

Audit Report

Report of the Auditor-General



AUDIT REPORT TO THE READERS OF NORTHLAND REGIONAL COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

The Auditor-General is the auditor of Northland Regional Council (the Regional Council) and group. The Auditor-General has appointed me, John Scott, using the staff and resources of Audit New Zealand, to carry out an audit on his behalf. The audit covers the Regional Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the Regional Council and group for the year ended 30 June 2006, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the Regional Council and group on pages 22 to 78 and 84 to 88:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Regional Council and Group's financial position as at 30 June 2006; and
 - the results of operations and cash flows for the year ended on that date.
- The service provision information of the Regional Council and group on pages 50 to 78 and 84 to 88 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 20 September 2006, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;

- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Regional Council and group as at 30 June 2006. They must also fairly reflect the results of operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for preparing the information in the other requirements. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit and in conducting the audit of the Long Term Council Community Plan, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



John Scott
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Northland Regional Council and group for the year ended 30 June 2006 included on Northland Regional Council's web site. The Northland Regional Council is responsible for the maintenance and integrity of the Northland Regional Council's web site. We have not been engaged to report on the integrity of the Northland Regional Council's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information, which may have been hyperlinked to/from, these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 20 September 2006 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

Statement of Accounting Policies

A: PURPOSE

(a) General

The financial statements presented are those of the parent entity (the Northland Regional Council) as required by the Local Government Act 2002.

The Northland Regional Council is a local authority pursuant to the Local Government Act 2002. For the purposes of financial reporting the Northland Regional Council is a public benefit entity. The Council's group comprises the Council and its subsidiary entities, namely:

1. Northland Port Corporation (NZ) Ltd and its subsidiaries
2. Northland Regional Council Community Trust and its subsidiaries

(b) Entity Specific

Certain policies do not apply to all entities in the Group. The following policies are applied consistently by Group entities, as appropriate to financial reporting and prospective financial reporting for strategic planning purposes.

B: MEASUREMENT BASE

The financial statements report on all of the activities of the Northland Regional Council, using the measurement base of historical cost except where stated otherwise.

C: SPECIFIC ACCOUNTING POLICIES

The following specific accounting principles which materially affect the measurement of surplus and financial position have been applied.

1. Public Equity

Public Equity represents the community's interest in the Council's assets. This amounts to the value of all assets less total liabilities (claims owing to or held by third parties) and is classified into a number of reserves to reflect the use Council makes of its accumulated surpluses. These reserves are reflected in the Notes to the Accounts. The Land Management Rate Reserve is restricted by law and reflects targeted rates that must be applied to land management and biosecurity activities. Other reserves are established by the Council and may be applied as resolved by the Council.

2. Recognition of Revenue and Expenditure

Rating revenues and user fees and charges are recognised and brought to account when the rates are struck and invoices are issued for services provided and contracts completed. An allowance is made for a portion of anticipated revenue on major work in progress. Dividend

income is recorded at the cash amount received, being net of taxation imputation credits. Government grants and subsidies are recognised as revenue when the primary conditions of entitlement have been met. Expenditure is recognised when goods and services have been received.

3. Comparative Figures

Comparative figures in the Statement of Financial Performance include the Annual Plan for the year ended 30 June 2006 and the actual results for the year ended 30 June 2006.

The Annual Report figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council when preparing these financial statements. Accounting Policies that recognise the requirements of NZ International Financial Reporting Standards will be adopted for subsequent Annual Reports.

4.a. Depreciation:

Property, plant and equipment with the exception of land and forests are depreciated. The charge for depreciation has been calculated using the straight line method based on the rates and economic lives of each class of asset as shown in Table 1:

Table 1 - Depreciation	%	Years
Buildings	1-20	5-100
Forest (Strategic management plan only)	10	10
Infrastructure	1-12	8-90
Property, plant and equipment	5-50	2-20
Navigational Aids	10	10
Vessels and dredging equipment	4-10	10-25
Vehicles (40% Residual Value)	20-25	4-5

b. Property, Plant and Equipment:

i. Land and Buildings

Land and buildings are stated at deemed cost, less depreciation charged to date. The Council does not revalue any assets that comprise property, plant and equipment.

Northland Port Corporation (NZ) Limited's freehold port land (excluding land held for resale) is separately classified and revalued annually at "fair value" by independent valuers. The revaluation amounts are transferred to the asset revaluation reserve for that asset class.

If any revaluation reserve has a deficit, that deficit is recognised in the Statement of Financial Performance in the period it arises. In subsequent periods, any revaluation surplus that reverses previous revaluation deficits is recognised as revenue in the Statement of Financial Performance.

ii. Forest

The Council's forest asset, excluding land, is held at the historical cost of establishment until maturity (excluding interest cost and routine maintenance). Upon the first harvest, revenue is recognised in the year of sale and costs incurred thereafter are expensed under the perpetual yield method of accounting. The forest is revalued annually for insurance purposes.

iii. Other Assets (Property, Plant and Equipment)

Other property, plant and equipment assets are stated at deemed cost, less depreciation charged to date. The Council had no assets that fall within the definition of social, community or infrastructural assets until 1 July 2005. On that date it acquired the Awanui River Flood Management Scheme from the Far North District Council pursuant to the Awanui River Flood Management Plan.

c. Capital Projects in Progress:

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

5. Current Assets

a. Stores and Materials:

Stores and materials are valued at the lower of cost and net realisable value.

b. Work in Progress:

Work in progress is valued at cost and represents the value of work not completed at balance date each year.

c. Debtors:

Debtors, including rate arrears, are stated at estimated realisable value after providing for debts where collection is doubtful.

6. Budget Figures

Budget figures are approved by the Council after a period of consultation with the public as part of the Annual Plan or Long Term Council Community Plan process. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Council for the preparation of the financial statements.

7. Consolidation Method - Group Financial Statements

The Council's interests in all controlled entities, including the results of the Northland Regional Council Community Trust and group have been consolidated. The Council's 52.4 per cent interest in the issued capital and net equity of the Northland Port Corporation (NZ) Limited and its subsidiaries has been included on the same basis.

The method of consolidation is the Purchase Method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. All significant inter-entity transactions are eliminated on consolidation. Inter-entity transactions are made at arm's length, are not material and usually represent the recovery of cost.

8. Associate Companies

The results of associated companies have been included in the group accounts on an equity accounting basis which shows the share of surpluses/deficits in the consolidated statement of financial performance and the share of post acquisition increases/decreases in net assets in the consolidated statement of financial position.

9. Joint Ventures

Joint ventures are joint arrangements with other parties in which the Northland Port Corporation (NZ) Limited has several liabilities in respect of costs and liabilities, and shares in any resulting output. The Group's share of the assets, liabilities, revenues and expenses of the joint ventures is incorporated into the financial statements using the proportional consolidation method.

10. Investments

Investments held by the Council and the Northland Port Corporation are generally held at the lower of cost or net realisable value. The NRC Community Trust's investments are recorded at cost and subsequently valued at fair value with unrealised gains/losses reported in revenue. Term Receivables are secured in terms of the Treasury Management Policy. Interest income due on investments is accrued at balance date. Owing to the different nature of particular investments, similar items are grouped and reported together.

