax liability		330,539	–	–	330,539	–
Employee benefit liabilities	23	1,330,326	980,053	1,014,815	1,404,932	1,097,960
Total current liabilities		7,125,460	3,855,907	4,449,222	7,897,527	5,645,554
Non-current liabilities						
Employee benefit liabilities	23	112,031	91,243	102,793	112,031	102,793
Provisions non-current	25	–	–	–	–	–
Borrowings	24	–	–	–	9,820	19,644
Total non-current liabilities		112,031	91,243	102,793	121,851	122,437
TOTAL LIABILITIES		7,237,491	3,947,150	4,552,015	8,019,378	5,767,991
NET ASSETS		127,526,388	129,571,689	127,668,611	249,685,726	273,447,139

Major variances compared to the Annual Plan

Assets:

Trade and other receivables are higher than budget due to:

- $1.0 million increase in outstanding rates debtors. The Territorial Authorities in the Northland Region collect rates on behalf of the Northland Regional Council.
- $1.7 million of which $1.125 million relates to the annual contribution owed by Council and ONTRACK as at 30 June 2009 to the Joint Venture. This contribution was invoiced by Council on behalf of the Joint Venture. The remaining increase is due to increased fees and charges and subsidy income invoiced, but not yet paid at year end.

Other investments and financial assets are classified as current, rather than non-current due to:

- Council holding financial investments in short term investments in part due to the poor investment outlook, and also due to Council's requirement to have funding available for its contribution towards the Northland Events Centre.

Liabilities:

- Increased subsidy revenue and additional fees and charges.

Trade and other payables are higher than budget due to:

- $563 thousand for Council's share of the annual contribution towards the Joint Venture between ONTRACK and Council.
- $1.125 million relates to the annual contribution due from Council and ONTRACK as at 30 June 2009. Council invoiced both entities on behalf of the Joint Venture, on receipt of the payment, Council will transfer the monies to the Joint Venture bank account.

21 October 2009 — 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 2009

	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers		5,555,374	7,043,537	6,623,568	8,455,325	9,693,449
Interest received		3,194,937	3,449,976	2,641,654	3,876,289	3,093,504
Interest rate swap closed out		–	–	–	–	125,700
Dividends received	4	4,445,664	1,700,000	4,331,088	1,532,436	2,328,942
Receipts from rates revenue		9,106,663	10,672,368	7,302,342	9,106,663	7,302,342
Subsidies and grants received		1,906,120	–	528,209	2,223,120	845,209
Taxation refund		–	–	–	132,903	123,830
Payments to suppliers and employees/members		(23,041,749)	(19,718,009)	(17,102,742)	(27,608,592)	(22,076,245)
Interest paid		(35,045)	(1,000)	(25)	(52,578)	(114,116)
Income tax paid		(594,714)	–	(252,367)	(607,493)	(366,342)
Net goods and services tax received (paid) *		200,912	–	76,057	201,425	70,903
NET CASH FROM OPERATING ACTIVITIES		738,162	3,146,872	4,147,785	(2,740,502)	1,027,177
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of property, plant and equipment		195,186	–	266,559	217,260	368,119
Receipt from sale of property held for sale		3,000,000	–	2,624,642	3,000,000	2,624,642
Proceeds from sale of investment property		–	–	–	1,277,285	1,164,630
Proceeds from the sale of shares in associates and subsidiaries		1,555,918	–	–	(1,557)	–
Receipt from the sale of investment stocks and bonds		–	–	4,889,688	–	4,889,688
Purchase of other receivables		675,652	–	–	675,652	–
Advances repaid		–	–	–	12,921,396	2,099,950
Purchase of property, plant and equipment		(1,020,693)	(6,360,310)	(189,305)	(1,294,133)	(1,122,480)
Sale of investment in associate company		–	–	–	(2,875)	9,936,289
Advances		–	–	–	–	(6,000,000)
Purchase of investment property		(2,350,374)	–	(5,652,209)	(2,350,374)	(5,652,209)
Purchase of investment stocks and bonds		(10,911,380)	–	(5,778,087)	(11,060,147)	(5,778,087)
NET CASH FROM INVESTING ACTIVITIES		(8,855,690)	(6,360,310)	(3,838,712)	3,382,507	2,530,542
CASH FLOWS FROM FINANCING ACTIVITIES						
Shares repurchased		–	–	–	(3,815,456)	–
Dividends paid		–	–	–	(4,017,138)	(3,929,042)
Repayments made to ASB facility		–	–	–	(250,000)	(6,250,000)
Proceeds from borrowings		–	–	–	–	23,504
Settlement of borrowings		–	–	–	(27,896)	(21,442)
NET CASH FROM FINANCING ACTIVITIES		–	–	–	(8,110,490)	(10,176,980)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		(8,117,528)	(3,213,438)	309,073	(7,468,485)	(6,619,261)
Cash, cash equivalents and bank overdrafts at the beginning of the year		10,789,158	11,263,814	10,480,085	11,532,989	18,152,250
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR		2,671,630	8,050,376	10,789,158	4,064,505	11,532,989

* 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 2009

	Note	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Net Surplus after Taxation		181,518	5,987,214	(4,042,024)	10,556,119
Add (less) non-cash items					
Depreciation and amortisation	19	839,763	1,013,971	932,050	1,145,331
Taxation charged to the profit and loss		–	–	–	9,290
Deferred taxation		–	–	6,331	(31,567)
Share of associate companies' retained surplus		–	–	(1,454,734)	389,473
Gain/(loss) on sale of associate company interest		–	–	–	(7,651,739)
Imputed interest income		–	–	(170,869)	(374,585)
Other fair value adjustments		1,458,908	(2,019,784)	1,578,440	(1,871,058)
Other non-cash items		9,238	11,550	59,361	(26,292)
		2,307,908	(994,263)	950,578	(8,411,147)
Movements in Working Capital					
Decrease (increase) in trade and other receivables		(3,029,511)	(836,101)	(2,425,731)	(1,449,006)
Decrease (increase) in inventories		(835,377)	(40,048)	(835,377)	(40,048)
Decrease (increase) in non-current assets held for sale		8,485,185	(6,034,185)	8,485,185	(6,034,185)
Decrease (increase) in other financial assets		(7,249,936)	(5,778,087)	(7,249,936)	(5,778,087)
(Decrease) increase in trade and other payables		2,092,988	558,549	2,047,277	618,262
(Decrease) increase in provision for taxation		330,539	–	540,155	(121,104)
(Decrease) increase in provisions		–	–	(120,866)	88,764
(Decrease) increase in employee benefit liabilities		315,511	34,763	306,972	53,721
		109,400	(12,095,109)	747,680	(12,661,683)
Movements in Other Activities					
Realised (gains)/loss on sale of assets/investments	5	699,916	(172,642)	708,277	(166,492)
Transfer of investment property to property held for sale		–	4,094,975	–	4,094,975
Purchase of non-current assets held for sale		(4,540,000)	4,796,185	(4,540,000)	4,796,185
Purchase of Other receivables		(256,185)	–	(256,185)	–
FV adjustment on property held for sale		(49,000)	(404,975)	(49,000)	(404,975)
Non-current assets sold during the year		(3,640,000)	(2,452,000)	(3,640,000)	(2,452,000)
Movement in stocks and bonds		6,983,495	5,778,087	6,983,494	5,778,087
Loss on Local Government Stocks		266,442	(389,688)	266,442	(389,688)
Proceeds from shares in subsidiaries and associates		(1,325,331)	–	–	–
Movement in non-current accrued expenses		–	–	–	(97,812)
Interest rate swaps closed out		–	–	–	125,700
(Premiums)/discounts on Local Government Stock		–	–	(446,184)	205,627
Investment income reinvested		–	–	510,860	38,527
Non-operating capital items included in working capital movements		–	–	65,557	15,753
		(1,860,664)	11,249,942	(396,740)	11,543,887
Net Cash Flows from Operating Activities		738,163	4,147,784	(2,740,504)	1,027,177

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

Statement of Accounting Policies

For the Year Ended 30 June 2009

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 2009. The financial statements were authorised for issue by Council on 21 October 2009.

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.

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

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

- **NZ IAS 1** *Presentation of Financial Statements* (revised 2007) replaces NZ IAS 1 *Presentation of Financial Statements* (issued 2004) and is effective for reporting periods beginning on, or after, 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives NRC the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).
  - The NRC intends to adopt this standard for the year ending 30 June 2010, and is yet to decide if it will prepare a single statement of comprehensive income from a separate income statement followed by a statement of comprehensive income.
- **NZ IAS 23** *Borrowing Costs* (revised 2007) replaces NZ IAS 23 *Borrowing Costs* (issued 2004) and is effective for reporting periods beginning on, or after, 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. The NRC intends to adopt this standard for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.
- **NZ IFRS 3** *Business Combinations* (revised 2008) and the amended NZ IAS 27 *Consolidated and Separate Financial Statements* are effective for reporting periods beginning on, or after, 1 July 2009 and must be applied prospectively from that date. The main changes the

Statement of Accounting Policies

For the Year Ended 30 June 2009

revised NZ IFRS 3 and amended NZ IAS 27 will make to existing requirements or practice are:

- Partial acquisitions – Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original NZ IFRS 3 requirement) or at fair value.
- Step acquisitions – The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.
- Acquisition – related costs – are generally recognised as expenses (rather than included in the cost of acquisition).
- Contingent consideration – Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other NZ IFRS's, unusually in profit or loss (rather than by adjusting the cost of acquisition).

The NRC will adopt the revised NZ IFRS 3 and amended NZ IAS 27 for the year ended 30 June 2010, which will impact on business combinations that occur on, or after, 1 July 2009.

- **NZ IFRS 7** *Financial Instruments Disclosures* (issued March 2009) is effective for reporting periods beginning after 1 January 2009. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. These disclosures are expected to provide more information about the relative reliability of fair value measurements. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments clarify current requirements to address application issues. The amendments also reinforce the principles of NZ IFRS 7 to ensure that information disclosed enables users to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages this risk.

Significant Accounting Policies

Basis of Consolidation

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

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

Subsidiaries

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

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

Associates

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

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

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

The NRC investments in associates are carried at cost in the Council's own "parent entity" financial statements.

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Northland Port Corporation is party to several joint venture arrangements. For these

Statement of Accounting Policies

For the Year Ended 30 June 2009

jointly controlled operations Northland Regional Council recognises in its financial statements the group's share of the assets, liabilities, revenues and expenses using the proportional consolidation method.

Revenue

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

Rates Revenue

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

Other Revenue

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

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

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

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

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

Interest income is recognised using the effective interest method.

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

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

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

Construction Contracts

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

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the statement of financial performance.

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

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

Expenditure

Expenditure is recognised when goods and services have been received.

Borrowing Costs

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

Grant Expenditure

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 NRC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the NRC's decision.

Income Tax

The income tax expense charged to the consolidated Statement of Financial Performance 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.

Statement of Accounting Policies

For the Year Ended 30 June 2009

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 profit.

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

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

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

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Financial Performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

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

Leases

Operating Leases

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

Finance Leases

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

At the commencement of the lease term, the NRC recognises finance leases as assets and liabilities on the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset.

The finance charge is charged to the statement of financial performance 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.

Financial Assets

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the Statement of Financial Performance.

Purchases and sales of investments 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 significantly all the risks and rewards of ownership.

The NRC classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and financial at fair value through equity. The classification depends on the purpose for which the investments were required, policies and practices of management, the relationship with other instruments and the reporting costs and benefits of each designation. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The quoted market price used is the current bid price.

Statement of Accounting Policies

For the Year Ended 30 June 2009

The four categories of financial assets are:

– **Financial Assets at Fair Value through Profit and Loss**

  This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date.

  After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the Statement of Financial Performance.

  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**

  These 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. 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 statement of financial performance. 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 statement of financial performance.

– **Financial Assets at Fair Value through Equity**

  Financial assets at fair value through equity are those that are designated as fair value through equity 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 Statement of Financial Performance.

  On derecognition, the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

  Included in this category are the Council's investments in Local Authority stocks. Fair value for these investments is provided by First NZ Capital Securities Ltd 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 Statement of Financial Performance.

– **Loans and Other Receivables**

  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

Statement of Accounting Policies

For the Year Ended 30 June 2009

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 Statement of Financial Performance. 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). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instrument's carrying amount.

Impairment of term deposits, local authority, government stock, and related party and community loans are established when there is objective evidence that the Council will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issue, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

Derivative financial instruments and hedging activities

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 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 probable forecast transactions (cash flow hedge).

At the inception of a designated hedge transaction, the group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the transaction. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of hedging derivatives 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.

- **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 Statement of Financial Performance.

  If the hedge 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 profit and loss 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 directly in equity through the statement of changes in equity, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the Statement of Financial Performance as part of "gains" or "other expenses".

  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 in equity will be reclassified into profit or loss in the same period or periods during which the asset acquired, or liability assumed, affects profit or loss. However, if the Council expects that all, or a portion of a loss, recognised directly in equity will not be recovered in one or more future periods, it will classify into profit or loss the amount that is not expected to be recovered.

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 directly in equity 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 that remains recognised directly in equity from the period when the hedge was effective will remain separately recognised in equity 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 directly in equity from the period when the hedge was effective will be recognised in the Statement of Financial Performance.

For cash flow hedges other than those covered above, amounts that had been recognised directly in equity will be recognised in profit or loss in the same period during which the hedged forecast transaction affects profit or loss (for example, when a forecast sale occurs).

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

Statement of Accounting Policies

For the Year Ended 30 June 2009

service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

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

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

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

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 Statement of Financial Performance.

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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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 an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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 proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

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:

Statement of Accounting Policies

For the Year Ended 30 June 2009

Buildings	5-100 years	1-20%
Amenities	5-100 years	1-20%
Forest (Strategic Management Plan)	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.

Intangible Assets

Software Acquisition and Development

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

Costs that are directly associated wit the development of software for internal use by the NRC, 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' associated amortisation rates have been estimated as follows:

Computer software	4-5 years	20-25%

Capital Projects in Progress

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

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 Statement of Financial Performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Financial Performance.

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 Statement of Financial Performance.

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

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% 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

Statement of Accounting Policies

For the Year Ended 30 June 2009

from a change in fair value less estimated point-of-sale costs, are recognised in the Statement of Financial Performance.

The costs to maintain the biological assets are included as an expense in the Statement of Financial Performance.

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 Statement of Financial Performance.

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 cashflows.

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

Provisions

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

Equity

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

The components of equity are:

- accumulated funds,
- special reserves, and
- asset revaluation reserves.

