

## FINANCIAL STATEMENTS

The following pages present the financial results of the Council for the 2008/2009 year compared against the budgets set in the 2008/2009 Annual Plan and the results achieved in 2007/2008. In particular, the following information is presented:

- the practices and assumptions used in preparing the financial information
- where the Council's income came from and where it was subsequently spent
- the effect of the income and expenditure on the overall net worth of the Council
- what the Council owes and owns
- the cash payments and receipts during the year
- additional supporting information.

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2009

Group				Council				
2008/2009	2007/2008	2006/2007		Notes	2008/2009	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$			Actual \$	Budget \$	Actual \$	Actual \$
<b>Cost of services</b>								
797,561	629,037	493,292	Policy and planning		797,561	698,826	629,037	493,292
531,185	438,043	433,153	Civil defence emergency management		531,185	537,021	438,043	433,153
3,320,890	3,095,476	2,792,638	Resource consents		3,320,890	3,283,653	3,095,476	2,792,638
2,184,245	1,989,742	1,753,639	Land management		2,184,245	2,426,905	1,989,742	1,753,639
510,558	498,096	452,276	River control and flood protection		510,558	562,388	498,096	452,276
1,992,252	1,413,250	1,035,985	Land transport and harbour management		2,029,007	2,419,268	1,453,453	1,071,415
1,763,234	1,604,243	1,374,126	Resource investigations, monitoring and enhancement		1,763,234	1,591,944	1,604,243	1,374,126
2,048,350	1,965,994	1,849,347	Pest management		2,048,350	2,075,077	1,965,994	1,849,347
932,593	807,705	773,694	Recreation, culture and heritage		932,593	872,835	807,705	773,694
1,098,951	1,129,362	1,097,816	Regional representation, information and investments		1,098,951	1,083,843	1,129,362	1,097,816
745,000	-	-	Investment property: unrealised loss		745,000	-	-	-
35,670,080	31,422,472	27,895,882	Port operations		-	-	-	-
2,715,090	3,312,010	1,549,239	Finance costs		-	-	-	-
<b>54,309,989</b>	<b>48,305,430</b>	<b>41,501,087</b>	<b>Total operating expenditure</b>		<b>15,961,574</b>	<b>15,551,761</b>	<b>13,611,150</b>	<b>12,091,396</b>
<b>Income</b>								
5,535,565	5,405,824	5,273,975	General rates revenue		5,535,565	5,535,564	5,405,824	5,273,975
1,042,339	772,514	747,800	Targeted rates revenue		1,042,339	1,042,339	772,514	747,800
4,307,792	3,040,917	2,687,003	Direct charges revenue		4,334,151	4,226,192	3,065,070	2,722,469
844,144	698,852	542,925	Government grants		844,144	1,023,942	698,852	542,925
139	132	126	Dividends		3,900,139	2,600,000	1,800,132	1,000,126
1,583,283	1,667,018	1,576,265	Other investment income		1,604,583	1,714,762	1,688,319	1,597,565
-	2,795,000	1,955,000	Investment property: unrealised gain		-	736,838	2,795,000	1,955,000
46,554,064	42,748,621	36,915,467	Port operations		-	-	-	-
<b>59,867,326</b>	<b>57,128,878</b>	<b>49,698,561</b>	<b>Total income</b>		<b>17,260,921</b>	<b>16,879,637</b>	<b>16,225,711</b>	<b>13,839,860</b>
<b>5,557,337</b>	<b>8,823,448</b>	<b>8,197,474</b>	<b>Operating surplus before tax</b>		<b>1,299,347</b>	<b>1,327,875</b>	<b>2,614,560</b>	<b>1,748,464</b>
2,738,914	3,246,220	2,672,342	Taxation	4	-	-	-	-
<b>2,818,423</b>	<b>5,577,228</b>	<b>5,525,132</b>	<b>Surplus/(deficit) after tax</b>	2, 3	<b>1,299,347</b>	<b>1,327,875</b>	<b>2,614,560</b>	<b>1,748,464</b>

The variance between the actual net operating surplus and that budgeted for is explained in detail in Note 3. This statement should be read in conjunction with the *Summary of accounting policies* and the *Notes to the financial statements*.

# STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2009

Group			Council				
2008/2009	2007/2008	2006/2007	Notes	2008/2009	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$		Actual \$	Budget \$	Actual \$	Actual \$
<b>132,113,268</b>	<b>111,604,644</b>	<b>105,995,511</b>		<b>68,856,466</b>	<b>65,736,760</b>	<b>66,041,406</b>	<b>64,208,941</b>
2,818,423	5,577,228	5,525,132		1,299,347	1,327,875	2,614,560	1,748,464
1,311,570	14,931,396	84,000	18	1,311,570	-	200,500	84,000
<b>4,129,993</b>	<b>20,508,624</b>	<b>5,609,132</b>		<b>2,610,917</b>	<b>1,327,875</b>	<b>2,815,060</b>	<b>1,832,464</b>
<b>136,243,261</b>	<b>132,113,268</b>	<b>111,604,644</b>		<b>71,467,383</b>	<b>67,064,635</b>	<b>68,856,466</b>	<b>66,041,406</b>

This statement should be read in conjunction with the *Summary of accounting policies* and the *Notes to the financial statements*.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

Group		Council		Notes	2008/2009	2008/2009	2007/2008	2006/2007
2008/2009	2007/2008	2006/2007	2008/2009		2008/2009	2007/2008	2006/2007	
Actual \$	Actual \$	Actual \$	Actual \$	Budget \$	Actual \$	Actual \$	Actual \$	
<b>Current Assets</b>								
3,377,588	2,381,825	3,940,979	Cash and cash equivalents	6	3,209,568	147,893	2,126,305	3,724,182
1,023,896	1,035,449	2,059,336	Current portion of investments	11	1,023,896	1,045,025	1,035,449	2,059,336
6,847,162	7,777,148	6,373,272	Trade and other receivables	7	2,496,237	1,200,000	1,972,560	1,642,207
339,965	166,423	203,746	Inventories	8	114,914	-	7,282	67,812
155,058	32,074	41,722	Prepayments		45,987	100,000	24,056	21,545
-	48,336	-	Loan—Jebsens	14	-	-	-	-
536,725	528,595	210,473	Work-in-progress		536,725	200,000	528,595	210,473
<b>12,280,394</b>	<b>11,969,850</b>	<b>12,829,528</b>	<b>Total current assets</b>		<b>7,427,327</b>	<b>2,692,918</b>	<b>5,694,247</b>	<b>7,725,555</b>
<b>Non current assets</b>								
144,235,884	134,411,294	117,761,444	Property, plant and equipment	9	12,547,689	8,567,155	10,806,422	9,291,713
1,718,304	945,330	1,140,839	Intangible assets	10	554,319	975,000	782,414	939,384
11,866,876	11,802,053	11,374,630	Investments	11	37,866,876	41,955,975	37,802,053	37,374,630
16,085,000	16,830,000	14,035,000	Investment property	12	16,085,000	15,473,588	16,830,000	14,035,000
-	-	586,825	Loan—Jebsens	14	-	-	-	-
1,122,336	1,274,584	501,923	Deferred tax asset	5	-	-	-	-
<b>175,028,400</b>	<b>165,263,261</b>	<b>145,400,661</b>	<b>Total non current assets</b>		<b>67,053,884</b>	<b>66,971,718</b>	<b>66,220,889</b>	<b>61,640,727</b>
<b>187,308,794</b>	<b>177,233,111</b>	<b>158,230,189</b>	<b>Total assets</b>		<b>74,481,211</b>	<b>69,664,635</b>	<b>71,915,136</b>	<b>69,366,282</b>
<b>Current liabilities</b>								
5,268,052	4,902,402	4,986,095	Trade and other payables	15	1,583,306	1,000,000	1,311,617	1,944,871
2,528,953	2,207,362	2,065,127	Employee entitlements	16	587,350	700,000	563,389	540,965
329,772	752,542	449,246	Work-in-progress		329,772	450,000	752,542	449,246
-	35,300,000	33,800,000	Borrowings	17	-	-	-	-
425,039	72,415	467,283	Taxation payable	4	-	-	-	-
<b>8,551,816</b>	<b>43,234,721</b>	<b>41,767,751</b>	<b>Total current liabilities</b>		<b>2,500,428</b>	<b>2,150,000</b>	<b>2,627,548</b>	<b>2,935,082</b>
<b>Non current liabilities</b>								
1,956,400	1,885,122	1,357,794	Employee entitlements	16	513,400	450,000	431,122	389,794
40,557,317	-	3,500,000	Borrowings	17	-	-	-	-
<b>42,513,717</b>	<b>1,885,122</b>	<b>4,857,794</b>	<b>Total non current liabilities</b>		<b>513,400</b>	<b>450,000</b>	<b>431,122</b>	<b>389,794</b>
<b>51,065,533</b>	<b>45,119,843</b>	<b>46,625,545</b>	<b>Total liabilities</b>		<b>3,013,828</b>	<b>2,600,000</b>	<b>3,058,670</b>	<b>3,324,876</b>
<b>Public equity</b>								
86,726,460	85,064,874	78,347,652	Retained earnings	18	58,562,415	56,158,155	58,419,905	54,665,351
10,686,092	9,529,256	10,669,249	Reserves	18	10,686,092	10,199,674	9,529,256	10,669,249
38,830,709	37,519,139	22,587,743	Asset revaluation reserves	18	2,218,876	706,806	907,306	706,806
<b>136,243,261</b>	<b>132,113,268</b>	<b>111,604,644</b>	<b>Total public equity</b>	<b>18</b>	<b>71,467,383</b>	<b>67,064,635</b>	<b>68,856,466</b>	<b>66,041,406</b>
<b>187,308,794</b>	<b>177,233,111</b>	<b>158,230,189</b>	<b>Total liabilities and equity</b>		<b>74,481,211</b>	<b>69,664,635</b>	<b>71,915,136</b>	<b>69,366,282</b>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