Investment properties are recorded at the latest rating valuation plus any adjustment required in order for the portfolio to approximate net current value. This adjustment for leasehold tenure and market movements each year is made upon the advice of the Manager, Rating Valuations of Quotable Value Limited.

Revaluation gains or losses arising have been recorded in reserves for the year. Where the revaluation results in a debit balance in the reserve, this balance is expensed to the Statement of Financial Performance. There is no depreciation charge on investment properties. Properties intended for sale are disclosed as current assets at net current value.

Statement of Accounting Policies

Northland Port Corporation (NZ) Limited

The Northland Regional Council owns 22,795,201 25c shares, being 52.4 per cent of the issued capital of the Northland Port Corporation (NZ) Limited. The shares are recorded at \$8,058,150.25, 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. 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 Reports.

11. Taxation

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. Deferred taxation, calculated using the liability method on a comprehensive basis, is accounted for in respect of all timing differences.

12. Goods and Services Tax

The figures disclosed in these financial statements are exclusive of Goods and Services Tax, except debtors and creditors, which are GST inclusive.

13. Overhead Cost Allocation

All corporate costs are allocated to the operating activities of the Council. The method used to allocate overhead costs is a weighted average percentage, based on the gross labour costs, number of staff, gross expenditure, revenues and working capital deployed in the operating departments of the Council. Inter-departmental direct costs are charged to the applicable department at the time the cost is incurred.

14. Foreign Currencies

Transactions in foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses from overseas currency conversion are included in the Statement of Financial Performance. Foreign monetary assets and liabilities outstanding at balance date are converted at the rate ruling on that date.

15. Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- a. Cash means coins and notes, demand deposits and other highly liquid investments in which the Council has invested as part of its day-to-day cash management. Cash includes liabilities which are the negative of the above, such as bank overdrafts. Cash does not include accounts receivable or payable, or any borrowing subject to term facility.

- b. Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities which fall outside the definition of cash.
- c. Financing activities are those activities which result in changes in the size and composition of the capital structure of the Council. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- d. Operating activities include all other transactions and events that are not investing or financing activities and include interest and dividends received in relation to investments.

16. Employee Entitlements

Provision is made in respect of the group's liability for annual leave, and retirement gratuities. Annual leave has been calculated on an actual entitlement basis at current rates of pay, whilst the retirement gratuity has been calculated on an actuarial basis at current rates of pay.

17. Financial Instruments

Financial instruments recognised in the consolidated financial statements include cash balances, bank overdrafts, receivables, payables, investments, loans to other parties and term debt.

Premiums paid/discounts received on interest rate options and net settlements on forward rate agreements are amortised to the Statement of Financial Performance over the life of the hedged period.

18. Leased Assets

The Council is not a party to operating or finance leases. Subsidiary entities have entered into operating and finance leases. The costs of operating leases of plant and equipment and lease receipts are recorded in the Statement of Financial Performance. Assets under finance leases are depreciated and recorded as property, plant and equipment and corresponding lease liabilities are disclosed in the Statement of Financial Position during the terms of the leases.

D: CHANGES IN ACCOUNTING POLICIES

There have been no major changes in accounting policies and all policies have been applied on bases consistent with those of previous years.



Agricultural consultant, author and former soil scientist Graham Shepherd demonstrates a Visual Soil Assessment during a Northland Regional Council-organised workshop in the Lake Omapere area.



Regional Council Hydrology staff install a new water recorder on the Lower Kaihu River.

Consolidated Statement of Financial Performance

For the Year Ended 30 June 2006

	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
REVENUE						
Revenue from activities	1	5,377,184	5,061,593	6,085,786	5,377,184	6,085,786
Rates	2	5,457,535	5,471,174	4,585,490	5,457,535	4,585,490
Other revenue *	3	3,923,242	3,848,514	28,368,799	11,699,174	38,610,224
TOTAL OPERATING REVENUE		14,757,961	14,381,281	39,040,075	22,533,893	49,281,500
EXPENDITURE						
Expenditure on activities	1	14,603,824	15,063,381	13,823,266	14,503,824	13,723,266
Other expenses	3	62,328			6,859,511	7,891,865
TOTAL OPERATING EXPENSES		14,666,152	15,063,381	13,823,266	21,363,335	21,615,131
NET SURPLUS (DEFICIT) FROM OPERATIONS	4	91,809	(682,100)	25,216,809	1,170,558	27,666,369
Add Unrealised or Notional Revenue						
Vested assets - Awanui River Flood Protection Scheme *	3	6,925,282			6,925,282	
Increase in value of Northland Regional Council Community Trust *	3	1,305,373				
NET SURPLUS (DEFICIT)		8,322,464	(682,100)	25,216,809	8,095,840	27,666,369
Plus Northland Port Corporation (NZ) Limited's share of associates' retained surplus (loss)					396,545	526,867
TOTAL SURPLUS (DEFICIT) BEFORE TAXATION					8,492,385	28,193,236
Less tax expense	5				(92,090)	33,528
NET SURPLUS (DEFICIT) AFTER TAXATION					8,400,295	28,226,764
Comprising minority interests in surplus of Northland Port Corporation (NZ) Limited					948,564	3,866,667
Parent interest in net surplus (deficit)					7,451,731	24,360,097
					8,400,295	28,226,764
Major Variances:						
Total revenue and net surplus for 2005 arises from the sale of investments.	1 & 3					
Awanui River Flood Protection Scheme assets transferred from the Far North District Council have been recorded at fair value of \$6,925,283.						
In accordance with financial reporting standards this has been included as notional income, with a corresponding increase in property plant and equipment.						
Similarly the value of the NRC Trust assets increased by \$1,305,373 which increases notional revenue.						
* Total revenue		22,988,616	14,381,281	39,040,075	29,459,175	49,281,500

Consolidated Statement of Movements in Equity

For the Year Ended 30 June 2006

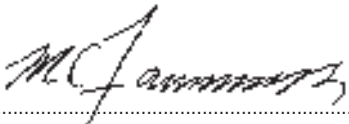
	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
Net surplus (deficit) for the year comprising:						
Parent interests		8,322,464	(682,100)	25,216,809	7,451,731	24,360,097
Minority interests					948,564	3,866,667
Increases (decreases) in revaluation reserves:						
Parent interests	7	7,368,021		3,524,301	14,637,470	5,300,191
Minority interests					6,594,640	18,724,110
Total recognised revenues and expenses		<u>15,690,485</u>	<u>(682,100)</u>	<u>28,741,110</u>	<u>29,632,405</u>	<u>52,251,065</u>
Consolidation adjustments due to increases in minority interests and equity in Northland Port Corporation (NZ) Limited						(6,995,758)
Share issue						2,621,500
Minority interest in contributions from/distributions to owners					(1,447,542)	(33,319)
Other movements in minority interests						6,437,801
Movements in equity for the year		<u>15,690,485</u>	<u>(682,100)</u>	<u>28,741,110</u>	<u>28,184,863</u>	<u>54,281,289</u>
Equity at start of year		<u>96,336,330</u>	<u>88,976,729</u>	<u>67,595,220</u>	<u>198,216,984</u>	<u>143,935,695</u>
EQUITY AT END OF YEAR		<u>112,026,815</u>	<u>88,294,629</u>	<u>96,336,330</u>	<u>226,401,847</u>	<u>198,216,984</u>
Equity at the end of the year comprises:						
Parent interests		112,026,815	88,294,629	96,336,330	168,164,866	146,075,665
Minority interests					58,236,981	52,141,319
					<u>226,401,847</u>	<u>198,216,984</u>