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

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. 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 payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it 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

Statement of Accounting Policies

For the Year Ended 30 June 2009

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

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

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

Financial Instrument Risk

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

Market Risk

Fair Value Interest Rate Risk

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

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

Cash Flow Interest Rate Risk

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Investments at variable interest rates exposure the Northland Regional Council and Northland Regional Council Community Trust to cashflow interest rate risk.

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

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Northland Regional Council Community Trust has exposure to foreign exchange risk as a result of the transactions denominated in foreign currencies, arising form normal trading conditions and overseas investments within the investment portfolio. A 1% movement in the exchange rate will expose the Trust to an approximate change in value of the portfolio of $11,082.

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

Statement of Accounting Policies

For the Year Ended 30 June 2009

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) Ltd manages its credit exposure by limiting the amount of funds placed with any one financial institute at any one time.

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

Liquidity Risk

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

Capital Management

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

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

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

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

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Critical Accounting Estimates and Assumptions

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

Notes to the Financial Statements

For the Year Ended 30 June 2009

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 1: Summary of Council Cost of Services	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Income						
Planning and Policy		3,898,389	2,470,586	2,362,744		
Consents		1,411,619	1,152,085	1,045,034		
Environmental Monitoring		2,886,598	2,596,929	2,604,191		
Land Operations		5,085,111	5,127,186	3,635,273		
Council and Strategic Development		4,566,674	8,611,694	8,340,473		
Financial and Information Services		8,757,293	4,692,567	6,730,887		
Total Income		26,605,685	24,651,047	24,718,602		
Expenditure						
Planning and Policy		4,718,631	3,417,391	2,907,167		
Consents		2,048,550	2,040,945	1,752,913		
Environmental Monitoring		6,125,519	6,020,364	5,463,085		
Land Operations		5,941,859	6,377,883	5,536,102		
Council and Strategic Development		6,664,360	3,609,178	2,819,755		
Financial and Information Services		(5)	–	–		
Total operating expenditure		25,498,913	21,465,761	18,479,022		
Operating expenditure disclosed as:						
Personnel costs	6	8,859,368	8,194,325	7,227,757	9,894,090	8,352,760
Depreciation and amortisation	19	839,759	1,264,751	1,013,971	932,046	1,145,331
Finance costs	3	35,045	1,000	25	55,187	59,760
Other expenditure on activities		15,764,741	12,005,685	10,237,269	19,337,106	14,150,870
		25,498,913	21,465,761	18,479,022	30,218,429	23,708,720
Operating expenditure includes:						
Audit fees paid to principal auditor:						
- Audit fees for financial statement audit		96,653		95,146	207,565	223,950
- Audit fees for Long Term Council Community Plan audit		65,500		–	65,500	-
- Audit fees for NZ IFRS transition		–		7,800	–	7,800
- Fees for other services		–		2,240	10,507	44,452
Audit fees paid to other auditors		–		–	4,568	4,950
Directors'/Councillors' fees and Trustee remuneration		451,616		418,138	594,282	565,879
Donations [1]		2,870,564		–	150	–
Insurance premiums		164,813		172,431	164,813	172,431
Interest expenses		35,045		25	55,187	59,760
Lease payments		–		–	146,862	248,580
Onerous lease provisions		–		–	–	–
Bad debts written off		1,599		1,261	1,599	1,261
Rates arrears written off		24,214		115,204	24,214	115,204
Severance payments		–		12,655	176,124	12,655
Direct operating expenditure on investment properties		51,762		13,744	51,762	13,744

[1] During the period Council made a gift to Enterprise Northland for it to further Economic Development by contributing to the funding of the development of the Northland Event Centre. Enterprise Northland, in turn providing funding towards the Northland Event Centre and vested this asset with the Whāngārei District Council. It is anticipated that the Whāngārei District Council will establish and vest the Northland Event Centre in a Council Controlled Organisation which is expected to be a Charitable Trust.

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 2: Rates Revenue	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Targeted rates attributable to activities						
Environmental rate		3,968,991	4,018,798	3,698,927	3,968,991	3,698,927
Land management rate		3,659,542	3,747,721	2,725,866	3,659,542	2,725,866
Regional Recreational Facilities rate		1,725,362	1,746,793	1,670,068	1,725,362	1,670,068
Regional Infrastructure rate		528,927	542,275	–	528,927	–
Awanui river management rate		478,578	433,440	456,733	478,578	456,733
Kaihū river management rate		66,250	73,340	60,249	66,250	60,249
Kaeo river management rate		110,639	110,000	–	110,639	–
Rates penalties		277,971	–	205,626	277,971	205,626
Total revenue from rates		10,816,262	10,672,367	8,817,468	10,816,262	8,817,468

Rates remissions and postponements

Disclosure pursuant to Sections 86, 89 of Local Government (Rating) Act 2002: Rates revenue is shown net of rates remissions and postponements. The Northland Regional Council's rates remission and postponement policy allows it to remit or postpone rates as per the Rates Remission and Postponement Policies of the Territorial Authorities who collect Northlands Regional Council's rates on its behalf.

Total rates revenue	10,924,118	10,672,367	8,967,139	10,924,118	8,967,139
Rates remissions					-
Kaipara	8,199	–	4,892	8,199	4,892
Whāngārei	8,109	–	5,346	8,109	5,346
Far North	73,738	–	121,686	73,738	121,686
Rates postponements					
Kaipara	–	–	–	–	–
Whāngārei	17,810	–	17,746	17,810	17,746
Far North	–	–	–	–	–
Total remissions and postponements	107,856	–	149,671	107,856	149,671
Rates revenue net of remissions and postponements	10,816,262	10,672,367	8,817,468	10,816,262	8,817,468

Note 3: Finance Income and Finance Costs	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Finance income						
Interest income:						
- term and bank deposits		1,948,383	2,984,976	1,651,415	2,247,073	2,464,917
- investment stock and bonds		726,027	–	1,096,928	726,027	1,096,928
- Joint Venture		233,539	465,000	–	233,539	–
- other		4,620	–	19,896	412,031	414,848
Total finance income	4	2,912,570	3,449,976	2,768,239	3,618,671	3,976,693
Finance costs						
Interest expense:						
- interest on bank borrowings		35,045	1,000	25	55,187	59,760
Total finance costs		35,045	1,000	25	55,187	59,760
Net finance costs		2,877,525	3,448,976	2,768,214	3,563,484	3,916,933

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 4: Revenue from Activities and Other Revenue	Note	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Fees and charges		4,388,264	2,798,282	3,394,760	6,138,316	5,538,052
Grants and subsidies [1]		1,906,120	1,122,058	528,209	1,906,120	528,209
Revenue from activities		6,294,385	3,920,340	3,922,970	8,044,437	6,066,262
Investment income (rents)		2,970,296	2,831,375	2,686,412	3,210,448	3,072,492
Interest income	3	2,912,570	3,449,976	2,768,239	3,618,671	3,976,693
Imputed interest income		–	–	–	170,870	374,585
Dividend income		4,445,664	1,700,000	4,331,088	109,893	159,237
Forestry revenue		–	450,000	–	–	–
Sundry income		–	323,821	–	216,999	–
Northland Port Corporation (NZ) Limited					–	–
- share of joint venture revenues		–	–	–	788,751	630,215
- share of associate companies' net surplus		–	–	–	2,986,686	1,939,012
- other income		–	–	–	39,759	72,312
Northland Regional Council Community Trust						
- realised income/(deficit) from equities		–	–	–	(359,945)	–
- unrealised income/(deficit) from equities		–	–	–	(581,208)	217,000
Other revenue		10,328,531	8,755,172	9,785,738	10,200,925	10,441,545

[1] Government grants and subsidies are principally from Land Transport New Zealand 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 2009

Note 5: Other Revenues and Gains/(Losses)	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Net gain on disposal of assets and investments, including capital profit [1]	(640,000)	–	172,642	(640,000)	416,389
Net gain on disposal of Northland Port Corporation (NZ) Ltd sale of shares [2]	1,325,331	–	–	–	–
Net gain on disposal of property, plant and equipment	(59,916)	–	–	(111,117)	35,650
Gain/(loss) on changes in fair value of investment property [3] (note 16)	(1,954,874)	1,303,167	3,246,951	(1,954,874)	3,246,951
Gain/(loss) on changes in fair value of non-current assets held for sale (note 12)	(49,000)	–	(404,975)	(49,000)	(404,975)
Gain/(loss) on changes in fair value of forestry assets (note 21)	278,524	–	(319,483)	278,524	(319,483)
Gain/(loss) on changes in fair value buildings	–	–	(113,021)	–	(113,021)
Gain/(loss) on changes in fair value of financial derivatives	–	–	–	–	4,497
Gain/(loss) on changes in fair value of shares held in Fonterra Co-operative Group Ltd	–	–	–	(119,532)	(153,223)
Gain/(loss) on changes in fair value of investments	266,442	–	(389,688)	266,442	(1,162,510)
Gain/(loss) on sale of Associate Company shareholding	–	–	–	–	7,651,739
PIE excluded income	–	–	–	60,926	13,267
Foreign exchange gains/(losses)	–	–	–	82,023	152,760
Total gains/(losses)	(833,492)	1,303,167	2,192,426	(2,186,607)	9,368,041

1 In October 2008 Council sold its Commerce Street property for $3 million, resulting in a $640 thousand loss on sale. The property was producing poor rental returns and was marketed in June and July 2008, with tenders closing 25 July 2008. As at 30 June 2008, the property had a market value of $3.64 million. Council considered this offer in view of the current return provided by the property, the economic climate and the risk associated with outlaying significant expenditure on refurbishment of the site. For these reasons Council decided the most prudent course of action was to sell the property with a view to setting the proceeds aside for further reinvestment.

2 Commencing 18 February 2009, the Northland Port Corporation undertook an on market share buyback of 5% of its share capital, a total of 2,173,718 shares. The share buy back concluded on 6 March 2009. The shares acquired under the buy back were cancelled. The total cost of the buy back was $5,372,932.18 giving an average buy back price of $2.47 per share. Council sold 652,294 shares for an average price of $2.39 per share for a total value of $1,557,476. Council's carrying cost of these shares is $0.35. cents, resulting in a profit of $2.03 per share. As a consequence of the share buy back Council's shareholding in Northland Port Corporation (NZ) Ltd has increased from 52.43% to 53.61%.

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

Note 6: Personnel Costs	Council 30-Jun-09 $	Annual Plan 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Salaries and wages [1]	8,456,281	8,155,052	7,134,049	9,499,542	8,240,094
Employer contributions to defined benefit plans	78,338	39,273	47,396	78,338	47,396
Increase/(decrease) in employee benefit liabilities	324,749	-	46,312	316,210	65,270
Total personnel costs	8,859,368	8,194,325	7,227,757	9,894,090	8,352,760

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

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 7: Taxation

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Components of tax expense				
Current tax expense	925,253	252,367	692,282	463,066
Deferred tax expense	–	–	6,329	(34,589)
	925,253	**252,367**	**698,611**	**428,477**
Relationship between tax expense and accounting profit				
Net surplus/(deficit)	1,106,772	–	(3,343,412)	10,984,596
Dividend income	–	5,341,562	–	5,341,562
Surplus/(deficit) before tax	1,106,772	5,341,562	(3,343,412)	16,326,158
Taxation at 30% (2008 33%)	332,031	1,762,716	(1,003,024)	4,757,830
Adjusted for tax effects:				
Tax paid on Associate Companies' earnings	–	–	(400,735)	167,791
Non-assessable income	1,150,606	–	2,803,144	(2,680,077)
Non-deductible expenses	(168,412)	–	244,212	447,055
Over provision prior year	(66,347)	–	(94,092)	–
Imputation credits	(510,340)	(1,010,474)	(1,038,609)	(1,778,959)
Unused taxation losses ex Northland Harbour Board (tax effect)	–	(499,875)	–	–
Difference due to receipt of imputation credits at 33%	–	–	–	–
Tax expense	737,538	252,367	510,896	913,640

	Property Plant and Equipment $	Financial Instruments $	Employee Entitlements $	Other Provisions $	Total $
Deferred tax asset/(liability)					
Council					
Balance at 1 July 2007	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–
Charged to Equity	–	–	–	–	–
Balance at 1 July 2008	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–
Charged to Equity	–	–	–	–	–
Balance at 1 July 2009	–	–	–	–	–
Group					
Balance at 1 July 2007	**69,136**	**(39,997)**	**790**	**17,812**	**47,741**
Charged to Statement of Financial Performance	(8,252)	39,997	(790)	612	31,567
Charged to equity	–	–	–	–	–
Balance at 1 July 2008	60,884	–	–	18,424	79,308
Charged to Statement of Financial Performance	(6,949)	–	–	619	(6,330)
Charged to equity	–	–	–	–	–
Balance at 1 July 2009	**53,935**	–	–	**19,043**	**72,978**

The balance of the taxation losses transferred from the former Northland Harbour Board were nil as at 30 June 2009. As at 30 June 2009, Northland Port Corporation (NZ) Ltd, its subsidiaries and associates held imputation and dividend withholding tax credits totalling $2,373,244 (2008: $1,432,270).

