

FINANCIAL STATEMENTS

The following pages present the financial results of the Council for the 2010/2011 year compared against the budgets set for 2010/2011 in the *2010/2011 Annual Plan* and the results achieved in 2009/2010 and 2008/2009. 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 COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

Group			Council				
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	Notes	2010/2011 Actual \$	2010/2011 Budget \$	2009/2010 Actual \$	2008/2009 Actual \$
Continuing operations							
Cost of services							
9,009,321	8,966,050	7,956,003		9,009,321	9,495,527	8,966,050	7,956,003
2,137,366	1,978,213	2,133,339		2,137,366	2,035,145	1,978,213	2,133,339
3,140,731	2,419,862	1,992,252		3,177,999	3,389,449	2,463,872	2,029,007
1,260,079	1,083,425	1,041,743		1,260,079	1,194,829	1,083,425	1,041,743
2,046,610	1,238,843	1,082,593		2,046,610	2,004,728	1,238,843	1,082,593
988,975	950,447	973,889		988,975	1,106,774	950,447	973,889
31,555,785	31,074,225	35,670,080		-	-	-	-
50,138,867	47,711,065	50,849,899		18,620,350	19,226,452	16,680,850	15,216,574
Income							
6,855,556	5,720,560	5,535,565		6,855,556	6,855,556	5,720,560	5,535,565
1,462,148	1,305,638	1,042,339		1,462,148	1,462,148	1,305,638	1,042,339
4,834,040	4,068,897	4,307,792		4,847,105	5,076,902	4,074,528	4,334,151
1,549,679	1,573,633	844,144		1,549,679	2,308,831	1,573,633	844,144
-	76	139		1,850,000	1,850,000	1,900,076	3,900,139
952,126	583,196	517,261		973,426	773,000	604,496	543,913
2,552,868	-	-		2,552,868	700,000	-	-
522,000	(48,000)	(745,000)		522,000	804,250	(48,000)	(745,000)
39,183,229	37,765,998	46,554,064		-	-	-	-
57,911,646	50,969,998	58,056,304		20,612,782	19,830,687	15,130,931	15,455,251
7,772,779	3,258,933	7,206,405		1,992,432	604,235	(1,549,919)	238,677
1,006,642	1,021,883	1,066,022	2	945,895	1,000,000	1,002,980	1,060,670
2,931,218	3,082,666	2,715,090	2	-	-	-	-
(1,924,576)	(2,060,783)	(1,649,068)		945,895	1,000,000	1,002,980	1,060,670
5,848,203	1,198,150	5,557,337		2,938,327	1,604,235	(546,939)	1,299,347
1,636,038	4,911,230	2,738,914	4	-	-	-	-
4,212,165	(3,713,080)	2,818,423		2,938,327	1,604,235	(546,939)	1,299,347
4,212,165	(3,713,080)	2,818,423		2,938,327	1,604,235	(546,939)	1,299,347
Other comprehensive income							
596,539	18,000	1,311,570		596,539	-	18,000	1,311,570
596,539	18,000	1,311,570		596,539	-	18,000	1,311,570
4,808,704	(3,695,080)	4,129,993	2, 3	3,534,866	1,604,235	(528,939)	2,610,917

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 CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

Council	Notes	Retained earnings \$	Reserves \$	Asset revaluation reserves \$	Total equity \$
As at 1 July 2008	18	58,419,905	9,529,256	907,306	68,856,466
Changes in equity for 2008/2009					
Total comprehensive income for the period		1,299,347	-	1,311,570	2,610,917
Transfers to and from reserves	18	(1,156,836)	1,156,836	-	-
As at 30 June 2009	18	58,562,415	10,686,092	2,218,876	71,467,383
Changes in equity for 2009/2010					
Total comprehensive income for the period		(546,939)	-	18,000	(528,939)
Transfers to and from reserves	18	1,226,902	(1,226,902)	-	-
As at 30 June 2010	18	59,242,379	9,459,190	2,236,876	70,938,445
Changes in equity for 2010/2011					
Total comprehensive income for the period		2,938,327	-	596,539	3,534,866
Transfers to and from reserves	18	1,012,540	(1,012,540)	-	-
As at 30 June 2011	18	63,193,246	8,446,650	2,833,415	74,473,311