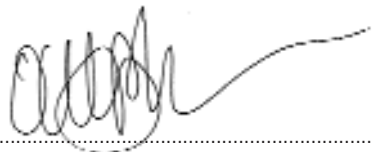
Consolidated Statement of Financial Position

As at 30 June 2006

	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
EQUITY						
Accumulated funds	6	77,484,457	66,489,958	70,103,495	91,961,735	85,451,506
Asset revaluation reserve	7	30,081,689	19,189,367	22,713,668	71,742,462	57,104,992
Special reserves	8	4,460,669	2,615,304	3,519,167	4,460,669	3,519,167
Minority interests in subsidiary companies					58,236,981	52,141,319
TOTAL EQUITY	23	112,026,815	88,294,629	96,336,330	226,401,847	198,216,984
Represented by:						
Current assets	9	22,748,048	6,266,988	33,515,147	36,137,941	38,480,832
Current liabilities	10	3,319,868	4,530,358	3,141,689	4,442,644	4,484,412
WORKING CAPITAL		19,428,180	1,736,630	30,373,458	31,695,297	33,996,420
Non Current Assets						
Investments	13	73,775,192	70,907,642	54,733,020	103,926,182	91,074,556
Property plant and equipment	14	18,725,177	15,869,375	11,352,404	91,470,071	72,127,862
Capital projects in progress	14	228,630			4,967,250	3,300,528
TOTAL NON CURRENT ASSETS		92,728,999	86,777,017	66,085,424	200,363,504	166,502,946
Non Current Liabilities						
Employee entitlements	11	130,364	219,018	122,552	130,364	122,552
Onerous lease provision						371,250
Term debt	12				5,526,589	1,788,580
TOTAL NON CURRENT LIABILITIES		130,364	219,018	122,552	5,656,953	2,282,382
NET ASSETS	23	112,026,815	88,294,629	96,336,330	226,401,847	198,216,984

20 September 2006


 Chairman


 Acting Chief Executive Officer

Consolidated Statement of Cashflows

For the Year Ended 30 June 2006

	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Receipts from customers		6,167,329	5,061,593	5,898,301	11,999,124	11,683,906
Receipts from interest	3	2,503,074	2,252,845	1,017,405	2,530,495	1,072,297
Receipts from dividends	3	1,596,264	1,595,669	5,261,664	374,117	530,739
Receipts from rates	2	5,191,763	5,471,174	4,439,401	5,191,763	4,439,401
Taxation refund					233,840	326,154
		<u>15,458,430</u>	<u>14,381,281</u>	<u>16,616,771</u>	<u>20,329,339</u>	<u>18,052,497</u>
Cash was applied to:						
Payments to suppliers and employees/members		13,364,368	13,853,381	12,477,818	19,891,938	18,825,647
Payment of interest					306,401	309,293
Taxation paid					9,249	233,575
Net GST (received) paid		(13)		(54,999)	4,387	(66,952)
		<u>13,364,355</u>	<u>13,853,381</u>	<u>12,422,819</u>	<u>20,211,975</u>	<u>19,301,563</u>
NET CASH FROM OPERATING ACTIVITIES		<u><u>2,094,075</u></u>	<u><u>527,900</u></u>	<u><u>4,193,952</u></u>	<u><u>117,364</u></u>	<u><u>(1,249,066)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Sale of property plant and equipment		95,637	130,000	505,960	119,659	6,214,241
Sale of investments	3	1,000,000		25,221,953	2,050,000	25,997,465
Advances repaid					2,764,984	1,341,475
		<u>1,095,637</u>	<u>130,000</u>	<u>25,727,913</u>	<u>4,934,643</u>	<u>33,553,181</u>
Cash was applied to:						
Purchase of property plant and equipment		1,941,569	2,429,212	4,403,237	3,669,058	5,649,415
Advances						2,103,000
Purchase of investments	13	13,737,641	25,000,000	4,684,878	16,839,039	2,256,848
		<u>15,679,210</u>	<u>27,429,212</u>	<u>9,088,116</u>	<u>20,508,097</u>	<u>10,009,263</u>
NET CASH FROM INVESTING ACTIVITIES		<u><u>(14,583,573)</u></u>	<u><u>(27,299,212)</u></u>	<u><u>16,639,797</u></u>	<u><u>(15,573,454)</u></u>	<u><u>23,543,917</u></u>

Consolidated Statement of Cashflows continued

For the Year Ended 30 June 2006

	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
ASB facility					3,750,000	
Proceeds from deferred sale settlements (sale Quayside building 2005)		404,664	650,000	2,286,315	404,664	2,304,004
Share issue						2,378,500
		<u>404,664</u>	<u>650,000</u>	<u>2,286,315</u>	<u>4,154,664</u>	<u>4,682,504</u>
Cash was applied to:						
Dividends paid					1,447,542	2,411,628
ASB facility						800,000
Settlement of debt					40,224	19,710
		<u>0</u>	<u>0</u>	<u>0</u>	<u>1,487,766</u>	<u>3,231,338</u>
NET CASH FROM FINANCING ACTIVITIES		<u>404,664</u>	<u>650,000</u>	<u>2,286,315</u>	<u>2,666,898</u>	<u>1,451,166</u>
NET INCREASE (DECREASE) IN CASH HELD		(12,084,833)	(26,121,312)	23,120,065	(12,789,191)	23,746,017
Add opening cash brought forward		28,907,139	27,910,738	5,787,074	30,027,471	6,281,454
CLOSING CASH CARRIED FORWARD AT 30 JUNE		<u>16,822,306</u>	<u>1,789,426</u>	<u>28,907,139</u>	<u>17,238,280</u>	<u>30,027,471</u>
Represented by:						
Current account		41,214	65,436	572,664	456,988	1,292,796
Call and term deposits		16,757,099	1,700,000	28,312,041	16,757,099	28,712,041
Bonds held on trust; call and term deposits		22,943	22,940	21,384	22,943	21,384
Petty cash		1,050	1,050	1,050	1,250	1,250
TOTAL CASH CARRIED FORWARD AT 30 JUNE	9	<u>16,822,306</u>	<u>1,789,426</u>	<u>28,907,139</u>	<u>17,238,280</u>	<u>30,027,471</u>