Group			Council					
2008/2009	2007/2008	2006/2007	Notes	2008/2009	2008/2009	2007/2008	2006/2007	
Actual \$	Actual \$	Actual \$		Actual \$	Budget \$	Actual \$	Actual \$	
<b>Cash flow from operating activities</b>								
Cash was provided from:								
6,577,904	6,178,338	6,021,775	Rates	6,577,904	6,577,903	6,178,338	6,021,775	
1,383,545	977,850	1,121,472	Interest	1,378,193	1,172,000	968,961	1,108,062	
139	132	126	Dividends	3,900,139	2,600,000	1,800,132	1,000,126	
59,580,296	51,240,784	44,827,468	Other revenue/customers	5,215,525	5,792,896	4,412,010	3,581,991	
67,541,884	58,397,104	51,970,841		17,071,761	16,142,799	13,359,441	11,711,954	
Cash was applied to:								
49,381,648	43,174,579	36,975,308	Employees and suppliers	14,337,796	14,189,595	13,209,993	9,720,523	
2,234,042	4,413,749	1,893,180	Income tax	-	-	-	-	
396,671	241,607	475,533	Goods and services tax	396,671	320,000	241,607	475,533	
2,683,910	3,244,584	1,545,721	Interest	-	-	-	-	
54,696,271	51,074,519	40,889,742		14,734,467	14,509,595	13,451,600	10,196,056	
<b>12,845,613</b>	<b>7,322,585</b>	<b>11,081,099</b>	<b>Net cash flow from operating activities</b>	<b>23</b>	<b>2,337,294</b>	<b>1,633,204</b>	<b>(92,159)</b>	<b>1,515,898</b>
<b>Cash flow from investing activities</b>								
Cash was provided from:								
-	596,464	-	Investments	-	-	596,464	-	
-	566,830	-	Loan repayments (Jebsens)	-	-	-	-	
173,161	80,104	159,328	Proceeds from sale of property, plant and equipment	67,575	75,000	79,971	112,424	
173,161	1,243,398	159,328		67,575	75,000	676,435	112,424	
Cash was applied to:								
53,270	-	905,548	Investments	53,270	1,000,000	-	905,548	
-	-	624,985	Loans (Jebsens)	-	-	-	-	
174,991	-	1,107,578	Capitalised interest on property, plant and equipment	-	-	-	-	
17,052,068	8,125,137	20,464,932	Purchase of property, plant and equipment	1,268,336	718,274	2,182,153	1,369,513	
17,280,329	8,125,137	23,103,043		1,321,606	1,718,274	2,182,153	2,275,061	
<b>(17,107,168)</b>	<b>(6,881,739)</b>	<b>(22,943,715)</b>	<b>Net cash flow outflow from investing activities</b>		<b>(1,254,031)</b>	<b>(1,643,274)</b>	<b>(1,505,718)</b>	<b>(2,162,637)</b>
<b>Cash flow from financing activities</b>								
Cash was provided from:								
5,257,317	-	11,300,000	Loans	-	-	-	-	
5,257,317	-	11,300,000		-	-	-	-	
Cash was applied to:								
-	2,000,000	-	Loans	-	-	-	-	
-	-	-	Dividends	-	-	-	-	
-	2,000,000	-		-	-	-	-	
<b>5,257,317</b>	<b>(2,000,000)</b>	<b>11,300,000</b>	<b>Net cash outflow from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>995,763</b>	<b>(1,559,154)</b>	<b>(562,616)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,083,263</b>	<b>(10,070)</b>	<b>(1,597,877)</b>	<b>(646,739)</b>
2,381,825	3,940,979	4,503,595	Opening cash and cash equivalents	2,126,305	157,963	3,724,182	4,370,921	
<b>3,377,588</b>	<b>2,381,825</b>	<b>3,940,979</b>	<b>Closing cash and cash equivalents</b>	<b>6</b>	<b>3,209,568</b>	<b>147,893</b>	<b>2,126,305</b>	<b>3,724,182</b>

This statement should be read in conjunction with the *Summary of accounting policies* and the *Notes to the financial statements*.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 1. SUMMARY OF ACCOUNTING POLICIES

### REPORTING ENTITY

Taranaki Regional Council is a regional local authority governed by the Local Government Act 2002.

The Taranaki Regional Council group (TRC) consists of Taranaki Regional Council and its subsidiary Port Taranaki Ltd (100% owned). Port Taranaki Ltd is a port company governed by the Port Companies Act 1988 and incorporated in New Zealand.

The primary objective of Taranaki Regional Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Taranaki Regional Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Taranaki Regional Council are for the year ended 30 June 2009. The financial statements were authorised for issue by Council on 22 September 2009.

### BASIS OF PREPARATION

The financial statements of the Taranaki Regional Council group 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.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, and financial instruments.

The financial statements are presented in New Zealand dollars. The functional currency of Taranaki Regional Council is New Zealand dollars.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### STANDARDS AND INTERPRETATION ISSUED AND NOT YET ADOPTED

In the current year the Group has adopted all of the Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the current reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
NZ IFRS 8 Operating Segments	1 January 2009	30 June 2010
NZ IAS 1 Presentation of Financial Statements–Revised Standard	1 January 2009	30 June 2010
Amendments to NZ IFRS-4 Insurance Contracts–The Scope of Insurance Activities and Differential Reporting Concessions	1 January 2009	30 June 2010

Standard/Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
NZ IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009	30 June 2010
NZ IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008	30 June 2010
NZ IFRIC 17 Distributions of Non-Cash Assets to Owners	1 July 2009	30 June 2010
NZ IFRIC 18 Transfers of Assets from Customers	1 July 2009	30 June 2010
NZ IAS 23 Borrowing Costs–revised 2007	1 January 2009	30 June 2010
Amendments to NZ IFRS-2 Share-Based Payment–Vesting Conditions and Cancellations	1 January 2009	30 June 2010
NZ IFRS 3 Business Combinations–revised 2008	1 July 2009	30 June 2010
NZ IAS 27 Consolidated and Separate Financial Statements–revised 2008	1 July 2009	30 June 2010
Revised Amendments to NZ IAS 32 Financial Instruments: Presentation and NZ IAS 1 Presentation of Financial Statements–Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	30 June 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	30 June 2010
Amendments to NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards and NZ IAS 27 Consolidated and Separate Financial Statements–Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	30 June 2010
Omnibus Amendments (2008)	1 January 2009	30 June 2010
Amendments to NZ IAS 39 Financial Instruments: Recognition and Measurement–Eligible Hedged Items	1 July 2009	30 June 2010
Improving Disclosures about Financial Instruments (Amendments to NZ IFRS 7 Financial Instruments: Disclosures)	1 January 2009	30 June 2010
Omnibus Amendments (2009)	1 July 2009	30 June 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	**	30 June 2011
Amendments to IFRS 2 Share-Based Payment–Group Cash-Settled Share-Based Payment Transactions	1 January 2010	30 June 2011

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

\*\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted.

Application of the standards, amendments and interpretations is not expected to have a material impact on the financial statement account balances of the Council and group but may require additional financial statement disclosures.

## SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### SUBSIDIARIES

Taranaki Regional Council consolidates as subsidiaries in the group financial statements all entities where Taranaki Regional Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Council obtains control and until such time as the Council ceases to control the subsidiary.

### ASSOCIATES

Associates are those entities in which the Council has significant influence, but not control, over the financial and operating policies. The financial statements include the Council's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Council's share of losses exceeds its interest in the associate, the Council's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate.

### BASIS OF CONSOLIDATION

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Taranaki Regional Council (the parent entity) and its subsidiary (Port Taranaki Ltd) as defined in NZ IAS-27 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

### REVENUE

Revenue is measured at the fair value of consideration received.

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 when payable.

Other revenue. Government grants are assistance by the government in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to operating activities. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Council other than the requirement to operate in certain regions or industry sectors. Government grants relating

to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Direct charges. Sales of goods and services are recognised when the Council has transferred to the buyer the significant risks and rewards of ownership of the goods or services. The recorded revenue is the gross amount of the sale, including 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 Taranaki Regional Council are recognised as revenue when control over the asset is obtained.

Interest income is recognised using the effective interest method.

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

### INCOME TAX

Income tax on the surplus or deficit for the year comprises current and deferred tax. Income tax is recognised in the Statement of Financial Performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the comprehensive balance sheet liability method, for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation assets attributable to tax losses or deductible temporary differences are recognised when realisation is probable. Deferred taxation liabilities attributable to taxable temporary differences are amounts of income taxes payable in future periods. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Deferred tax assets and liabilities are calculated using the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted at balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred taxation assets and liabilities can be offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current assets and liabilities on a net basis.

### FOREIGN CURRENCY

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of financial performance. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## INVENTORIES

Stocks of riparian plants are valued at the lower of weighted average cost or net realisable value. Stocks of maintenance materials and supplies are valued at the lower of weighted average cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The write down from cost to net realisable value is recognised in the statement of financial performance.

## FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised in the Council's *Statement of Financial Position* when the Council becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised 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 financial assets are recognised on trade-date, the date on which the Council and group 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 and group has transferred substantially all the risks and rewards of ownership.

The Council and group classifies its financial assets into the following categories: fair value through profit or loss, held-to maturity investments, loans and receivables and fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

### FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. The Council and group's financial assets at fair value through profit or loss include derivatives that are not designated as hedges. After initial recognition they are measured at their fair values with gains or losses on remeasurement recognized in the statement of financial performance.

### HELD-TO MATURITY INVESTMENTS

Held-to-maturity investments, such as corporate bonds, are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

### LOANS AND RECEIVABLES

Loans and receivables, such as general loans and deposits, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition, at fair value, and subsequently carried at amortised cost less impairment losses.

### AVAILABLE FOR SALE

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. The Council and group's financial assets at fair value through equity comprise investments that it intends to hold long-term but which may be realised before maturity and shareholdings that it holds for strategic purposes.

The Council's investment in Port Taranaki Ltd is not included in this category as it is held at cost because it is hard to fair value (as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements*) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognized directly in equity except for impairment losses, which are recognised in the statement of financial performance.

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

## FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities.

Bank borrowings. Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the *Statement of Financial Performance* using the effective interest method and are added to the carrying amount of the instrument.

Trade payables. Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## DERIVATIVES

A derivative is a financial instrument or contract that changes its value in response to a specified interest rate, instrument price, commodity price, foreign exchange rate, credit index or other variable. It requires no or a nominal initial investment and is settled at a later date.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at each balance sheet date. The Council and Group do not have any derivative instruments that qualify for hedge accounting and therefore any gain or loss on remeasurement to fair value is recognised immediately in the *Statement of Financial Performance*.

