

Consolidated Income Statement

For the Year Ended 30 June 2007

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
INCOME						
Revenue from activities	3	3,814,406	3,283,280	2,860,105	5,694,725	3,077,105
Rates revenue	2	7,811,320	7,655,553	5,457,535	7,811,320	5,457,535
Other revenue	3	6,747,787	6,448,790	13,228,482	13,154,804	19,726,824
Other gains	4	6,985,249	1,838,487	8,787,370	7,237,790	8,953,053
TOTAL OPERATING REVENUE	1	25,358,762	19,226,110	30,333,492	33,898,639	37,214,517
EXPENDITURE						
Employee benefit expenses	5	6,957,198	6,929,129	6,426,949	7,956,325	7,592,508
Depreciation and amortisation	1	1,283,226	1,144,750	1,120,587	1,482,833	1,436,430
Finance costs	6	–	418,194	–	560,449	264,208
Other expenditure on activities	1	9,712,596	21,868,173	7,144,501	14,020,917	11,363,871
Other expenses	7	384,800	–	–	384,800	732,531
TOTAL OPERATING EXPENSES		18,337,820	30,360,246	14,692,037	24,405,324	21,389,548
NET SURPLUS (DEFICIT) FROM OPERATIONS		7,020,942	(11,134,136)	15,641,456	9,493,315	15,824,969
Plus Northland Port Corporation (NZ) Limited's share of associates' retained surplus (loss)					4,216,172	542,022
TOTAL SURPLUS (DEFICIT) BEFORE TAXATION					13,709,486	16,366,991
Less tax expense	8				(120,279)	86,736
NET SURPLUS (DEFICIT) AFTER TAXATION					13,829,765	16,280,255
Attributable to:						
Northland Regional Council					9,392,262	15,168,069
Minority interests in surplus of Northland Port Corporation (NZ) Limited					4,437,503	1,112,186
					13,829,765	16,280,255

Major Variances:

Revenue is higher than forecast as the gain on revaluation of investment properties (\$6.9 million) has been included in revenue. Previously this was not required to be recorded through the Income Statement. Expenditure is lower than forecast due to the budgeted grant of \$12.5 million for the Northland Events Centre not being paid in the 2006-2007 year.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2007

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Balance at 1 July		114,316,916	98,076,963	96,021,490	229,531,533	199,101,821
Property, plant and equipment						
Revaluation gains/(losses) taken directly to equity	9	1,090,317	–	260,092	1,090,317	260,092
Financial assets at fair value through equity						
Valuation gains/(losses) taken to equity	9	–	–	2,114,278	24,117,441	12,754,580
Reserve movement	9	(1,221,102)	–	(941,502)	(1,221,102)	(941,502)
Net income/ (expense) recognised directly in equity		114,186,131	98,076,963	97,454,358	253,518,189	211,174,991
Surplus/ (deficit) for the year		7,020,942	(11,134,136)	15,641,456	13,829,765	16,280,255
Total recognised income/ (expense) for the year ended 30 June		121,207,073	86,942,827	113,095,814	267,347,954	227,455,246
Attributable to:						
Northland Regional Council		121,207,073	86,942,827	113,095,814	194,344,015	168,598,330
Minority interest					73,003,781	58,856,916
Balance at 30 June		121,207,073	86,942,827	113,095,814	267,347,796	227,455,246

Consolidated Statement of Financial Position

As at 30 June 2007

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
EQUITY						
Accumulated funds	9	115,525,302	84,098,660	108,635,145	134,456,997	99,763,220
Asset revaluation reserve	9	–	–	–	54,015,917	64,374,441
Special reserves	9	5,681,771	2,844,167	4,460,669	5,871,101	4,460,669
Total equity attributable to Northland Regional Council		121,207,073	86,942,827	113,095,814	194,344,015	168,598,330
Minority interests in subsidiary companies					73,003,781	58,856,916
TOTAL EQUITY		121,207,073	86,942,827	113,095,814	267,347,796	227,455,246
ASSETS						
Current Assets						
Cash and cash equivalents	10	10,480,085	253,411	15,817,670	18,152,250	23,235,114
Trade and other receivables	11	2,366,851	4,545,301	4,839,416	2,889,054	5,480,194
Inventories	12	138,994	62,707	130,962	138,994	130,962
Non-current assets held for sale	13	2,841,000	–	1,960,000	2,841,000	1,960,000
Other Financial Assets	14	8,055,132	–	–	9,989,977	5,022,727
Tax refundable		–	–	–	31,085	9,249
Tax Losses carried forward		–	–	–	–	153,849
Derivative financial instruments	15	–	–	–	54,000	73,511
Total Current Assets		23,882,062	4,861,419	22,748,048	34,096,360	36,065,606
Non-Current Assets						
Investment property	16	46,091,001	43,217,636	40,239,752	46,091,001	40,239,752
Investments in subsidiaries and associates	17	20,197,673	19,660,438	20,197,673	46,730,322	36,396,127
Other investments	18	13,950,097	20,519,477	13,616,897	34,807,576	27,990,311
Property, plant and equipment	19	18,496,511	11,611,792	17,591,066	114,369,785	95,071,947
Biological Assets	21	1,690,483	1,772,337	1,513,000	1,690,483	1,513,000
Intangible Assets	20	491,538	955,806	436,862	492,794	439,495
Capital projects in progress	19	354,858	–	228,632	354,858	228,632
Deferred Taxation Asset	8	–	–	–	47,741	122,297
Total Non-Current Assets		101,272,161	97,737,486	93,823,882	244,584,560	202,001,561
TOTAL ASSETS		125,154,223	102,598,905	116,571,930	278,680,920	238,067,167

Consolidated Statement of Financial Position continued

As at 30 June 2007

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
LIABILITIES						
Current Liabilities						
Trade and other payables	22	2,875,854	2,945,441	2,452,311	3,502,616	2,898,251
Provisions	25	-	-	-	62,959	545,139
Current Portion of public debt	24	-	438,633	-	19,727	-
Deferred Tax Liability	8	-	-	-	-	460,754
Employee benefit liabilities	23	980,053	796,248	893,441	1,044,240	932,561
Total Current Liabilities		3,855,907	4,180,322	3,345,752	4,629,542	4,836,705
Non-Current Liabilities						
Employee benefit liabilities	23	91,243	122,552	130,364	91,243	130,364
Provisions non-current	25	-	-	-	97,812	144,852
Borrowings	24	-	11,353,204	-	6,514,527	5,500,000
Total Non-Current Liabilities		91,243	11,475,756	130,364	6,703,582	5,775,216
Total Liabilities		3,947,150	15,656,078	3,476,116	11,333,124	10,611,921
NET ASSETS		121,207,073	86,942,827	113,095,814	267,347,796	227,455,246

Major Variances:

The Net Assets are higher than forecast due to the borrowing of the \$12.5 million for the Regional Events Centre not being undertaken in the 2006-2007 year, and the property, plant & equipment, and investments having a higher value than forecast. Major variances are disclosed in Note 34.

19 September 2007


 Chairman


 Acting Chief Executive Officer

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2007

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers		7,666,308	6,359,161	5,210,139	11,565,052	8,006,970
Interest received	3	2,590,201	1,945,664	2,189,856	2,890,666	2,217,277
Dividends received	3	1,938,192	1,597,464	1,596,264	2,173,550	1,969,781
Receipts from rates revenue	2	7,811,320	7,655,553	5,457,535	7,811,320	5,457,535
Subsidies & Grants received		642,474	435,780	–	959,474	1,439,300
Taxation refund		–	–	–	262,026	162,306
Payments to suppliers and employees/members		(15,829,940)	(28,797,301)	(13,364,367)	(21,557,219)	(19,911,656)
Interest paid		–	(418,194)	–	(535,523)	(306,401)
Income tax paid		–	–	–	(35,850)	(9,249)
Net goods and services tax received (paid)		–	–	13	4,834	(4,387)
NET CASH FROM OPERATING ACTIVITIES		4,818,555	(11,221,873)	1,089,440	3,538,330	(978,524)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		–	134,000	95,637	29,754	119,659
Proceeds from sale of investments	18	–	7,300,000	1,000,000	897,446	2,050,000
Advances repaid		–	–	–	9,448,514	2,764,984
Purchase of property, plant and equipment		(1,767,809)	(2,096,380)	(1,941,569)	(2,761,965)	(3,624,030)
Advances		–	–	–	(49,950)	–
Purchase of investments	18	(333,200)	(4,200,000)	(13,737,641)	(333,250)	(16,763,202)
NET CASH FROM INVESTING ACTIVITIES		(2,101,009)	1,137,620	(14,583,573)	7,230,549	(15,452,589)

Consolidated Statement of Cash Flows continued

For the Year Ended 30 June 2007

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
CASH FLOWS FROM FINANCING ACTIVITIES						
ASB facility		—	—	—	1,000,000	3,750,000
Proceeds from deferred sale settlements (sale Quayside building 2005)		—	—	404,664	—	404,664
Share issue		—	—	—	—	—
Proceeds from Stadium Loan		—	12,000,000	—	—	—
Dividends paid		—	—	—	(1,757,129)	(1,447,543)
Dividends paid		—	—	—	—	—
ASB facility		—	—	—	(38,011)	(40,224)
Settlement of borrowings		—	(208,163)	—	—	—
NET CASH FROM FINANCING ACTIVITIES		—	11,791,837	404,664	(795,140)	2,666,897
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFT		2,717,547	1,707,584	(13,089,469)	9,973,739	(13,764,216)
Cash, cash equivalents and bank overdrafts at the beginning of the year		15,817,670	(1,454,173)	28,907,139	16,233,643	29,997,859
Advances (current portion)		(8,055,132)	—	—	(8,055,132)	7,001,471
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR		10,480,085	253,411	15,817,670	18,152,250	23,235,114