Group	Notes	Retained earnings \$	Reserves \$	Asset revaluation reserves \$	Total equity \$
As at 1 July 2008	18	85,064,874	9,529,256	37,519,139	132,113,268
Changes in equity for 2008/2009					
Total comprehensive income for the period		2,818,423	-	1,311,570	4,129,993
Transfers to and from reserves	18	(1,156,836)	1,156,836	-	-
As at 30 June 2009	18	86,726,460	10,686,092	38,830,709	136,243,261
Changes in equity for 2009/2010					
Total comprehensive income for the period		(3,713,080)	-	18,000	(3,695,080)
Transfers to and from reserves	18	1,226,902	(1,226,902)	-	-
As at 30 June 2010	18	84,240,282	9,459,190	38,848,709	132,548,181
Changes in equity for 2010/2011					
Total comprehensive income for the period		4,212,165	-	596,539	4,808,704
Transfers to and from reserves	18	1,012,540	(1,012,540)	-	-
As at 30 June 2011	18	89,464,987	8,446,650	39,445,248	137,356,885

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 2011

Group			Council					
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	Notes	2010/2011 Actual \$	2010/2011 Budget \$	2009/2010 Actual \$	2008/2009 Actual \$	
Current assets								
5,400,233	2,790,905	3,377,588	Cash and cash equivalents	6	2,405,635	164,232	2,349,807	3,209,568
-	8,350,122	4,023,896	Current portion of investments	11	-	-	8,350,122	4,023,896
6,783,957	7,387,426	6,847,162	Trade and other receivables	7	2,315,487	2,000,000	2,185,003	2,496,237
497,683	535,005	339,965	Inventories	8	26,406	-	57,156	114,914
171,988	207,193	155,058	Prepayments		97,668	100,000	108,354	45,987
306,600	212,256	536,725	Work-in-progress		306,600	550,000	212,256	536,725
13,160,461	19,482,907	15,280,394	Total current assets		5,151,796	2,814,232	13,262,698	10,427,327
Non current assets								
140,905,772	140,684,028	144,235,884	Property, plant and equipment	9	16,918,664	14,006,988	12,655,247	12,547,689
1,884,984	2,398,739	1,718,304	Intangible assets	10	285,634	833,433	515,928	554,319
13,458,975	5,686,953	8,866,876	Investments	11	39,458,975	42,071,000	31,686,953	34,866,876
16,559,000	16,037,000	16,085,000	Investment property	12	16,559,000	16,889,250	16,037,000	16,085,000
-	-	1,122,336	Deferred tax asset	5	-	-	-	-
172,808,731	164,806,720	172,028,400	Total non current assets		73,222,273	73,800,671	60,895,128	64,053,884
185,969,192	184,289,626	187,308,794	Total assets		78,374,069	76,614,903	74,157,826	74,481,211
Current liabilities								
4,810,506	4,617,511	5,347,975	Trade and other payables	15	1,985,640	1,500,000	1,673,147	1,583,306
2,083,935	1,840,491	2,079,953	Employee entitlements	16	701,178	700,000	600,513	587,350
627,270	398,681	329,772	Work-in-progress		627,270	450,000	398,681	329,772
489,624	1,219,645	569,077	Borrowings	17	-	-	-	-
755,140	611,399	425,039	Taxation payable	4	-	-	-	-
8,766,475	8,687,727	8,751,816	Total current liabilities		3,314,088	2,650,000	2,672,341	2,500,428
Non current liabilities								
924,000	1,082,000	713,000	Trade and other payables	15	-	-	-	-
1,417,670	1,320,040	1,243,400	Employee entitlements	16	586,670	450,000	547,040	513,400
2,059,040	2,250,458	-	Deferred tax liability	5	-	-	-	-
35,445,122	38,401,220	40,357,317	Borrowings	17	-	-	-	-
39,845,832	43,053,718	42,313,717	Total non current liabilities		586,670	450,000	547,040	513,400
48,612,307	51,741,445	51,065,533	Total liabilities		3,900,758	3,100,000	3,219,381	3,013,828
Public equity								
89,464,987	84,240,282	86,726,460	Retained earnings	18	63,193,246	63,725,593	59,242,379	58,562,415
8,446,650	9,459,190	10,686,092	Reserves	18	8,446,650	7,570,434	9,459,190	10,686,092
39,445,248	38,848,709	38,830,709	Asset revaluation reserves	18	2,833,415	2,218,876	2,236,876	2,218,876
137,356,885	132,548,181	136,243,261	Total public equity	18	74,473,311	73,514,903	70,938,445	71,467,383
185,969,192	184,289,626	187,308,794	Total liabilities and equity		78,374,069	76,614,903	74,157,826	74,481,211