The Council and Group may enter into foreign currency forward exchange contracts, to hedge foreign currency transactions when purchasing major fixed assets and when payment is denominated in foreign currency. Gains and losses on such contracts are recognised each year at balance date or date of completion by restating the liability at the prevailing spot rate.

## IMPAIRMENT OF ASSETS

At each reporting date, the Council and Port Taranaki Ltd reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Council and Port Taranaki Ltd estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the *Statement of Financial Performance* immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the *Statement of Financial Performance* immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

## PROPERTY, PLANT AND EQUIPMENT

These assets consist of:

- Operational assets. These include land, buildings, motor vehicles, plant & equipment, office furniture, computer equipment and improvements.
- Infrastructure assets. These are fixed utility systems owned by the Regional Council such as the Waitara and Waiwhakairo River Flood Protection Scheme assets. Each asset type includes all items that are required for the network to function.

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 Taranaki Regional 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 a nominal cost, it is recognised at fair value as at the date of acquisition through the *Statement of Financial Performance*. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

### VALUATION

Unless stated valuations are carried out or reviewed by independent qualified valuers and are carried at least on three yearly cycles. Valuations will be undertaken more regularly if necessary to ensure no individual item of property, plant and equipment within a class has a carrying value that is materially different from its fair value. The only classes of assets revalued are Council owned infrastructure assets (valued at replacement cost) and land owned by Port Taranaki Ltd (valued at fair value). All other classes of assets are held at cost.

Revaluation increases and decreases relating to individual assets within a class of assets are offset. Revaluation increases and decreases in respect of assets in different classes are not offset. Where the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is credited to the revaluation reserve. The net revaluation increase shall be recognised in the *Statement of Financial Performance* to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the *Statement of Financial Performance*. A net revaluation decrease for a class of assets is recognised in the *Statement of Financial Performance*, except to the extent that it reverses a revaluation increase previously recognised in the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of the same class of asset.

### DEPRECIATION

Depreciation is fully funded on a straight-line basis, which writes off the value of the assets over their expected remaining lives after allowing for residual values where applicable. The depreciation rates are as follows

Buildings	5 to 50 yrs	2 to 20%
Motor vehicles	5 yrs	20%
Plant and equipment	2.5 to 25 yrs	4 to 40%
Office furniture and fittings	5 to 10 yrs	10 to 20%

Computer equipment	3 to 5 yrs	20 to 33%
Port installations	5 to 66 yrs	0.67 to 20%
Floating plant	3 to 25 yrs	4 to 33%
Resource consents	25 yrs	4%
Maintenance dredging	2 yrs	50%
Capital dredging	50 yrs	2%

The residual value and the useful life of assets are reviewed at least annually.

Flood scheme assets – the nature of these assets is equivalent to land improvements and, as such, they do not incur a loss of service potential over time. Land and flood scheme assets are not depreciated.

The cost of maintenance dredging incurred is capitalised and expensed over the period of benefit through to the commencement of the next dredging campaign. The value of the unexpired portion of maintenance dredging at balance date is reflected in property, plant and equipment.

## INTANGIBLE ASSETS

Intangible assets acquired by the Council and Group comprise of computer software and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the *Statement of Financial Performance* on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful lives are as follows

Computer software	2 to 5 yrs	20 to 50%
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### RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the *Statement of Financial Performance* when incurred. An intangible asset arising from development is recognised if, and only if, all of the following are demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete the intangible asset and use or sell it, the ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

## INVESTMENT PROPERTY

Investment properties which are held to earn rental income and/or for capital appreciation are stated at fair value. An external, independent valuer revalues investment property portfolio on an annual basis. Any gain or loss arising from a change in the fair value of investment property is recognised in surplus or deficit for the period in which it arises. There is no depreciation on investment properties.

## EMPLOYEE BENEFITS

### SHORT-TERM BENEFITS

Employee benefits that Taranaki Regional Council expects 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, sick leave and retiring and long service leave entitlements expected to be settled within 12 months.

### LONG-TERM BENEFITS

The provision for long service leave and retirement gratuities has been calculated on an actuarial basis bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## DEFINED BENEFIT PLANS

Port Taranaki Ltd has two employees on a defined benefit plan. The Scheme is a multi-employer defined benefit scheme. The Scheme's Administrator has advised that insufficient information is available to assess with accuracy the extent of over or under funding. Therefore the scheme is accounted for as a defined contribution scheme

## PROVISIONS

A provision is recognised in the balance sheet when the Council has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

## ACC PARTNERSHIP PROGRAMME

As a port operator, Port Taranaki Ltd is liable to pay residual claims levies to the ACC. The ACC actuary advises that the residual claims fund is expected to be fully funded by 2014. A provision is made at balance date reflecting the estimated amount payable through to 2014 based upon current residual levy rates. The assessed figure is discounted at the 10 year government bond rate to determine the final provision. The current portion of the ACC provision, sick leave provision, the long service leave provision, and retiring allowance provision are presented as current employee benefit provisions.

## BORROWINGS

All loans and borrowings are initially recognised at fair value, net of transaction costs. Subsequent to the initial recognition, loans and borrowings are carried at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the borrowing using the effective interest rate method.

## EQUITY

Equity is the community's interest in Taranaki 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:

- Retained earnings—comprise accumulated surpluses over the years.
- Asset revaluation reserves—comprise accumulated revaluation increments/decrements.
- Reserves—formally imposed designations of public equity that indicate Council's intention to use a certain level of resources for a special purpose.

## 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.

## 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 IFRS, using accounting policies that are consistent with those adopted by Taranaki Regional Council for the preparation of the financial statements.

## OVERHEAD ALLOCATIONS

Overheads have been allocated against activity centres on the basis of staff numbers. However, in the case of Councillors (*Representation*), they have been allocated on a 0.5:1 ratio

## BORROWING COSTS

The Council recognises as an expense within the *Statement of Financial Performance* all borrowing costs incurred, with the exception of interest costs incurred during construction/assembly of major capital projects, which is capitalised as part of the initial cost of the respective assets.

## OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the *Statement of Financial Performance* on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Borrowings are classified as current liabilities (either advances and deposits or current portion of term debt) unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the *Statement of Financial Position* date.

## STATEMENT OF CASH FLOWS

Cash flows from operating activities are presented using the direct method.

Definitions of terms used in the *Statement of Cash Flows*:

- Cash means cash on deposit with banks, net of outstanding bank overdrafts
- Investing activities comprise the purchase and sale of property, plant and equipment, investment properties and investments
- Financing activities comprise the change in equity and debt capital structure of the company and the payment of cash dividends
- Operating activities include all transactions and events that are not investing or financing activities.

## WORK-IN-PROGRESS

Work-in-progress relates to unbilled time and costs (current asset) or time and costs billed-in-advance (current liability) for resource consent applications, resource consent compliance monitoring and unauthorised pollution incidents.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Judgements that management have made regarding the estimated useful life of plant property and equipment, the fair value of property, plant and equipment, the valuation of employee entitlements and the value of receivables are disclosed in *Summary of Accounting Policies* and the other *Notes to the Financial Statements*.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 2. OPERATING SURPLUS/(DEFICIT)

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
<b>The net operating surplus was achieved after crediting:</b>					
139	132	126	3,900,139	1,800,132	1,000,126
1,066,022	1,211,876	1,147,546	1,060,670	1,172,597	1,114,160
39,023	36,909	53,465	39,023	36,909	53,465
470,371	478,813	425,943	470,371	478,813	425,943
<b>And after charging:</b>					
19,799,841	18,003,946	15,542,777	7,146,098	6,616,841	5,754,432
7,522,969	6,830,307	8,497,238	5,900,237	5,057,348	4,630,166
4,210,371	5,160,832	3,936,919	-	-	-
2,715,090	3,312,010	1,549,239	-	-	-
71,917	80,222	60,838	-	-	-
10,486,831	7,869,214	5,708,640	348,046	336,292	342,362
150,625	154,373	140,916	-	-	-
7,037,212	6,501,477	5,752,625	1,038,075	969,024	862,776
1,021,162	14,259	48,541	108	12,827	5,694
(32,000)	31,000	(7,000)	-	-	-
-	-	568	-	-	-
-	7,998	-	-	7,998	-
(1,767)	26,921	74,826	-	-	-
150,269	145,513	141,048	94,830	91,500	88,169
71,009	-	-	71,009	-	-
-	9,500	30,000	-	9,500	-
-	-	8,925	-	-	8,925
745,000	-	-	745,000	-	-
618,171	512,018	393,872	618,171	512,018	393,872

## 3. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The Council made a net operating surplus/(deficit) of \$1,299,347 (2007/2008—\$2,614,560) compared to a budgeted surplus, before transfers to and from reserves, of \$1,327,875 (2007/2008—\$188,221). The major reasons for this variance between the actual net operating surplus and the budgeted net operating deficit are:

	2008/2009	2007/2008	2006/2007
	Actual \$	Actual \$	Actual \$
Operating expenditure was less than budgeted	335,187	133,581	682,291
<i>Due to programmes costing less than budgeted particularly passenger transport services and riparian plant purchases.</i>			
Targeted rates were less than budgeted	-	(715)	1,640
Direct charges were higher than budgeted	107,959	(99,789)	(333,615)
Government grants were less than anticipated	(179,798)	50,102	86,125
Dividends were more than forecast	1,300,139	200,132	200,126
<i>Better operational performance from Port Taranaki Ltd resulted in higher dividends.</i>			
Other investment revenue was less than budgeted	(110,179)	62,293	(62,122)
Unrealised losses on investment properties were more than budgeted	(745,000)	-	-
Unrealised gains on investment properties were less than budgeted	(736,838)	2,080,738	1,274,750
<i>Property valuations in New Plymouth dropped by 4.43% in 2008/2009 but the 2008/2009 Annual Plan forecast an increase in valuation of 5%.</i>			

The 2009/2010 Long-Term Council Community Plan has budgeted for a net operating surplus, before transfers to and from reserves, of \$1,777,406 for the 2009/2010 year. The entire operating surplus is from continuing activities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 4. TAXATION