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Reconciliation of Net Surplus to the Cash Flows from Operations

For the Year Ended 30 June 2007

	Note	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Net Surplus after Taxation		7,020,942	15,641,456	13,829,765	17,422,305
Add (Less) Non Cash Items					
Depreciation & Amortisation	19	1,283,226	1,120,587	1,482,833	1,436,430
Doubtful/bad debts	1	90,809	196,694	90,809	196,694
Employee Entitlements (Sick Leave)		5,253	–	5,253	–
Local Government Stock discounts written off		–	137,123	–	137,123
Vested assets	3	–	(6,925,283)	–	(6,925,283)
Northland Regional Council Community Trust increase in capital	3	–	–	–	–
Loss on Local Government Stocks		384,800	–	384,800	–
Deferred taxation		–	–	74,556	161,697
Share of associate companies' retained surplus		–	–	(6,317,420)	(732,616)
Imputed interest income		–	–	(1,149,316)	(1,058,351)
Other non-cash items		(6,879,093)	(8,787,370)	(6,997,450)	(8,871,586)
		(5,115,005)	(14,258,249)	(12,425,935)	(15,655,892)
Movements in Working Capital					
Decrease (increase) in trade and other receivables		2,274,983	(358,781)	2,355,291	(347,046)
(Decrease) increase in tax losses c/fwd		–	–	(2,730)	(153,849)
(Decrease) increase in income in advance		–	–	–	(79,485)
Decrease (increase) in GST receivable		–	–	–	12,383
Decrease (increase) in inventory		(8,032)	(68,255)	(8,032)	(68,255)
(Decrease) increase in trade and other payables		598,176	178,179	747,653	108,301
(Decrease) increase in provision for taxation		–	–	24,789	52,200
(Decrease) increase in provisions		–	–	(407,919)	(103,167)
(Decrease)Increase in Employee Entitlements Accrual		47,491	25,884	72,558	25,884
Decrease (increase) in Local Government stock discounts		–	(137,123)	–	(137,123)
		2,912,618	(360,096)	2,781,610	(690,157)
Movements in Other Activities					
Realised (gains)/loss on sale of assets/investments	7	384,800	62,328	384,800	794,859
Movement in non-current accrued expenses		–	–	(20,451)	(363,379)
(Premiums)/discounts on Local Government stock		–	–	(126,567)	–
Investment income reinvested		–	–	(430,606)	(1,817,474)
Non operating capital items included in working capital movements		(384,800)	4,001	(454,287)	(668,787)
		–	66,329	(647,111)	(2,054,781)
Net Cash Flows from Operating Activities		4,818,555	(1,089,440)	3,538,331	(978,524)

Notes to the Financial Statements

A STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

REPORTING ENTITY

The financial statements presented are those of the parent entity (the Northland Regional Council) as required by the Local Government Act 2002. The financial statements are for the year ended 30 June 2007. The financial statements were authorised for issue by Council on 19 September 2007.

The Northland Regional Council is a local authority pursuant to the Local Government Act 2002. The Council's group comprises the Council and its subsidiary entities, namely:

1. Northland Port Corporation (NZ) Ltd (52.4% owned) and its subsidiaries.
2. Northland Regional Council Community Trust (100% owned) and its subsidiaries.

All Northland Regional Council subsidiaries are incorporated in New Zealand.

The primary objective of Northland Regional Council is to provide goods or services for the community 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).

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 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.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus/ (deficit) for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of the transition to NZ IFRS, other than the policy to revalue the asset class of land and buildings for Northland Regional Council and Northland Regional Community Trust as described in Note 19.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

The financial statements are presented in New Zealand dollars.

The functional currency of Northland Regional Council is New Zealand dollars.

Functional and Presentation Currency: Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in New Zealand dollars, which is the Council's and Group's function and presentation currency.

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.

Standards and interpretation issued and not yet adopted: There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that the Council has not yet applied.

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 of entities incorporated under the Companies Act 1993.

Notes to the Financial Statements continued

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.

Associates

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. Northland Regional Council's share of the surplus or deficit of the associate is recognised in the Statement of Financial Performance, and its share of post-acquisition movements in reserves is recognised in the Statement of Changes in Equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

Joint Ventures

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

Business combinations prior to the date of transition to NZ IFRS have not been restated retrospectively.

Equity

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

The components of equity are:

- Accumulated funds
- Special reserves
- Asset revaluation reserves

The Land Management Rate Reserve is included in special reserves. It 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.

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. An allowance is made for the stage of completion of the contracts at balance date, based on the actual service provided as a percentage of the total services to be provided.

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

Sale of goods are 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 Northland Regional Council are recognised as revenue when control over the asset is obtained.

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

Interest income is recognised using the effective interest method.

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

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

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

Expenditure

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.

All other expenditure is recognised when goods and services have been received.

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 arms length transaction, after proper marketing, wherein the parties has each acted knowledgeably and without compulsion. Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach the net present value is calculated by discounting to the present day the projected net cash flow of the forest in perpetuity. The calculated net present value is then linked to sales

evidence through the application of a discount rate derived from the analysis of actual transactions. The cost-based approach is also employed in the valuation because the tree crop is a young second rotation forest (80% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the Statement of Financial Performance.

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

Property, plant and equipment

Property, plant and equipment consists 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.

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

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.

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.

Notes to the Financial Statements continued

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.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	5-100 years	1-20%
Amenities	5-100 years	1-20%
Forest (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.

Revaluation

Northland Regional Council and 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. Those asset classes that are revalued are valued annually on the basis described below. All other asset classes are carried at depreciated historical cost.

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 cost which in the opinion of the directors approximates fair value.

Land and buildings held by Northland Regional Council and Northland Regional Council Community Trust are revalued annually at fair value as determined by market-based evidence by an independent valuer.

Accounting for revaluations

Revaluations of property, plant and equipment are accounted for on a class of asset basis.

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 the class of asset.

Intangible Assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of the assets. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

The useful lives are associated amortisation rates have been estimated as follows:

Computer software	4 years	48%DV
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Capital Projects in Progress

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

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.

Inventories

Inventories (such as stores and materials) held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Inventories held for distribution at no charge, or for a nominal amount, are stated at lower of cost and current replacement cost. The cost of purchased inventory is determined using the FIFO method. The write down from cost to current replacement cost or net realisable value is recognised in the Statement of Financial Performance.

Trade and Other Receivables

Trade receivables which generally have a 30 day term are recognised initially at fair value with subsequent provision, if required for doubtful debts. Prepayments comprise of significant items of expenditure having a benefit to more than one accounting period and are written off over the period to which they relate.

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.

Investment property

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

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

After initial recognition, all investment property is measured at fair value as determined annually by Telfer Young (Northland) Ltd who are an independent valuer who hold a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. 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 Benefits

Short-term benefits

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.

A liability for sick leave is recognised 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 it is anticipated it will be used by staff to cover those future absences.

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 benefits

Long service leave and retirement leave

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

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows. These estimated amounts are discounted to their present value using the 10 year Government bond rate.

Notes to the Financial Statements continued

Trade and Other Payables

Trade and other payables are carried at amortised costs. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are typically unsecured and usually paid within 30 days of recognition.

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.

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 classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

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.

Critical accounting estimates and assumptions

In preparing these financial statements estimates and 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.

Revisions of accounting estimates are recognised in the periods in which the estimates are revised.

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 Report.

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 substantially enacted by balance date.

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

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 substantially 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.

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.

Financial Assets

Northland Regional Council classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets that are available for sale. 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.

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 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.

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.

Notes to the Financial Statements continued

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Loans and receivables issued with duration of less than 12 months are recognised at their nominal value. Gains or losses when the asset is impaired or derecognised are recognised in the Statement of Financial Performance. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains or losses when the asset is impaired or derecognised are recognised in the Statement of Financial Performance.

Currently the Council group does not hold any financial assets in this category.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories above.

This category encompasses:

- 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. 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.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Statement of Financial Performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the Statement of Financial Performance even though the asset has not been derecognised.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Financial Performance.

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.

Accounting for 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.

- 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.

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.

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).

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.

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 of ownership of an asset, whether or not title is eventually transferred.

At inception finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased property and 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 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.

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.

Notes to the Financial Statements continued

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.

Financial Risk Management Objectives and Policies

The Group's principle financial instruments comprise of 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 with arise directly from its operations.

The main risk arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted, included 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 and financial liability 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 policies 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.

Northport Corporation (NZ) Ltd has risk from its long-term debt obligations with a floating interest rate. To mitigate this risk, derivative interest rate swap contracts are

periodically entered into under which the company is obligated to receive interest at floating rates and to pay interest at fixed rates.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments at variable interest rates expose the Northland Regional Council and Northland Regional Council Community Trust to cash flow 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 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 \$56,486.

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

Credit Risk

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

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

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

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

Accordingly the Group has no significant concentrations of credit risk.

Liquidity Risk

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

Capital management

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

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

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

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its annual plan (where applicable) to

meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

B EXPLANATION OF TRANSITION TO NZ IFRS

Northland Regional Council's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS. The Council has applied NZ IFRS 1 in preparing these financial statements.

Northland Regional Council's transition date is 1 July 2005. The Council prepared its opening NZ IFRS Statement of Financial Position at that date. The reporting date of these financial statements is 30 June 2007. The Council's NZ IFRS adoption date is 1 July 2006.