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 8: Equity

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Accumulated funds				
As at 1 July	127,668,611	121,207,073	273,447,139	266,489,862
Surplus/(deficit) for year	181,518	5,987,214	(4,042,024)	10,556,119
Transfers to/(from) freehold land revaluation reserves	(65,000)	(100,000)	(10,567,224)	(153,518)
Transfers to/(from) buildings revaluation reserves	(258,740)	574,324	(258,740)	574,324
Share buy back	–	–	(4,047,601)	–
Less dividends paid	–	–	(4,017,138)	(3,929,042)
Hedging Reserve	–	–	(1,059,411)	(90,606)
Other consolidation adjustments	–	–	230,724	–
As at 30 June	127,526,389	127,668,611	249,685,726	273,447,139
Made up of:				
Retained earnings				
As at 1 July	117,042,548	111,055,334	135,746,321	129,129,095
Surplus/(deficit) for year	181,518	5,987,214	(5,291,222)	5,776,121
Transfers from special reserves	1,392,100	–	1,392,100	–
Transfers to special reserves	(6,598,697)	–	(6,598,697)	–
Dividends Paid	–	–	(91,244	–
Share buy back	–	–	(1,555,098)	–
Other consolidation adjustments	–	–	–	–
As at 30 June	112,017,469	117,042,548	123,602,160	134,905,216
Special reserves				
Asset Revaluation reserve				
As at 1 July	1,411,687	937,364	56,610,751	54,953,281
Revaluation gains/(losses) - buildings	(258,740)	574,323	(258,740)	574,323
Revaluation gains/(losses) - land	(65,000)	(100,000)	(5,695,242)	(128,061)
Transfer to retained earnings on disposal of land and buildings	–	–	–	–
As at 30 June	1,087,947	1,411,687	50,656,768	55,399,543
Asset revaluation reserve consists of:				
Land	1,056,790	1,121,790	1,056,790	1,121,790
Buildings	31,157	289,897	49,599,978	54,277,753
Total	1,087,947	1,411,687	50,656,768	55,399,543

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 8: Equity continued	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Land Management reserve				
As at 1 July	1,422,033	1,956,033	1,422,033	1,956,033
Transfer to/(from) accumulated funds	251,006	(534,000)	251,006	(534,000)
As at 30 June	1,673,039	1,422,033	1,673,039	1,422,033
Awanui River reserve				
As at 1 July	(458,389)	(448,301)	(458,389)	(448,301)
Transfer to/(from) accumulated funds	120,312	(10,088)	120,312	(10,088)
As at 30 June	(338,077)	(458,389)	(338,077)	(458,389)
Kaihū River reserve				
As at 1 July	30,083	12,359	30,083	12,359
Transfer to/(from) accumulated funds	(32,900)	17,724	(32,900)	17,724
As at 30 June	(2,817)	30,083	(2,817)	30,083
Kaeo River reserve				
As at 1 July	–	–	–	–
Transfer to/(from) accumulated funds	47,667	–	47,667	–
As at 30 June	47,667	–	47,667	–
Recreational Facilities reserve				
As at 1 July	3,502,531	1,657,044	3,502,531	1,657,044
Transfer to/(from) accumulated funds	(1,359,200)	1,845,487	(1,359,200)	1,845,487
As at 30 June	2,143,331	3,502,531	2,143,331	3,502,531
Investment Fund reserve				
As at 1 July	2,199,795	–	2,199,795	2,199,795
Transfer to/(from) accumulated funds	6,135,502	2,199,795	6,135,502	–
As at 30 June	8,335,297	2,199,795	8,335,297	2,199,795
Forest Income Equalisation fund				
As at 1 July	2,518,323	2,504,636	2,518,323	2,504,636
Transfer to/(from) accumulated funds	–	13,687	–	13,687
As at 30 June	2,518,323	2,518,323	2,518,323	2,518,323
Environment Fund reserve				
As at 1 July	–	–	–	–
Transfer to/(from) accumulated funds	44,210	–	44,210	–
As at 30 June	44,210	–	44,210	–
Hedging reserve				
As at 1 July	–	–	145,004	189,330
Gains/losses recognised	–	–	(567,950)	(47,508)
Transfer to/(from) accumulated funds	–	–	–	–
As at 30 June	–	–	(422,946)	141,822
Total special reserves at 30 June	15,508,920	10,626,063	64,654,795	64,755,741
Minority Interest	–	–	61,428,771	73,786,182
TOTAL EQUITY AT 30 JUNE	127,526,389	127,668,611	249,685,726	273,447,139

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 9: Cash and Cash Equivalents

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Cash on hand at trading banks	2,671,629	4,789,158	4,064,504	5,532,989
Term deposits with maturities less than three months	–	6,000,000	–	6,000,000
Total cash and cash equivalents	2,671,630	10,789,158	4,064,505	11,532,989

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 2009 that were not available for use by the Group.

The ASB Bank has registered a composite debenture over the assets of Northland Port Corporation (NZ) Ltd.

At balance date, the interest on the overdraft for Northland Port Corporation (NZ) Ltd Group's $400,000 overdraft facility was 9.85% (June 2008: $400,000, 12.45%). However, no sum was outstanding.

Current account deposits held with the ASB Bank form part of the Northland Port Corporation (NZ) Ltd Group's offset facility and are non-interest bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 2.5% (June 2008: nil).

Note 10: Trade and Other Receivables

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Rates receivables	3,224,725	1,515,126	3,224,725	1,515,126
Other receivables	3,268,449	2,139,843	3,779,560	2,871,773
GST Receivable	200,912	–	200,912	–
Related party receivables (note 29)	–	–	1,687	374,728
Prepayments	152,553	126,475	167,305	145,524
Gross debtors and other receivables	6,846,639	3,781,444	7,374,189	4,907,151
Less provision for impairment of receivables	(676,979)	(578,490)	(676,979)	(578,490)
Total trade and other receivables	6,169,660	3,202,954	6,697,210	4,328,661

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 2009 and 2008, 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:	2009 Gross $	2009 Impairment $	2009 Net $	2008 Gross $	2008 Impairment $	2008 Net $
Council						
Not past due	6,071,721	–	6,071,721	3,161,397	–	3,161,397
Past due 1-60 days	73,350	–	73,350	26,087	–	26,087
Past due 61-120 days	24,589	–	24,589	15,470	–	15,470
Past due > 120 days	676,979	(676,979)	–	578,490	(578,490)	–
Total	6,846,639	(676,979)	6,169,660	3,781,444	(578,490)	3,202,954
Group						
Not past due	6,599,271	–	6,599,271	4,182,167	–	4,182,167
Past due 1-60 days	73,350	–	73,350	40,628	–	40,628
Past due 61-120 days	24,589	–	24,589	105,866	–	105,866
Past due > 120 days	676,979	(676,979)	–	578,490	(578,490)	–
Total	7,374,189	(676,979)	6,697,210	4,907,151	(578,490)	4,328,661

Notes to the Financial Statements

For the Year Ended 30 June 2009

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-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Individual impairment	7,836	7,891	7,836	7,891
Collective impairment	669,143	570,599	669,143	570,599
Total provision for impairment	**676,979**	**578,490**	**676,979**	**578,490**

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:

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Past due 1-60 days	–	–	–	–
Past due 61-120 days	–	–	–	–
Past due > 120 days	7,836	7,891	7,836	7,891
Total individual impairment	**7,836**	**7,891**	**7,836**	**7,891**

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

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
At 1 July	**578,490**	**596,349**	**578,490**	**596,349**
Additional provisions made during the year	219,592	80,748	219,592	80,748
Receivables written off during the period	(121,104)	(98,606)	(121,104)	(98,606)
At 30 June	**676,979**	**578,490**	**676,979**	**578,490**

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

Note 11: Inventories

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Stores and materials [1]	184,059	179,042	184,059	179,042
Marsden to Oakleigh Rail Corridor Designation [2]	830,364	–	830,364	–
	1,014,422	179,042	1,014,422	179,042

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

[2] Marsden to Oakleigh Rail Corridor Designation relates to Council's share of the designation costs incurred by ONTRACK. The Rail Corridor will be transferred to ONTRACK once ONTRACK has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link. This accounting treatment is in accordance with Accounting Standard NZ IAS 2: Inventories. Refer to note 27 for further information on the joint venture between Council and ONTRACK.

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 12: Non-current Assets Held for Sale	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Balance 1 July	8,875,185	2,841,000	8,875,185	2,841,000
Transfers from investment properties	–	4,094,975	–	4,094,975
Properties purchased	–	4,796,185	–	
Properties transferred to Investment Properties	(4,540,000)	–	(4,540,000)	4,796,185
Reclassification of asset to other receivables	(256,185)	–	(256,185)	–
Properties sold during the year	(3,640,000)	(2,452,000)	(3,640,000)	(2,452,000)
Fair value gains/(loss) on valuation (note 5)	(49,000)	(404,975)	(49,000)	(404,975)
Total non-current assets held for sale	390,000	8,875,185	390,000	8,875,185

Non-current assets held for sale are valued at the lower of the varying amount and fair value less costs to sell at the time of reclassification.

During the year Council sold its Commerce Street property for $3 million, the valuation as at 30 June 2008 was $3.64 million.

During the 2007-2008 year, properties classified as held for sale included four properties purchased during the year in the Oakleigh to Marsden Point area. The acquisition cost of these properties was $4,540,000. Council has now reclassified its properties held in the Marsden Point to Oakleigh area as Investment Properties. Refer to Investment Property, note 16 for more information on Investment Properties and note 27 for further information on the Joint Venture between Council and ONTRACK.

Note 13: Other Financial Assets	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Current portion				
Loans and receivables				
Short term advances with maturities of 4-12 months	21,083,155	13,833,219	21,083,155	26,583,745
Fonterra Co-operative Group Ltd shares	–	–	–	775,097
Total current portion	21,083,155	13,833,219	21,083,155	27,358,842

Impairment

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

Short term advances

Northland Regional Council short term deposits with maturity dates of four to six months. The average interest rate is 5.3% (2008 - 8.75%).

Northland Port Corporation (NZ) Ltd advances

Effective 30 September 2007, Hopper Developments Ltd acquired the Group's former shareholding in Marsden Cove Ltd and Marsden Cove Marinas Ltd. As part of the agreed terms of this sale, a short term funding advance of $8,000,000 (having a fair value of $5,829,130 as at 30 June 2008) was provided. The advance was repaid in full on 18 October 2008.

Effective 30 June 2007, the Company entered into an agreement with Sea-Tow Ltd whereby the capital notes previously held in that company were redeemed in exchange for a secured, interest bearing loan of $5,525,000 with an effective interest rate of 12.75%. During the period, the loan was repaid in full.

Effective 1 November 2008, Northport Ltd acquired the separate interests of the former joint venture partners in Northport Services (UJV). The Company provided a short term, interest free,funding advance to Northport Ltd of $1,796,396 to facilitate this arrangement. During the period the remaining balance of this loan was repaid in full.

Note 14: Derivative Financial Instruments

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

However, at 30 June 2009, the Group was not party to any such transactions (2008: nil).

At 30 June 2009, the associate entity Northport Ltd, together with its associate North Tugz Ltd, were party to fixed interest swap contracts with principal amounts totalling $34,500,000 and $10,150,000 respectively, as at 30 June 2009 (2008: $34,500,000 and $10,550,000).

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 15: Other Receivables

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Other receivables	3,016,535	–	3,016,535	–
	3,016,535	–	3,016,535	–

Other receivables relate to the outstanding amount owed to the Council from ONTRACK relating to the joint venture between Council and ONTRACK. Refer to note 27 for further information on the Joint Venture between the Council and ONTRACK.

There were no impairment provisions for other receivables.

Note 16: Investment Property

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Balance at 1 July	46,099,000	46,091,001	46,099,000	46,091,001
Additions from acquisitions	2,350,374	856,023	2,350,374	856,023
Disposals	–	–	–	–
Transfers to property held for sale	–	(4,094,975)	–	(4,094,975)
Transfers from property held for sale	4,540,000	–	4,540,000	–
Property accounted for by ONTRACK	(3,436,001)	–	(3,436,001)	–
Fair value gains/(losses) on valuation (note 4)	(1,954,874)	3,246,951	(1,954,874)	3,246,951
Balance at 30 June	47,598,499	46,099,000	47,598,499	46,099,000

Investment properties are stated at fair value, effective 30 June 2009. The valuation has been undertaken by Telfer Young (Northland) Ltd who are independent valuers that hold a recognised and relevant professional qualification and who have recent experience.

The Council's investment properties comprise ground leases of $35,266,000 (2008: $35,724,000) and land and buildings held for investment purposes of $9,585,000 (2008: $10,375,000) and properties purchased along the proposed Marsden Point Rail corridor of $2,747,500 (2008: $4,540,000).

Ground leases are parcels of land owned by the Council, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 years, but 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. During the 2007-2008 year, properties classified as held for sale included four properties purchased during the year in the Oakleigh to Marsden Point area. The acquisition cost of these properties was $4,540,000. The Council has now reclassified its properties held in the Marsden Point to Oakleigh area as Investment Properties. During the period, three further properties were purchased in the Oakleigh to Marsden Point area that contain land and some residential buildings at a cost of $2,332,000.

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% 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% of the cost of the properties and their 50% of all other associated costs as Other Receivables, refer note 15. For further information on the joint venture between Council and ONTRACK refer to note 27.

Rental Income	2,970,296	2,686,412	2,970,296	2,686,412
Expenses from investment property generating income	78,775	123,386	78,775	123,386

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 17: Investments in Subsidiaries and Associates	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Council				
Investment in Northland Regional Council Community Trust	12,139,523	12,139,523	–	–
Shares in Northland Port Corporation (NZ) Ltd (22.14 million shares)	7,827,563	8,058,150	42,522,638	43,541,982
Total investments in subsidiaries and associates	**19,967,086**	**20,197,673**	**42,522,638**	**43,541,982**

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

As at 30 September 2009 the Northland Regional Council Community Trust fund was valued at $10 million.

Northland Port Corporation (NZ) Ltd is a listed company. The fair value of these shares, as per the market price at 30 June 2009, is $2.12 per share (2008: $2.75 per share). Northland Regional Council holds 22,142,907 shares (2008: 22,795,601). During the year Council participated in the share buy back undertaken by North Port Corporation (NZ) Ltd. Council sold 652,294 shares at an average price of $2.39 per share. The shares are held at historical cost of $0.35 cents per share. Council shareholding in North Port Corporation (NZ) Ltd has increased from 52.43% to 53.61%.

Northland Regional Council Community Trust	Council 30-Jun-09 $	Council 30-Jun-08 $
Current assets	399,203	555,077
Non-current assets	9,764,384	10,910,554
Current liabilities	445,613	592,468
Non-current liabilities	9,820	19,644
Net assets	**9,708,154**	**10,853,519**
Total investment at cost	12,139,523	12,139,523

Shares in Northland Port Corporation (NZ) Ltd - investments in associate companies

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

	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Current assets	3,100,436	3,473,598
Non-current assets	101,163,151	104,168,368
Current liabilities	4,131,249	4,527,969
Non-current liabilities	42,829,180	46,363,484
Net assets	**57,303,158**	**56,750,513**
Group share of net assets (50%)	28,651,579	28,375,257
Land revaluation not recognised by Northport Ltd	16,031,311	17,446,065
Other consolidation adjustments	(2,160,390)	(2,279,340)
Total investment in associate companies	42,522,500	43,541,982
Opening carrying value	43,541,982	45,872,388
Share of after tax surplus	2,986,686	1,939,012
Dividends paid	(1,531,952)	(2,328,485)
Share of Land Revaluation movement	(1,414,754)	–
Share of Hedge Reserve movement	(1,059,412)	(90,606)
Inter-entity asset gain elimination (50%)	–	(34,490)
Offset with advance	–	7,849
Sale (carrying value)	(50)	(1,823,686)
Closing carrying value	42,522,500	43,541,982

Joint Venture commitments and contingencies

Details of any commitments and contingent liabilities arising from the Group's involvement in associated companies are disclosed separately in notes 28 and 29.