Group				Council		
2008/2009	2007/2008	2006/2007		2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$		Actual \$	Actual \$	Actual \$
<b>Income tax recognised in the Statement of Financial Performance</b>						
2,586,666	4,018,881	1,980,347	Current tax expense	-	-	-
152,248	(772,661)	691,995	Deferred tax income on temporary differences	-	-	-
<b>2,738,914</b>	<b>3,246,220</b>	<b>2,672,342</b>	<b>Income tax expense per Statement of Financial Performance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of operating surplus before tax and income tax expense</b>						
5,557,336	8,823,448	8,197,474	Profit before taxation and subvention payment	1,299,347	2,614,560	1,748,464
<b>5,557,336</b>	<b>8,823,448</b>	<b>8,197,474</b>	<b>Operating surplus/(deficit) before taxation</b>	<b>1,299,347</b>	<b>2,614,560</b>	<b>1,748,464</b>
1,667,201	2,911,738	2,705,166	Income tax expense at 30% (33%-2007/2008 and 2006/2007)	389,804	862,805	576,993
1,448,794	1,141,705	466,992	Tax effect of non deductible expenses in operating surplus before taxation	-	-	-
1,531,152	23,827	(84,393)	Tax effect of non assessable income in operating surplus before taxation	1,531,152	23,827	(84,393)
1,095	109,115	60,318	Tax effect of rate change on future tax benefits	-	-	-
11,628	(53,533)	(88,098)	Prior period adjustments impacting income taxation expense	-	-	-
(1,920,956)	(886,632)	(492,600)	Imputation credit adjustment	(1,920,956)	(886,632)	(492,600)
<b>2,738,914</b>	<b>3,246,220</b>	<b>2,672,342</b>	<b>Income taxation expense per Statement of Financial Performance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxation refundable/(payable)</b>						
(72,415)	(467,283)	(380,116)	Opening balance	-	-	-
84,042	413,749	293,180	Prior year tax paid/(refund)	-	-	-
(11,628)	53,533	86,936	Prior year adjustment	-	-	-
(2,575,038)	(4,072,414)	(2,067,283)	Current taxation payable	-	-	-
2,150,000	4,000,000	1,600,000	Provisional taxation paid	-	-	-
<b>(425,039)</b>	<b>(72,415)</b>	<b>(467,283)</b>	<b>Taxation refundable/(payable)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Imputation credit account</b>						
8,825,085	5,297,903	3,897,261	Balance 1 July	-	-	-
(1,920,896)	(886,567)	(492,538)	Imputation credits attached to dividends paid during the year	-	-	-
2,234,042	4,413,749	1,893,180	Income tax payments (net of refunds) during the year	-	-	-
<b>9,138,230</b>	<b>8,825,085</b>	<b>5,297,903</b>	<b>Balance 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>
9,138,230	8,825,085	5,297,903	Imputation credits available directly and indirectly to the Council, through Port Taranaki Ltd:	-	-	-

The Council is exempt from income tax.

## 5. DEFERRED TAX ASSET

	Depreciation/ Amortisation	Provisions/ Payables	Receivables/ Prepayments	Total
<b>Balance 1 July 2006</b>	<b>420,531</b>	<b>819,292</b>	<b>(45,905)</b>	<b>1,193,918</b>
Charged/(credited) to the Statement of Financial Performance	(700,004)	6,654	1,355	(691,995)
<b>Balance 30 June 2007</b>	<b>(279,473)</b>	<b>825,946</b>	<b>(44,550)</b>	<b>501,923</b>
Charged/(credited) to the Statement of Financial Performance	646,082	121,930	4,649	772,661
<b>Balance 30 June 2008</b>	<b>366,609</b>	<b>947,876</b>	<b>(39,901)</b>	<b>1,274,584</b>
Charged/(credited) to the Statement of Financial Performance	(244,064)	98,415	(6,599)	(152,248)
<b>Balance 30 June 2009</b>	<b>122,545</b>	<b>1,046,291</b>	<b>(46,500)</b>	<b>1,122,336</b>

There are no income tax losses carried forward

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 6. CASH AND CASH EQUIVALENTS

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
696,451	439,455	1,066,026	528,431	183,935	849,229
2,681,137	1,942,370	2,874,953	2,681,137	1,942,370	2,874,953
<b>3,377,588</b>	<b>2,381,825</b>	<b>3,940,979</b>	<b>3,209,568</b>	<b>2,126,305</b>	<b>3,724,182</b>

The carrying value of cash and cash equivalents approximates their fair value.

## 7. TRADE AND OTHER RECEIVABLES

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
6,444,952	7,587,339	6,217,125	2,482,242	1,972,560	1,642,207
(8,000)	(40,000)	(9,000)	-	-	-
6,436,952	7,547,339	6,208,125	2,482,242	1,972,560	1,642,207
109,071	229,809	165,147	-	-	-
-	-	-	13,995	-	-
<b>6,546,023</b>	<b>7,777,148</b>	<b>6,373,272</b>	<b>2,496,237</b>	<b>1,972,560</b>	<b>1,642,207</b>
<b>Movement in the provision for impairment</b>					
40,000	9,000	16,000	-	-	-
(32,000)	31,000	(7,000)	-	-	-
<b>8,000</b>	<b>40,000</b>	<b>9,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

The fair value of trade and other receivables approximates their carrying value. There is no concentration of credit risk with respect to the Council's receivables as there a large number of customers. As of 30 June 2009, 2008 and 2007 all overdue receivables have been assessed for impairment and where necessary appropriate provisions applied. The Council does not provide for impairment on rates receivables as it has powers under the Local Government (Rating) Act 2002 to recover outstanding debts.

The average credit period on sales of goods is 30 days (49 days—2007/2008). Port Taranaki reserves the right entirely at its discretion to apply an interest charge at 2.5% per month compounding on overdue accounts, as per "Standard conditions of business" 4.5(c). If credit has been granted, then payment for services rendered is due by the 20th of the month following invoice. Port Taranaki Ltd has provided in full for any receivables over 90 days old which are considered potentially unrecoverable. All other debtors are provided for based on estimated irrecoverable amounts determined by reference to past default experience. Included in Port Taranaki Ltd's trade receivable balance are debtors with a carrying amount of \$228,000 (2007/2008—\$916,000) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the Company believes that the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The average age of these receivables is 53 days (2007/2008—44 days).

In determining the recoverability of a trade receivable Port Taranaki Ltd considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk lies in trade debtors where 33.33%, 20 (2007/2008—28.75%, 23) by number of trade debtors represent 90.36% (2007/2008—90.92%) of the total amount of trade debtors. Only 5.78% (2007/2008—16.31%) of trade receivables were overdue but not impaired at balance sheet date. 0.2% (2007/2008—0.71%) of trade receivables were considered impaired. No collateral, security or other credit enhancements are held by the Group. The directors believe that there is no further credit provision required in excess of the provision for impairment

## 8. INVENTORIES

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
114,914	7,282	67,812	114,914	7,282	67,812
225,051	159,141	135,934	-	-	-
<b>339,965</b>	<b>166,423</b>	<b>203,746</b>	<b>114,914</b>	<b>7,282</b>	<b>67,812</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 9. PROPERTY, PLANT AND EQUIPMENT

2008/2009 Actual \$	Group 2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	Council 2007/2008 Actual \$	2006/2007 Actual \$
			<b>Operational assets</b>			
			<b>Land at cost</b>			
1,417,924	989,248	989,248	Carrying amount at 1 July	1,417,924	989,248	989,248
-	428,676	-	Additions	-	428,676	-
-	-	-	Revaluations	-	-	-
1,417,924	1,417,924	989,248	Carrying amount at 30 June	1,417,924	1,417,924	989,248
			<b>Land at valuation</b>			
46,976,670	32,244,953	31,104,470	Carrying amount at 1 July	-	-	-
-	821	1,140,483	Additions	-	-	-
-	14,730,896	-	Revaluations	-	-	-
46,976,670	46,976,670	32,244,953	Carrying amount at 30 June	-	-	-
			<b>Buildings</b>			
20,796,970	20,777,132	20,253,293	Cost as at 30 June previous year	4,170,195	4,170,195	3,999,186
10,474,066	9,721,521	9,211,672	Accumulated depreciation	1,688,753	1,522,714	1,368,068
10,322,904	11,055,611	11,041,621	Net book value previous year	2,481,442	2,647,481	2,631,118
10,322,904	11,055,611	11,041,621	Carrying amount at 1 July	2,481,442	2,647,481	2,631,118
1,502,188	19,971	760,007	Additions	1,252,309	-	171,009
-	-	-	Revaluations	-	-	-
834,806	133	-	Disposals	-	-	-
712,749	752,545	746,017	Depreciation	172,253	166,039	154,646
10,277,537	10,322,904	11,055,611	Carrying amount at 30 June	3,561,498	2,481,442	2,647,481
			<b>Motor vehicles</b>			
1,678,728	1,533,726	1,379,289	Cost as at 30 June previous year	1,678,728	1,533,726	1,379,289
776,870	714,641	676,971	Accumulated depreciation	776,870	714,641	676,971
901,858	819,085	702,318	Net book value previous year	901,858	819,085	702,318
901,858	819,085	702,318	Carrying amount at 1 July	901,858	819,085	702,318
433,481	422,138	451,994	Additions	433,481	422,138	451,994
-	-	-	Revaluations	-	-	-
28,108	43,415	64,653	Disposals	28,108	43,415	64,653
336,637	295,950	270,574	Depreciation	336,637	295,950	270,574
970,594	901,858	819,085	Carrying amount at 30 June	970,594	901,858	819,085
			<b>Plant, equipment and fittings</b>			
28,505,395	26,610,556	25,392,852	Cost as at 30 June previous year	2,568,112	2,570,129	2,230,864
15,600,548	14,229,716	13,419,871	Accumulated depreciation	2,039,068	2,041,085	1,831,743
12,904,847	12,380,840	11,972,981	Net book value previous year	529,044	529,044	399,121
12,904,847	12,225,009	11,972,981	Carrying amount at 1 July	529,044	373,213	399,121
3,812,095	2,187,900	1,676,261	Additions	548,880	290,742	93,555
-	-	-	Revaluations	-	-	-
292,388	13,905	59,065	Disposals	552	12,474	-
1,722,434	1,494,156	1,365,168	Depreciation	169,103	122,437	119,463
14,702,120	12,904,847	12,225,009	Carrying amount at 30 June	908,269	529,044	373,213
			<b>Office furniture</b>			
539,901	517,138	485,693	Cost as at 30 June previous year	539,901	517,138	485,693
417,323	389,231	366,546	Accumulated depreciation	417,323	389,231	366,546
122,578	127,907	119,147	Net book value previous year	122,578	127,907	119,147
122,578	127,907	119,147	Carrying amount at 1 July	122,578	127,907	119,147
12,335	22,763	31,445	Additions	12,335	22,763	31,445
-	-	-	Revaluations	-	-	-
-	-	-	Disposals	-	-	-
28,988	28,092	22,685	Depreciation	28,988	28,092	22,685
105,925	122,578	127,907	Carrying amount at 30 June	105,925	122,578	127,907