In preparing these consolidated financial statements in accordance with NZ IFRS 1, the Council has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application elected by Northland Regional Council

Northland Regional Council has elected to apply the following optional exemptions from full retrospective application:

- A Business combinations exemption
The Council has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 July 2005 transition date.
- B Designation of financial assets and financial liabilities exemption
The Council designated various securities as financial assets at fair value through equity at the date of transition to NZ IFRS.

Northland Regional Council is required to make the following mandatory exception from retrospective application:

- A Estimates exception
 - Estimates under NZ IFRS at 1 July 2005 are consistent with estimates made for the same date under previous NZ GAAP.

Notes to the Financial Statements continued

Reconciliation of Equity

The following table shows the changes in equity resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

Explanatory notes – Reconciliation of equity

a. Investment property

Investment property was measured at fair value less the costs of disposal under previous NZ GAAP. NZ IFRS 40 requires investment property to be measured at its fair value. The change in the measurement basis of investment property on transition to NZ IFRS has been an increase in the value of investment property.

b. Sick leave

Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the Council to recognise employees unused sick leave entitlement that can be carried forward at balance date, to the extent that the Council anticipates it will be used by staff to cover future absences.

c. Asset revaluation reserve

Movements in the value of investment properties were taken to an asset revaluation reserve under previous NZ GAAP. NZ IAS 40 requires these movements to be taken to the Statement of Financial Performance. The investment property revaluation reserve has therefore been transferred to accumulated funds. The revaluation reserve balance of \$22,713,668 at transition date and \$30,081,689 at 30 June 2006 was transferred to accumulated funds.

d. Biological assets

Forests were valued at historical cost less depreciation under previous NZ GAAP. NZ IAS 41 requires biological assets to be measured at fair value less estimated point-of-sale costs.

e. Other investments

Investments in local authority stocks and other securities were valued at cost under previous NZ GAAP. NZ IAS 39 requires financial assets to be measured at fair value.

f. Provisions

A provision for contaminated sites clean up was previously recognised under NZ GAAP. This provision does not meet the recognition requirements set out in NZ IAS 39 and therefore has been reversed. The value of this provision under NZ GAAP was \$50,000.

g. Intangible assets

Computer software

Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS is \$491,538 and at 30 June 2006 is \$436,862.

Explanatory notes – Reconciliation of surplus

a. Investment property valuation

Investment property valuation movements were debited or credited to the investment property revaluation reserve where there was a credit balance. NZ IFRS requires revaluation movements to be recognised in the Statement of Financial Performance.

b. Sick leave liability

This represents the increase in the sick leave provision, which was not recognised under previous NZ GAAP.

Reconciliation of Equity – Council		Actual	Converted	Difference	Actual	Converted	Difference
		GAAP	NZ IFRS		GAAP	NZ IFRS	
	Note	30-Jun-05	01-Jul-05		30-Jun-06	01-Jul-06	
		\$	\$	\$	\$	\$	\$
PUBLIC EQUITY							
Accumulated Funds		70,103,495	71,265,869	1,162,374	77,484,457	85,921,477	8,437,020
Asset Revaluation Reserve	c	22,713,668	22,713,668	–	30,081,689	22,713,668	(7,368,021)
Special Reserves		3,519,167	3,519,167	–	4,460,669	4,460,669	–
CAPITAL AND RESERVES		96,336,330	97,498,704	1,162,374	112,026,815	113,095,814	1,068,999
Represented by:							
Cash and cash equivalents		28,120,043	28,907,139	787,096	16,822,306	15,817,670	(1,004,636)
Trade and other receivables		3,792,397	3,005,301	(787,096)	3,834,780	4,839,416	1,004,636
Inventories		62,707	62,707	–	130,962	130,962	–
Assets classified as held for sale		1,540,000	1,540,000	–	1,960,000	1,960,000	–
Total Current Assets		33,515,147	33,515,147	–	22,748,048	22,748,048	–
Non-Current Assets							
Investment property	a	32,706,480	32,706,480	–	39,636,156	40,239,752	603,596
Investment in subsidiaries and associates		19,339,739	19,660,438	320,699	20,645,112	20,197,673	(447,439)
Other investments	f	2,686,801	2,819,477	132,676	13,493,924	13,616,897	122,973
Property plant and equipment		11,352,404	10,092,140	(1,260,264)	18,725,177	17,591,068	(1,134,109)
Intangible assets	h	–	557,499	557,499	–	436,862	436,862
Biological Assets	d	–	1,361,764	1,361,764	–	1,513,000	1,513,000
Capital work in progress		–	–	–	228,630	228,630	–
Total Non-Current Assets		66,085,424	67,197,798	1,112,374	92,728,999	93,823,882	1,094,883
TOTAL ASSETS		99,600,571	100,712,945	1,112,374	115,477,047	116,571,930	1,094,883
Less:							
Trade and other payables	f	2,345,442	2,295,442	(50,000)	2,452,311	2,452,311	–
Employee entitlements (current)	b	796,247	796,247	–	867,557	893,441	25,884
Total Current Liabilities		3,141,689	3,091,689	(50,000)	3,319,868	3,345,752	25,884
Non-Current Liabilities							
Employee entitlements		122,552	122,552	–	130,364	130,364	–
TOTAL LIABILITIES		3,264,241	3,214,241	(50,000)	3,450,232	3,476,116	25,884
NET ASSETS		96,336,330	97,498,704	1,162,374	112,026,815	113,095,814	1,068,999

Notes to the Financial Statements continued

Reconciliation of Equity – Group	Actual	Converted	Difference	Actual	Converted	Difference
	GAAP	NZ IFRS		GAAP	NZ IFRS	
	30-Jun-05	01-Jul-05		30-Jun-06	01-Jul-06	
	\$	\$	\$	\$	\$	\$
PUBLIC EQUITY						
Accumulated Funds	85,451,506	85,143,348	(308,158)	91,961,735	99,763,220	7,801,485
Asset Revaluation Reserve	57,104,992	57,059,964	(45,028)	71,742,462	64,374,441	(7,368,021)
Special Reserves	3,519,167	3,519,167	–	4,460,669	4,460,669	–
Minority Interests	52,141,319	53,379,342	1,238,023	58,236,981	58,856,916	619,935
CAPITAL AND RESERVES	198,216,984	199,101,821	884,837	226,401,847	227,455,256	1,053,399
Represented by:						
Cash and cash equivalents	30,027,471	29,997,859	(29,612)	17,238,280	16,233,643	(1,004,637)
Trade and other receivables	3,790,849	3,790,849	–	9,618,234	5,480,194	(4,138,040)
Inventories	62,707	62,707	–	130,962	130,962	–
Assets classified as held for sale	1,540,000	1,540,000	–	1,960,000	1,960,000	–
Advances	2,747,077	2,747,077	–	7,001,471	7,001,471	–
Other non-financial assets	–	–	–	–	5,022,727	5,022,727
Derivative financial instruments	–	89,735	89,735	–	73,511	73,511
Taxation refundable	312,728	312,728	–	188,994	285,393	96,399
Total Current Assets	38,480,832	38,540,955	60,123	36,137,941	36,187,901	49,960
Non-Current Assets						
Local authority stock and securities	2,657,000	2,657,000	–	13,327,000	13,616,897	289,897
Advances	8,691,649	8,691,649	–	2,052,699	2,052,699	0
Investment property	32,706,480	32,706,480	–	39,636,156	40,239,752	603,596
Investment in associates	30,419,046	30,419,046	–	35,898,659	36,396,127	497,468
(Discounts)/premiums on stock	29,801	29,801	–	166,924	–	(166,924)
Managed funds	11,453,241	11,453,241	–	12,320,715	12,320,715	–
Other investments	5,117,339	6,033,304	915,965	524,029	–	(524,029)
Property plant and equipment	71,425,098	70,862,958	(562,140)	90,772,824	95,071,949	4,299,125
Intangible assets	–	562,140	562,140	–	439,495	439,495
Forests	702,764	702,764	–	697,247	1,513,000	815,753
Capital work in progress	3,300,528	3,300,528	–	4,967,250	228,632	(4,738,618)
Total Non-Current Assets	166,502,946	167,418,911	915,965	200,363,503	201,879,266	1,515,763
TOTAL ASSETS	204,983,778	205,959,866	976,088	236,501,444	238,067,167	1,565,723

Reconciliation of Equity – Group continued	Actual	Converted	Difference	Actual	Converted	Difference
	GAAP	NZ IFRS		GAAP	NZ IFRS	
	30-Jun-05	01-Jul-05		30-Jun-06	01-Jul-06	
	\$	\$	\$	\$	\$	\$
Less:						
Current Liabilities						
Trade and other payables	3,543,806	2,876,453	(667,353)	3,507,269	2,898,251	(609,018)
Provisions	50,000	624,045	574,045	–	545,139	545,139
Employee entitlements (current)	890,606	890,606	–	935,375	932,561	(2,814)
Total Current Liabilities	<u>4,484,412</u>	<u>4,391,104</u>	<u>(93,308)</u>	<u>4,442,644</u>	<u>4,375,951</u>	<u>(66,693)</u>
Non-Current Liabilities						
Employee entitlements	122,552	125,186	2,634	130,364	130,364	–
Deferred Tax Liability	–	71,534	71,534	–	460,754	460,754
Onerous lease provision	371,250	481,642	110,392	–	144,852	144,852
Term Debt	1,788,580	1,788,579	(1)	5,526,589	5,500,000	(26,589)
Total Non-Current Liabilities	<u>2,282,382</u>	<u>2,466,941</u>	<u>184,559</u>	<u>5,656,953</u>	<u>6,235,970</u>	<u>579,017</u>
NET ASSETS	<u>198,216,984</u>	<u>199,101,821</u>	<u>884,837</u>	<u>226,401,847</u>	<u>227,455,246</u>	<u>1,053,399</u>