Reconciliation of Net Surplus to the Cashflows from Operations

For the Year Ended 30 June 2006

	Council 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
Net Surplus (Deficit) after Taxation	8,322,464	25,216,809	8,400,295	28,226,764
Add (Less) Non Cash Items				
Depreciation	1,120,587	981,571	1,439,708	1,310,646
Doubtful/bad debts	196,694	108,635	196,694	109,027
Vested assets	(6,925,283)		(6,925,283)	
Northland Regional Council Community Trust increase in capital	(1,305,373)			
Deferred taxation			167,051	(133,884)
Share of associate companies' retained surplus			(396,545)	(526,867)
Imputed interest income			(1,058,351)	(1,247,992)
Other non-cash items			(1,428)	(2,514)
	<u>(6,913,375)</u>	<u>1,090,206</u>	<u>(6,578,154)</u>	<u>(491,584)</u>
Movements in Working Capital				
Decrease (increase) in debtors	645,855	641,869	657,590	1,043,435
(Decrease) increase in tax losses c/fwd			(153,849)	
(Decrease) increase in income in advance			(79,485)	(65,536)
Decrease (increase) in GST receivable			12,383	(5,291)
Decrease (increase) in stores and materials	(68,255)	21,160	(68,255)	25,605
(Decrease) increase in creditors	178,179	(738,670)	27,465	(461,611)
(Decrease) increase in provision for taxation			123,734	(40,906)
	<u>755,779</u>	<u>(75,641)</u>	<u>519,583</u>	<u>495,696</u>
Movements in Other Activities				
Realised (gains)/loss on sale of assets/investments	62,328	(21,641,403)	32,811	(28,656,331)
Movement in non-current accrued expenses			(371,250)	371,250
(Premiums)/discounts on stock	(137,122)	19,607	(137,122)	19,607
Investment income reinvested			(1,817,474)	(767,312)
Non operating capital items included in working capital movements	4,001	(415,627)	68,674	(447,156)
	<u>(70,793)</u>	<u>(22,037,423)</u>	<u>(2,224,361)</u>	<u>(29,479,942)</u>
Net Cash Flows from Operating Activities	<u>2,094,075</u>	<u>4,193,952</u>	<u>117,364</u>	<u>(1,249,066)</u>

Notes to the Financial Statements

For the Year Ended 30 June 2006

	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
NOTE 1: SUMMARY OF COUNCIL COST OF SERVICES						
Activities Revenue						
Planning and Policy		102,011	126,875	202,141	102,011	202,141
Consents		806,663	629,100	829,604	806,663	829,604
Environmental Monitoring		1,683,727	1,628,468	1,580,688	1,683,727	1,580,688
Land Operations		180,888	180,860	327,495	180,888	327,495
Council and Strategic Development		27,101	11,500	188,912	27,101	188,912
Commercial		2,566,320	2,476,790	2,950,338	2,566,320	2,950,338
Financial and Information Services		10,474	8,000	6,608	10,474	6,608
Total Activities Revenue	23	5,377,184	5,061,593	6,085,786	5,377,184	6,085,786
Activities Expenses						
Planning and Policy		1,986,208	2,165,105	1,826,218	1,886,208	1,726,218
Consents		1,995,212	1,896,529	1,921,405	1,995,212	1,921,405
Environmental Monitoring		4,859,160	4,881,309	4,600,621	4,859,160	4,600,621
Land Operations		3,584,427	4,044,793	3,414,339	3,584,427	3,414,339
Council and Strategic Development		1,783,974	1,715,313	1,722,781	1,783,974	1,722,781
Commercial		394,843	360,332	337,902	394,843	337,902
Total Activities Expenditure	23	14,603,824	15,063,381	13,823,266	14,503,824	13,723,266
NOTE 2: RATES						
Targeted environmental rate		2,851,821	2,863,800	2,617,376	2,851,821	2,617,376
Targeted land management rate		2,218,021	2,222,961	1,968,114	2,218,021	1,968,114
Targeted Awanui River flood management rate		387,693	384,413		387,693	
		<u>5,457,535</u>	<u>5,471,174</u>	<u>4,585,490</u>	<u>5,457,535</u>	<u>4,585,490</u>
Rates Revenue is brought to account after allowing for:						
Disclosure pursuant to Sections 86, 89, Local Government (Rating) Act 2002						
Sum of rates remitted (Kaipara \$Nil; Whangarei \$1,533; Far North \$83,230)		84,763		81,150		81,150
Value of rates postponed (Kaipara nil; Whangarei \$10,959; Far North \$48,406)		59,365		39,425		39,425
Net financial cost of rates postponed.		Nil		Nil	Nil	Nil

	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
NOTE 3: OTHER REVENUE AND EXPENSES					
Revenue					
Interest income	2,326,977	2,252,845	1,465,732	2,770,131	1,977,753
Imputed interest income				1,284,482	1,414,276
Dividend income	1,596,264	1,595,669	5,261,664	375,345	533,053
Vested assets	6,925,283			6,925,283	
Net gain on sale of assets and investments, including capital profit			21,641,403	15,030	28,654,998
Northland Regional Council Community Trust - increase in capital	1,305,373				
Northland Port Corporation (NZ) Limited - trading revenue				851,159	780,202
- share of joint venture revenues				3,464,126	3,604,741
Northland Regional Council Community Trust - realised income from equities				156,215	1,645,201
- unrealised income from equities				1,086,944	
- realised exchange gains				1,356	
- unrealised exchange gains				92,748	
- other income				1,601,637	
Total Other Revenue	12,153,897	3,848,514	28,368,799	18,624,456	38,610,224
Expenses					
Net loss on sale of assets and investments	62,328			62,328	
Northland Port Corporation (NZ) Limited - operating expenses				1,611,323	3,103,972
- share of joint venture operating expenses				2,481,693	2,560,080
Northland Regional Council Community Trust - operating expenses				2,704,167	2,227,813
Total Other Expenses	62,328			6,859,511	7,891,865

Notes to the Financial Statements continued

	Note	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
NOTE 4: OPERATING SURPLUS (DEFICIT)						
After Charging:						
Audit fees paid - to principal auditor		69,228		62,884	88,045	81,460
- to principal auditor for the Long Term Council Community Plan		56,965				
- to principal auditor for conversion to International Reporting Standards		9,460			12,610	8,150
- to principal auditor for other services				5,000		
- to other auditors					47,141	56,948
Directors'/Councillors' fees/Trustee remuneration		421,086		387,070	661,836	600,737
Interest expenses		367			264,575	318,308
Lease payments					341,332	599,014
Onerous lease provisions					27,500	782,500
Bad debts written off		1,993		8,534	1,993	8,534
Rates arrears written off		194,701		12,354	194,701	12,354
Severance payments	16	6,446		25,140	6,446	25,140
Charged for the provision for doubtful debts				87,746		88,138

	Note	Council 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
NOTE 5: TAXATION					
Net surplus				3,070,958	8,237,558
Dividend income		1,596,264	5,261,664	1,596,264	5,261,664
Taxation @ 33%		1,596,264	5,261,664	4,667,222	13,499,222
Adjusted for tax effects:		526,767	1,736,349	1,215,241	4,405,411
Tax paid on associate companies' earnings				(78,376)	(88,911)
Non assessable income				(523,517)	(3,261,803)
Non deductible expenses				5,509	614,312
Over provision prior year					33,812
Imputation credits		(526,767)	(1,736,349)	(526,767)	(1,736,349)
		<u>0</u>	<u>0</u>	<u>92,090</u>	<u>(33,528)</u>
Comprising: Current tax				(74,961)	100,356
Deferred tax				167,051	(133,884)
				<u>92,090</u>	<u>(33,528)</u>
Deferred Tax Asset (Liability)					
Opening balance				331,017	197,134
Movement				(167,051)	133,884
Closing balance (included in debtors and prepaid expenses)				<u>163,966</u>	<u>331,017</u>
Taxation losses transferred from the former Northland Harbour Board amount to \$1,514,862 (tax effect \$499,904). As at 30 June 2006, Northland Port Corporation (NZ) Limited, its subsidiaries and associates held imputation and dividend withholding tax credits totalling \$2,180,664 (2005 \$3,180,406).					
NOTE 6: ACCUMULATED FUNDS					
OPENING BALANCE AT 1 JULY		70,103,495	45,790,549	85,451,506	66,369,530
Consolidation adjustments due to increases in minority interests and equity in Northland Port Corporation (NZ) Ltd					(6,995,758)
Land management rate transfer	8	(941,502)	(686,323)	(941,502)	(686,323)
Forest Income Equalisation Fund	8		(217,540)		(217,540)
Share Issue					2,621,500
Net Surplus (Deficit) for Year		8,322,464	25,216,809	7,451,731	24,360,097
BALANCE OF ACCUMULATED FUNDS AT 30 JUNE		<u>77,484,457</u>	<u>70,103,495</u>	<u>91,961,735</u>	<u>85,451,506</u>