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2008/2009 Actual \$	Group 2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	Council 2007/2008 Actual \$	2006/2007 Actual \$
<b>Computer equipment</b>						
2,066,681	2,002,310	1,935,170	Cost as at 30 June previous year	2,066,681	2,002,310	1,935,170
1,882,405	1,788,454	1,681,838	Accumulated depreciation	1,882,405	1,788,454	1,681,838
184,276	213,856	253,332	Net book value previous year	184,276	213,856	253,332
184,276	213,856	253,332	Carrying amount at 1 July	184,276	213,856	253,332
85,529	64,371	67,140	Additions	85,529	64,371	67,140
-	-	-	Revaluations	-	-	-
-	-	-	Disposals	-	-	-
84,307	93,951	106,616	Depreciation	84,307	93,951	106,616
185,498	184,276	213,856	Carrying amount at 30 June	185,498	184,276	213,856
<b>Maintenance dredging</b>						
2,280,054	2,280,054	1,664,229	Cost as at 30 June previous year	-	-	-
1,442,757	375,279	1,019,589	Accumulated depreciation	-	-	-
837,297	1,904,775	644,640	Net book value previous year	-	-	-
837,297	1,904,775	644,640	Carrying amount at 1 July	-	-	-
2,555,896	-	2,122,338	Additions	-	-	-
-	-	-	Revaluations	-	-	-
-	-	-	Disposals	-	-	-
1,139,738	1,067,478	862,203	Depreciation	-	-	-
2,253,455	837,297	1,904,775	Carrying amount at 30 June	-	-	-
<b>Port installations</b>						
37,465,566	36,884,538	34,610,696	Cost as at 30 June previous year	-	-	-
15,640,945	14,235,555	12,843,995	Accumulated depreciation	-	-	-
21,824,621	22,648,983	21,766,701	Net book value previous year	-	-	-
21,824,621	22,648,983	21,766,701	Carrying amount at 1 July	-	-	-
2,234,665	650,526	2,313,479	Additions	-	-	-
-	-	-	Revaluations	-	-	-
-	-	30,686	Disposals	-	-	-
1,523,758	1,474,888	1,400,511	Depreciation	-	-	-
22,535,528	21,824,621	22,648,983	Carrying amount at 30 June	-	-	-
<b>Floating plant</b>						
12,496,963	11,467,834	11,461,685	Cost as at 30 June previous year	-	-	-
3,256,203	2,764,082	2,246,229	Accumulated depreciation	-	-	-
9,240,760	8,703,752	9,215,456	Net book value previous year	-	-	-
9,240,760	8,703,752	9,215,456	Carrying amount at 1 July	-	-	-
1,963,938	1,029,129	7,042	Additions	-	-	-
-	-	-	Revaluations	-	-	-
-	-	-	Disposals	-	-	-
610,726	492,121	518,746	Depreciation	-	-	-
10,593,972	9,240,760	8,703,752	Carrying amount at 30 June	-	-	-
<b>Capital dredging</b>						
21,488,916	21,329,901	21,260	Cost as at 30 June previous year	-	-	-
501,253	71,475	-	Accumulated depreciation	-	-	-
20,987,663	21,258,426	21,260	Net book value previous year	-	-	-
20,987,663	21,258,426	21,260	Carrying amount at 1 July	-	-	-
16,277	159,015	21,308,641	Additions	-	-	-
-	-	-	Revaluations	-	-	-
-	-	-	Disposals	-	-	-
430,104	429,778	71,475	Depreciation	-	-	-
20,573,836	20,987,663	21,258,426	Carrying amount at 30 June	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2008/2009 Actual \$	Group 2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	Council 2007/2008 Actual \$	2006/2007 Actual \$
			<b>Work-in-progress</b>			
4,957,396	2,037,839	10,827,500	Carrying amount at 1 July	1,436,800	588,923	520,796
16,822,795	8,022,579	21,064,723	Additions	612,626	2,122,854	724,937
13,181,436	5,103,022	29,854,384	Transferred upon completion	(1,695,515)	(1,274,977)	(656,810)
8,598,755	4,957,396	2,037,839	Carrying amount at 30 June	353,911	1,436,800	588,923
			<b>Infrastructure assets</b>			
			<b>Flood and river control assets</b>			
3,732,500	3,532,000	3,448,000	Valuation as at 30 June previous year	3,732,500	3,532,000	3,448,000
-	-	-	Accumulated depreciation	-	-	-
3,732,500	3,532,000	3,448,000	Net book value previous year	3,732,500	3,532,000	3,448,000
3,732,500	3,532,000	3,448,000	Carrying amount at 1 July	3,732,500	3,532,000	3,448,000
1,311,570	200,500	84,000	Revaluations	1,311,570	200,500	84,000
5,044,070	3,732,500	3,532,000	Carrying amount at 30 June	5,044,070	3,732,500	3,532,000
<b>144,235,884</b>	<b>134,411,294</b>	<b>117,761,444</b>	<b>Total property, plant and equipment</b>	<b>12,547,689</b>	<b>10,806,422</b>	<b>9,291,713</b>

The fair value of land and buildings is the value for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction. Quotable Value New Zealand has valued Council's land and buildings for accounting purposes at Cloten Road, Stratford, Robe Street, and Rifle Range Road, New Plymouth on a fair value (current market value) basis at \$2,340,000 (2007/2008—\$1,800,000) Telfer Young (Taranaki) Limited has valued Tupare and Hollard Gardens land and buildings, for accounting purposes as at 30 June 2009 on a depreciated replacement cost basis, at \$3,028,000 (2007/2008—\$3,575,000), because the properties include either heritage assets or specialised assets for public use. The Council records the land and buildings on a historic cost basis, which reflects the on-going existing use valuation to the Council. The Council has no plans to dispose of the land and buildings, which would make the fair value valuation more appropriate than the on-going existing use valuation.

Port Taranaki Ltd land assets have been valued on their highest and best use taking into account the existing zoning, potential for utilisation and localised port market. All land holdings are used or held for port operational requirements and as such are valued under the requirements of NZ IAS 16 using fair value (market value). The Council owned land is not of similar use and nature and consequently is not revalued.

Port Taranaki Ltd land was revalued at 30 June 2008 by Mr Ian Baker, a registered valuer with Telfer Young (Taranaki) Ltd, New Plymouth. Telfer Young have been contracted by Port Taranaki as independent valuers. The revalued amount of land used in this report amounts to \$46,976,670. The carrying amount of land had it been recognised under the cost model is \$10,364,837 (2007/2008—\$10,364,016).

The Waitara River Flood Protection Scheme assets and the Waiwhakaiho River Flood Protection Scheme assets were independently valued at 30 June 2009 at replacement cost, by Mr Gary Williams (Registered Engineer and member of IPENZ, B.E. (Hons), B.Sc., M Com. (Hons) of G and E Williams Consultants Limited. The revalued amount of land used in this report amounts to \$5,044,070 (2007/2008—\$3,732,500). The carrying amount of land had it been recognised under the cost model is \$2,825,194 (2007/2008—\$2,825,194).

There are no items of property, plant or equipment which are not in current use. There has been no impairment losses recognised or reversed in the current period. There have been borrowing costs of \$174,991 (2007/2008—\$0) capitalised during the period. The weighted average capitalisation rate on funds borrowed during the year was 6.31% (2007/2008—7.72%). There are no restrictions in titles relating to property plant and equipment or items pledged as security for liabilities apart from those held by Westpac Banking Corporation (refer to in Note 17 - Borrowings).

In the 2007/2008 Annual Report, the cost price and accumulated depreciation for buildings in 2007/2008 and 2006/2007 (comparative figures) contained an error of \$1,368,068. The net effect of the error was nil. The closing book values were correct. The comparative figures in this Annual Report have been corrected.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 10. INTANGIBLE ASSETS

2008/2009 Actual \$	Group 2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	Council 2007/2008 Actual \$	2006/2007 Actual \$
<b>Carrying amounts</b>						
<b>Intangible assets</b>						
Computer software						
4,506,574	3,357,254	3,180,245	At cost	1,691,356	1,672,665	1,567,080
2,788,270	2,411,924	2,039,406	Accumulated amortisation	1,137,037	890,251	627,696
<b>1,718,304</b>	<b>945,330</b>	<b>1,140,839</b>	<b>Total intangible assets</b>	<b>554,319</b>	<b>782,414</b>	<b>939,384</b>
<b>Reconciliation</b>						
<b>Intangible assets</b>						
Computer software						
945,330	1,140,839	907,428	Carrying amount 1 July	782,414	939,384	640,022
1,220,744	177,009	620,141	Additions	18,691	105,585	486,254
-	-	-	Revaluations	-	-	-
-	-	-	Disposals	-	-	-
447,770	372,518	386,730	Amortisation	246,786	262,555	186,892
<b>1,718,304</b>	<b>945,330</b>	<b>1,140,839</b>	<b>Total intangible assets</b>	<b>554,319</b>	<b>782,414</b>	<b>939,384</b>

Amortisation expense is included in the line item *depreciation and amortisation expense* in Note 2 of the financial statements.