Notes to the Financial Statements continued

Reconciliation of Surplus for the Year to 30 June 2006		COUNCIL			GROUP		
		Actual GAAP 30-Jun-06 \$	Converted NZ IFRS 01-Jul-06 \$	Difference \$	Actual GAAP 30-Jun-06 \$	Converted NZ IFRS 30-Jul-06 \$	Difference \$
INCOME	Note						
Revenue from activities		5,377,184	5,377,184	–	5,377,184	3,077,105	(2,300,079)
Rates		5,457,535	5,457,535	–	5,457,535	5,457,535	–
Other revenue		3,923,241	2,480,747	(1,442,494)	11,699,173	22,128,111	10,428,938
Total Operating Revenue		14,757,960	13,315,466	(1,442,494)	22,533,892	30,662,751	8,128,859
Vested assets		6,925,283	6,925,283	–	6,925,283	6,925,283	–
Increase in value of subsidiary		1,305,373	1,305,373	–	–	–	–
Investment Properties increase in fair value	a	–	7,971,617	7,971,617	–	–	–
Forestry increase in fair value		–	815,753	815,753	–	–	–
Total Unrealised or Notional Revenue		8,230,656	17,018,026	8,787,370	6,925,283	6,925,283	–
TOTAL REVENUE		22,988,616	30,333,492	7,344,876	29,459,175	37,588,034	8,128,859
EXPENDITURE							
Other expenses		62,328	62,328	–	62,328	62,328	–
Operating expenses - Council	b	14,603,824	14,629,709	25,885	14,503,824	14,629,709	125,885
Operating expenses - Northland Port Corporation		–	–	–	4,093,016	4,093,016	–
Operating expenses - NRC Community Trust		–	–	–	2,704,167	2,604,495	(99,672)
Depreciation & Amortisation		–	–	–	–	–	–
TOTAL EXPENDITURE		14,666,152	14,692,037	25,885	21,363,335	21,389,548	26,213
SURPLUS FOR THE YEAR		8,322,464	15,641,455	7,318,991	8,095,840	16,198,486	8,102,646
Share of associate surplus					396,545	542,022	145,477
SURPLUS FOR THE YEAR BEFORE TAX					8,492,385	16,740,508	8,248,123
Taxation					92,090	86,736	5,354
SURPLUS FOR THE YEAR AFTER TAX					8,400,295	16,653,772	8,242,769

NOTE 1: Summary of Council Cost of Services

	Note	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Income						
Planning and Policy		2,066,445	1,843,026	1,257,877		
Consents		1,080,460	1,023,704	1,125,187		
Environmental Monitoring		2,392,414	2,082,409	2,077,379		
Land Operations		3,191,972	3,184,712	2,786,602		
Council and Strategic Development		12,089,167	7,549,131	19,289,852		
Commercial		–	–	–		
Financial and Information Services		4,538,304	3,543,128	3,796,594		
Total Income		25,358,762	19,226,110	30,333,492		
Expenditure						
Planning and Policy		2,874,588	2,780,665	1,986,208		
Consents		1,814,190	2,030,798	1,995,212		
Environmental Monitoring		5,544,150	5,374,781	4,859,160		
Land Operations		5,029,326	4,721,970	3,584,427		
Council and Strategic Development		3,075,566	15,452,032	2,267,030		
Commercial		–	–	–		
Financial and Information Services		–	–	–		
Total Operating Expenditure		18,337,820	30,360,246	14,692,037		
Operating Expenditure disclosed as:						
Employee benefit expenses	5	6,957,198	6,929,129	6,426,949	7,956,325	7,592,508
Depreciation and amortisation	19	1,283,226	1,144,750	1,120,587	1,482,833	1,436,430
Finance costs	6	–	418,194	–	560,449	264,208
Other expenditure on activities		9,712,596	21,868,173	7,144,501	14,020,917	11,363,871
Other expenses	7	384,800	–	–	384,800	732,531
		18,337,820	30,360,246	14,692,037	24,405,324	21,389,548

Notes to the Financial Statements continued

NOTE 1: Summary of Council Cost of Services continued

	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Operating expenditure includes:					
Audit fees paid to principal auditor:					
Audit fees for financial statement audit	69,424		69,228	160,068	124,015
Audit fees for Long Term Council Community Plan audit	25,500		56,965	25,500	56,965
Audit fees for NZ IFRS transition	7,800		9,460	7,800	9,460
Fees for other services	–		–	3,256	11,171
Audit fees paid to other auditors	–		–	3,150	3,150
Directors'/Councillors' fees/Trustee remuneration	457,888		421,086	607,888	571,086
Donation - no donations have been made	–		–	–	–
Interest expenses	209		367	560,658	264,575
Lease payments	–		–	361,968	284,118
Onerous lease provisions	–		–	7,723	27,500
Bad debts written off	43,981		1,993	43,981	1,993
Rates arrears written off	46,828		194,701	46,828	194,701
Severance payments	5,264		6,446	5,264	6,446
Direct operating expenditure on investment properties including repairs and maintenance	39,973		8,180	39,973	8,180

NOTE 2: Rates Revenue

	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Targeted rates attributable to activities					
Environmental rate	3,322,564	3,166,791	2,851,821	3,322,564	2,851,821
Land management rate	2,411,712	2,411,712	2,218,021	2,411,712	2,218,021
Regional Recreational Facilities	1,657,044	1,657,050	–	1,657,044	–
Awanui River flood management rate	420,000	420,000	387,693	420,000	387,693
Total revenue from rates	7,811,320	7,655,553	5,457,535	7,811,320	5,457,535
Rates remissions and postponements					
Disclosure pursuant to Sections 86, 89, Local Government (Rating) Act 2002:					
Rates revenue is shown net of rates remissions and postponements. The Northland Regional Council's rates remission policy allows it to remit or postpone rates as per the Rates Remission Policy of the Territorial Authorities who collect Northland's Regional Council's rates on its behalf.					
Total rates revenue	7,916,381	7,655,553	5,601,663	7,916,381	5,601,663
Rates remissions					
Kaipara	–	–	–	–	–
Whangarei	1,908	–	1,533	1,908	1,533
Far North	103,153	–	83,230	103,153	83,230
Rates postponements					
Kaipara	–	–	–	–	–
Whangarei	–	–	10,959	–	10,959
Far North	–	–	48,406	–	48,406
Total remissions and postponements	105,061	–	144,128	105,061	144,128
Rates revenue net of remissions and postponements	7,811,320	7,655,553	5,457,535	7,811,320	5,457,535

Notes to the Financial Statements continued

NOTE 3: Revenue from Activities and Other Revenue	Council 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Fees and Charges	3,171,932	2,847,500	2,592,793	5,052,251	2,592,793
Grants & Subsidies	642,474	435,780	267,312	642,474	484,312
Revenue from Activities	3,814,406	3,283,280	2,860,105	5,694,725	3,077,105
Investment Income	2,219,394	2,905,662	2,517,079	2,599,959	2,489,664
Interest Income	2,590,201	1,945,664	2,189,856	2,890,666	2,217,271
Imputed interest income				1,149,316	–
Dividend income	1,938,192	1,597,464	1,596,264	2,173,550	1,596,264
Vested assets	–	–	6,925,283	–	6,925,283
Northland Regional Council Community Trust increase in capital	–	–	–	–	–
Northland Port Corporation (NZ) Limited - trading revenue	–	–	–	–	449,593
- share of joint venture revenues	–	–	–	1,801,446	3,464,126
- share of Associate Companies' Net Surplus	–	–	–	2,277,979	–
- other income	–	–	–	44,888	–
Northland Regional Council Community Trust - realised income from equities	–	–	–	–	256,215
- unrealised income from equities	–	–	–	217,000	1,086,944
- other income	–	–	–	–	1,241,464
Other Revenue	6,747,787	6,448,790	13,228,482	13,154,804	19,726,824

NOTE 4: Revenue from Activities and Other Revenue

Net gain on disposal of assets and investments, including capital profit	75,517	606,000	664,517	177,546	664,517
Net gain on disposal of property, plant and equipment	–	–	–	24,701	71,579
Gain on changes in fair value of investment property (note 16)	5,851,249	1,232,487	7,551,617	5,851,249	7,551,617
Gain on changes in fair value of non-current assets held for sale (note 13)	881,000	–	420,000	881,000	420,000
Gain on changes in fair value of forestry assets (note 21)	177,483	–	151,236	177,483	151,236
Gain on changes in fair value of financial derivatives	–	–	–	47,692	–
Gain on changes in fair value of shares held in Fonterra Co-operative Group Ltd	–	–	–	44,020	–
Gain on changes in fair value of investments	–	–	–	196,934	–
Foreign exchange gains/losses	–	–	–	(162,835)	94,104
Total gains/(losses)	6,985,249	1,838,487	8,787,370	7,237,790	8,953,053

NOTE 5: Employee Benefit Expenses

	Council 30-Jun-07	Community Plan 30-Jun-07	Council 30-Jun-06	Consolidated 30-Jun-07	Consolidated 30-Jun-06
	\$	\$	\$	\$	\$
Salaries and wages	6,911,274	6,892,005	6,337,516	7,910,401	7,503,075
Employer contributions to defined benefit plans	40,671	37,124	63,549	40,671	63,549
Increase in employee benefit liabilities	5,253	—	25,884	5,253	25,884
Total employee benefit expenses	6,957,198	6,929,129	6,426,949	7,956,325	7,592,508