Notes to the Financial Statements continued

	Council 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
NOTE 7: ASSET REVALUATION RESERVES				
BALANCE AT 1 JULY	22,713,668	19,189,367	57,104,992	51,804,801
Revaluations	7,368,021	3,524,301	14,637,470	5,300,191
BALANCE OF ASSET REVALUATION RESERVE AT 30 JUNE	30,081,689	22,713,668	71,742,462	57,104,992
Revaluation Sums in Investment Properties and Property Plant and Equipment:				
Investment properties - leasehold	30,081,689	22,713,668	30,081,689	22,713,668
Northland Port Corporation (NZ) Limited freehold Port land revaluations (net of minority interests)			41,660,773	34,391,324
BALANCE AT 30 JUNE	30,081,689	22,713,668	71,742,462	57,104,992
Council does not revalue assets other than its investment properties. The net revaluation reserve movements above reflect the revaluation reserve attributed to assets sold and the revaluation of investment properties. Northland Port Corporation (NZ) Limited's holdings of port land are now subject to an independent annual valuation.				
NOTE 8: SPECIAL RESERVES AND FUNDS				
Land management rate reserve	1,956,033	1,014,531	1,956,033	1,014,531
Forest income equalisation fund	2,504,636	2,504,636	2,504,636	2,504,636
BALANCE OF SPECIAL RESERVES AND FUNDS AT 30 JUNE	4,460,669	3,519,167	4,460,669	3,519,167
NOTE 9: CURRENT ASSETS				
Cash on hand at trading banks	1,817,670	2,943,479	2,233,644	4,063,811
Deposits at trading banks	15,004,636	25,963,660	15,004,636	25,963,660
Total cash and deposits	16,822,306	28,907,139	17,238,280	30,027,471
Debtors and prepaid expenses	2,379,780	3,025,636	3,140,507	3,811,184
Less provision for doubtful debts	(425,000)	(425,000)	(425,000)	(425,000)
Stores and materials	130,962	62,707	130,962	62,707
Investment properties intended for sale	1,960,000	1,540,000	1,960,000	1,540,000
Capital debtors	1,880,000	404,665	6,902,727	404,665
Advances - current portion			7,001,471	2,747,077
Taxation refundable			188,994	312,728
BALANCE OF CURRENT ASSETS AT 30 JUNE	22,748,048	33,515,147	36,137,941	38,480,832

Council capital debtor is repayment of Fonterra investment bond. The ASB Bank has registered a composite debenture over the assets of Northland Port Corporation (NZ) Limited. At balance date the interest on the overdraft was 11.20% (June 2005 - 10.70%).

		Council 30-Jun-06	Council 30-Jun-05	Consolidated 30-Jun-06	Consolidated 30-Jun-05
NOTE 10: CURRENT LIABILITIES					
Trade creditors and sundry accrued items		2,452,311	2,295,441	3,507,269	3,543,806
Provision for contaminated sites clean up			50,000		50,000
Employee entitlements (current portion)	11	867,557	796,248	935,375	890,606
CREDITORS AND ACCRUED EXPENSES AT 30 JUNE		3,319,868	3,141,689	4,442,644	4,484,412
NOTE 11: EMPLOYEE ENTITLEMENTS					
Annual leave		716,162	650,414	783,980	744,772
Retirement gratuities		281,759	268,385	281,759	268,385
		997,921	918,800	1,065,739	1,013,158
Represented by:					
Current entitlements		867,557	796,248	935,375	890,606
Non current entitlements		130,364	122,552	130,364	122,552
		997,921	918,800	1,065,739	1,013,158
NOTE 12: TERM DEBT					
OPENING BALANCE: 1 JULY				1,788,580	2,604,585
New debt raised - interest capitalised				3,750,000	
Repayments				(11,991)	(816,005)
BALANCE OF TERM DEBT AT 30 JUNE				5,526,589	1,788,580

Northland Port Corporation (NZ) Limited: As at 30 June 2006 a total sum of \$5,500,000 was outstanding under the ASB Bank funding facility at an interest rate of 7.9% (2005 - 7.50%). The present funding facility is for a term of 5 years expiring 19 September 2008 with a current funding limit of \$12,000,000 (2005 - \$7,500,000). As security for this funding facility, the ASB Bank has registered a floating charge debenture over the assets and undertakings of the Company.

Destination Northland Limited and Enterprise Northland Trust have finance leases totalling \$65,045 (2005 - \$79,282) which are secured over the assets to which they relate. Interest rates on outstanding lease agreements range from 12.5% to 16.45% and are repayable over various terms of not more than five years

Notes to the Financial Statements continued

NOTE 13: INVESTMENTS

	Council 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
Local authority stock and other securities *	13,327,000	2,657,000	13,327,000	2,657,000
Advances **			2,052,699	8,691,649
Investment properties	39,636,156	32,706,480	39,636,156	32,706,480
Northland Regional Council Community Trust - refer to Note 18	12,586,962	11,281,589		
Shares in Northland Port Corporation (NZ) Limited ***	8,058,150	8,058,150		
Associated companies (Refer Note 18)			35,898,659	30,419,046
(Discounts)/premiums on stock	166,924	29,801	166,924	29,801
Managed funds GSJB Were (2005 -BNZ Investments)			12,320,715	11,453,241
Other investments ****			524,029	5,117,339
BALANCE OF INVESTMENTS AT 30 JUNE	73,775,192	54,733,020	103,926,182	91,074,556

* Repricing Maturities

For both parent and group	within 1 year	1 - 2 years	2 - 5 years	> 5 years
Local authority stock	2,000,000	1,500,000		
Other securities	3,050,000	1,800,000	2,700,000	2,277,000
	<u>\$5,050,000</u>	<u>\$3,300,000</u>	<u>\$2,700,000</u>	<u>\$2,277,000</u>

** As at 30 June 2006, unsecured funding advances totalling \$3,450,000 have been provided to Marsden Cove Limited. This sum is non-interest bearing with repayment scheduled to occur as the future cashflow of Marsden Cove Limited allows. The other shareholder in that Company, Hopper Developments Limited, has provided an equivalent funding advance on the same basis. The balance of an additional funding advance previously provided to Marsden Cove Ltd in respect of a property settlement was repaid during the year. On 16 July 2004, Northland Port Corporation (NZ) Limited entered into an unconditional agreement for the sale of its property holdings at Port Whangarei principally comprising land, buildings and wharves for \$13,149,089. Under the terms of settlement, interest free vendor finance of \$7,649,089 has been provided which is repayable in full on 30 June 2007. This advance has been recognised in their Financial Statements at an assessed fair value of \$7,001,471 (2005 - \$6,408,685) at 30 June 2006. This funding is secured by a registered 2nd mortgage over the subject land.