## 11. INVESTMENTS

2008/2009 Actual \$	Group 2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	Council 2007/2008 Actual \$	2006/2007 Actual \$
<b>Current portion of investments</b>						
1,023,896	1,035,449	2,059,336	Corporate bonds	1,023,896	1,035,449	2,059,336
<b>1,023,896</b>	<b>1,035,449</b>	<b>2,059,336</b>	<b>Total current portion of investments</b>	<b>1,023,896</b>	<b>1,035,449</b>	<b>2,059,336</b>
<b>Non current investments</b>						
5,800,000	8,700,000	7,200,000	Term deposits	5,800,000	8,700,000	7,200,000
6,065,876	3,101,053	4,173,630	Corporate bonds	6,065,876	3,101,053	4,173,630
1,000	1,000	1,000	NZ Local Government Insurance Corporation (unlisted shares)	1,000	1,000	1,000
-	-	-	Port Taranaki Ltd (unlisted shares)	26,000,000	26,000,000	26,000,000
<b>11,866,876</b>	<b>11,802,053</b>	<b>11,374,630</b>	<b>Total non current investments</b>	<b>37,866,876</b>	<b>37,802,053</b>	<b>37,374,630</b>
<b>12,890,772</b>	<b>12,837,502</b>	<b>13,433,966</b>	<b>Total investments</b>	<b>38,890,772</b>	<b>38,837,502</b>	<b>39,433,966</b>
<b>Term deposit maturity dates and effective interest rates</b>						
3,000,000	5,700,000	7,200,000	Term deposits maturing in 1 to 2 years	3,000,000	5,700,000	7,200,000
8.85%	8.46%	7.98%	Weighted average effective interest rate	8.85%	8.46%	7.98%
2,800,000	3,000,000	-	Term deposits maturing in 2 to 3 years	2,800,000	3,000,000	-
6.48%	8.85%	-	Weighted average effective interest rate	6.48%	8.85%	-
<b>Corporate bonds maturity dates and effective interest rates</b>						
1,023,896	1,035,449	2,059,336	Corporate bonds maturing in less than 1 year	1,023,896	1,035,449	2,059,336
6.26%	6.13%	6.04%	Weighted average effective interest rate	6.26%	6.13%	6.04%
2,048,253	1,034,850	1,045,531	Corporate bonds maturing in 1 to 2 years	2,048,253	1,034,850	1,045,531
6.28%	6.26%	6.13%	Weighted average effective interest rate	6.28%	6.26%	6.13%
-	2,066,203	1,045,025	Corporate bonds maturing in 2 to 3 years	-	2,066,203	1,045,025
-	6.28%	6.26%	Weighted average effective interest rate	-	6.28%	6.26%
-	-	2,083,074	Corporate bonds maturing in 3 to 4 years	-	-	2,083,074
-	-	6.28%	Weighted average effective interest rate	-	-	6.28%
-	-	-	Corporate bonds maturing in 4 to 5 years	-	-	-
-	-	-	Weighted average effective interest rate	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
4,017,623	-	-	4,017,623	-	-
7.75%	-	-	7.75%	-	-
7,089,772	4,136,502	6,232,966	7,089,772	4,136,502	6,232,966
7,256,615	4,028,239	6,035,614	7,256,615	4,028,239	6,035,614

Corporate bonds and term deposits are held to maturity. Unlisted shares are valued at cost price. There are no impairment provisions for investments.

## SHARES

NZ Local Government Insurance Corporation Limited-insurance company-30 June balance date-1,000 shares

Port Taranaki Ltd-port operator-100% owned subsidiary-30 June balance date-52,000,000 shares

## 12. INVESTMENT PROPERTY

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
16,830,000	14,035,000	12,080,000	16,830,000	14,035,000	12,080,000
-	-	-	-	-	-
-	-	-	-	-	-
(745,000)	2,795,000	1,955,000	(745,000)	2,795,000	1,955,000
<b>16,085,000</b>	<b>16,830,000</b>	<b>14,035,000</b>	<b>16,085,000</b>	<b>16,830,000</b>	<b>14,035,000</b>

Taranaki Regional Council's investment properties are independently valued annually at fair value effective 30 June. All investment properties are valued based on open market evidence. The valuation was performed by TelferYoung (Taranaki) Limited. TelferYoung (Taranaki) Limited are a registered experienced valuer with extensive market knowledge in the types of investment properties owned by the Taranaki Regional Council. The total fair value of the property valued at 30 June 2009 was \$16,085,000 (2007/2008—\$16,830,000).

## 13. BUSINESS COMBINATIONS

### West Coast Coal Company Ltd (relates to Port Taranaki Ltd only)

On 12 June 2009 a final settlement agreement was signed between West Coast Coal Company Limited (WCCC) and Pike River Coal Limited (PRC). The settlement did not allow for any of the claims by either WCCC or Greypoint Terminal Limited (GTC) detailed below to be settled by PRC. Whilst steps to formally dissolve WCCC have commenced subsequent to balance date formal notification of dissolution is not expected prior to date of signing of these financial statements.

(2007/2008—Following the termination of the Transport Services Agreement between West Coast Coal Company Limited (WCCC) and Pike River Coal Limited (PRC) in November 2007, WCCC has not commenced trading and will be dissolved once certain claims by the WCCC shareholders are remedied by PRC. These claims include the Loan from Jepsens amounting to \$48,336 and a half share of Greypoint Terminals Company Limited (GTC) formation expenses incurred by Port Taranaki Limited amounting to \$434,927 which have been expensed to date).

### Greypoint Terminal Company Ltd (relates to Port Taranaki Ltd only)

Greypoint Terminal Company Ltd (GTC) a shareholder of WCCC has not traded due to the reasons given above. Once formal notification has been received of the dissolution of WCCC the dissolution of GTC will commence.

(2007/2008—Greypoint Terminal Company Ltd (GTC) a shareholder of WCCC will not trade due to the reasons given above. GTC will be dissolved once claims that it has with PRC are remedied via WCCC the holder of the Transport Services Agreement (TSA). These claims amount to \$873,358 at balance sheet date of which Port Taranaki Limited is claiming a half share).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 14. LOAN - JEBSENS

Group				Council		
2008/2009	2007/2008	2006/2007		2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$		Actual \$	Actual \$	Actual \$
48,336	586,825	-	Balance 1 July	-	-	-
-	-	624,985	Advances	-	-	-
-	(566,830)	-	Repayments	-	-	-
-	30,390	19,976	Interest	-	-	-
-	(2,049)	(58,136)	Translation loss	-	-	-
(48,336)	-	-	Interest write off	-	-	-
-	<b>48,336</b>	<b>586,825</b>	<b>Total loan—Jebsens</b>	-	-	-

The carrying amount of the loan equals fair value. The denominated foreign currency of this liability is US dollars.

## 15. TRADE AND OTHER PAYABLES

Group				Council		
2008/2009	2007/2008	2006/2007		2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$		Actual \$	Actual \$	Actual \$
4,776,676	4,452,070	4,512,484	Trade payables and accruals	1,530,899	1,280,592	1,632,332
122,299	64,100	154,805	Accrued pay	49,242	29,273	-
369,077	386,232	318,806	Interest payable	-	-	-
-	-	-	Related parties payables and accruals	3,165	1,752	312,539
<b>5,268,052</b>	<b>4,902,402</b>	<b>4,986,095</b>	<b>Total trade and other payables</b>	<b>1,583,306</b>	<b>1,311,617</b>	<b>1,944,871</b>

Terms of credit are payment on the 20th of the month following invoices unless other terms are specified by suppliers. Therefore the carrying value of trade and other payables approximates their fair value. The Group has financial risk management systems in place to ensure that all payables are paid within the credit timeframe.

## 16. EMPLOYEE ENTITLEMENTS

Group				Council		
2008/2009	2007/2008	2006/2007		2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$		Actual \$	Actual \$	Actual \$
1,489,893	1,307,546	1,154,484	Holiday leave	448,250	396,692	351,934
100,500	109,700	152,000	Sick leave	47,500	71,700	107,000
540,960	523,430	497,861	Long service leave	218,000	216,529	186,249
1,192,000	1,035,590	1,029,576	Retirement gratuities	387,000	309,590	285,576
922,000	937,000	347,000	ACC residual claims	-	-	-
240,000	179,218	242,000	Other benefits	-	-	-
<b>4,485,353</b>	<b>4,092,484</b>	<b>3,422,921</b>	<b>Total employee entitlements</b>	<b>1,100,750</b>	<b>994,511</b>	<b>930,759</b>
			Comprising:			
2,528,953	2,207,362	2,065,127	Current liabilities	587,350	563,389	540,965
1956,400	1,885,122	1,357,794	Non current liabilities	513,400	431,122	389,794
<b>4,485,353</b>	<b>4,092,484</b>	<b>3,422,921</b>	<b>Total employee entitlements</b>	<b>1,100,750</b>	<b>994,511</b>	<b>930,759</b>

The provision is affected by a number of estimates including the expected employment period of employees and the timing of employees utilising the benefits.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

Group			Council		
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
<i>Dividend equalisation reserve</i>					
7,785,851	8,926,594	10,330,000	7,785,851	8,926,594	10,330,000
1,300,000	-	-	1,300,000	-	-
-	(1,140,743)	(1,403,406)	-	(1,140,743)	(1,403,406)
<b>9,085,851</b>	<b>7,785,851</b>	<b>8,926,594</b>	<b>9,085,851</b>	<b>7,785,851</b>	<b>8,926,594</b>
<b>10,686,092</b>	<b>9,529,256</b>	<b>10,669,249</b>	<b>10,686,092</b>	<b>9,529,256</b>	<b>10,669,249</b>
<b>Total reserves</b>					
<i>Asset revaluation reserves</i>					
37,519,139	22,587,743	22,503,743	907,306	706,806	622,806
1,311,570	14,931,396	84,000	1,311,570	200,500	84,000
<b>38,830,709</b>	<b>37,519,139</b>	<b>22,587,743</b>	<b>2,218,876</b>	<b>907,306</b>	<b>706,806</b>
<b>Total asset revaluation reserves</b>					
<i>Waitara flood control scheme</i>					
779,500	632,000	548,000	779,500	632,000	548,000
1,090,070	147,500	84,000	1,090,070	147,500	84,000
<b>1,869,570</b>	<b>779,500</b>	<b>632,000</b>	<b>1,869,570</b>	<b>779,500</b>	<b>632,000</b>
<b>Total Waitara flood control scheme reserves</b>					
<i>Waiwhakaiho flood control scheme</i>					
127,806	74,806	74,806	127,806	74,806	74,806
221,500	53,000	-	221,500	53,000	-
<b>349,306</b>	<b>127,806</b>	<b>74,806</b>	<b>349,306</b>	<b>127,806</b>	<b>74,806</b>
<b>Total Waiwhakaiho flood control scheme reserves</b>					
<i>Land</i>					
36,611,833	21,880,937	21,880,937	-	-	-
-	14,730,896	-	-	-	-
<b>36,611,833</b>	<b>36,611,833</b>	<b>21,880,937</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>38,830,709</b>	<b>37,519,139</b>	<b>22,587,743</b>	<b>2,218,876</b>	<b>907,306</b>	<b>706,806</b>
<b>136,243,261</b>	<b>132,113,268</b>	<b>111,604,644</b>	<b>71,467,383</b>	<b>68,856,466</b>	<b>66,041,406</b>
<b>Total public equity</b>					

## 19. RESERVES

Reserve funds are utilised to provide a fund for expenditure on specific purposes. In some circumstances the reserves are a legal requirement. The Council holds the following reserve funds:

### *Makuri River Control Scheme reserve*

The Council strikes a targeted rate, as and when required, based on land values in the Makuri Valley River catchment for maintenance of the river scheme. Any unspent funds must be appropriated to this reserve.