NOTE 6: Financial Costs

Interest and finance charges payable	—	418,194	—	560,449	264,208
Total finance costs	—	418,194	—	560,449	264,208

NOTE 7: Other Expenses

Net loss on sale of assets and investments	384,800	—	—	384,800	732,531
Total Other Expenses	384,800	—	—	384,800	732,531

Notes to the Financial Statements continued

NOTE 8: Taxation

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Components of tax expense				
Current tax expense			(194,835)	86,736
Deferred tax expense			74,556	–
			<u>(120,279)</u>	<u>86,736</u>
Relationship between tax expense and accounting profit				
Net surplus /(Deficit)	–	–	13,709,486	16,740,508
Dividend income	1,938,192	1,596,264	1,938,192	1,596,264
Surplus/(deficit) before tax	<u>1,938,192</u>	<u>1,596,264</u>	<u>15,647,678</u>	<u>18,336,772</u>
Taxation at 33%	639,603	526,767	3,678,456	1,344,805
Adjusted for tax effects:			–	–
Tax paid on associate companies' earnings	–	–	(2,026,848)	(205,779)
Non assessable income	–	–	(446,757)	(407,366)
Non deductible expenses	–	–	8,845	5,509
Over provision prior year	–	–	(698,460)	–
Imputation credits	(639,603)	(526,767)	(635,514)	(650,433)
Impending change in corporate tax rate to 30%	–	–	–	–
Tax expense	<u>–</u>	<u>–</u>	<u>(120,279)</u>	<u>86,736</u>

NOTE 8: Taxation continued

	Property, plant and equipment	Financial Instruments	Employee entitlements	Other provisions	Total
Deferred Tax Asset / (Liability)					
Council					
Balance at 1 July 2006	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–
Charged to equity	–	–	–	–	–
Balance at 1 July 2006	–	–	–	–	–
Charged to Statement of Financial Performance	–	–	–	–	–
Charged to equity	–	–	–	–	–
Balance at 1 July 2007	–	–	–	–	–
Group					
Balance at 1 July 2005	14,129	(29,613)	633	(39,690)	(54,541)
Charged to Statement of Financial Performance	(28,800)	5,354	78	200,206	176,838
Charged to equity	–	–	–	–	–
Balance at 1 July 2006	(14,671)	(24,259)	711	160,516	122,297
Charged to Statement of Financial Performance	83,807	(15,738)	79	(142,704)	(74,556)
Charged to equity	–	–	–	–	–
Balance at 1 July 2007	69,136	(39,997)	790	17,812	47,741

Taxation losses transferred from the former Northland Harbour Board amount to \$1,514,862 (tax effect \$499,904).

As at 30 June 2007, Northland Port Corporation (NZ) Limited, its subsidiaries and associates held imputation and dividend withholding tax credits totalling \$1,171,795 (2006 \$2,180,664).

Notes to the Financial Statements continued

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
NOTE 9: Equity				
Accumulated funds				
As at 1 July	88,340,193	71,265,869	120,758,017	82,050,096
Revaluation Reserve	20,294,952	20,294,952	54,015,917	64,374,441
Valuation gains/(losses) taken directly to equity	1,090,317	260,092	1,090,317	260,092
Reserve movement	(1,221,102)	(941,502)	(1,221,102)	(941,502)
Financial assets at fair value through equity	-	2,114,278	-	2,114,278
Surplus/ (deficit) for year	7,020,942	15,641,456	13,829,765	16,280,255
As at 30 June	115,525,302	108,635,145	188,472,914	164,137,661
Special reserves				
Land Management reserve				
As at 1 July	1,956,033	1,014,531	1,956,033	1,014,531
Transfer from accumulated funds	-	941,502	-	941,502
As at 30 June	1,956,033	1,956,033	1,956,033	1,956,033
Awanui River reserve				
As at 1 July	-	-	-	-
Transfer from accumulated funds	(448,301)	-	(448,301)	-
As at 30 June	(448,301)	-	(448,301)	-
Kahui River Reserve				
As at 1 July	-	-	-	-
Transfer from accumulated funds	12,359	-	12,359	-
As at 30 June	12,359	-	12,359	-
Recreational Facilities Reserve				
As at 1 July	-	-	-	-
Transfers from accumulated funds	1,657,044	-	1,657,044	-
As at 30 June	1,657,044	-	1,657,044	-

NOTE 9: Equity continued

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Forest Income Equalisation fund				
As at 1 July	2,504,636	2,504,636	2,504,636	2,504,636
Transfer from accumulated funds	–	–	–	–
As at 30 June	<u>2,504,636</u>	<u>2,504,636</u>	<u>2,504,636</u>	<u>2,504,636</u>
Hedging Reserve				
As at 1 July	–	–	–	–
Gains/losses recognised	–	–	189,330	–
Transfers from Accumulated Funds	–	–	–	–
As at 30 June	<u>–</u>	<u>–</u>	<u>189,330</u>	<u>–</u>
Total special reserves at 30 June	<u>5,681,771</u>	<u>4,460,669</u>	<u>5,871,101</u>	<u>4,460,669</u>
Minority Interest	–	–	73,003,781	58,856,916
TOTAL EQUITY AT 30 JUNE	<u>121,207,073</u>	<u>113,095,814</u>	<u>267,347,796</u>	<u>227,455,246</u>

NOTE 10: Cash and Cash Equivalents

Cash on hand at trading banks	8,980,085	1,817,670	16,652,250	2,233,643
Short term deposits at trading banks maturing three months or less from date of acquisition	1,500,000	14,000,000	1,500,000	21,001,471
Net cash, cash equivalents and bank overdrafts for the purposes of the Statement of Cash Flows	<u>10,480,085</u>	<u>15,817,670</u>	<u>18,152,250</u>	<u>23,235,114</u>

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

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 11.70% (June 2006 - 11.20%) however no sum was outstanding.

There were no cash or cash equivalent balances held at 30 June 2007 that were not available for use by the group.

Notes to the Financial Statements continued

NOTE 11: Trade and Other Receivables

Rates receivables
Other receivables
Related party receivables (note 29)
Less provision for impairment of receivables
Prepayments
Capital debtors

Council	Council	Consolidated	Consolidated
30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
\$	\$	\$	\$
1,075,040	770,487	1,075,040	770,487
1,755,339	2,474,640	2,261,842	3,104,760
–	3,159	7,352	–
(596,349)	(425,000)	(596,349)	(425,000)
132,821	136,131	141,169	149,948
–	1,880,000	–	1,880,000
2,366,851	4,839,416	2,889,054	5,480,194

Council capital debtor is repayment of Fonterra investment bond.

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.

As of 30 June 2007 and 2006 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 debtors based on an objective evidence.

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

At 1 July	425,000	425,000	425,000	425,000
Additional provisions made during the year	171,349	–	171,349	–
Receivables written off during the period	–	–	–	–
At 30 June	596,349	425,000	596,349	425,000

NOTE 12: Inventories

Stores and materials

	Council 30-Jun-07	Council 30-Jun-06	Consolidated 30-Jun-07	Consolidated 30-Jun-06
	\$	\$	\$	\$
	138,994	130,962	138,994	130,962
	<u>138,994</u>	<u>130,962</u>	<u>138,994</u>	<u>130,962</u>

NOTE 13: Non-Current Assets held for Sale

Balance 1 July

Fair value gains on valuation (note 4)

Total non-current assets held for sale

	1,960,000	1,540,000	1,960,000	1,540,000
	881,000	420,000	881,000	420,000
	<u>2,841,000</u>	<u>1,960,000</u>	<u>2,841,000</u>	<u>1,960,000</u>

These are properties that are being held for sale and therefore have been valued under IFRS 5.

Some of the properties have contractual sale and purchase agreements but have delayed settlement periods.

Other properties are held for sale but not subject to any contractual sale and purchase agreement.

NOTE 14: Other Financial Assets

Current portion

Loans and receivables

Short term advances with maturities of 4 - 12 months

Total current portion

	–	–	–	–
	8,055,132	–	9,989,977	5,022,727
	<u>8,055,132</u>	<u>–</u>	<u>9,989,977</u>	<u>5,022,727</u>

There were no impairment provisions for other financial assets.

Northland Regional Council short term deposits with maturity dates of four to six months and the average interest rate is 8.1%. Effective 1 November 2006, Northport Ltd acquired the separate interests of the three former joint venture partners in Northport Services (UJV). The Company has provided a short term, interest free, funding advance to Northport Ltd of \$1,796,396 to facilitate this agreement.

As at 30 June 2007 Northland Port Corporation (NZ) Limited and it's Group held 223,958 co-operative shares in Fonterra Co-operative Group Limited comprising 202,853 shares pertaining to the 2007/2008 dairy season and having a disclosed fair value of \$6.79 per share whilst a further 21,105 surplus co-operative shares are recorded at their July surrender value of \$6.56 per share.

As at 30 June 2007 Northland Port Corporation (NZ) Limited and it's Group held 3,208 shares in Ballance Agri-Nutrients Limited with a disclosed fair value of \$6.00 per share and a total fair value of \$19,248.

Effective 30 June 2007, Northland Port Corporation (NZ) Limited entered into an agreement with Sea-Tow Limited whereby the capital notes previously held in that company were redeemed in exchange for an interest bearing loan facility for an indefinite time period. The capital notes were recorded in the previous year's financial statements at an assessed fair value of \$5,022,727 reflecting their coupon interest rate of 0.00%.

Notes to the Financial Statements continued

NOTE 15: 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.