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

Group			Council				
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	Notes	2010/2011 Actual \$	2010/2011 Budget \$	2009/2010 Actual \$	2008/2009 Actual \$
Cash flow from operating activities							
Cash was provided from:							
8,317,705	7,026,198	6,577,904	Rates	8,317,705	8,317,705	7,026,198	6,577,904
1,315,879	908,345	1,383,545	Interest	1,255,300	1,000,000	889,442	1,378,193
-	76	139	Dividends	1,850,000	1,850,000	1,900,076	3,900,139
-	77,924	-	Income tax refund	-	-	-	-
52,241,299	48,152,655	59,580,296	Other revenue/customers	6,738,660	8,158,733	6,909,268	5,215,525
61,874,883	56,165,198	67,541,884		18,161,665	19,326,437	16,724,984	17,071,761
Cash was applied to:							
45,162,218	43,150,331	49,381,648	Employees and suppliers	15,968,818	17,597,017	14,777,463	14,337,796
1,683,714	1,430,000	2,234,042	Income tax	-	-	-	-
608,855	541,065	396,671	Goods and services tax	608,855	320,000	541,065	396,671
2,761,239	3,132,098	2,683,910	Interest	-	-	-	-
50,216,026	48,253,494	54,696,271		16,577,673	17,917,017	15,318,528	14,734,467
11,658,857	7,911,704	12,845,613	Net cash flow from operating activities	23	1,583,992	1,409,419	2,337,294
Cash flow from investing activities							
Cash was provided from:							
578,100	-	-	Investments	578,100	530,001	-	-
152,701	549,173	173,161	Proceeds from sale of property, plant and equipment	64,665	183,500	72,166	67,575
730,801	549,173	173,161		642,765	713,501	72,166	67,575
Cash was applied to:							
-	1,146,302	53,270	Investments	-	-	1,146,302	53,270
-	133,166	174,991	Capitalised interest on property, plant and equipment	-	-	-	-
5,924,232	6,511,994	17,052,068	Purchase of property, plant and equipment	2,170,929	2,178,100	1,192,081	1,268,336
5,924,232	7,791,462	17,280,329		2,170,929	2,178,100	2,338,383	1,321,606
(5,193,431)	(7,242,289)	(17,107,168)	Net cash flow outflow from investing activities	(1,528,164)	(1,414,599)	(2,266,217)	(1,254,031)
Cash flow from financing activities							
Cash was provided from:							
-	-	5,257,317	Loans	-	-	-	-
-	-	5,257,317		-	-	-	-
Cash was applied to:							
3,856,098	1,256,098	-	Loans	-	-	-	-
3,856,098	1,256,098	-		-	-	-	-
(3,856,098)	(1,256,098)	5,257,317	Net cash outflow from financing activities	-	-	-	-
2,609,328	(586,683)	995,763	Net increase/(decrease) in cash and cash equivalents	55,828	(5,180)	(859,761)	1,083,263
2,790,905	3,377,588	2,381,825	Opening cash and cash equivalents	2,349,807	169,412	3,209,568	2,126,305
5,400,233	2,790,905	3,377,588	Closing cash and cash equivalents	6	2,405,635	2,349,807	3,209,568

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 2011

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 2011. The financial statements were authorised for issue by Council on 20 September 2011.