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 18: Other Investments	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Current portion				
Term deposits, local authority and government stock and other securities [1]	2,619,486	–	2,619,486	–
Total current portion	**2,619,486**	**–**	**2,619,486**	**–**
Non-current portion				
Term deposits, local authority and government stock and other securities [1]	10,368,809	9,060,409	10,909,336	9,530,901
Investments other [2]	–	–	9,701,934	10,887,583
Total non-current portion	**10,368,809**	**9,060,409**	**20,611,270**	**20,418,484**
Balance of other investments at 30 June	**12,988,295**	**9,060,409**	**23,230,756**	**20,418,484**

[1] Other investments				
Term deposits, local authority and government stock [1]	12,988,295	9,060,409	12,988,295	9,060,409
Fonterra Co-operative Group Ltd - shares	–	–	514,557	445,600
Balance Agri-Nutrients Ltd - shares	–	–	25,970	24,892
	12,988,295	9,060,409	13,528,822	9,530,901

Fair value for the Council's investments in Local Authority stocks is provided by ETOS Ltd and is determined by reference to published price quotations in an active market. The cost of these investments at 30 June 2009 is $13,156,261 (2008:$9,450,079).

Investments other [2]

Northland Regional Council Community Trust investments in listed shares are held at the fair value of listed available-for-sale investments determined directly by references to published price quotations in an active market. Investments in unlisted investments are held at the fair value that has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair value recorded in equity are reasonable and the most appropriate at balance date.

Fonterra Co-operative Group Ltd shares

As at 30 June 2009, Northland Port Corporation (NZ) Limited and its Group held 113,840 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of $6.14 per share (2008: a total holding of 202,853 shares at an average of $6.14 per share).

Balance Agri-Nutrients Ltd shares

As at 30 June 2009, the Company and Group held 3,710 shares in Balance Agri Nutrients Ltd with a disclosed fair value of $7.00 per share and a total fair value of $25,970 (2008: 3,566 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	5.3%	7.5%	5.3%	7.5%
Other securities	7.2%	8.3%	9.5%	9.5%

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 19: Property, Plant and Equipment	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Freehold Land				
Freehold Land - at cost - opening balance	–	–	–	–
Freehold Land - at valuation - opening balance	1,570,000	2,377,610	1,570,000	2,377,610
Less accumulated depreciation	–	(754)	–	(754)
Total Freehold Land - opening balance	1,570,000	2,376,856	1,570,000	2,376,856
Additions	–	–	–	–
Disposals	–	–	–	–
Accumulated depreciation on disposals	–	–	–	–
Transfer between asset classes	–	(706,856)	–	(706,856)
Revaluation movement	(65,000)	(100,000)	(65,000)	(100,000)
Depreciation expense	–	–	–	–
Total Freehold Land - closing balance	1,505,000	1,570,000	1,505,000	1,570,000
Land at Cost - closing balance	–	–	–	–
Land at valuation - closing balance	1,505,000	1,570,000	1,505,000	1,570,000
Less accumulated deprecation	–	–	–	–
Total Freehold Land - closing balance	1,505,000	1,570,000	1,505,000	1,570,000
Other Land				
Other Land - at cost - opening balance	706,856	–	706,856	–
Other Land - at valuation - opening balance	–	–	–	–
Less accumulated depreciation	–	–	–	–
Total Other Land - opening balance	706,856	–	706,856	–
Additions	–	–	–	–
Disposals	–	–	–	–
Accumulated depreciation on disposals	–	–	–	–
Transfer between asset classes	–	706,856	–	706,856
Revaluation movement	–	–	–	–
Depreciation expense	–	–	–	–
Total Other Land - closing balance	706,856	706,856	706,856	706,856
Land at cost - closing balance	706,856	706,856	706,856	706,856
Land at valuation - closing balance	–	–	–	–
Less accumulated deprecation	–	–	–	–
Total other land - closing balance	706,856	706,856	706,856	706,856

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 19: Property, Plant and Equipment continued	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Freehold Land Port				
Freehold Land Port - at cost - opening balance	–	–	–	–
Freehold Land Port - at valuation - opening balance	–	–	92,250,000	91,250,000
Less accumulated depreciation	–	–	–	–
Total Freehold Land Port - opening balance	–	–	92,250,000	91,250,000
Additions	–	–	137,470	1,053,518
Disposals	–	–	–	–
Accumulated depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	(9,087,470)	(53,518)
Depreciation expense	–	–	–	–
Total Freehold Land Port - closing balance	–	–	83,300,000	92,250,000
Land at cost - closing balance	–	–	–	–
Land at valuation - closing balance	–	–	83,300,000	92,250,000
Less accumulated deprecation	–	–	–	–
Total Freehold Land Port - closing balance	–	–	83,300,000	92,250,000
Buildings				
Buildings - at cost	–	–	–	–
Buildings - at valuation	5,960,000	6,138,856	5,960,000	6,181,341
Total Buildings cost/valuation	5,960,000	6,138,856	5,960,000	6,181,341
Accumulated depreciation	–	(358,130)	–	(400,615)
Total Buildings - opening balance	5,960,000	5,780,726	5,960,000	5,780,726
Additions	1,740	69,218	1,740	26,733
Disposals	–	–	–	–
Accumulated depreciation on disposals	–	358,130	–	400,615
Transfer between asset classes	–	(135,053)	–	(135,053)
Revaluation movement	(258,740)	(113,021)	(258,740)	(113,021)
Depreciation expense	–	–	–	–
Total Buildings - closing balance	5,703,000	5,960,000	5,703,000	5,960,000
Buildings at cost - closing balance	–	–	–	–
Buildings at valuation - closing balance	5,703,000	5,960,000	5,703,000	5,960,000
Total Buildings cost/valuation	5,703,000	5,960,000	5,703,000	5,960,000
Accumulated deprecation	–	–	–	–
Total Buildings - closing balance	5,703,000	5,960,000	5,703,000	5,960,000

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 19: Property, Plant and Equipment continued

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Infrastructure				
Infrastructure - at cost - opening balance	6,925,283	6,925,283	6,925,283	6,925,283
Less accumulated depreciation	(17,837)	(11,889)	(17,837)	(11,889)
Total infrastructure opening balance	6,907,446	6,913,394	6,907,446	6,913,394
Additions	–	–	–	–
Disposals	–	–	–	–
Accumulated depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	–	–
Depreciation expense	(5,948)	(5,948)	(5,948)	(5,948)
Total infrastructure closing balance	6,901,498	6,907,446	6,901,498	6,907,446
Infrastructure - at cost	6,925,283	6,925,283	6,925,283	6,925,283
Less accumulated depreciation	(23,785)	(17,837)	(23,785)	(17,837)
Total infrastructure closing balance	6,901,498	6,907,446	6,901,498	6,907,446
Amenities				
Amenities - at cost - opening balance	–	–	618,297	468,297
Less accumulated depreciation	–	–	(90,759)	(48,551)
Total Amenities opening balance	–	–	527,538	419,746
Additions	–	–	–	150,000
Disposals	–	–	(62,475)	–
Accumulated depreciation on disposals	–	–	–	–
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	–	–
Depreciation expense	–	–	(39,034)	(42,208)
Total Amenities closing balance	–	–	426,029	527,538
Amenities - at cost	–	–	555,822	618,297
Less accumulated depreciation	–	–	(129,793)	(90,759)
Total Amenities closing balance	–	–	426,029	527,538

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 19: Property, Plant and Equipment continued

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Plant and Equipment				
Plant and Equipment - at cost - opening balance	4,912,711	4,765,816	5,257,454	5,123,534
Less accumulated depreciation	(3,288,441)	(2,926,915)	(3,496,086)	(3,097,810)
Total Plant and Equipment opening balance	**1,624,270**	**1,838,901**	**1,761,368**	**2,025,724**
Additions	298,715	190,174	305,110	201,281
Disposals	(44,566)	(178,332)	(88,039)	(202,414)
Accumulated depreciation on disposals	43,633	175,337	81,896	185,634
Transfer between asset classes	–	135,053	–	135,053
Revaluation movement	–	–	–	–
Depreciation expense	(491,520)	(536,863)	(516,090)	(583,910)
Total Plant and Equipment closing balance	**1,430,531**	**1,624,270**	**1,544,244**	**1,761,368**
Plant and equipment - at cost	5,166,860	4,912,711	5,474,525	5,257,454
Less accumulated depreciation	(3,736,328)	(3,288,441)	(3,930,280)	(3,496,086)
Total Plant and Equipment closing balance	**1,430,531**	**1,624,270**	**1,544,244**	**1,761,368**
Leased Equipment				
Leased Equipment - at cost - opening balance	–	–	97,982	104,466
Less accumulated depreciation	–	–	(60,595)	(68,619)
Total Leased Equipment opening balance	**–**	**–**	**37,387**	**35,847**
Additions	–	–	13,300	34,253
Disposals	–	–	(39,727)	(40,737)
Accumulated depreciation on disposals	–	–	29,184	34,181
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	–	–
Depreciation expense	–	–	(19,293)	(26,157)
Total Leased Equipment closing balance	**–**	**–**	**20,851**	**37,387**
Leased Equipment - at cost	–	–	71,555	97,982
Less accumulated depreciation	–	–	(50,704)	(60,595)
Total Leased Equipment closing balance	**–**	**–**	**20,851**	**37,387**

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 19: Property, Plant and Equipment continued

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Navigational Aids				
Navigational Aids - at cost - opening balance	334,684	486,640	334,684	486,640
Less accumulated depreciation	(276,585)	(426,177)	(276,585)	(426,177)
Total Navigational Aids opening balance	58,099	60,463	58,099	60,463
Additions	68,824	32,006	68,824	32,006
Disposals	(3,305)	(183,962)	(3,305)	(183,962)
Accumulated depreciation on disposals	753	174,285	753	174,285
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	–	–
Depreciation expense	(12,510)	(24,693)	(12,510)	(24,693)
Total Navigational Aids closing balance	111,861	58,099	111,861	58,099
Navigational Aids - at cost	400,203	334,684	400,203	334,684
Less accumulated depreciation	(288,342)	(276,585)	(288,342)	(276,585)
Total Navigational Aids closing balance	111,861	58,099	111,861	58,099
Vehicles				
Vehicles - at cost - opening balance	1,482,616	1,457,937	1,545,284	1,512,293
Less accumulated depreciation	(632,425)	(567,275)	(662,502)	(589,423)
Total Vehicles opening balance	850,191	890,662	882,782	922,870
Additions	430,369	203,136	430,369	229,803
Disposals	(397,618)	(178,457)	(406,063)	(196,812)
Accumulated depreciation on disposals	206,239	90,888	211,633	98,014
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	–	–
Depreciation expense	(139,981)	(156,038)	(149,368)	(171,093)
Total Vehicles closing balance	949,200	850,191	969,353	882,782
Vehicles - at cost	1,515,367	1,482,616	1,569,590	1,545,284
Less accumulated depreciation	(566,167)	(632,425)	(600,237)	(662,502)
Total Vehicles closing balance	949,200	850,191	969,353	882,782
Vessels and Dredging Equipment				
Vessels and Dredging Equipment - at cost - opening balance	1,114,880	1,069,751	1,114,880	1,069,751
Less accumulated depreciation	(517,236)	(434,242)	(517,236)	(434,242)
Total Vessels and Dredging Equipment opening balance	597,644	635,509	597,644	635,509
Additions	2,831	45,129	2,831	45,129
Disposals	(13,776)	–	(13,776)	–
Accumulated depreciation on disposals	13,343	–	13,343	–
Transfer between asset classes	–	–	–	–
Revaluation movement	–	–	–	–
Depreciation expense	(53,739)	(82,994)	(53,739)	(82,994)
Total Vessels and Dredging Equipment closing balance	546,303	597,644	546,303	597,644
Vessels and Dredging Equipment - at cost	1,103,935	1,114,880	1,103,935	1,114,880
Less accumulated depreciation	(557,632)	(517,236)	(557,632)	(517,236)
Total Vessels and Dredging Equipment closing balance	546,303	597,644	546,303	597,644

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 19: Property, Plant and Equipment continued

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Total Assets				
Total Assets - at cost	15,477,030	14,705,427	16,600,720	106,940,264
Total Assets - at valuation	7,530,000	8,516,466	99,780,000	8,558,951
Total Assets cost/valuation	23,007,030	23,221,893	116,380,720	115,499,215
Accumulated depreciation	(4,732,524)	(4,725,382)	(5,121,600)	(5,078,080)
Total Assets - opening balance	18,274,506	18,496,511	111,259,120	110,421,135
Additions	802,478	539,663	959,643	1,772,723
Disposals	(459,265)	(540,751)	(613,385)	(623,925)
Accumulated depreciation on disposals	263,967	798,640	336,808	892,729
Transfer between asset classes	–	–	–	–
Revaluation movement	(323,740)	(213,021)	(9,411,210)	(266,539)
Depreciation expense	(703,697)	(806,536)	(795,981)	(937,003)
Total Assets - closing balance	17,854,249	18,274,506	101,734,995	111,259,120
Total Assets at cost - closing balance	15,818,503	15,477,030	16,736,213	16,600,720
Total Assets at valuation - closing balance	7,208,000	7,530,000	90,508,000	99,780,000
Total cost/valuation	23,026,503	23,007,030	107,315,768	116,380,720
Accumulated deprecation	(5,172,254)	(4,732,524)	(5,400,276)	(5,121,600)
Total Assets - Closing balance	17,854,249	18,274,506	101,734,995	111,259,120
Capital Work in Progress	78,494	9,632	3,883,898	3,690,003
Total Fixed Assets	17,932,742	18,284,138	105,618,892	114,949,123
Depreciation and amortisation expense				
Property, plant and equipment	703,697	806,537	795,985	937,003
Intangibles	136,061	202,634	136,061	203,527
Forest (on forest harvesting strategy)	–	4,800	–	4,800
	839,759	1,013,971	932,046	1,145,330

Northland Port Corporation (NZ) Ltd freehold land as at 30 June has been revalued by Telfer Young (Northland) Ltd and stated at the "fair value" of $83,300,000 (2008: $92,250,000). The valuer is an Associate Member of the NZ Institute of Valuers. The valuation was conducted in accordance with IAS-16 which defines "fair value" as being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. Northland Port Corporation (NZ) Ltd buildings and amenities are recorded at cost which, in the opinion of the directors, approximates fair value.

Northland Regional Council land and buildings as at 30 June have been revalued by Telfer Young (Northland) Ltd and stated at the "fair value" of $7,208,000 (2008: $7,530,000). The valuer is an Associate Member of the NZ Institute of Valuers. 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.

There are no restricted assets.