Swaps currently in place cover 61% (2006 - 91%) of term debt outstanding as at 30 June 2007 at fixed interest rates of between 6.665% and 6.98% (2006 - 5.61% and 5.78%).

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Interest rate swaps (at fair value)	–	–	121,203	73,511
Disclosed as:				
Current portion	–	–	54,000	73,511
Non-current portion	–	–	67,203	–
As at 30 June 2007 the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:				
Less the 1 year	–	–	–	3,500,000
1 - 2 years	–	–	–	1,500,000
2 - 3 years	–	–	4,000,000	–
	–	–	4,000,000	5,000,000

In addition to the above table the associate entity Northport Ltd together with its associate North Tugz Ltd have entered into fixed interest swap contracts with principal amounts totalling \$42,500,000 and \$10,750,000 respectively as at 30 June 2007.

NOTE 16: Investment Property

Balance at 1 July	40,239,752	32,706,480	40,239,752	32,706,480
Additions from acquisitions	–	13,003	–	13,003
Disposals	–	(31,348)	–	(31,348)
Fair value gains on valuation (note 4)	5,851,249	7,551,617	5,851,249	7,551,617
Balance at 30 June	46,091,001	40,239,752	46,091,001	40,239,752

Investment properties are stated at fair value effective 30 June. The valuation has been undertaken by Telfer Young (Northland) Ltd who are an independent valuer who hold a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. 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.

NOTE 17: Investments in Subsidiaries and Associates

Council

Investment in Northland Regional Council Community Trust
 Shares in Northland Port Corporation (NZ) Limited (22.8 million shares)
Total investments in subsidiaries and associates

	Council 30-Jun-07 \$	Council 30-Jun-06 \$
Investment in Northland Regional Council Community Trust	12,139,523	12,139,523
Shares in Northland Port Corporation (NZ) Limited (22.8 million shares)	8,058,150	8,058,150
Total investments in subsidiaries and associates	20,197,673	20,197,673

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

Northland Port Corporation (NZ) Limited is a listed company. The fair value of these shares being the market price at 30 June 2007 is \$3.40 per share (2006 - \$2.90 per share). Northland Regional Council holds 22,795,601 shares.

Northland Regional Council Community Trust

Current Assets
 Non-Current Assets
 Current Liabilities
 Non-Current Liabilities
Net Assets

Current Assets	451,360	473,488
Non-Current Assets	12,003,942	12,470,710
Current Liabilities	438,131	332,898
Non-Current Liabilities	14,527	26,589
Net Assets	12,002,644	12,584,711
Total Investment at Cost	12,139,523	12,139,523

Shares in Northland Port Corporation (NZ) Limited

Current Assets
 Non-Current Assets
 Current Liabilities
 Non-Current Liabilities
Net Assets

Current Assets	9,499,518	4,238,471
Non-Current Assets	141,537,708	126,191,241
Current Liabilities	57,214,838	5,220,181
Non-Current Liabilities	30,654,801	75,039,515
Net Assets	63,167,587	50,170,016
Group share of Net Assets (50%)	31,583,794	25,085,008
Land Revaluation not recognised by Northport Ltd	17,446,065	13,264,089
Other Consolidation Adjustments	(3,157,471)	(1,952,970)
Total Investment in Associate Companies	45,872,388	36,396,127

Group share of Net Assets (50%)
 Land Revaluation not recognised by Northport Ltd
 Other Consolidation Adjustments
Total Investment in Associate Companies

Notes to the Financial Statements continued

NOTE 18: Other Investments

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Local authority stock and other securities *	13,950,097	13,616,897	15,346,717	13,616,897
Advances **	–	–	7,211,919	2,052,699
Other investments ***	–	–	12,248,940	12,320,715
BALANCE OF INVESTMENTS AT 30 JUNE	13,950,097	13,616,897	34,807,576	27,990,311
* Local authority stock and other securities				
Local authority stock	13,950,097	13,616,897	13,950,097	13,616,897
Fonterra Co-operative Group Ltd - Shares	–	–	1,396,620	–

Fair value for the Council's investments in Local Authority stocks is provided by First NZ Capital Securities Ltd and is determined by reference to published price quotations in an active market. The cost of these investments at 30 June 2007 is \$14,045,000.

** As at 30 June 2007, an unsecured funding advance of \$1,650,000 (2006 - \$3,450,000) has been provided to Marsden Cove Limited. This sum is non-interest bearing with repayment scheduled to occur as the future cash flow of Marsden Cove Limited allows. The other shareholder in that company, Hopper Developments Limited, has provided an equivalent funding advance on the same basis.

** As at 30 June 2007, an unsecured funding advance of \$49,950 (2006 - Nil) has been provided to Marsden Cove Marinas Ltd. This sum is non-interest bearing with repayment scheduled to occur as the future cash flow of Marsden Cove Marinas Ltd allows. The other shareholder in that company, Hopper Developments Ltd, has provided an equivalent funding advance on the same basis.

*** 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 the balance date.

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
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	7.3%	7.1%	7.3%	7.1%
Other securities	7.7%	6.8%	7.7%	6.8%

NOTE 19: Property, Plant and Equipment

Northland Port Corporation (NZ) Limited freehold land as at 30 June 2007 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 IAS-16 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. 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 2007 has been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of \$8,516,466. The valuer is an Associate Member of the NZ Institute of Valuers. The valuation was conducted in accordance with NZIAS 16 - Property, Plant & Equipment which defines "fair value" as being the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction. There are not restricted assets.

2007	Cost / Revaluation 1-Jun-06	Accumulated Depreciation and Impairment Charges 1-Jul-06	Carrying Amount 1-Jul-06	Current Year Additions	Current Year Disposals at Cost	Year Disposals Accumulated Depreciation	Current Year Impairment Charges	Current Year Depreciation	Revaluation	Cost / Revaluation 30-Jun-07	Accumulated Depreciation and Impairment Charges 30-Jun-07	Carrying Amount 30-Jun-07
COUNCIL												
Freehold Land	1,155,820	754	1,155,066	–	–	5,517	–	–	1,221,790	2,377,610	754	2,376,856
Infrastructure	6,925,283	5,941	6,919,342	–	–	–	–	5,948	–	6,925,283	11,889	6,913,394
Buildings	6,260,268	372,130	5,888,138	198,363	14,535	188,304	–	174,304	(305,240)	6,138,856	358,130	5,780,726
Plant and equipment	4,501,098	2,469,887	2,031,211	400,739	136,021	(35,460)	–	583,554	–	4,765,816	2,926,915	1,838,901
Navigational Aids	453,077	416,490	36,587	–	(33,563)	–	–	9,687	–	486,640	426,177	60,463
Vehicles	1,391,270	536,345	854,925	328,919	262,252	151,501	–	182,431	–	1,457,937	567,275	890,662
Vessels and dredging equipment	1,051,690	345,893	705,797	18,061	–	–	–	88,349	–	1,069,751	434,242	635,509
PROPERTY PLANT AND EQUIPMENT 30 JUNE	21,738,506	4,147,440	17,591,066	946,082	379,245	309,862	–	1,044,273	916,550	23,221,893	4,725,382	18,496,511

CONSOLIDATED

Freehold land – Council	1,155,820	754	1,155,066	–	–	5,517	–	5,517	1,221,790	2,377,610	754	2,376,856
Freehold land – Port – at valuation	70,250,000	0	70,250,000	1,618,600	–	–	–	–	19,381,400	91,250,000	0	91,250,000
Infrastructure	6,925,283	5,941	6,919,342	–	–	–	–	5,948	–	6,925,283	11,889	6,913,394
Buildings	6,260,268	372,130	5,888,138	208,245	(18,068)	188,304	–	216,789	(305,240)	6,181,341	400,615	5,780,726
Amenities	837,145	378,730	458,415	–	32,603	–	–	6,066	–	804,542	384,796	419,746
Plant and equipment	7,738,666	3,806,307	3,932,359	4,360,233	2,199,338	585,075	–	703,955	–	9,899,561	3,925,187	5,974,374
Leased equipment	134,352	70,349	64,003	9,887	39,773	19,691	–	17,961	–	104,466	68,619	35,847
Navigational aids	453,077	416,490	36,587	–	(33,563)	–	–	9,687	–	486,640	426,177	60,463
Vehicles	1,489,452	566,341	923,111	299,537	276,696	170,666	–	193,748	–	1,512,293	589,423	922,870
Vessels and dredging equipment	1,052,201	345,893	706,308	17,550	–	–	–	88,349	–	1,069,751	434,242	635,509
PROPERTY PLANT AND EQUIPMENT 30 JUNE	96,296,264	5,962,935	90,333,329	6,514,052	2,496,779	969,253	–	1,248,020	20,297,950	120,611,487	6,241,702	114,369,785