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 and ASRB that are relevant to its operations and effective for the current reporting period.

Those with disclosure impact:

The impact of the adoption of the following Standards and Amendments will be to expand the disclosures provided in these financial statements:

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 IAS 12 - Income Taxes - Deferred Tax: Recovery of Underlying Assets – Amendments	1 January 2012	30 June 2013
Amendments to harmonise with Australia	1 July 2011	30 June 2012
NZ IFRS - Financial Instruments - Improvements 2010 NZ IFRS 7, NZ IAS 1, NZ IAS 34 and NZ IFRIC 13	1 January 2011	30 June 2012
NZ IFRS 7 - Financial Instruments: Disclosures	1 July 2011	30 June 2012
NZ IFRS 7 - Amendments - Appendix E	1 April 2011	30 June 2012
NZ IFRS 9 - Financial Instruments - Revised (2010)*	1 January 2013	30 June 2014
NZ IFRS 13 - Fair value Measurement	1 January 2013	30 June 2014
NZ IAS 24 - Related Party Disclosures	1 January 2011	30 June 2012
FRS 44 - New Zealand Additional Disclosures	1 July 2011	30 June 2012
FRS 44 - New Zealand Additional Disclosures – Amendments	1 July 2011	30 June 2012
IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
IAS 19 - Employee Benefits	1 January 2013	30 June 2014

* The revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, 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 Company but may require additional financial statement disclosures. All other Standards, Amendments and Interpretations are not applicable or expected to have a material effect.

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 its subsidiary where the Taranaki Regional Council has the capacity to control its financing and operating policies so as to obtain benefits from the activities of the subsidiary.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 invoices are issued.

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 when the conditions to receive the grant have been met. 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 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 profit or loss for the year comprises current and deferred tax. Income tax is recognised in the surplus or deficit in the *Statement of Comprehensive Income* except to the extent that it relates to items of other comprehensive income, in which case it is recognised in other comprehensive income.

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 Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised as an expense in the profit or loss except when it relates to items of other comprehensive income. Deferred taxation assets and liabilities can be offset when they relate to income taxes levied by the same taxation authority.

FOREIGN CURRENCY

Transactions in foreign currencies are converted at the exchange rate ruling at the date of the transaction. At balance date all foreign currency monetary assets and liabilities are translated to New Zealand dollars using the prevailing spot rate of the day. Any gain or loss is recognised in the profit or loss in the reported financial period in which they arise.

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*.

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 surplus or deficit in the *Statement of Comprehensive Income*.

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 surplus or deficit in the *Statement of Comprehensive Income*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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. Refer to Note 24 where assets and liabilities have been classified.

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 surplus or deficit in the *Statement of Comprehensive Income*.

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 plus transaction costs, 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 plus transaction costs, and subsequently carried at amortised cost less impairment losses.

AVAILABLE FOR SALE

Financial assets classified as available for sale are those that are designated as available for sale 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 available for sale 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 as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements*.

After initial recognition available for sale equity investments are measured at their fair value, with gains and losses recognized in other comprehensive income except for impairment losses, which are recognised in the surplus or deficit in the *Statement of Comprehensive Income*.

On derecognition the cumulative gain or loss previously recognised in other comprehensive income is recognised in the surplus or deficit in the *Statement of Comprehensive Income*.

FINANCIAL LIABILITIES AND EQUITY

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

DERIVATIVES

A derivative is a financial instrument or contract whose value changes 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 surplus or deficit in the *Statement of Comprehensive Income*.

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 asset or 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 surplus or deficit in the *Statement of Comprehensive Income* 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 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 surplus or deficit in the *Statement of Comprehensive Income* 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 Waiwhakaiho 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 surplus or deficit in the *Statement of Comprehensive Income*. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 out 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 depreciated 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 surplus or deficit in the *Statement of Comprehensive Income* to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the surplus or deficit in the *Statement of Comprehensive Income*. A net revaluation decrease for a class of assets is recognised in the surplus or deficit in the *Statement of Comprehensive Income*, 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 calculated 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. Maintenance costs are expensed as they are incurred in the surplus or deficit in the *Statement of Comprehensive Income*.