### *North Taranaki/Waitara River Control Scheme reserve*

The Council strikes a targeted rate based on capital values over the New Plymouth District for purposes of:

- maintenance of the Waitara River Flood Protection scheme
- the construction of flood protection works in the lower Waiwhakaiho catchment; and
- for other minor river control works which are required for flood protection in the district.

Any unspent funds must be appropriated to this reserve. Funds may only be appropriated to cover expenditure on the above purposes.

### *Contingency/disaster reserve*

This reserve was created to meet the Council's share of the replacement cost of infrastructure assets affected by natural disasters. It also covers the Council's commitments under the National Civil Defence Plan in the event of emergencies. It is available for any other contingency or emergency response purposes including oil spill response and flood response.

### *Hollard Garden Endowment reserve*

This reserve was established at the bequest of Mr Bernard Hollard. The reserve is to be used specifically and exclusively for the benefit of Hollard gardens. This reserve was closed during the year.

### *Dividend equalisation reserve*

The Council transfers dividends received in excess of budget to this reserve. The reserve is to be used to equalise dividend returns over time. Dividends in excess of budget since 1996/97 have been transferred to the reserve. Prior to 1996/97 all dividends were used to repay debt incurred during the incorporation of Port Taranaki Ltd. From 1996/97 onwards dividends have been used to reduce the general rate requirement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 20. REMUNERATION

Total remuneration of Members was:

	2008/2009 Actual \$	2007/2008 Actual \$
Councillor M J Cloke	27,234	27,536
Councillor M G Davey	26,282	18,299
Councillor P D Horton	27,264	18,895
Councillor M A Irving	26,572	27,377
Councillor B R Jeffares	28,133	18,425
Councillor M P Joyce	27,651	19,303
Councillor D L Lean—Deputy Chairman	40,389	41,194
Councillor D N MacLeod—Chairman	77,416	63,325
Councillor B J Marsh	26,981	26,825
Councillor R F H Maxwell	39,006	39,626
Councillor N W Walker	40,515	38,929

The Chief Executive of the Taranaki Regional Council, appointed under section 42(1) of the Local Government Act 2002, received total remuneration of \$301,672 (2007/2008—\$294,320).

## 21. SEVERANCE PAYMENTS

During the year ended 30 June 2009 the Council made no severance payments (\$0—2007/2008).

## 22. SUBSEQUENT EVENTS

In relation to the Council, there have been no material events subsequent to balance date. In relation to Port Taranaki Ltd, on 13 August 2009 Fonterra Dairy Co-operative Limited announced changes to its transportation of dairy products to market. An early assessment of these changes indicates that a net loss of between fifteen to eighteen thousand containers from the 2008/2009 year could be expected. The financial effect of these changes and the port company's response is not able to be quantified at this time but could be material.

## 23. RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Group			Council			
2008/2009 Actual \$	2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	2007/2008 Actual \$	2006/2007 Actual \$
<b>2,818,423</b>	<b>5,577,228</b>	<b>5,525,132</b>	<b>Net operating surplus/(deficit)</b>	<b>1,299,347</b>	<b>2,614,560</b>	<b>1,748,464</b>
			<i>Add/(less) non-cash items</i>			
7,037,212	6,501,477	5,752,625	Depreciation and amortisation	1,038,075	969,024	862,776
152,248	(772,661)	691,995	Deferred tax movement	-	-	-
745,000	(2,795,000)	(1,955,000)	Investment property: unrealised (gain)/loss	745,000	(2,795,000)	(1,955,000)
10,752,882	8,511,045	10,014,752		3,082,421	788,584	656,240
			<i>Add/(less) movements in working capital</i>			
1,279,460	(1,403,876)	(500,314)	Trade and other receivables	(523,677)	(330,353)	(217,980)
(424,123)	9,648	112,521	Prepayments	(21,931)	(2,511)	41,773
(173,542)	37,323	47,121	Inventories	(107,632)	60,530	9,207
(422,770)	303,296	261,645	Work in progress—current liability	(422,770)	303,296	261,645
(8,130)	(318,121)	(210,473)	Work in progress—current asset	(8,130)	(318,121)	(210,473)
365,653	(83,693)	350,192	Trade and other payables	271,689	(633,254)	949,378
392,869	669,563	1,023,952	Employee entitlements	106,239	63,752	75,795
352,624	(394,868)	87,167	Taxation payable	-	-	-
			<i>Add/(less) investing activity items</i>			
982,140	(22,650)	(4,924)	(Profit)/loss on sale of assets (net)	(38,915)	(24,082)	(47,771)
(251,450)	14,918	(100,540)	Payables from property, plant and equipment purchases	-	-	(1,911)
<b>12,845,613</b>	<b>7,322,585</b>	<b>11,081,099</b>	<b>Cash inflow from operating activities</b>	<b>2,337,294</b>	<b>(92,159)</b>	<b>1,515,898</b>





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## CREDIT RISK MANAGEMENT

Credit risk is the risk that a third party will default on its obligation to Taranaki Regional Council, causing Taranaki Regional Council to incur a loss. Taranaki Regional Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Taranaki Regional Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Taranaki Regional Council invests funds only in deposits with registered banks and local authority stock and its Investment policy limits the amount of credit exposure to any one institution or organisation.

The Council only invests funds with those entities, which have a very strong credit rating. Accordingly, the group does not require any collateral or security to support these investments.

Port Taranaki Ltd has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Port Taranaki Ltd's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In the normal course of its business Port Taranaki Ltd incurs credit risk from trade debtors and financial institutions. The extent of concentration of credit risk lies in trade debtors. Refer to Note 7.

Except, as currently provided for, Port Taranaki Ltd does not expect the non performance in respect of any outstanding obligations at balance date.

The carrying amount of financial assets (Port Taranaki only) recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk without taking account of any collateral obtained except for trade and other debtors (net of impairment provision) \$4,350,925 (2007/2008—\$5,804,588) and loan to Jepsens \$0 (2007/2008—\$48,336).

No security is held on any of the above amounts

## LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that Taranaki Regional Council and Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Taranaki Regional Council and Group aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, Taranaki Regional Council and Group maintains a target level of investments that must mature within the next 12 months.

Taranaki Regional Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management policy. These policies have been adopted as part of the Taranaki Regional Council's 2006/2016 Long Term Council Community Plan.

Ultimate responsibility for liquidity risk management rests with Port Taranaki Ltd's board of directors, who have built an appropriate liquidity risk management framework for the management of Port Taranaki Ltd's short, medium and long-term funding and liquidity management requirements. Port Taranaki Ltd manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 17 is a list of additional undrawn facilities that Port Taranaki Ltd has at its disposal to further reduce liquidity risk.

### Liquidity and interest risk tables - Financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual liabilities including interest that will accrue to those liabilities except where Port Taranaki Ltd is entitled and intends to repay the liability before its maturity. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet

### INTEREST RISK TABLE FINANCIAL LIABILITIES 2008/2009

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Trade and other payables (Council)	0	1,583,306	-	-	-	-	-	1,583,306
Trade and other payables (Port)	0	3,684,746	-	-	-	-	-	3,684,746
Fixed interest rate instruments (Port)	5.992	-	-	20,464,030	23,516,522	-	(3,480,552)	40,500,000
Variable interest rate instruments (Port)	3.950	200,022	-	-	-	-	(22)	200,000
<b>Total</b>		<b>5,468,074</b>	<b>-</b>	<b>20,464,030</b>	<b>23,516,522</b>	<b>-</b>	<b>(3,480,574)</b>	<b>45,968,052</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## INTEREST RISK TABLE FINANCIAL LIABILITIES 2007/2008

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Trade and other payables (Council)	0	1,311,617	-	-	-	-	-	1,311,617
Trade and other payables (Port)	0	3,590,785	-	-	-	-	-	3,590,785
Fixed interest rate instruments (Port)	9.035	-	-	25,761,168	-	-	(761,168)	25,000,000
Variable interest rate instruments (Port)	9.051	10,302,554	-	-	-	-	(2,554)	10,300,000
<b>Total</b>		<b>15,204,956</b>	<b>-</b>	<b>25,761,168</b>	<b>-</b>	<b>-</b>	<b>(763,722)</b>	<b>40,202,402</b>

## INTEREST RISK TABLE FINANCIAL LIABILITIES 2007/2006

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Trade and other payables (Council)	0	1,944,871	-	-	-	-	-	1,944,871
Trade and other payables (Port)	0	3,041,224	-	-	-	-	-	3,041,224
Fixed interest rate instruments (Port)	7.251	-	-	19,975,401	3,910,862	-	(886,263)	23,000,000
Variable interest rate instruments (Port)	8.504	14,306,663	-	-	-	-	(6,663)	14,300,000
<b>Total</b>		<b>19,292,758</b>	<b>-</b>	<b>19,975,401</b>	<b>3,910,862</b>	<b>-</b>	<b>(892,926)</b>	<b>42,286,095</b>

### Interest risk tables - Financial assets

The following table details Port Taranaki Ltd's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual assets including interest that will be earned on those assets except where Port Taranaki Ltd anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