*** The market price of listed shares:

	Price per Share:
At 30 June 2005	\$3.05
At 30 June 2006	\$2.90

**** Includes: - Fonterra Co-Operative Group Limited shares - cost \$523,775, fair value \$1,310,356 (1 June 2005 - \$1,310,356)
- Sea-Tow Limited capital notes - face value \$5,525,000, fair value \$4,566,116. Redeemable 30 June 2007, no interest accrues.

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				
Local authority stock	6.6%	7.1%	6.6%	7.1%
Other securities	7.7%	6.8%	7.7%	6.8%

	Cost or Valuation 30-Jun-06 \$	Accumulated Depreciation 30-Jun-06 \$	Net Book Value 30-Jun-06 \$	Cost or Valuation 30-Jun-05 \$	Accumulated Depreciation 30-Jun-05 \$	Net Book Value 30-Jun-05 \$
NOTE 14: PROPERTY, PLANT AND EQUIPMENT						
COUNCIL						
Freehold land	1,155,820	754	1,155,066	1,155,820	754	1,155,066
Forest	742,104	44,857	697,247	742,104	39,340	702,764
Infrastructure	6,925,283	5,941	6,919,342			
Buildings	6,260,269	372,130	5,888,139	5,660,136	218,113	5,442,023
Plant and equipment	6,737,474	4,269,400	2,468,074	6,385,044	3,973,734	2,411,310
Navigational aids	453,077	416,490	36,587	459,228	409,056	50,172
Vehicles	1,391,270	536,345	854,925	1,310,878	502,575	808,303
Vessels and dredging equipment	1,051,690	345,893	705,797	1,028,956	246,190	782,766
PROPERTY, PLANT AND EQUIPMENT 30 JUNE	24,716,987	5,991,810	18,725,177	16,742,166	5,389,761	11,352,404
Forest insurance valuation	1,589,212			2,780,114		
CONSOLIDATED						
Freehold land - Council	1,155,820	754	1,155,066	1,155,820	754	1,155,066
Freehold land - Port - at valuation	70,250,000		70,250,000	58,250,000		58,250,000
Infrastructure	6,925,283	5,941	6,919,342			
Forest	742,104	44,857	697,247	742,104	39,340	702,764
Buildings	7,097,414	750,860	6,346,554	6,486,653	541,485	5,945,168
Plant and equipment	9,980,002	5,609,838	4,370,164	9,429,303	5,093,793	4,335,510
Leased equipment	134,352	79,799	54,553	124,140	62,348	61,792
Navigational aids	453,077	416,490	36,587	459,228	409,056	50,172
Vehicles	1,501,103	566,342	934,761	1,359,192	515,079	844,113
Vessels and dredging equipment	1,051,690	345,893	705,797	1,097,877	314,600	783,277
PROPERTY PLANT AND EQUIPMENT 30 JUNE	99,290,845	7,820,774	91,470,071	79,104,317	6,976,455	72,127,862

Northland Port Corporation (NZ) Limited freehold land as at 30 June 2006 has been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of \$70,250,000. The valuer is an Associate Member of the NZ Institute of Valuers. The valuation was conducted in accordance with FRS-3 which defines "fair value" as being the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction. Buildings are recorded at cost which in the opinion of the directors approximates fair value.

Notes to the Financial Statements continued

	Council 30-Jun-06 \$	Annual Plan 30-Jun-06 \$	Council 30-Jun-05 \$	Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
NOTE 14: PROPERTY, PLANT AND EQUIPMENT continued					
Capital work in progress	228,630			4,967,250	3,300,528
Profit (Loss) on sale/disposal of property and investments	(62,328)		21,641,403	(62,328)	21,641,403
Vested assets - Awanui River Flood Protection Scheme	6,925,283			6,925,283	
DEPRECIATION EXPENSE					
Forest (on the Forest Harvesting Strategy)	5,517	5,518	5,517	5,517	5,517
Buildings	148,883	151,681	115,846	204,241	115,846
Infrastructure	5,941			5,941	
Plant and equipment	695,238	750,404	602,121	927,743	602,121
Navigational aids	7,522		6,805	7,522	6,805
Vehicles	169,010	210,264	165,045	196,990	165,045
Vessels and dredging equipment	88,475	85,481	86,237	88,475	86,237
TOTAL DEPRECIATION	1,120,587	1,203,348	981,571	1,436,430	981,571
NOTE 15: GOVERNMENT GRANTS AND SUBSIDIES					
Transit New Zealand		92,313	116,662	92,213	116,662
Ministry for the Environment		65,603	180,116	65,603	180,116
Emergency Management		10,417	12,650	10,417	12,650
Maritime Safety Authority		98,979	90,460	98,979	90,460
Other grants				850,078	
TOTAL SUBSIDY REVENUE		267,312	399,888	1,117,290	399,888

NOTE 16: ADMINISTRATION

The following items are subject to disclosure under the Local Government Act 2002, Schedule 10, Part 3:

Clause 18 Remuneration:

Remuneration as defined in the Act that was received by, or payable to:

	Council 30-Jun-06 \$	Council 30-Jun-05 \$
(a) Chairman	88,655	79,944
(b) Deputy Chairman	49,397	48,691
Chair, Hearings Committee	55,786	53,591
Chair, Regional Land Transport Committee	49,842	44,471
Chair, Commercial Committee	43,400	39,996
Chair, Regional Development Committee	54,627	47,399
Chair, Landcare Committee (2005 part year only)	46,246	33,659
Councillor	33,133	26,890
Councillor (2005 part year only)		12,429
Total Members' Remuneration	421,086	387,070
(c) Chief Executive Officer	189,155	181,424

Clause 19 Severance Payments:

A severance payment amounting to \$6,446 (2005 - \$25,140) was made to one employee upon his retirement.

Notes to the Financial Statements continued

NOTE 17: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(A): Material Contingent Liabilities at Balance Date

1. Westpac Banking Corporation – joint and several guarantee given in respect of loans provided to Northport Coolstores (1989) Limited
2. BNZ Bond - given to the NZ Stock Exchange
3. BNZ - a several guarantee given to them in respect of additional funding provided to Northport Limited for construction of a wharf extension.
4. ASB Bank – joint guarantee given (in conjunction with SSA JV Holdings Limited) to secure the overdraft of Northland Stevedoring Services (unincorporated joint venture)
5. The Northland Port Corporation (NZ) Limited Group's share of associate companies' contingent liabilities

Capital Commitments at Balance Date

Approved capital expenditure

Other capital commitments

Northland Port Corporation (NZ) Limited Capital and Other Commitments:

- Commitments for Capital Expenditure at 30 June 2006 amount to \$9,835,879 (June 2005 – \$13,451,094).
- The shareholders of Marsden Cove Limited agreed to provide cash advances to a maximum of \$4M each. At balance date the company had provided cash advances totalling \$3.45M, leaving a balance of \$550,000 to be contributed (June 2005 - \$550,000).