The cost of maintenance dredging incurred is 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 surplus or deficit in the *Statement of Comprehensive Income* 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

surplus or deficit in the *Statement of Comprehensive Income* when incurred. Expenditure on developing the application of any research findings will only be capitalised if able to demonstrate all of the following conditions: It is technically feasible to complete so it will be available for sale or use, intended to be completed, able to be used or sold, will generate probable future economic benefits, there are adequate technical, financial and other resources to complete the development to use or sell, and can be measured reliably 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.

DEFINED BENEFIT PLANS

Port Taranaki is a participating employer in the National Provident Fund Defined Benefit Plan Contributors Scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the employer could be responsible for the entire deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the employer could be responsible for an increased share of the deficit. The Group treats payments as expenses when incurred, similar to the treatment for defined contribution schemes as sufficient information is not available to use defined benefit accounting.

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 2019. A provision is made at balance date reflecting the estimated amount payable through to 2019 based upon current residual levy rates. The assessed figure is discounted at the 10 year government bond rate to determine the final provision.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 surplus or deficit in the *Statement of Comprehensive Income* 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 balance sheet are stated exclusive of GST with the exception of receivables and payables, which include GST. All items in the *Statement of Comprehensive Income* are stated exclusive of GST. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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 Group recognises as an expense within the *Statement of Comprehensive Income* all borrowing costs incurred, with the exception of interest costs incurred during construction/assembly of major capital projects, which are capitalised as part of the initial cost of the respective assets.

OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the surplus or deficit in the *Statement of Comprehensive Income* 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
- 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.

COMPARATIVES

Port Taranaki reclassified the ACC residual claims levy portion from employee benefits to trade and other payables, accordingly a portion of the 2009/2010 employee benefits had to also be reclassified to trade and other payables (current \$165,000 and non current \$1,082,000). The portion of residual claim levy (2009/2010 – \$4,000 current increase and \$35,000 decrease non current) have been removed from note 25. Port Taranaki reclassified other employee benefits from provisions to trade and other payables, accordingly a portion of the 2009/2010 trade payables increased \$186,605 and employee provisions current decreased by the same amount. Port Taranaki reclassified interest payable on borrowings from trade and other payables to borrowings, accordingly a portion of the 2009/2010 trade payables decreased \$319,645 and current borrowings increased by the same amount. Refer to the borrowings note (note 17), the financial liabilities portion of financial instruments and risk management (note 24) and the liquidity and interest risk tables - financial liabilities portion of financial instruments and risk management (note 24). None of the reclassifications have impacted the cash flow statement or statement of comprehensive income, however the increase/decrease in liabilities portion reflect the changes from provisions to payables.

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 notes 7, 9 and 16 in the *Notes to the Financial Statements*.

CHANGES IN ACCOUNTING ESTIMATES

From the start of the 2010/2011 year, Port Taranaki Limited changed the estimated useful life of hardstand assets from 15 years to 5 years. The current financial effect of this change increases depreciation by \$705,128 in 2010/2011 and by \$605,066 in 2011/2012, \$389,957 in 2012/2013, \$40,902 in 2013/2014, and decreases depreciation by \$144,947 in 2014/2015. This change has been made in 2010/2011 as it better reflects management's view of the useful life of hardstand assets. This change will apply to the 2010/2011 financial year and subsequent years. Note that this change in estimate still remains within the range of depreciation periods for port installations from 5 to 66 years under the depreciation accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2. OPERATING SURPLUS/(DEFICIT)