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 20: Intangible Assets

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Computer Software				
Cost - opening balance	2,462,437	2,453,037	2,469,087	2,459,688
Accumulated amortisation	(2,128,788)	(1,961,499)	(2,170,421)	(1,966,894)
Computer software opening carrying amount	333,648	491,538	298,666	492,794
Additions	89,545	9,399	89,545	9,399
Net disposals [1]	–	–	–	–
Amortisation charge	(136,061)	(202,634)	(136,424)	(203,527)
Total Computer Software - closing balance	287,131	298,302	251,786	298,665
Cost	2,551,982	2,462,437	2,558,632	2,469,087
Accumulated amortisation	(2,264,850)	(2,128,788)	(2,306,845)	(2,170,421)
Total Computer Software - Closing Balance	287,131	333,647	251,786	298,665

[1] Disposals are reported net after accumulated depreciation.

Note 21: Biological Assets

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Balance at 1 July	1,366,200	1,690,483	1,366,200	1,690,483
Gains arising from changes in fair values less estimated point-of-sale costs	278,524	(319,483)	278,524	(319,483)
Depreciation on biological asset excluded from valuation	–	(4,800)	–	(4,800)
Balance at 30 June	1,644,724	1,366,200	1,644,724	1,366,200

Northland Regional Council owns 318.3 hectares of radiata pine forest which are at varying stages of maturity, ranging from 1 to 29 years. No forests have been harvested during the year, with the scheduled harvest for 2008-2009 deferred due to unfavourable market conditions.

Valuation assumptions

Independent registered forestry industry consultants, Chandler Fraser Keating Ltd, have valued forestry assets at fair value less point-of-sale costs as at 30 June 2009. Fair value is the amount for which the forest asset would be expected to exchange between a willing buyer and a willing seller in an arm's length transaction, after property marketing, wherein the parties have each acted knowledgeably and without compulsion.

Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day projected net cash flow of the forest in perpetuity. The calculated net present value is then linked to sales evidence through the application of a discount rate of 10% (2008: 10%) derived from the analysis of actual transactions.

The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (80% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value. A compounding rate of 0% (2008: 0%) was used in the 2009 cost based approach.

Financial risk management strategies

The Council is exposed to financial risks arising from changes in timber prices. The Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, the 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.

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 22: Trade and Other Payables

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Trade creditors	3,320,971	2,255,291	3,967,804	2,927,030
Accrued expenses	302,511	348,277	302,511	348,277
Revenue received in advance	709,362	824,089	709,362	824,089
Related parties trade and other payables (note 29)	6,750	6,750	14,891	21,486
Current account NRC/ONTRACK Joint Venture (unincorporated) [1]	1,125,000	–	1,125,000	–
Total trade and other payables	5,464,594	3,434,406	6,119,568	4,120,881

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

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

Note 23: Employee Benefit Liabilities

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Annual leave	929,926	800,950	973,828	837,296
Accrued pay	219,638	–	250,342	46,799
Sick leave	37,866	28,113	37,866	28,113
Retirement gratuities	254,926	288,546	254,926	288,546
	1,442,357	1,117,608	1,516,963	1,200,753
Represented by:				
Current benefit liabilities	1,330,326	1,014,815	1,404,932	1,097,960
Non-current benefit liabilities	112,031	102,793	112,031	102,793
	1,442,357	1,117,608	1,516,963	1,200,753

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 24: Borrowings

	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Current		
Secured loans	–	250,000
Lease liabilities	20,217	24,989
Total Current borrowings	**20,217**	**274,989**
Non-current		
Secured loans	–	–
Lease liabilities	9,819	19,644
Total Non-current borrowings	**9,819**	**19,644**

Northland Port Corporation (NZ) Ltd - floating rate debt

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

Finance lease arrangements

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

Maturity analysis and effective interest rates	Secured Loans Group $	Lease Group $
2009		
Less than one year	–	20,217
Later than one year but not more than five years	–	9,819
	–	30,036
2008		
Less than one year	250,000	24,989
Later than one year but not more than five years	–	19,644
	250,000	44,633

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 25: Provisions

	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Current provisions are represented by:		
Onerous lease provision	–	–
Payroll related provisions	–	33,113
Sundry provisions	22,270	118,610
	22,270	151,723

Council and Group	Onerous Lease Provision 2009	Payroll Related Provisions 2009	Sundry Provisions 2009	Onerous Lease Provision 2008	Payroll Related Provisions 2008	Sundry Provisions 2008
Opening balance	–	33,113	118,610	–	23,855	136,916
Additional provisions made during the year	–	–	–	–	9,258	–
Amounts used during the year	–	(33,113)	(96,340)	–	–	(18,306)
Unused amounts reversed during the year	–	–	–	–	–	–
Closing balance	–	–	22,270	–	33,113	118,610

Sundry provisions

Sundry provision relating to Northland Port Corporation (NZ) Ltd previously comprised amounts payable to a third party in respect of the Company and the Group's shareholding in Fonterra Co-operative Group Ltd. This obligation was satisfied during the period. The remaining provision comprises an allowance for possible cargo damages claims against the joint venture operation, Northland Stevedoring Services.

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

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Ltd and SSA JV Holdings Ltd) together operate an unincorporated joint venture, Northland Stevedoring Services (UJV), to undertake stevedoring and other cargo-related operations. Each participant has an equal stakeholding 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 Consolidated Income Statement (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-09 $	30-Jun-08 $
Share of net assets		
Current assets	214,964	199,874
Non-current assets	91,355	112,082
Current liabilities	54,131	60,876
Non-current liabilities	22,270	45,324

Share of revenue and expenses

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

Operational expenses	524,209	526,007
Land rates and lease expenses	23,765	23,090
Administrative expenses (including audit fees)	56,180	54,201
Depreciation	18,551	32,472

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 2009

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

	30-Jun-09 $	30-Jun-08 $
Current assets	62,500	–
Non-current assets	–	–
Current liabilities	62,500	–
Non-current liabilities	–	–

In January 2009, the Council entered into a Memorandum of Understanding with ONTRACK to create a Joint Venture and establish the obligations of each entity, in order to advance the proposed Oakleigh to Marsden Point rail link. The Council entered into voluntary negotiations with land owners who owned land along the proposed corridor, and in the 2007-2008 and 2008-2009 financial years, secured seven properties at total cost of $6.872 million. The Council negotiations ceased on the commencement of the formal designation process by ONTRACK. In accordance with the Joint Venture agreement, while the 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, the Council and ONTRACK will each recognise a 50% share of the land. The Council will have a receivable from ONTRACK to account for the remaining 50% share of the security interest held in the ownership of the land.

The agreement between the Council and ONTRACK requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50% share of the combined expenditure, with an expectation that both parties will be reimbursed from the annual contribution and from the proceeds from the sale of the surplus land acquired. The agreement requires each entity to contribute $500,000 cash per annum to the Joint Venture, for approximately six years. The Council funded the purchase of the land, the agreement requires the Joint Venture to reimburse Council for the opportunity cost of capital (interest income) as the first priority. ONTRACK commenced the designation process in March 2009, the application was heard in September 2009 and consent was granted, subject to certain conditions, in October 2009.

In the current financial year, the total net operating expenditure jointly incurred by ONTRACK and the Council was $1.7 million. This includes $1.377 million for the fair value decrease in land and buildings, and $348,000 in other operating costs, including costs incurred but not expensed in the 2007-2008 financial year. ONTRACK incurred approximately $1.6 million in costs in relation to the designation. The Council's 50% share of the designation costs is recognised as an Inventory (refer note 11).

As at 30 June 2009, ONTRACK has a liability of $3 million to Council. Council has recognised this as an other receivable, refer note 15. The Council has recognised the liability owed by ONTRACK for their 50% share of the cost of the properties and their 50% share of all other associated costs as Other Receivables (refer note 15). The Council will only transfer the rail corridor to ONTRACK once ONTRACK has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

As at 30 June 2009, the assets and liabilities of the Joint Venture comprised of cash $62,500 and a GST liability of $62,500.

The Council's share of properties acquired are included in Council's Investment Properties (refer note 16).

Note 28: Capital Commitments and Operating Leases

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Capital commitments				
Committed grant funding	11,000,000	13,700,000	–	13,700,000
Approved capital expenditure	–	59,340	–	159,340
Other capital commitments	–	–	–	–
	11,000,000	13,759,340	–	13,859,340

Committed grant funding

1. The Council has approved in principle to grant $700,000 towards the establishment of a 50 metre swimming pool in Dargaville. The grant is to be funded from a share of the Regional Recreational Facilities rate collected in 2006-2007 and 2007-2008 for the Northland Regional Council Recreation Fund (other recreational facilities).
2. The Council has approved in principle to grant $500,000 towards the establishment of a Kerikeri Sports complex.
3. The Northland Regional Council agreed to contribute $13 million towards the construction of a Regional Event Centre. The Council liability is capped at $13 million, this being the total contribution agreed in the 2006-2016 Northland Long Term Council Community Plan. Council paid $3.2 million in the 2008-2009 financial year.

Northland Port Corporation (NZ) Ltd capital commitments

Commitments for capital expenditure at 30 June 2009 are nil (June 2008: nil). The Group's share of committed capital expenditure in respect of its Associate Interest also amounts to nil (June 2008: $100,000).

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 28: 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-09 $	NPC 30-Jun-08 $	Trust 30-Jun-09 $	Trust 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Not later than one year	189,230	95,860	99,635	131,516	288,865	227,376
Later than one year and not later than five years	534,622	133,492	58,821	126,653	593,443	260,145
Later than five years	1,483,531	33,199	–	–	1,483,531	33,199
Total operating leases	**2,207,383**	**262,551**	**158,456**	**258,169**	**2,365,839**	**520,720**

The Council has no lease commitments.

Operating leases as lessor

Operating leases relate to investment properties owned by the Northland Regional Council. The majority of the Council's investment portfolio is made up of leasehold properties. These properties have lease terms of between 5 to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The leasee does not have an option to purchase the property at the expiry of the lease period. The Council owns some farm and dwellings. These properties generally have lease terms of around 12 months. The Council also owns four freehold properties which have lease terms of between 2 and 20 years.

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Not later than one year	3,112,000	2,970,296	3,112,000	2,970,296
Later than one year and not later than five years	8,340,338	9,546,836	8,340,338	9,546,836
Later than five years	17,602,861	19,220,230	17,602,861	19,220,230
Total operating leases	**29,055,199**	**31,737,362**	**29,055,199**	**31,737,362**

Note 29: Contingent Liabilities

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Risk Pool - call on funds	32,566			
Guarantees	–	–	–	8,100,000
Bonds	–	–	75,000	75,000
	32,566	–	75,000	8,175,000

Risk Pool - call on funds

Risk Pool advised Council on 30 June 2009 it would need to make a call to meet a shortfall in the mutual's pool of funds. The shortfall was caused predominantly by the "leaky" building issue. The call on funds to the Northland Regional Council for the year ending 30 June 2009 was $16,283. Risk Pool have advised that it is possible that over the next two years "one or two further calls of a similar size may also be made".

Guarantees

1. Nil (2008: $8,000,000).
2. Nil (2008: $100,000).

Bonds

1. Bank of New Zealand - a bond given by them to the New Zealand Stock Exchange - $75,000 (2008: $75,000).

As the possibility of any outflow in settlement of the guarantees and bonds is remote, an indication of the uncertainties about the amount or timing of any outflow has not been disclosed as it is not practicable to do so.

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 30: Related Party Transactions

Northland Regional Council is the ultimate parent of the group and controls two entities, being Northland Port Corporation (NZ) Ltd (52.4% owned) and Northland Regional Council Community Trust (100% owned). It also has significant influence over a number of other entities by way of direct investments in these entities by it's subsidiary, Northland Port Corporation (NZ) Ltd.

The following transactions were carried out with related parties:	Council 30-Jun-09 $	Council 30-Jun-08 $
Northland Port Corporation (NZ) Ltd		
Dividend received by Council	4,445,064	4,331,088
Profit on sale of shares (share buy back)	1,325,331	Nil
Marsden Cove Limited		
Accounts payable to the Council for services provided in the normal course of business	842	10,800
North Port Cool Stores (1989) Ltd	Nil	Nil
North Tugz Ltd		
Accounts receivable from the Council for services provided in the normal course of business	2,250	Nil
Northland Port Corporation (NZ) Ltd		
Payment made from the Council for services provided in the normal course of business	380	783
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	162,487	Nil
Grant received from the Council	2,870,565	Nil
Accounts payable to Enterprise Northland for operating Grant received from the Council	7,500	Nil
Destination Northland Limited		
Grant received from the Council	100,000	100,000
Northport Limited		
Accounts payable to the Council for services provided in the normal course of business	11,525	Nil
Accounts receivable from the Council for services provided in the normal course of business	6,750	6,750
Northport Services (UJV)	Nil	Nil
Northland Stevedoring Services (UJV)	Nil	Nil
Key management personnel	Nil	Nil

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

During the period, certain transactions that were not material in nature took place between Northland Port Corporation (NZ) Ltd and companies in which some of the directors have an interest or association. For these transactions, the particular directors involved abstained from voting at the time, in accordance with the Company's Constitution. No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2008: Nil).

Key management personnel compensation

During the year, key management personnel, as part of normal local authority relationships were involved in transactions of a minor and routine nature. Except for these transactions, no key management personnel have entered into related party transactions with the Group (2008: 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 2009

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 2009 was $247,564 for the year (2008: $237,834).

A breakdown of the Chief Executive's remuneration package is as follows:

	Council 30-Jun-09 $	Council 30-Jun-08 $
Salary	235,329	225,654
Vehicle - FBT Cost	12,235	12,180
Total remuneration	247,564	237,834

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 $523,539 (2008: 479,318).

	Monetary Remuneration Salary $	Monetary Remuneration Non-salary $	Total Council Remuneration $	Director/ Trustee Fees $	Total Remuneration 30-Jun-09 $	Total Remuneration 30-Jun-08 $
Chairman - Mark Farnsworth	98,669	–	98,669	–	98,669	93,099
Deputy Chairman - Ian Walker [1]	50,421	9,459	59,880	22,000	81,880	77,809
Chair - Audit and Finance Committee - Peter Jensen	50,421	2,379	52,800	–	52,800	55,900
Chair - Hearings Committee - Lorraine Hill	50,421	12,207	62,628	–	62,628	59,242
Bill Rossiter	50,421	2,751	53,172	–	53,172	52,001
Chair, Environmental Management Committee - Craig Brown	50,421	5,341	55,762	–	55,762	54,378
Chair, Regional Land Transport - John Bain	50,421	2,106	52,527	–	52,527	27,747
Chair, Catchment Management Committee - Joe Carr	50,421	15,680	66,101	–	66,101	33,172
Stan Semenoff [2]	–	–	–	–	–	14,480
Jim Peters [2]	–	–	–	–	–	11,489
	451,616	49,923	501,539	22,000	523,539	479,318

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

[2] Local Government elections were held on 13 October 2007, and saw Councillor Bain and Councillor Carr elected to Council. Councillor Peters retired from Council and Councillor Semenoff was elected as Mayor of Whāngārei.