(B): Lease Commitments

The Council has no lease commitments

The following lease commitments existed at balance date:

	NPC 30-Jun-06 \$	NPC 30-Jun-05 \$	Trust 30-Jun-06 \$	Trust 30-Jun-05 \$
Less than one year	65,726	52,000	100,993	137,964
One to two years	11,945	32,212	36,561	85,473
Two to five years	34,635		4,112	25,631
Over five years	40,407			
	<u>152,713</u>	<u>84,212</u>	<u>141,666</u>	<u>249,068</u>

The figures above exclude lease amounts already accounted for as liabilities in respect of onerous lease provisions (refer notes 4 & 10).

As part of the joint venture agreement entered into with Port of Tauranga Limited in respect of Northport Limited, Northland Port Corporation (NZ) Limited has leased the existing Port Whangarei facilities and equipment to Northport Limited for a period up to five years as from the effective commencement of operations at Northport on 1 July 2002 (Refer also Notes 4 & 19).

Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
875,000	875,000
75,000	75,000
8,000,000	8,000,000
100,000	100,000
700,000	705,000
<u>9,750,000</u>	<u>9,755,000</u>
9,835,879	13,451,094
550,000	550,000
<u>10,385,879</u>	<u>14,001,094</u>

Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
166,719	189,964
48,406	117,685
38,747	25,631
40,407	
<u>294,379</u>	<u>333,280</u>

NOTE 18: INVESTMENTS IN ASSOCIATED AND SUBSIDIARY ENTITIES AND JOINT VENTURE INTERESTS

Subsidiary of the Council

Northland Regional Council Community Trust	100% holding	Main activity - business development and tourism
	Held at lower of cost and net realisable value	Balance date - 30 June
	Value at year end	

Council	Council
30-Jun-06	30-Jun-05
\$	\$

12,586,962	11,281,589
------------	------------

The following represent the direct investments of the Council's 52.4% owned subsidiary, Northland Port Corporation (NZ) Limited:

Associated Companies of the Northland Port Corporation (NZ) Limited:

North Port Coolstores (1989) Limited

Shares subscribed for	50% holding	Main activity - cold and coolstore operators
Share of retained earnings		Balance date - 31 March

Northport Limited

Shares subscribed for	50% holding	Main activity - port operators
Share of retained earnings		Balance date - 30 June
Land revaluation not recognised by Associate *		
Elimination re inter-entity asset sales		

* The valuation of Northport Limited's land includes reclaimed land for which title or another long term usage right has yet to be established. The valuation assumes that a long term usage right of some form will be granted but has allowed a discount for uncertainty related to this process.

Northland Stevedoring Services Limited (non-trading)

Shares subscribed for	50% holding	Main activity - holding company
Share of retained earnings		Balance date - 31 January

Marsden Point Stevedoring Services Limited (non-trading) established 6 August 2003

Shares subscribed for	50% holding	Main activity - holding company
Share of retained earnings		Balance date - 31 January

Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
250,000	250,000
566,462	461,870
816,462	711,870
20,000,000	17,000,000
4,215,821	3,861,599
13,264,089	11,400,000
(2,397,813)	(2,554,523)
35,082,097	29,707,076
50	50
50	50
50	50
50	50

NOTE 19: RELATED PARTY DISCLOSURES

	Council 30-Jun-06 \$	Council 30-Jun-05 \$
Debtors		
Marsden Cove Limited	2,872	Nil
North Port Coolstores (1989) Limited	Nil	Nil
North Tugz Limited	Nil	Nil
Northland Port Corporation (NZ) Limited	Nil	Nil
Northland Regional Council Community Trust	Nil	Nil
Northport Limited	287	9,375
Northport Services (UJV)	Nil	Nil
Northland Stevedoring Services (UJV)	Nil	Nil
Creditors		
Northland Port Corporation (NZ) Limited	Nil	Nil
Northport Limited	6,750	9,112
North Tugz Limited	383	Nil

During the year the Northland Regional Council made a grant of \$100,000 to Destination Northland. The Northland Regional Council Community Trust paid donations of \$230,000 to Destination Northland Limited and \$645,000 to Enterprise Northland Trust. During the year the Northland Regional Council Community Trust repaid the funds held on behalf of Enterprise Northland Trust. The balance of the funds at reporting date was Nil. Destination Northland Limited owed the Northland Regional Council Community Trust \$23,690 at balance date. Enterprise Northland Trust owed the Northland Regional Council Community Trust \$70,070 at balance date. The Northland Regional Council Community Trust continues to provide ongoing financial assistance to the Enterprise Northland Trust and Destination Northland Limited in order for these entities to meet all their financial obligations in the ordinary course of business. Other transactions between Northland Regional Council and Northland Regional Council Community Trust during the year were not of a material nature and there were no material amounts outstanding as at 30 June 2006.

During the year the Northland Regional Council made charges to the Northland Port Corporation (NZ) Limited for a variety of resource management related fees. None of these transactions between the parties were of a material nature.

North Port Coolstores (1989) Limited

The company is 50% owned by the Northland Port Corporation (NZ) Limited. During the period the Company made a charge for Directors' Fees amounting to \$3,000. As at 30 June 2006 there were no material amounts owing between the parties.

Northland Stevedoring Services (UJV)

This is an unincorporated joint venture in which NPC Corporate Services Limited (a 100% owned subsidiary of Northland Port Corporation (NZ) Limited) has a 50% interest. Inter-group transactions during the period which were not of a material nature, related to plant hire and a variety of port related changes. As at 30 June 2006 there were no material amounts owing between the various parties.

Northport Limited

This company is jointly owned by the Northland Port Corporation (NZ) Limited and Port of Tauranga Limited. It was established to build a new port facility at Marsden Point which commenced operations in June 2002. During the period, Northland Port Corporation (NZ) Limited charged Northport Limited a fee for providing company secretarial services and on-charged land rates, insurances and other minor items of expenditure. During the period, Northport Limited provided the Company with civil engineering services on a consultancy basis together with other labour recharges. As at 30 June 2006 there were no material amounts owing between the parties. Effective 1 July 2002, the Port Whangarei wharves and associated facilities have been leased to Northport Limited for a period of up to five years in exchange for a nominal rental. A right of renewal on normal commercial terms exists beyond July 2007.

Notes to the Financial Statements continued

NOTE 19: RELATED PARTY DISCLOSURES continued

North Tugz Limited

This company is jointly owned by Northport Limited and Ports of Auckland Limited. It was established to operate various marine services previously undertaken by the respective shareholders. During the period the Company made rental charges to North Tugz Limited together with a charge for company secretarial services. As at 30 June 2006 there were no material amounts outstanding between the parties.

Marsden Cove Limited

This company is jointly owned by Northland Port Corporation (NZ) Limited and Hopper Developments Limited and was established to develop a residential waterway development adjacent to the Whangarei Harbour at Marsden Bay. The Company has provided an interest free advance to Marsden Cove Limited as its share of the required funding for the development. The advance is repayable as future cash flows of the development allow. The remaining balance of a previously provided advance was repaid during the period. This related to an earlier property transaction.