Group			Council			
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	
The net operating surplus (deficit) was achieved after crediting:						
-	76	139	Dividends	1,850,000	1,900,076	3,900,139
32,085	632,940	39,023	Gain on sale of property, plant and equipment	27,689	47,702	39,023
885,321	522,984	470,371	Rental revenue from investment properties	885,321	522,984	470,371
715,566	564,830	739,903	Interest – corporate bonds	715,566	545,927	734,551
291,076	457,053	326,119	Interest – cash and term deposits	230,329	457,053	326,119
1,006,642	1,021,883	1,066,022	Total interest	945,895	1,002,980	1,060,670
And after charging:						
19,352,192	18,200,320	19,799,841	Employee benefits	8,442,681	7,518,121	7,146,098
10,956,421	11,129,065	7,522,969	Cost of services	7,682,792	6,802,417	5,900,237
2,980,584	3,019,541	4,210,371	General expenses	-	-	-
2,931,218	3,082,666	2,715,090	Interest expense	-	-	-
14,875	35,442	71,917	Maintenance dredging	-	-	-
5,912,756	5,399,165	10,486,831	Repairs and maintenance	293,380	412,901	348,046
166,258	161,250	150,625	Directors' fees	-	-	-
9,295,888	8,185,866	7,037,212	Depreciation and amortisation	1,250,114	1,116,451	1,038,075
-	-	1,021,162	Loss on disposal of property, plant and equipment	123	-	108
(2,000)	2,000	(32,000)	Change in the provision for doubtful debts	-	-	-
-	-	-	Donations	-	-	-
4,668	-	-	Bad debts	-	-	-
67	(148)	(1,767)	Net gain on cash and cash equivalents	-	-	-
738	(60,551)	-	Net loss on currency bank balances	-	-	-
163,584	159,802	150,269	Audit fees for financial statements	103,366	101,174	94,830
-	-	71,009	Audit fees for long-term council community plan	-	-	71,009
-	48,000	745,000	Investment property –unrealised loss	-	48,000	745,000
847,894	681,786	618,171	Purchase of riparian plants (inventory)	847,894	681,786	618,171

3. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The Council made a net operating surplus/(deficit) of \$2,938,327 (2009/2010 – (\$546,939)) compared to a budgeted surplus, before transfers to and from reserves, of \$1,604,235 (2009/2010 – \$1,777,406). The major reasons for this variance between the actual net operating surplus and the budgeted net operating deficit are:

	2010/2011 Actual \$
Operating expenditure was less than budgeted	606,102
<i>Changes in government policy in relation to the operation of the Afforestation Grant Scheme and lower than anticipated expenditure on public transport services.</i>	
Direct charges were lower than budgeted	(229,797)
Government grants were lower than anticipated	(759,152)
<i>Changes in government policy in relation to the operation of the Afforestation Grant Scheme</i>	
Other investment revenue was more than budgeted	146,321
Unrealised gains on investment properties were less than budgeted	(282,250)
Higher than anticipated revaluation of flood control scheme asset	596,539
Pukeiti assets were vested at a higher valuation than budgeted for	\$1,852,868

The 2011/2012 Annual Plan has budgeted for a net operating surplus, before transfers to and from reserves, of \$752,146 for the 2011/2012 year. The entire operating surplus is from continuing activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

4. TAXATION

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
			Income tax recognised in the Statement of Comprehensive Income		
1,827,456	1,538,436	2,586,666	-	-	-
(191,418)	3,372,794	152,248	-	-	-
1,636,038	4,911,230	2,738,914	-	-	-
			Income tax expense per Statement of Comprehensive Income		
			Reconciliation of operating surplus before tax and income tax expense		
5,848,202	1,198,150	5,557,336	2,938,327	(546,939)	1,299,347
5,848,202	1,198,150	5,557,336	2,938,327	(546,939)	1,299,347
			Operating surplus/(deficit) before taxation		
1,754,461	359,445	1,667,201	881,498	(164,082)	389,804
572,518	4,309,388	1,448,794	-	-	-
(88,688)	1,099,936	1,531,152	(88,641)	1,099,936	1,531,152
118,443	74,193	1,095	-	-	-
72,161	4,122	11,628	-	-	-
(792,857)	(935,854)	(1,920,956)	(792,857)	(935,854)	(1,920,956)
1,636,038	4,911,230	2,738,914	-	-	-
			Income taxation expense per Statement of Comprehensive Income		
			Taxation refundable/(payable)		
(611,399)	(425,039)	(72,415)	-	-	-
683,559	352,076	84,042	-	-	-
(72,161)	72,963	(11,628)	-	-	-
(1,755,294)	(1,611,399)	(2,575,038)	-	-	-
1,000,155	1,000,000	2,150,000	-	-	-
(755,140)	(611,399)	(425,039)	-	-	-
			Imputation credit account		
9,554,486	9,138,231	8,825,085	-	-	-
(792,857)	(935,821)	(1,920,896)	-	-	-
1,683,714	1,352,076	2,234,042	-	-	-
10,445,343	9,554,486	9,138,230	-	-	-
			Balance 30 June		
10,445,343	9,554,486	9,138,230	-	-	-
			Imputation credits available directly and indirectly to the Council, through Port Taranaki Ltd:		