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 2008-2009 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 - No-salary.

Key management personnel	Council 30-Jun-09 $	Council 30-Jun-08 $
Remuneration paid to key management personnel [1]	1,562,031	1,382,326
Post employment benefits	6,129	5,403
	1,568,160	1,387,729

[1] Key management personnel include the Chair, Councillors, Chief Executive and other senior management personnel. The management team comprises one additional member of staff in the 2008-2009 financial year, compared to the previous financial year

Notes to the Financial Statements

For the Year Ended 30 June 2009

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 employee 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 2009, Council made no severance payments (2008: two employees, totalling $12,655 and 39,000 respectively).

Note 33: Events After Balance Sheet Date

Subsequent to balance date, Northland Port Corporation (NZ) Ltd declared a fully imputed dividend of 3 cents per share with payment to be made 25 September 2009. 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) Ltd, 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 Categories

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents (note 9)	2,671,630	10,789,158	4,064,505	11,532,989
Trade and other receivables (note 10)	6,169,660	3,202,954	6,697,210	4,328,661
Total loans and receivables	8,841,290	13,992,111	10,761,715	15,861,649
Financial assets at fair value through profit and loss				
Other financial assets:				
Term deposits, local authority and government stock	–	–	–	12,750,526
Listed shares	–	–	540,527	1,245,589
Trust-managed investment fund	–	–	–	74,789
Other	–	–	9,701,934	10,812,794
Total financial assets at fair value through profit and loss	–	–	10,242,461	24,883,698
Fair value through equity				
Other financial assets:				
Term deposits, local authority and government stock	34,071,450	22,893,628	34,071,450	22,893,628
Total fair value through equity	34,071,450	22,893,628	34,071,450	22,893,628
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Trade and other payables (note 22)	5,464,594	3,434,406	6,119,568	4,120,881
Borrowings:				
Secured loans	–	–	–	250,000
Lease liability	–	–	30,036	44,633
Total financial liabilities measured at amortised cost	5,464,594	3,434,406	6,149,604	4,415,514

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 35B: Financial Instrument Risks

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. 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.

Maximum exposure to credit risk

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

	Council 30-Jun-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
Cash at bank and term deposits	2,671,630	10,789,158	4,064,505	11,532,989
Debtors and other receivables	6,169,660	3,202,954	6,697,210	4,328,661
Other receivables	3,016,535	–	3,016,535	–
Term deposits, local authority and government stock	34,071,450	22,893,628	34,071,450	35,644,154
	45,929,275	**36,885,739**	**47,849,700**	**51,505,803**

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-09 $	Council 30-Jun-08 $	Consolidated 30-Jun-09 $	Consolidated 30-Jun-08 $
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and current term deposits				
AA	2,671,630	10,789,158	4,064,505	11,532,989
Total cash at bank and current term deposits	**2,671,630**	**10,789,158**	**4,064,505**	**11,532,989**
Term deposits, local authority and government stock				
A+	2,123,443	370,000	2,123,443	370,000
AA	15,358,453	16,998,628	15,358,453	29,749,154
A	3,512,387	1,500,000	3,512,387	1,500,000
AA-	1,915,286	600,000	1,915,286	600,000
BBB+	6,500,000	–	6,500,000	–
Unrated - local authority	2,502,306	–	2,502,306	–
Unrated	2,159,577	3,425,000	2,159,577	3,425,000
Total local authority and government stock	**34,071,450**	**22,893,628**	**34,071,450**	**35,644,154**

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+.

The Treasury Management Policy allows the 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 Council currently holds $11.9 million of investments with institutions who have a credit rating of A or AA-. This includes $6.5 million in term deposits held with Kiwi Bank who have a credit rating of BBB+.

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

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 35B: Financial Instrument Risks continued

Debtors and other receivables mainly arise from the 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. The Council has no significant concentrations of credit risk in relation to debtors and other receivables. The Territorial Local Authorities in the Northland Region administer the collection of rates on behalf of the Council. The Local Government (Rating) Act provides powers to recover outstanding debts from ratepayers.

Contractual maturity of financial liabilities

The table below analyses the 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 2009						
Creditors and other payables	5,464,594	5,464,594	5,464,594	–	–	–
Group 2009						
Creditors and other payables	6,119,568	6,119,568	6,119,568	–	–	–
Secured loans	–	–	–	–	–	–
Finance leases	30,036	33,040	20,217	9,819	–	
Total	6,149,604	6,152,608	6,139,785	9,819	–	–
Council 2008						
Creditors and other payables	3,434,406	3,434,406	3,434,406	–	–	–
Group 2008						
Creditors and other payables	4,120,881	4,120,881	4,120,881	–	–	–
Secured loans	250,000	255,001	255,001	–	–	–
Finance leases	44,633	47,291	26,714	20,577	–	
Total	4,415,514	4,423,173	4,402,596	20,577	–	–

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 35B: Financial Instrument Risks continued

The table below analyses the Council's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual, undiscounted cash flows.

Contractual maturity analysis of financial assets

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1-2 Years $	2-5 Years $	More than 5 Years $
Council 2009						
Cash and cash equivalents	2,671,630	2,728,789	2,728,789	–	–	–
Debtors and other receivables	6,169,660	6,169,660	6,169,660	–	–	–
Other receivables	3,016,535	3,016,535	–	3,016,535	–	–
Other financial assets:						
Term deposits, local authority and government stock	34,071,450	47,332,848	25,157,543	7,151,084	11,386,093	3,638,128
Total	**45,929,275**	**59,247,833**	**34,055,993**	**10,167,619**	**11,386,093**	**3,638,128**
Group 2009						
Cash and cash equivalents	4,064,505	4,121,664	4,121,664	–	–	–
Debtors and other receivables	6,697,210	6,697,210	6,697,210	–	–	–
Other receivables	3,016,535	3,016,535	–	3,016,535	–	–
Other financial assets:						
Term deposits, local authority and government stock	34,071,450	47,332,848	25,157,543	7,151,084	11,386,093	3,638,128
Total	**47,849,700**	**61,168,258**	**35,976,418**	**10,167,619**	**11,386,093**	**3,638,128**
Council 2008						
Cash and cash equivalents	10,789,158	10,846,317	10,846,317	–	–	–
Debtors and other receivables	3,202,954	3,202,954	3,202,954	–	–	–
Other financial assets:						
Term deposits, local authority and government stock	22,893,628	26,051,777	16,019,567	541,431	6,683,540	2,807,240
Total	**36,885,739**	**40,101,048**	**30,068,838**	**541,431**	**6,683,540**	**2,807,240**
Group 2008						
Cash and cash equivalents	11,532,989	11,590,148	11,590,148	–	–	–
Debtors and other receivables	4,328,661	4,328,661	4,328,661	–	–	–
Other financial assets:						
Term deposits, local authority and government stock	35,644,154	38,802,303	28,770,092	541,431	6,683,540	2,807,240
Total	**51,505,803**	**54,721,112**	**44,688,901**	**541,431**	**6,683,540**	**2,807,240**

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 35B: Financial Instrument Risks continued

Sensitivity analysis

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

	2009				2008			
	+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	26,716	–	(26,716)	–	107,892	–	(107,892)	–
Other financial assets:								
Term deposits, local authority and government stock	340,714	–	(340,714)	–	228,936	–	(228,936)	–
Financial liabilities								
Borrowings:								
Bank overdraft	–	–	–	–	–	–	–	–
Term loans	–	–	–	–	–	–	–	–
Total sensitivity to interest rate risk	367,431	–	(367,431)	–	336,828	–	(336,828)	–

Explanation of sensitivity analysis - Council

Cash and cash equivalents: Cash and cash equivalents include deposits, at call, totalling $2,671,629 (2008: $4,789,158) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $2,671 (2007: $4,789).

Term deposits, local authority and government stock: A total of $34,071,450 (2007: $28,868,971 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 $340,714 (2007: $28,869) on the fair value through equity reserve.

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

Notes to the Financial Statements

For the Year Ended 30 June 2009

Note 35B: Financial Instrument Risks continued

Sensitivity analysis

	2009				2008			
	+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	40,645	–	(40,645)	–	115,330	–	(115,330)	–
Other financial assets: Term deposits, local authority and government stock	340,714	–	(340,714)	–	357,189	–	(357,189)	–
Financial liabilities								
Derivatives - hedge accounted	–	–	–	–	–	–	–	–
Borrowings:								
Bank overdraft	–	–	–	–	–	–	–	–
Term loans	–	–	–	–	(2,500)	–	2,500	–
Total sensitivity to interest rate risk	**381,360**	–	**(381,360)**	–	**470,019**	–	**(470,019)**	–
FOREIGN EXCHANGE RISK								
Financial Liabilities								
Derivatives - held for trading	–	–	–	–	–	–	–	–
Creditors and other payables	–	–	–	–	(56,486)	–	–	56,486
Total sensitivity to foreign exchange risk	–	–	–	–	**(56,486)**	–	–	–
EQUITY PRICE RISK								
Financial assets								
Other financial assets:								
Quoted share investments	102,425	–	(102,425)	–	112,833	–	–	(112,833)
Total sensitivity to equity price risk	**102,425**	–	**(102,425)**	–	**112,833**	–	–	–

Explanation of sensitivity analysis - Group

Cash and cash equivalents: Cash and cash equivalents include deposits, at call, totalling $4,064,504 (2008: $5,532,989) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $40,645 (2008: $55,329).

Term deposits, local authority and government stock: A total of $34,071,450 (2008: $35,644,154) 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 $340,714 (2008: $356,441) on the fair value through equity reserve.

Interest rate risk: The Northland Port Corporation (NZ) Ltd is exposed to changes in interest rate of its long-term debt obligations, as these are based on floating interest rates. To mitigate this risk, derivative interest rate swap contracts are periodically entered into under which the Group is obliged to receive interest at floating rates and to pay interest at fixed rates. The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates. At 30 June, the Group was not party to any such transactions (2008: Nil).

Creditors and other payables: The Northland Regional Council Community Trust has exposure to foreign exchange risk as a result of the transactions denominated in foreign currencies, arising from normal trading conditions and overseas investments within the investment portfolio. A 1% movement in the exchange rate will expose the Trust to an approximate change in value of the portfolio of $11,082 (2008: $56,486). The Northland Port Corporation (NZ) Ltd's exposure to foreign exchange risk is considered to be minimal. Where relevant, this risk is managed through the use of forward foreign exchange contracts.

Listed shares: The Council holds listed equity instruments in Northland Port Corporation (NZ) Ltd, which are publicly traded and included in the New Zealand Stock Exchange. The Northland Regional Council's investment in the Northland Port Corporation (NZ) Ltd is carried at cost. The Northland Council Community Trust holds an investment portfolio with a value of $9,701,934 (2008: 110,812,794). 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 Northland Council Community Trust's maximum credit exposure relates to investments within the investment portfolio. 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.

council policies

council policies

Human Resources

Our vision
Creating a region of choice

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

Our motto
Putting Northland first

Our values in action

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

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

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

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

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

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

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

Performance management

The Council has extensive systems in place to assist performance management and continuous improvement and these link to our Values.

Employment agreements

One hundred and forty three permanent staff were employed by the Council as at 30 June 2009. Twelve percent (12%) were employed under the Northland Regional Council Collective Employment Agreement, with the balance employed on individual agreements.

There were no disputes or personal grievances which triggered the "employment relationship problems" provisions of the Northland Regional Council Employment Agreements during the period.

	Department					
	Operations	Strategy	Finance and IT	Projects and Information	Human Resources	Community Relations
Male	51	6	4	3	–	2
Female	32	3	11	10	3	8

Equal employment opportunities

POLICY

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

2009 Programme

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

Actual Performance to 30 June 2009

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

council policies

Health and Safety

POLICY

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

2009 Programme

- hazard identification and control programme (HIAC);
- accident/incident reporting and investigation;
- recruitment;
- induction;
- training;
- health and safety procedure manuals;
- personal protective equipment;
- employee participation and communications;
- occupational health monitoring;
- audits and workplace inspections; and
- wellness programmes.

Actual Performance to 30 June 2009

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

Year	2008-2009	2007-2008	2006-2007
Total incidents	67	22	44
Number of lost time incidents	3	Nil	1
Total work days lost due to work incidents	6	Nil	NA

Lost time Incidents = Staff with >1 day lost due to work incident.

Training and Experience

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

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

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

Year	2008-2009	2007-2008	2006-2007
Turnover	14.9%	19.8%	18.0%
Avg. Length Service	7.56 yrs	NA	NA

council policies

Policy on the Development of Māori Capacity

Sections 12 and 13 of the Northland Regional Council's Governance Statement detail Council's Māori Consultation and Māori Liaison Policies. A copy of the Governance Statement can be obtained from Council's website www.nrc.govt.nz, or from any of the Regional Council offices.

Steps that Northland Regional Council intends to take to develop Māori capacity to contribute to decision making include:	Actual Service Performance to 30 June 2009
▪ Providing for Māori representation on Council standing committees that make recommendations to the Council;	*Achieved:* The allocation of Seats on Council Standing Committees continues to be made available. Both the Regional Land Transport and Environmental Committees have such representation models with these positions currently filled.
▪ Specific Māori consultation processes relating to resource management plans and resource consent applications. For example, the Council has a current policy that all applications for resource consents, non-notified or notified, are circulated to Māori who have expressed an interest in an area;	*Achieved:* Resource consent notification system maintained and reported on annually. *Achieved:* The specific consultation undertaken with Māori with regards to Plan Change 2 of the Regional Water and Soil Plan and Plan Change 1 of the Regional Coastal Plan is nearing completion. With the full notification of Plan Change 2 with no Māori submissions and Plan Change 1 awaiting final approval from the Minister of Conservation. Plan Change 4 of the Coastal Plan remains in mediation with a number of Māori appellants. All three plan changes were undertaken with pre-plan consultation with Māori. No further plan changes have been undertaken.
▪ Formalised working relationships with Māori through memoranda of understanding such as the Memorandum of Understanding between Northland Regional Council and the Te Uri o Hau Settlement Trust;	*Partially Achieved:* The Council will maintain the MOU that exists. However, at this stage, the Council has decided it will not enter into any further MOU's but rather pursue robust relationships via the Chief Executive Forum of Councils and Iwi Organisations.
▪ Appropriate recognition of the Settlement Acts and Māori policy and management plans.	*Achieved:* The Council is obligated to work within the framework of Settlement Acts and does so. There are currently two Settlement Acts in the Northland Region, the Te Uri o Hau Claims Settlement Act 2002 and the Te Roroa Claims Settlement Act 2008. In regards to Settlement Acts currently in negotiation, the Council has and will continue to work closely with the Crown and settlement parties on possible redress packages and provide information when requested. *Achieved:* The Council has a register of Iwi planning documents that have been presented to the Council. The documents are used in day to day operation of the Council; however, this remains an informal process.
▪ Where appropriate, contribution of funding for Māori to gather and analyse information relevant to the Council's functions through resource monitoring programmes and surveys;	*Achieved:* the Council continues to make available funding for this via the Council's Joint Iwi Monitoring Fund. Te Pataka Matauranga of the Bay of Islands was successful in gaining funding to assist them with a joint project (Kaitiaki, ESR and NRC) for shellfish monitoring. Te Rūnanga o Ngāti Hine was also successful through the Joint Iwi Monitoring Fund, receiving funding to undertake a preplanning project in relation to setting up a monitoring laboratory for Māori.

council policies

Policy on the Development of Māori Capacity continued

Sections 12 and 13 of the Northland Regional Council's Governance Statement detail Council's Māori Consultation and Māori Liaison Policies. A copy of the Governance Statement can be obtained from Council's website www.nrc.govt.nz, or from any of the Regional Council offices.