Capital Works in Progress

354,858

Notes to the Financial Statements continued

NOTE 19: Property, Plant and Equipment continued

2006	Cost / Revaluation 1-Jun-05	Accumulated Depreciation and Impairment Charges 1-Jul-05	Carrying Amount 1-Jul-05	Current Year Additions	Current Year Disposals at Cost	Year Disposals Accumulated Depreciation	Current Year Impairment Charges	Current Year Depreciation	Revaluation	Cost / Revaluation 30-Jun-06	Accumulated Depreciation and Impairment Charges 30-Jun-06	Carrying Amount 30-Jun-06
COUNCIL												
Freehold Land	1,155,820	754	1,155,066	–	–	–	–	–	–	1,155,820	754	1,155,066
Infrastructure	–	–	–	6,925,283	–	–	–	5,941	–	6,925,283	5,941	6,919,342
Buildings	5,660,136	218,113	5,442,023	594,999	–	–	–	148,883	–	6,260,268	372,130	5,888,138
Plant and equipment	4,229,541	2,375,729	1,853,811	762,094	90,964	–	–	493,730	–	4,501,098	2,469,887	2,031,211
Navigational Aids	459,228	409,056	50,172	3,351	9,413	–	–	7,522	–	453,077	416,490	36,587
Vehicles	1,310,878	502,575	808,303	461,893	246,261	–	–	169,010	–	1,391,270	536,345	854,925
Vessels and dredging equipment	1,028,956	246,190	782,766	11,506	–	–	–	88,475	–	1,051,690	345,893	705,797
PROPERTY, PLANT AND EQUIPMENT 30 JUNE	13,844,559	3,752,417	10,092,141	8,759,125	346,638	–	–	913,561	–	21,738,506	4,147,440	17,591,066

CONSOLIDATED

Freehold land – Council	1,155,820	754	1,155,066	–	–	–	–	–	–	1,155,820	754	1,155,066
Freehold land – Port – at valuation	58,250,000	–	58,250,000	–	–	–	–	–	12,000,000	70,250,000	–	70,250,000
Infrastructure	–	–	–	6,925,283	–	–	–	5,941	–	6,925,283	5,941	6,919,342
Buildings	5,649,508	168,790	5,480,718	605,627	–	–	–	198,206	–	6,260,268	372,130	5,888,138
Amenities	837,145	372,695	464,450	–	–	–	–	6,035	–	837,145	378,730	458,415
Plant and equipment	7,267,149	3,493,778	3,773,370	5,701,295	96,910	–	–	711,635	–	12,477,786	3,806,307	8,670,979
Leased Equipment	124,140	52,898	71,242	25,987	15,775	–	–	26,901	–	134,352	70,349	64,003
Navigational aids	459,228	409,056	50,172	3,351	9,413	–	–	7,522	–	453,077	416,490	36,587
Vehicles	1,359,192	515,079	844,113	522,248	246,261	–	–	182,681	–	1,489,452	566,341	923,111
Vessels and dredging equipment	1,097,877	314,600	783,277	11,506	–	–	–	88,475	–	1,052,201	345,893	706,308
PROPERTY, PLANT AND EQUIPMENT 30 JUNE	76,200,059	5,327,650	70,872,408	13,795,296	368,359	–	–	1,227,395	12,000,000	101,035,384	5,962,935	95,071,949

Capital Works in Progress

228,632

Depreciation and amortisation expense:

Property, plant and equipment

Intangibles

Forest (on the Forest Harvesting Strategy)

Council
30-Jun-07
\$

1,044,273

233,436

5,517

1,283,226

Council
30-Jun-06
\$

913,561

201,509

5,517

1,120,587

Consolidated
30-Jun-07
\$

1,248,020

229,296

5,517

1,482,833

Consolidated
30-Jun-06
\$

1,227,395

179,355

5,517

1,412,267

NOTE 20: Intangible Assets

	Council Computer Software \$	Group Computer Software \$
Balance at 1 July 2006		
Cost	2,236,375	2,243,026
Accumulated amortisation	1,799,513	1,803,531
Opening carrying amount	<u>436,862</u>	<u>439,495</u>
Movements for Year ended 30 June 2007		
Additions	288,111	-
Amortisation charge	233,436	234,813
Movement for the year	<u>54,676</u>	<u>(234,813)</u>
Balance at 30 June 2007		
Cost	2,524,487	2,531,138
Accumulated amortisation	2,032,949	2,038,344
Closing carrying amount	<u>491,538</u>	<u>492,794</u>
Balance at 1 July 2005		
Cost	2,155,503	2,162,154
Accumulated amortisation	1,598,005	1,600,015
Opening carrying amount	<u>557,499</u>	<u>562,140</u>
Movements for Year ended 30 June 2006		
Additions	80,872	80,872
Amortisation charge	201,508	229,296
Movement for the year	<u>(120,636)</u>	<u>(148,424)</u>
Balance at 30 June 2006		
Cost	2,236,375	2,243,026
Accumulated amortisation	1,799,513	1,803,531
Closing carrying amount	<u>436,862</u>	<u>439,495</u>

Notes to the Financial Statements continued

NOTE 21: Biological Assets

	Council 30-Jun-07	Council 30-Jun-06	Consolidated 30-Jun-07	Consolidated 30-Jun-06
	\$	\$	\$	\$
Balance at 1 July	1,513,000	1,361,764	1,513,000	1,356,247
Gains arising from changes in fair values less estimated point of sale costs	177,483	151,236	177,483	156,753
Balance at 30 June	1,690,483	1,513,000	1,690,483	1,513,000

Northland Regional Council owns 318.3 hectares of radiata pine forest which are at varying stages of maturity ranging from 1 to 28 years. No forests have been harvested during the year.

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 2007. 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 arms length transaction, after proper marketing, wherein the parties has 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.

NOTE 22: Trade and Other Borrowings

	Council 30-Jun-07	Council 30-Jun-06	Consolidated 30-Jun-07	Consolidated 30-Jun-06
	\$	\$	\$	\$
Trade creditors	2,658,534	2,203,387	3,285,296	2,649,327
Accrued Expenses	217,320	248,924	217,320	248,924
Related Parties Trade and other Payables (note 29)	–	–	–	–
Total trade and other payables	2,875,854	2,452,311	3,502,616	2,898,251

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

NOTE 23: Employee Benefit Liabilities

Annual leave	753,137	716,162	814,031	716,162
Sick Leave	31,137	25,884	31,137	65,004
Retirement gratuities	287,022	281,759	290,314	281,759
	1,071,296	1,023,805	1,135,482	1,062,925
Represented by:				
Current benefit liabilities	980,053	893,441	1,044,240	932,561
Non-current benefit liabilities	91,243	130,364	91,243	130,364
	1,071,296	1,023,805	1,135,483	1,062,925

NOTE 24: Borrowings

Non-current

Secured Loans

Lease liabilities

Total non-current borrowings

Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
6,500,000	5,500,000
14,527	–
<u>6,514,527</u>	<u>5,500,000</u>

Floating rate debt

The group's secured debt of \$6,500,000 is with the ASB Bank and is at an average interest rate of 8.57% (2006 - 7.90%). The present funding facility is for a term of 5 years expiring 19 September 2008 with a current funding limit of \$12,000,000 (2006 - \$12,000,000).

Subsequent to balance date the amount shown as outstanding under the ASB Bank facility was repaid.

Security

The group's funding facility with the ASB Bank is secured by a registered floating charge debenture over the assets and undertakings of Northland Port Corporation (NZ) Limited. Subject to meeting agreed covenants, there are no restrictions on the use of this facility.

Maturity analysis and effective interest rates

2007

Less than one year

Later than one year but not more than five years

2006

Less than one year

Later than one year but not more than five years

Group Secured Loans \$	Group Lease Liabilities \$
–	19,727
6,514,527	14,527
<u>6,514,527</u>	<u>34,254</u>
–	38,455
5,500,000	26,590
<u>5,500,000</u>	<u>65,045</u>

Notes to the Financial Statements continued

NOTE 25: Provisions

Current provisions are represented by:

Onerous lease provision
Payroll related provisions
Sundry provisions

Non-current provisions are represented by:

Sundry provisions

Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
–	398,750
23,855	27,125
39,104	119,264
62,959	545,139
97,812	144,852
97,812	144,852

Council and Group	Onerous Lease Provision 2007 \$	Payroll Related Provisions 2007 \$	Sundry Provisions 2007 \$	Onerous Lease Provision 2006 \$	Payroll Related Provisions 2006 \$	Sundry Provisions 2006 \$
Opening balance	398,750	27,125	163,266	782,500	41,096	155,395
Additional provisions made during the year	7,723	416	3,313	44,527	–	7,871
Amounts used during the year	(406,473)	(3,686)	(29,663)	(428,277)	(13,971)	–
Unused amounts reversed during the year	–	–	–	–	–	–
Closing balance	–	23,855	136,916	398,750	27,125	163,266

Onerous lease provision

The onerous lease provision relates to a situation whereby the company was previously party to an operating lease arrangement under which the benefits to the company were less than the future lease payments required.

Payroll related provisions

The payroll related provisions comprise anticipated amounts payable to employees for annual leave and ACC related payments.

Sundry provisions

Sundry provisions largely comprises anticipated amounts payable to a third party in respect of the Group's shareholding in Fonterra Co-operative Group Ltd.

There are no uncertainties about the amount or timing of these cash outflows.

NOTE 26: Joint Venture

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.

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Ltd, Marsden Port Services Ltd (a 100% owned subsidiary of Port of Tauranga Ltd) and Carter Holt Harvey Northland Port Ltd together previously operated an unincorporated joint venture, Northport Services (UJV). The entity provided various on wharf cargo services at the Northport Ltd port facility with each of the three participants having an equal stakeholding in the joint venture. Effective from 1 November 2006 this joint venture was dissolved following associate company, Northport Ltd's purchase of the respective interests of the three participants.

The Group's share of revenue and expenses from its Joint Venture interests (including revenues of \$864,827 and expenses of \$715,994 in respect of Northport Services for the 4 months ended 31 October 2007) have been included in the Consolidated Statement of Financial Performance, whilst the Group's share of assets and liabilities from its Joint Venture interests have been incorporated in the Consolidated Statement of Financial Position. Details are set out below:

	30-Jun-07	30-Jun-06
	\$	\$
Current assets	242,174	356,152
Non-current assets	144,554	1,862,094
Current liabilities	41,371	53,877
Non-current liabilities	42,582	68,707
Income	685,253	3,464,126
Expenses	1,549,180	2,738,639

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 27 and 28.