Directors

During the period certain transactions that were not material in nature took place between Northland Port Corporation (NZ) Limited and companies in which some 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.

Councillors

There were no related party transactions with Councillors during the year.

NOTE 20: PERFORMANCE MEASUREMENT

The Council has reported on each target listed in its Community Plan in narrative format, in the Statements of Service Performance, supported by Cost of Activities Statements for each functional group or department of the Council.

In the activities of Environmental Monitoring, Land Operations, Planning and Policy, and Resource Consents, quality has been confirmed by the use of suitably trained and qualified staff who follow internally prepared policies and procedures manuals. In particular, the planning and policy process involves consultation throughout the year with district councils, Government departments, community and environmental groups, iwi organisations and interested individuals. Quality is reported within each significant activity, detailing where ISO registration has been achieved.

NOTE 21: FINANCIAL INSTRUMENTS

COUNCIL

CREDIT RISK

In the normal course of its business the Council and the Group incur credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk. The Council places its surplus funds with trading banks and other financial institutions approved by the Council. It further minimises its credit exposure by limiting the sum invested in any institution at any one time. The Council does not require security to support financial instruments due to the high credit rating of the financial institutions it deals with. Interest rate risk is the risk that the value of the financial instruments will fluctuate with changes in market interest rates. No interest rate options or interest rate swap agreements are in force at balance date.

NOTE 21: FINANCIAL INSTRUMENTS continued

FAIR VALUES

The estimated fair values of financial assets and liabilities for cash and deposits, debtors, trade creditors and term liabilities are approximately equivalent to the carrying value of these items. The fair value of the 52.43% investment in the Northland Port Corporation (NZ) Limited based on the market price at balance date is shown below:

	30-Jun-06 Carrying Value \$	30-Jun-05 Carrying Value \$	30-Jun-06 Fair Value \$	30-Jun-05 Fair Value \$
Investment in Northland Port Corporation (NZ) Limited	8,058,150	8,058,150	66,106,083	69,525,363

The fair value of Council's investment in the Northland Regional Council Community Trust is \$12,586,962 based on its net assets as at 30 June 2006 (2005: \$11,602,288).

CONSOLIDATED

CREDIT RISK

The values attached to each financial asset in the Consolidated Statement of Financial Position represents the maximum credit risk other than the Northland Port Corporation (NZ) Limited Group's advance provided to Marsden Cove Limited totalling \$3,450,000. The Northland Port Corporation (NZ) Limited Group performs credit evaluations on all customers requiring significant credit. Collateral is generally not required, apart from significant signed contracts where Letters of Credit are required. Interest rate trends are regularly monitored and cover taken where appropriate to ensure that the Northland Port Corporation (NZ) Limited Group's interest rate risk is minimised. Forward interest rate swaps have been entered into to reduce these risks. The interest rate applicable to these financial instruments is incorporated into the effective interest rate of the underlying hedged item. At balance date the following fixed rate swap agreements existed:

Principal	Rate (%)	Effective	Maturity
1,000,000	5.78	15.02.2005	15.01.2007
2,500,000	5.69	1.09.2005	15.03.2007
1,500,000	5.61	16.01.2006	15.08.2007

The Group monitors exchange rate movements and obtains partial or full forward cover to hedge its exposure when deemed appropriate. At balance date there were no outstanding forward exchange contracts (2005: Nil).

The Northland Port Corporation (NZ) Limited Group monitors the credit quality of major financial institutions that are counterparties to its financial instruments, and does not anticipate non-performance by the counterparties. The Group further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time. The Group has a bank overdraft facility of \$400,000 with the ASB Bank Limited (2005: \$400,000). At balance date no sum was drawn on this facility by the Group (2005: nil).

The NRC Community Trust Group generally records financial instruments at fair value and where appropriate, particular recognition methods are disclosed in its Statement of Accounting Policies.

FAIR VALUES

All financial instruments have been recorded at fair value other than the Group's shareholding and investments in Fonterra Co-operative Group Limited (refer Note 13), its interest in Associates (refer Note 18) and hedged interest rate swaps as shown above.

CONCENTRATION OF CREDIT RISK

The Northland Port Corporation (NZ) Limited has significant concentration of credit risk with Toll Investment Joint Venture (refer Note 13), Marsden Cove Limited (refer Note 13) and Sea Tow Limited (refer Note 13).

Notes to the Financial Statements continued

NOTE 22: SEGMENTAL INFORMATION

The parent council operates as the region's natural resource manager. The Council holds assets and investments on behalf of the community that form a corporate group. The subsidiary entities of the group operate in the marine industry, with activities including cargo handling and coastal towage.

	Northland Port Corporation (NZ) Limited		Northland Regional Council		NRC Community Trust	
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	\$	\$	\$	\$	\$	\$
Total Revenues	6,164,270	13,225,252	22,988,616	39,040,075	3,688,841	2,211,020
Segment Results	1,994,194	8,088,067	91,809	25,216,809	984,674	149,491
Total Assets *	128,736,313	112,706,673	115,477,047	99,600,571	12,943,487	12,034,761
	**		*	*		
					Consolidated 30-Jun-06 \$	Consolidated 30-Jun-05 \$
Total Revenues ***					29,459,175	49,281,500
Segment Results ***					8,400,295	28,226,764
Total Assets ****					236,501,445	204,983,778

* This includes investments in the Northland Port Corporation (NZ) Limited of \$8,058,150 which are eliminated on consolidation.

** During the reporting period, the principal business segments of the Port Group were port related activities and other activities.

*** Consolidated amounts exclude inter-company dividends received from Northland Port Corporation (NZ) Limited.

**** Consolidated amounts exclude the investment in the Northland Port Corporation (NZ) Limited of \$8,058,150, the inter-company debtors of \$10,292 (2005: \$9,375), inter-company creditors of \$10,292 (2005: \$9,112) and investment in the Northland Regional Council Community Trust of \$12,586,962.

NOTE 23: VARIANCES FROM ANNUAL PLAN

Explanation for variations between plan figures in the 2005-2006 Annual Plan and actual results are:

Revenue from Activities

Consents Additional revenue was attributable to one major industrial consent application.

Expenditure on Activities

Planning Consultants and Iwi projects were underspent by a total of \$120,000.

Biosecurity The favourable expenditure variance results from establishing Community Pest Control Areas in 2005/06; contractor costs have been replaced by landowners doing the work with product costs met by the Council.

Statement of Financial Position

Equity

Increase in equity includes vested assets for the Awanui Flood Protection Scheme, an increase in the value of Council's investment in the Community Trust and an unbudgeted increase in the value of the investment property portfolio.

Assets

Cash and deposits are higher than anticipated owing to expected property transactions not proceeding.

Other current assets include capital debtor for proposed repayment of Fonterra bond of \$1,880,000.

Investments include increase in value of investment property portfolio and Community Trust, less cash and deposits not yet invested.

The unbudgeted value of the Awanui River Flood Protection scheme assets are included in fixed assets.

Liabilities

Sundry Creditors at year end were less than anticipated.

NOTE 24: EVENTS AFTER BALANCE DATE

Subsequent to balance date, an ordinary dividend of 3.5 cents per share was declared by the Northland Port Corporation (NZ) Limited, with payment to be made 22 September 2006.