Steps that Northland Regional Council intends to take to develop Māori capacity to contribute to decision making include:	Actual Service Performance to 30 June 2009
Circulation of a regular pānui (newsletter) outlining Council activities of interest to Māori and opportunities for Māori involvement.	*Achieved:* The Council pānui, Purongo Putaiao continues to be circulated to those Māori on the Councils mailing database.
Where appropriate, the Council will support applications by Māori for access to funding through government agencies.	*Achieved:* The Council continues to advocate for this and have aided groups who were successful in receiving funding via; Ngā Whenua Rahui and Environmental Science and Research agency.
Support the preparation of hapū/iwi management plans.	*Achieved:* An annual fund continues to be offered by the Council. This year one project was funded via a one off payment to the Integrated Kaipara Harbour Management Group.
Providing for Māori representation on Council standing committees that make recommendations to the Council.	*Achieved:* The allocation of seats on Council Standing Committees continues to be made available. Both the Regional Land Transport and Environmental Committees have such representation models with these positions currently filled.
Specific Māori consultation processes relating to resource management plans and resource consent applications. For example, the Council has a current policy that all applications for resource consents, non-notified or notified, are circulated to Māori who have expressed an interest in an area.	*Achieved:* Resource consent notification system maintained and reported on annually. *Achieved:* The specific consultation undertaken with Māori with regards to Plan Change 2 of the Regional Water and Soil Plan and Plan Change 1 of the Regional Coastal Plan is nearing completion. With the full notification of Plan Change 2 with no Māori submissions and Plan Change 1 awaiting final approval from the Minister of Conservation. Plan Change 4 of the Coastal Plan remains in mediation with a number of Māori appellants. All three plan changes were undertaken with pre-plan consultation with Māori. No further plan changes have been undertaken.

council policies

Revenue and Financing Policy (Extract)

Introduction

The objective of this Revenue and Financing Policy is to ensure that the Council funds its activities in a relevant, equitable and legally appropriate manner.

The Principles

The following principles have been taken into account:

- The community outcomes to which the activity contributes.
- The distribution of benefits between the community, as a whole, or identifiable parts of the community and individuals.
- The period in, or over, which those benefits are expected to occur.
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.
- The costs and benefits, including consequences for transparency and accountability, of funding any activity distinct from other activities.
- The impact of any allocation costs and the recovery of costs on the current and future social, economic, environmental and cultural well-being of the community.
- A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region.
- That a local authority's strategic assets, as defined in Section 5 of the Local Government Act 2002, shall be included in the list of assets described in its Policy on Significance and be subject to the special consultative procedure.

Funding and Revenue Policy

The sources available for funding the activities of the Council are those provided in the Local Government Act 2002 from 1 July 2003:

- general rates, including uniform annual general charges;
- targeted rates;
- fees and charges;
- borrowing;
- proceeds from asset sales;
- development contributions (territorial authorities only);
- financial contributions under the Resource Management Act 1991;
- grants and subsidies;
- investment revenue; and
- any other source.

The Council applies the following sources of revenue to fund its activities. The following table shows the proposed funding from revenue sources and actual results.

Funding Mix

Sources of Revenue	Annual Plan 2008-2009 Total Revenue $	Annual Plan 2008-2009 Funding Mix %
Rates	10,672,368	43.3
Investments	8,755,173	35.5
Fees and Charges	2,798,281	11.4
Subsidies	1,122,058	4.6
Other gains	1,303,167	5.3
Total Revenue	24,651,047	100.0

Actual Performance 2008-2009

The requirement to record fair value changes to the income has altered the revenue ratios for the year ended 30 June 2009 against Revenue and Finance Policy targets, as follows:

Sources of Revenue	Actual 2008-2009 $	Actual 2008-2009 %	Annual Plan %
Rates	10,816,262	40.7	43.3
Investments	10,328,531	38.8	35.5
Fees and Charges	4,388,264	16.5	11.4
Subsidies	1,906,120	7.2	4.6
Other gains	(833,492)	(3.2)	5.3
Total	26,605,685	100.0	100.0

council policies

Treasury Management Policy (Extract)

Philosophy and Objectives

The Council maintains a conservative risk profile in recognition of its trustee role as the caretaker of public funds.

The Council has adopted a prudent philosophy that treasury activities are a risk management function which focus on protecting the Council's investments, forecast expenditure - including interest costs - and maintaining adequate liquidity and stable cash flows. The Council does not undertake any treasury activity that is unrelated to its underlying cash flows or is speculative in nature.

The key objectives of the Treasury Management Policy are:

- to ensure that the Council can meet its financial commitments as they fall due by maintaining adequate liquidity;
- to optimise investment returns within the constraints of a prudent investment regime;
- to protect the Council's financial assets and prevent unauthorised transactions;
- to provide appropriate finance, in terms of both maturity and interest rate, and manage Council's borrowing programme to ensure funds are readily available at margins and costs favourable to Council;.
- to recognise and report on interest rate risks and credit exposure and minimise the impact of adverse interest rate movements;
- to monitor and report on treasury and investment performance; and
- to maintain professional relationships with financial market representatives and the Council's principal banker, in particular.

Investments

The Council's objective is to optimise returns in the long term, while balancing risks against returns. This policy recognises that a responsible public authority has a low risk profile which generally results in lower returns. The Council holds the following mix of investments:

- financial investments;
- equity investments;
- forestry;
- investment property; and
- the Northland Regional Council Community Trust.

All investments are expressed in New Zealand dollars and no investments or borrowings are made in foreign currencies.

Financial Investments

Investment income and interest earned on surplus funds help to meet the costs of the Council's activities.

Investments are generally made with creditworthy institutions as determined by their Standard and Poors credit rating. Investment of surplus funds was limited to Local Authority and Government Stock, approved corporate bonds and deposits with New Zealand-registered banks.

Actual Performance 2008-2009

Interest yield at balance date:	7.2%
Average bank bill rate:	5.3%

Equity Investments

The Council owns 53.61% of the equity capital of the Northland Port Corporation (NZ) Limited. These shares are recorded at a mix of deemed and actual cost of $7,827,563 (being 22,142,907 ordinary shares of $0.35c each nominal value). The remainder of the share capital is publicly owned and all shares are listed on the Stock Exchange of New Zealand.

Actual Performance 2008-2009

The dividend received of $4,445,664 represents a return of 9.4% on a holding of 22.1 million shares with a capital value of $46,942,969 million at balance date. This dividend included a special dividend of 12 cents per share resulting from a one off gain of approximately $7.6 million on the sale of the Company's 50% interest in marina and waterway joint venture, Marsden Cove Limited.

Forestry Investments

The Council and its predecessors have been involved in forestry since exotic forest planting started in the 1970s. The Council currently owns 524 hectares of plantation and soil conservation forests which are located in the Whāngārei area. The Council intends to develop, maintain and protect its timber plantations, in order to maximise long term revenue while meeting the Council's environmental responsibilities.

There are several methods of selling forests in the past Council has chosen the per tonne stump sale basis. However due to current market conditions it was not a real option to have a stumpage sale at present. The alternative option available to Council at present is conduct a managed log sale. Due to the unfavourable prices, there the forestry harvest planned for the 2008-2009 financial year was deferred.

Actual Performance 2008-2009

The value of the forestry investment has increased this financial year by $278,524 to a value of $1,644,724.

council policies

Treasury Management Policy (Extract) continued

Investment Property

The Council owns investment property in the Whāngārei area. Properties are leased on medium-to-long term leases and revenue is stable owing to the nature of ground leases. Advice is sought on an ongoing basis from the Council's property consultants.

Actual Performance 2008-2009

The current market value of investment property and property held for sale decreased in the current financial year by ($2,003,874) resulting from fair value adjustments to $52,970,311 (last year $54,974,185). After taking into account property sales and purchases made during the year, this decrease represents a decrease of (3.6)% over the 2008 net current market value. The return achieved was $3,203,835 or 6.7% on the adjusted current value of $47,988,499 at balance date.

Northland Regional Council Community Trust

The Northland Regional Council Community Trust was established for purposes beneficial to the community on 1 December 1996.

The Trust was set up with corpus of $12.1 million.

Actual Performance 2008-2009

Value of the trust fund at the end of the year is $9,701,934 reduced from $10,812,794 at 30 June 2008.

Liability Management Policy

The Council's borrowing is minimal and relates only to the occasional use of an overdraft facility. Notwithstanding, this policy recognises that the Council may prudently apply debt funding in future to any significant or new activities, in order to acknowledge the principle of intergenerational equity.

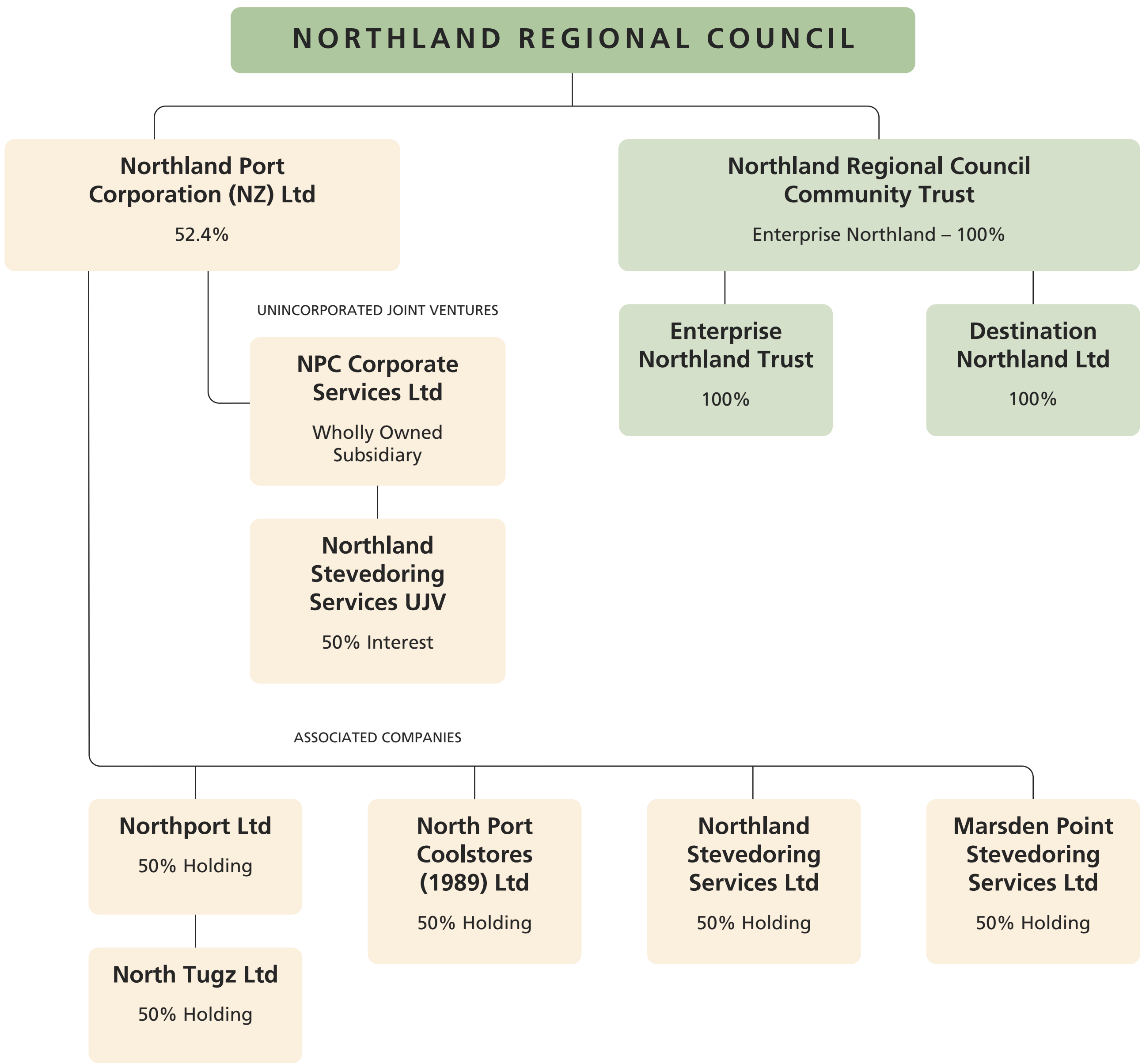
Actual Performance 2008-2009

There has been no new borrowing during the 2008-2009 financial year. The policy has been complied with, in full, as illustrated:

	Target	Actual
Interest Expense as a percentage of operating cashflows	15.0%	0.2%
Net external debt per capita	$220.00	$0.00
Debt to ratepayers equity	33.0%	0.0%

council entities

group structure



Northland Port Corporation (NZ) Ltd

Port Ownership

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

The Council reviews its shareholding in the company during the triennial review of its strategic plan.

There are six directors of the Northland Port Corporation (NZ) Ltd. Two directors retire by rotation each year. The following are the directors confirmed at the 2008 Annual General Meeting of shareholders:

Mr G E Vazey, Chairman
Mr M R Gross
Mr R J McKay
Mr S G A Semenoff
Mr I C Walker
Mr M C Farnsworth
Mr M W Daniel, (resigned)

Company Operations

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

Northport Ltd operates a deep water port facility at Marsden Point.

North Port Coolstores (1989) Ltd operates a coolstore at Port Whāngārei. Marsden Cove Ltd is currently undertaking marina and residential waterway development in the Marsden Bay area.