## INTEREST RISK TABLE FINANCIAL ASSETS 2008/2009

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Cash and cash equivalents (Council)	variable	3,209,568	-	-	-	-	-	3,309,568
Current portion of investments (Council)	variable	1,023,896	-	-	-	-	-	1,023,896
Trade and other receivables (Council)	0	2,496,237	-	-	-	-	-	2,496,237
Investments (Council)	variable	-	-	-	7,848,253	4,017,623	-	11,865,876
Cash and cash equivalents (Port)	variable	168,029	-	-	-	-	(9)	168,020
Trade and other receivables (Port)	0	4,459,996	-	-	-	-	-	4,459,996
Loan Jepsens fixed interest rate (Port)	0	-	-	-	-	-	-	-
<b>Total</b>		<b>23,323,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>23,323,593</b>

## INTEREST RISK TABLE FINANCIAL ASSETS 2007/2008

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Cash and cash equivalents (Council)	variable	2,126,305	-	-	-	-	-	2,126,305
Current portion of investments (Council)	variable	1,035,449	-	-	-	-	-	1,035,449
Trade and other receivables (Council)	0	1,972,560	-	-	-	-	-	1,972,560
Investments (Council)	variable	-	-	-	11,801,053	-	-	11,801,053
Cash and cash equivalents (Port)	variable	255,536	-	-	-	-	(16)	255,520
Trade and other receivables (Port)	0	5,812,600	-	-	-	-	-	5,812,600
Loan Jepsens fixed interest rate (Port)	0	-	-	48,336	-	-	-	48,336
<b>Total</b>		<b>23,003,509</b>	<b>-</b>	<b>48,336</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>23,051,829</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## INTEREST RISK TABLE FINANCIAL ASSETS 2006/2007

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Cash and cash equivalents (Council)	variable	3,724,182	-	-	-	-	-	3,724,182
Current portion of investments (Council)	variable	2,059,336	-	-	-	-	-	2,059,336
Trade and other receivables (Council)	0	1,642,207	-	-	-	-	-	1,642,207
Investments (Council)	variable	-	-	-	11,373,630	-	-	11,373,630
Cash and cash equivalents (Port)	variable	216,822	-	-	-	-	(25)	216,797
Trade and other receivables (Port)	0	4,751,242	-	-	-	-	-	4,751,242
Loan Jepsens fixed interest rate (Port)	9.7	-	-	-	682,138	-	(95,313)	586,825
<b>Total</b>		<b>23,767,419</b>	<b>-</b>	<b>-</b>	<b>682,138</b>	<b>-</b>	<b>(95,338)</b>	<b>24,354,219</b>

## 25. RELATED PARTY TRANSACTIONS

Taranaki Regional Council is the ultimate parent of the Group and controls one entity being Port Taranaki Ltd. The transactions between Port Taranaki Ltd and the Council during the year were:

	Council		
	2008/2009 Actual \$	2007/2008 Actual \$	2006/2007 Actual \$
Harbourmaster services	26,500	25,000	23,000
Other Port services	10,255	15,202	12,430
Purchases of goods and services from subsidiary	36,755	40,202	35,430
Dividend received from Port Taranaki Ltd	3,900,000	1,800,000	1,000,000
Unauthorised incident-dust discharge on reclamation site	338	957	-
Oil spill clean-up costs	-	-	9,426
Resource consent application fees	-	-	801
Resource consent compliance monitoring programme	26,021	23,196	25,239
Land lease rental	21,300	21,300	21,300
Sales of goods and services to subsidiary	47,659	45,453	56,766
Accounts payable	3,165	1,752	312,539
Accounts receivable	13,995	-	-

There have been a number of transactions between Port Taranaki Ltd and the Taranaki Regional Council during the year in the normal course of business. All transactions with related parties are conducted at arms-length. These transactions are of an immaterial amount both individually and collectively.

Port Taranaki Limited owned 100% of Greyport Terminals Company Limited (GTC) at all times during the year and has 66.67 % effective ownership of West Coast Coal Company Limited (WCCC) through its direct holding in WCCC and via its 100 % ownership of GTC. No transactions occurred between the parent and subsidiaries during the year (2007/2008—set up costs of \$434,927 incurred by Port Taranaki on behalf of GTC were recovered from Port Westland Limited (PWL). The recoverable amount, recorded as a related party receivable, is PWL's share of legal costs incurred in June 2008).

### Key management personnel

Councillors and key management are, as part of a normal customer relationship, involved with minor transactions with the Council (such as payment of rates). The Chairperson of the Council (Councillor David MacLeod) and Councillor Peter Horton are also Directors of Port Taranaki Ltd. Except for items of a trivial nature, neither of these two Councillors, other Councillors or senior management have entered into related party transactions within the group. Councillors David Lean is a Director of the TSB Bank Limited. The Council invests surplus funds and receives interest income from the TSB Bank Limited. All transactions between the Council and the TSB Bank Limited are on normal commercial terms.

### Key management personnel compensation

Key management personnel include the Chairperson, Councillors, Chief Executive and Directors (second tier managers).

Group				Council		
2008/2009 Actual \$	2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	2007/2008 Actual \$	2006/2007 Actual \$
2,844,222	2,702,813	2,530,088	Salaries and other short term employee benefits	1,342,115	1,300,595	1,232,732
21,000	5,200	26,800	Post employment benefits	-	-	-
11,000	18,300	(7,300)	Other long term benefits	-	-	-
-	-	-	Termination benefits	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 26. DEFINED BENEFIT PLAN

Port Taranaki is a participating employer in the NPF DBP Contributors scheme ("the Scheme") which is a multi-employer defined benefit scheme. The multi-employer defined benefit plan with National Provident Fund (NPF) entitles two employees to retirement benefits. No other post retirement plans are provided by the Group. The total expenses recognised in the *Statement of Financial Performance* is \$17,251 (2007/2008—\$30,202) represents contributions paid to the plan. The Group has no other known liability in respect to the scheme.

The Schemes Actuary has advised that insufficient information is available to use defined benefit accounting as it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation. As at 31 March 2008, the Scheme had a past service surplus of \$28.3 million (31 March 2007—a \$33.7 million), 9.9% (11.4%) of the liabilities. This amount is exclusive of Specified Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

The Actuary to the Scheme has recommended the employer contribution continues at 1.0 times contributors' contributions. The 1.0 is inclusive of Specified Superannuation Contribution Withholding Tax. The 1.0 times contributors' contributions has been applied since 1 April 2008. From 1 April 2007 to 31 March 2008, employers were required to make contributions at a rate of 2.0 times the contributors' contributions, inclusive of withholding tax.

## 27. SEGMENTS

The Taranaki Regional Council provides local authority services to ratepayers and other residents of the Taranaki region.

Port Taranaki Ltd operates in one economic and geographic segment, that being the facilitating of export and import activities through Port Taranaki

## 28. COMMITMENTS AND CONTINGENCIES

Group			Council			
2008/2009	2007/2008	2006/2007	2008/2009	2007/2008	2006/2007	
Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	
<b>Commitments</b>						
1,458,044	139,730	2,032,648	Capital commitments approved and contracted	58,044	139,730	2,032,648
<b>1,458,044</b>	<b>139,730</b>	<b>2,032,648</b>	<b>Total commitments</b>	<b>58,044</b>	<b>139,730</b>	<b>2,032,648</b>
<b>Non cancellable operating lease commitments</b>						
Lease commitments due as follows:						
220,770	121,035	116,558	Within 1 year	-	-	-
184,935	85,200	85,200	Between 1-5 years	-	-	-
10,650	42,600	53,250	Greater than 5 years	-	-	-
<b>416,355</b>	<b>248,835</b>	<b>255,008</b>	<b>Total operating lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>
220,770	217,039	211,816	Lease payments under operating leases recognised as an expense during the year.	-	-	-

Operating lease payments represent rentals payable by Port Taranaki Limited for the lease of land and buildings. All operating lease contracts contain market review clauses in the event that the Company exercises its option to renew. Port Taranaki Limited does not have an option to purchase any of the leased assets at the end of the lease periods.

## CONTINGENCIES

The Taranaki Regional Council has no known contingent liabilities as at 30 June 2009 (Nil—2007/2008).

Port Taranaki is a participating employer in the NPF DBP Contributors scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other employers ceased to participate in the Scheme, the employer could be responsible for the entire deficit of the Scheme (see note 26). Similarly, if a number of employers ceased to participate in the Scheme, the Group could be responsible for an increased share of the deficit. (Port Taranaki is a participating employer in the NPF DBP Contributors scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other employers ceased to participate in the Scheme, the employer could be responsible for the entire deficit of the Scheme (see note 26). Similarly, if a number of employers ceased to participate in the Scheme, the Group could be responsible for an increased share of the deficit.—2007/2008).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

## 29. LEASING ARRANGEMENTS

Operating leases relate to investment properties owned by the Taranaki Regional Council with lease terms of between 5 to 21 years, with options to extend at the completion of each lease. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Port Taranaki Limited leases a range of land and buildings to a number of customers. The majority of leases include rights of renewal for periods of up to seven years, with several land leases containing rights of renewal from 20 up to 50 years. There were no contingent rents recognised as income in the 2007/2008 and 2008/2009 years.

The property rental income earned by the Council from its investment property, all of which is leased out under operating leases, amounts to \$470,371 (2007/2008—\$469,453). Direct operating expenses arising on the investment property in the period amounted to \$3,215 (2007/2008—\$1,820).

2008/2009 Actual \$	Group 2007/2008 Actual \$	2006/2007 Actual \$		2008/2009 Actual \$	Council 2007/2008 Actual \$	2006/2007 Actual \$
			<b>Non-cancellable operating lease receivables</b>			
			Lease commitments due as follows:			
2,097,492	1,472,559	1,267,286	Not later than one year	470,529	470,529	419,512
4,338,307	3,961,226	2,624,546	Later than one year and not later than five years	1,056,840	1,266,802	1,206,690
8,264,840	8,676,885	2,850,621	Later than five years	1,236,090	1,460,716	1,176,436

The Group comparative figures for 2007/2008 and 2006/2007 have been corrected to include consolidated figures. The figures published in the 2007/2008 Annual Report did not include consolidated results. The effect was to increase the operating lease receivables by \$10,912,623 in 2007/2008 and \$3,939,815 in 2006/2007.