Notes to the Financial Statements continued

NOTE 27: Capital Commitments and Operating Leases

Capital commitments
 Approved capital expenditure
 Other capital commitments *

Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
1,521,540	9,835,879
2,350,000	550,000
3,871,540	10,385,879

* The partners of Marsden Cove Ltd have agreed to provide shareholder cash advances to a maximum sum of \$4,000,000 each, leaving at balance date a possible sum of up to \$2,350,000 to be contributed by Northland Port Corporation (NZ) Ltd. (2006 \$550,000)

Operating leases as lessee

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 2007 \$	NPC 2006 \$	Trust 2007 \$	Trust 2006 \$	Consolidated 2007 \$	Consolidated 2006 \$
The Council has no lease commitments.						
Not later than one year	21,283	65,726	95,279	100,993	116,562	166,719
Later than one year and not later than five years	46,180	46,580	84,837	40,673	131,017	87,253
Later than five years	28,863	40,407	—	—	28,863	40,407
Total operating leases	96,326	152,713	180,116	141,666	276,442	294,479

NOTE 28: Contingent Liabilities

Guarantees
Bonds
Share of associated companies' contingent liabilities

Guarantees

1. Bank of New Zealand - a several guarantee given in respect of additional funding provided to Northport Ltd for construction of a wharf extension - \$8,000,000.
2. ASB Bank Ltd - joint guarantee given (in conjunction with SSA JV Holdings Ltd) to secure the overdraft of Northland Stevedoring Services unincorporated joint venture - \$100,000.

Bonds

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

As the possibility of any outflow in settlement of these contingent liabilities 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.

Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
8,100,000	8,975,000
75,000	75,000
1,421,349	700,000
9,596,349	9,750,000

Notes to the Financial Statements continued

NOTE 29: Related Party Transactions

Northland Regional Council is the ultimate parent of the group and controls two entities, being Northland Port Corporation (NZ) Limited (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 its subsidiary Northland Port Corporation (NZ) Limited.

The following transactions were carried out with related parties:

	Council 30-Jun-07 \$	Council 30-Jun-06 \$
Marsden Cove Limited		
Accounts payable to the Council for services provided in the normal course of business	Nil	2,872
North Port Cool stores (1989) Limited	Nil	Nil
North Tugz Limited		
Accounts Receivable from the Council for services provided in the normal course of business	2,109	383
Northland Port Corporation (NZ) Limited	Nil	Nil
Northland Regional Council Community Trust	Nil	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	13,625	287
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

There were no related party transactions with Councillors and Key Management Personnel during the year. (2006 - Nil)

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

For these transactions the particular directors involved abstained from voting at the time in accordance with the Company's Constitution.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2006 \$nil).

Key management personnel compensation

Key management personnel includes the Chief Executive, and the relevant information is disclosed in Note 30.

NOTE 30: Remuneration

Chief Executive

During the year the Chief Executive resigned on the 1 August 2006, and an senior staff member was Acting Chief Executive until the appointment of the new Chief Executive on the 8 January 2007. The salaries paid totalled \$191,834 for the year (2006 \$189,155) consisting of: previous Chief Executive \$15,500, Acting Chief Executive \$68,750, new Chief Executive \$107,584.

In terms of his contract, the Chief Executive also received the following additional benefits:

	Cost during the financial year	
	2007	2006
	\$	\$
Vehicle (market value plus FBT)	32,327	8,710
Medical Insurance (market value plus FBT)	—	—
Superannuation subsidy	—	—
Subscriptions paid	—	1,190

For the year ended 30 June 2007, the total annual cost including fringe benefit tax to the Northland Regional Council of the remuneration package being received by the Chief Executive is calculated at \$224,161 (2006: \$189,155).

	Council 30-Jun-07 \$	Council 30-Jun-06 \$
Elected representatives		
Chairman - Mark Farnsworth	93,698	88,655
Deputy Chairman - Peter Jensen	52,875	49,397
Chair, Hearings Committee - Lorraine Hill	63,250	55,786
Chair, Regional Land Transport Committee - Bill Rossiter	50,416	49,842
Chair, Commercial Committee - Stan Semenoff	47,500	43,400
Chair, Regional Development Committee - Ian Walker	57,876	54,627
Chair, Land Care Committee - Craig Brown	55,916	46,246
Councillor - Jim Peters	36,357	33,133
	<u>457,888</u>	<u>421,086</u>

NOTE 31: Severance Payments

A severance payment amounting to \$5,264 (2006: \$6,446) was made to one employee upon his retirement.

Notes to the Financial Statements continued

NOTE 32: Events After Balance Sheet Date

There were no significant events after balance date.

NOTE 33: Segment Reporting

The Northland Regional Council is a public benefit entity and is therefore not required to present segment information under NZ IAS 14 (4.1) Segment Reporting.

The Council's subsidiary, Northland Port Corporation (NZ) Limited, is an entity whose securities are publicly traded and it will therefore present segment information in its own separate financial report.

NOTE 34: Comparison with the Long Term Council Community Plan

Major variations from estimated figures are outlined on the following pages.

	Reference	Actual 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Variance Actual to LTCCP \$
SUMMARY OF COUNCIL COST OF SERVICES				
REVENUE				
Revenue from Activities				
Planning and Policy		2,066,445	1,843,026	223,419
Consents		1,080,460	1,023,704	56,756
Environmental Monitoring		2,392,414	2,082,409	310,005
Land Operations		3,191,972	3,184,712	7,260
Council & Strategic Development	A	12,089,167	7,549,131	4,540,036
Finance & Information Services	B	4,538,304	3,543,128	995,176
TOTAL REVENUE FROM ACTIVITIES		25,358,762	19,226,110	6,132,652
EXPENDITURE				
Planning and Policy		2,874,588	2,780,665	93,923
Consents		1,814,190	2,030,798	(216,608)
Environmental Monitoring		5,544,150	5,374,781	169,369
Land Operations		5,029,326	4,721,970	307,356
Council & Strategic Development	C	3,075,566	15,452,032	(12,376,466)
TOTAL EXPENDITURE FROM ACTIVITIES		18,337,820	30,360,246	(12,022,426)

- A. The fair value increase in the Investment Property assets has been charged to the Income Statement as required under IFRS
- B. Dividend interest was higher than forecast and interest income higher than forecast due to funds being held in cash reserves
- C. Community Plan included \$12.5 grant for the Regional Events Centre that has been deferred to 2007-2008.

NOTE 34: Comparison with the Long Term Council Community Plan continued

	Reference	Actual 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Variance Actual to LTCCP \$
PUBLIC EQUITY				
Accumulated funds		115,525,302	84,098,660	31,426,642
Special reserves and funds		5,681,771	2,844,167	2,837,604
TOTAL CAPITAL AND RESERVES	D	121,207,073	86,942,827	34,264,246
Represented by:				
ASSETS				
Current Assets	E	23,882,062	4,861,419	19,020,643
Investments	F	80,238,771	83,397,551	(3,158,780)
Plant, Property and Equipment and other Assets	G	21,033,390	14,339,935	6,693,455
LESS LIABILITIES				
Current Liabilities		3,855,907	4,180,322	(324,415)
Non-Current Liabilities	H	91,243	11,475,756	(11,384,513)
NET ASSETS		121,207,073	86,942,827	34,264,246

- D. Increase in equity includes an increase in the fair value of Council's investments and an increase in the fair value of the investment property portfolio.
- E. Cash and deposits are higher than anticipated due to cash been invested in short term deposits.
- F. Gains in fair value where not budgeted for in the Community Plan.
- G. Increase in the fair value of land and buildings.
- H. Loan for Regional Recreational Facilities not drawn down.

Notes to the Financial Statements continued

NOTE 34: Comparison with the Long Term Council Community Plan continued

	Reference	Actual 30-Jun-07 \$	Community Plan 30-Jun-07 \$	Variance Actual to LTCCP \$
COUNCIL STATEMENT OF CASH FLOWS				
Receipts from customers	1	7,666,308	6,359,161	1,307,147
Receipts from interest		2,590,201	1,945,664	644,537
Receipts from dividends		1,938,192	1,597,464	340,728
Receipts from rates		7,811,320	7,655,553	155,767
		<u>20,006,021</u>	<u>17,557,842</u>	<u>2,448,179</u>
Payments to suppliers and employees/members	2	(15,829,940)	(28,797,301)	12,967,361
		<u>(15,829,940)</u>	<u>(28,797,301)</u>	<u>12,967,361</u>

1. Receipts from customers includes a reduction in trade receivables.
2. Loan for the Regional Recreational Facilities was not drawn down.

NOTE 35: Categories of Financial Assets and Liabilities (excluding Investments)

	Council 30-Jun-07 \$	Council 30-Jun-06 \$	Consolidated 30-Jun-07 \$	Consolidated 30-Jun-06 \$
Loans and receivables				
Cash and cash equivalents (note 10)	10,480,085	15,817,670	18,152,250	23,235,114
Trade and other receivables (note 11)	2,366,851	4,839,416	2,889,054	5,480,194
Total loans and receivables	<u>12,846,936</u>	<u>20,657,086</u>	<u>21,041,304</u>	<u>28,715,308</u>
Financial liabilities measured at amortised cost				
Trade and other payables (note 22)	2,875,854	2,452,311	3,502,616	2,898,251
Total financial liabilities measured at amortised costs	<u>2,875,854</u>	<u>2,452,311</u>	<u>3,502,616</u>	<u>2,898,251</u>