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

Company Financial Data

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

Company	Holding	Main Activity
Northport Ltd	50.0%	Port operating company
Northland Stevedoring Services Ltd	50.0%	Stevedores
North Port Coolstores (1989) Ltd	50.0%	Coolstore operators
Marsden Point Stevedoring Services Ltd	50.0%	Non-trading

Northland Regional Council Community Trust

The Northland Regional Council established a Community Trust in 1996 to encourage and promote sustainable economic development for the benefit of the people of Northland. Trading as 'Enterprise Northland', the Trust has continued to implement the recommendations made in the 2002 Strategy for the Sustainable Economic Development of Northland. This strategy has been updated to cover the period from 2007 to 2011. The Trust's capital ($9.7M at June 2009) was originally provided from the profit on the Council's sale of 10 million shares in Northland Port Corporation (NZ) Limited in 1992, plus retained earnings and losses, to date.

The Trust's activities are governed by a Trust Deed which is reviewed every five years. (It was last reviewed in June 2006.) There are currently six Trustees and a Chief Executive Officer. Key objectives of the Trust for the 12 months covered by this report are:

- to implement and facilitate the recommendations from the Strategy for the Sustainable Development of Northland;
- to operate a successful Regional Economic Development Agency;
- to manage the investment fund effectively in order to provide income to the Trust; and
- to work in partnership with Councils, business and industry sectors, iwi, Central Government agencies and other key stakeholders in the Northland economy.

The general activity of the Trust, as defined in Section 4 of the Trust Deed, shall be to encourage and promote investment in the development of the Northland Region by providing technical assistance and advice, by performing a co-ordination and advocacy role, and by facilitating access to business finance, provided however, that such activities are undertaken with a focus on benefits to the community rather than individual benefit.

During the 2008-2009 financial year – on the basis of the outcomes of a number of reviews that were undertaken during 2007-2008 – the Council made some changes to the Trust. A working party of Councillors was formed to formally consider the submissions arising from the consultation process and the proposed recommendations.

Following a number of trustees stepping down, the Council appointed two new trustees; the Council's CEO and its Director of Strategy and Planning. (This was the first time that Regional Council staff have been appointed to the Trust and they are not paid for their trustee roles.)

A key component of the review was that NRC would be the driver of the long term direction and strategy for economic development through its Regional Growth Strategy. Collaboration between NRC, NRCCT and Enterprise Northland on this strategy was achieved through the secondment of a senior Enterprise Northland staff member to NRC.

In addition the appointment of the two Regional Council staff as trustees has improved collaboration between the organisations as they work towards delivering the proposed recommendations. Further recommendations are still being worked through and will be implemented during the 2009-2010 financial year.

Enterprise Northland

In accordance with the requirements of the Local Government Act 2002, Enterprise Northland prepares an annual Statement of Intent outlining its objectives and performance standards for the coming year's activities. The core areas of activity are linked to the updated Sustainable Economic Development of Northland 2007-2011 and are detailed in the Statement of Intent, these include:

- Major projects;
- Company growth;
- Investment;
- Positioning Northland; and
- Economic development with Maori.

Destination Northland Limited

Destination Northland's mission is to assist Northland businesses and communities to maximise and manage the sustainable economic benefits of increased visitor numbers through partnership. Northland like many other parts of New Zealand has been challenged by the global recession, difficult trading conditions and the reduction in international tourist numbers. Northland did have a period of positive growth in April and May, which was higher than the rest of New Zealand and driven by the domestic market. Overall there has been a 9% reduction in visitor numbers to Northland compared to last financial year.

Destination Northland has achieved a significantly increased level of domestic and international media exposure through a wide range of initiatives. It has also targeted the Australian market to maximise the additional Government investment in that area.

It has successfully bid for a $90,000 grant from the Ministry of Tourism which has improved signage at Cape Rēinga. Destination Northland played a major part in producing the successful Northland bid for the Rugby World Cup which will see two cup games being played in Whāngārei.

The Destination Northland Annual Business Plan forms the basis of quarterly reports to be Community Trust and the Northland Regional Council.

During 2008-2009, Destination Northland Limited continued its focus on:

- increasing the total number of visitors to the region and their length of stay;
- achieving an increase in total tourism expenditure in the region;
- providing assistance to help manage the impact of increased tourist numbers on the region; and
- encouraging new tourism investment in the region.

council controlled organisations

Northland Regional Council Community Trust (trading as Enterprise Northland)

Level of Service: The level of service is established in the Trust's Annual Statement of Intent.

MAJOR PROJECTS

Detailed Targets	Actual Service Performance
Cape Rēinga Project	
Manage and implement signage programme.	
– Interpretation signage completed by March 2009.	*Achieved:* Planning and design completed.
Marine Engineering Major Regional Initiative	
Project funding signed. Enterprise Northland to manage funding flows and reporting to deliver project milestones.	
– Contracts in place.	*Achieved:* Contracts in place.
– Infrastructure investor secured.	*Partially achieved:* Expect to complete in next three months. Discussions with Infrastructure investor well advanced. Plan and investor being finalised.
– Planning for infrastructure commenced.	*Partially achieved:* Expect to complete in next three months. Proposals and costings for infrastructure plan being finalised.
– Regional marketing plan developed.	*Achieved:* First draft of Marketing Plan completed.
– Industry FTEs and Project numbers will be monitored annually.	*Achieved:* Base industry FTEs and revenues established. Base FTEs 1309 (incl 168 apprentices). Base revenues $213m.
Community Project Development	
Ongoing implementation of Year 1 projects. *Year 2 projects planned and implemented.* *Top up funding identified.*	
– Year 1 projects in place. Year 2 projects developed.	*Achieved:* Some delays resulting from changes in funding availability (Enterprising Communities grants) and the need to identify substitute deed funding. Year 1 projects progressing. Year 2 projects under development. Refer appendix A for project detail.
– By YE 2010: – 108 FTEs. – 60 commercial ventures. – 20 community business.	*Partially achieved:* Year 2010 KPI on track. YE 2010 targets remain and are on track, subject to funding availability.
ICT Capability Development	
Apply for Digital Strategy funds for ICT capability.	
– Programme developed and funded by June 2009.	*Not achieved:* On hold and awaiting Government announcements. On hold awaiting central government funding options. Programme outline/methodology has been shared with Iwi CE forum.

council controlled organisations

Northland Regional Council Community Trust (trading as Enterprise Northland)

Level of Service: The level of service is established in the Trust's Annual Statement of Intent.

COMPANY GROWTH

Detailed Targets	Actual Service Performance
Engineering Sector Development *Develop sector database of capacity and capability. Develop programmes to up skill companies sub contracting to the MRI activity.*	
– Level 1 data on 107 companies. Level 2 data on 35 companies.	*Achieved:* Assessments completed and reported to industry.
– Programme developed to address capability gaps.	*Achieved*: Programme developed and implementation begun – some delay and change in emphasis due to macroeconomic situation. Company up skilling programme in development.
Exporter support system/"single point" growth facilitation *Identify and employ specialist resource. Further enhance the exporter database/portal. Develop full programme of exporter support activities.*	
– Resource in place. Web link.	*Not Achieved:* Implementation dependant on EN core funding levels and subject to review for 2009-2010. Method defined but resource not in place.
– Annual programme plan. Connect to NZTE with regular planned meetings/workshops.	*Not Achieved:* Currently on hold due to funding. Partial funding sought through NZTE Regional Strategy Fund.
Sustainable business practices *Establish Northland Sustainable Business Club*	
– Group established; charter defined, case studies produced.	*Achieved:* Club underway, "Cell" meetings and communications occurring. Club defined. Key companies on board. Three cell meetings completed.
Sector facilitation *Support/facilitation of sector strategy implementation*	
– Pastoral and Tourism strategy updates to be confirmed by 31 December 2008.	*Achieved:* EN future input dependant on core funding levels and currently subject to review. New sector plans in place - tourism and pastoral.

council controlled organisations

Northland Regional Council Community Trust (trading as Enterprise Northland)

Level of Service: The level of service is established in the Trust's Annual Statement of Intent.

REGIONAL MARKETING

Detailed Targets	Actual Service Performance
Positioning Northland for live, work, invest and visit *Clear positioning/profiling material developed and promulgated for Northland. Implement strategies to increase visitor nights targeting shoulder and low seasons. Assist achievement of growth in tourism sector FTE employment.*	
– Values/unifying concepts defined.	*Achieved:* New promotional material in place. Completed.
– Multi-use collateral developed.	*Achieved:* A multi-faceted plan for marketing the region is being developed and linked to Rugby World Cup opportunities. Completed.
– Increase by 2%.	*Not achieved:* Global recession and other factors have influenced negative trend. New Business plan for sector developed. -9%.
– 6% annual growth (from high season growth of 1550).	*Not Achieved:* Global recession and other factors have influenced negative trend. New Business plan for sector developed. -12%.
Migrant Attraction *Regional programme defined and private sector engaged.*	
– Skill requirements defined; NZ job expo presentation; New Life NZ contract expanded; Northland stand at UK jobs Expo.	*Achieved:* But further activity will be dependent on EN core funding levels and need/economic downturn impact.
– Number of leads passed to industry.	*Achieved:* 240 leads passed to industry from NZ job expo.
– Number employed through activities.	*Achieved:* Two to date.
Implement Investment Strategy **Angel Network** *Develop establishment and operational process for network.*	
– Research completed.	*Achieved:* Implementation funding agreed.
– Options identified.	*Achieved:* Moving to contract specialist skills.
– Process developed and implemented.	*Achieved:* Key opportunities identified and Investment targets defined with TLAs. Funding in place for programme in 2009-2010.
– Network operational.	*Not Achieved:* But Programme now on track. Not operational yet.
– Number of funding deals.	*Not Achieved:* Not operational yet.

council controlled organisations

Northland Regional Council Community Trust (trading as Enterprise Northland)

Level of Service: The level of service is established in the Trust's Annual Statement of Intent.

REGIONAL MARKETING continued

Detailed Targets	Actual Service Performance
Implement Investment Strategy **Company Attraction** *Identify and target local/international interests to attract companies to Northland that compliment current investment and use Northland's comparative advantages.*	
– Tactical plan agreed. Schedule of contacts created.	*Achieved:* Plan put on hold in 2008-2009 year due to funding issues. Inward Investment programme plan now agreed and funding in place for Co-ordinator to be engaged.
– Communication process with Investment NZ defined and operational.	*Achieved:* Funding for current year now in place and programme set to commence. Contacts in place and relationship with Investment NZ established.
– Number and dollar value of inward investment.	*Not achieved:* Not yet implemented.

ECONOMIC DEVELOPMENT WITH MĀORI

Detailed Targets	Actual Service Performance
Farm Intensification *Implement three year process of productivity improvement with selected farm.*	
– Improvement in productivity.	*Not achieved:* Benchmark progress report of a Māori Trust finalised but future development of productivity will rely on new funding initiatives. Two farm projects completed. Potential for productivity gains identified.
– Transfer of learning's to other Māori farms.	*Achieved:* Iwi farming strategy complete (Te Rawara). Consultancy Guidelines plus three booklets produced in conjunction with Te Puni Kōkiri and MAF - Sustainable Farming Fund for building capability on Māori Trust owned farms.
ICT Capability *Refer Major Projects (Apply for Digital Strategy funds for ICT capability).*	*Not achieved:* Working with Iwi CE forum to implement community demand definition (Connect Taitokerau project). Awaiting direction.
North Hokianga Sustainable Development Project *Develop project concept. Secure partners (Iwi and commercial). Develop business cases.*	
– Steering group formed. MOU concluded by December 2008.	*Achieved:* Steering group formed and MOU completed.
– Funding partners committed by March 2009.	*Achieved:* Funding in place. MOU concluded by December 2008.
– Implementation/construction begun by June 2009.	*Not achieved:* Development expected in 2009-2010 year. Implementation not completed.

council controlled organisations

Northland Regional Council Community Trust (trading as Enterprise Northland)

Level of Service: The level of service is established in the Trust's Annual Statement of Intent.

ECONOMIC DEVELOPMENT WITH MĀORI continued

Detailed Targets	Actual Service Performance
Sustainable Rural Development *Devise land/resource based models for rural business development in low employment locality areas – based on identified catalysts.*	
– Four models developed.	*Achieved:* Four community models developed and introduced to 12 entities.
Education for Enterprise **Business Enterprise** *Increase in participation in business-related programmes. The YES (Lion Foundation Young Enterprise Scheme) Co-ordinator will continue to be promoted to Māori students in main stream school and Kura Kaupapa.*	
– Increase of 10% participation of Māori students registered with ENZT (enterprise New Zealand Trust).	*Not achieved:* But YES Programme meeting targets and with Top Energy support has a relatively stable base for the coming year. 8 % increase. 38% of all Northland YES students are of Māori descent.
– 10% increase in participation of schools and students in these two programmes.	*Not achieved:* But as above. E4E programme has funding until 31 March 2010 and considerable effort is being made to ensure the viability of this programme. Nine percent increase in number of YES companies – 51 in 2009 and 58 this year. For E4E, number of schools has decreased from 16 to 14 but overall number of students has increased (208 students in 2009).
– Five presentations to Māori community organisations.	*Not achieved:* Difficulty in engaging with various agencies.
Curriculum Enterprise *Consolidation of Schools' E4E Plans incorporating a focus on young Māori achievement. The development of each school's individualised E4E Pathway. Support school co-ordinators to deliver YES.*	
– A baseline of enterprise learning achievements in place in the seven Lead Enterprise Schools, communicated to the school and wider community.	*Not achieved:* In progress. CORE Education coordinating with schools to develop baseline achievements in Term 4 this year. Although we have been working with the seven schools (and another two have E4E in their strategic documents) as yet we have not developed the baseline enterprise learning achievements.

GRW - Calders Design and Print Co. October 2009

NORTHLAND REGIONAL COUNCIL

Putting Northland first

WHĀNGĀREI: 36 Water Street, Private Bag 9021, Whāngārei Mail Centre, Whāngārei 0148; Phone 09 438 4639, Fax 09 438 0012.

ŌPUA: Unit 10, Industrial Marine Park, Ōpua; Phone 09 402 7516, Fax 09 402 7510.

DARGAVILLE: 61B Victoria Street, Dargaville; Phone 09 439 3300, Fax 09 439 3301.

KAITĀIA: 192 Commerce Street, Kaitāia; Phone 09 408 6600, Fax 09 408 6601.

Freephone: 0800 002 004 24/7 Environmental Hotline: 0800 504 639

E-mail: mailroom@nrc.govt.nz Website: www.nrc.govt.nz