The Council is exempt from income tax. On 20 May 2010, the New Zealand Government announced that the corporate tax rate in New Zealand would be reduced from 30% to 28% with effect from 1 April 2011. For the Group the reduction in tax rate will occur from 1 July 2011. The effect of this change is a \$118,443 increase (2009/2010 – \$74,193 increase) in tax expense and deferred tax liability in 2011. The budget also removed the tax depreciation of buildings with an estimated useful life of 50 years or greater from 1 April 2011. For the Group this change will occur from 1 July 2011. The effect of this change is an increase of \$3,600,148 to tax expense and deferred tax liability in 2010.

5. DEFERRED TAX ASSET/LIABILITY

	Group			Total
	Depreciation/ Amortisation	Provisions/ Payables	Receivables/ Prepayments	
Balance 1 July 2008	366,609	947,876	(39,901)	1,274,584
Charged/(credited) to the Statement of Comprehensive Income	(244,064)	98,415	(6,599)	(152,248)
Balance 30 June 2009	122,545	1,046,291	(46,500)	1,122,336
Charged/(credited) to the Statement of Comprehensive Income	(3,369,084)	19,390	(23,100)	(3,372,794)
Balance 30 June 2010	(3,246,539)	1,065,681	(69,600)	(2,250,458)
Charged/(credited) to the Statement of Comprehensive Income	172,054	6,604	12,760	191,418
Balance 30 June 2011	(3,074,485)	1,072,285	(56,840)	(2,059,040)

There are no income tax losses carried forward.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

6. CASH AND CASH EQUIVALENTS

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
3,284,997	906,798	696,451	Bank	290,399	465,700	528,431
2,115,236	1,884,107	2,681,137	Call deposits	2,115,236	1,884,107	2,681,137
5,400,233	2,790,905	3,377,588	Total bank and call deposits	2,405,635	2,349,807	3,209,568

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

7. TRADE AND OTHER RECEIVABLES

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
6,538,008	7,093,771	6,444,952	Trade receivables	2,315,487	2,181,266	2,482,242
(8,000)	(10,000)	(8,000)	Provision for impairment	-	-	-
6,530,008	7,083,771	6,436,952	Net trade receivables	2,315,487	2,181,266	2,482,242
253,949	276,655	410,210	Other receivables	-	-	-
-	27,000	-	Related party receivables	-	3,737	13,995
6,783,957	7,387,426	6,847,162	Total trade and other receivables	2,315,487	2,185,003	2,496,237
Movement in the provision for impairment						
10,000	8,000	40,000	Balance 1 July	-	-	-
(2,000)	2,000	(32,000)	Increase/(decrease) in impairment provision recognised in the Statement of Comprehensive Income	-	-	-
8,000	10,000	8,000	Balance 30 June	-	-	-

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 2011, 2010 and 2009 all overdue receivables have been assessed for impairment and where necessary appropriate provisions applied. The Council does not provide for impairment on rates receivables at it has powers under the Local Government (Rating) Act 2002 to recover outstanding debts.

The average credit period on sales of goods is 34 days (49 days – 2009/2010). 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 \$320,000 (2009/2010 – \$772,000) 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 38 days (2009/2010 – 37 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 30.43%, 21 (2009/2010 – 27.59%, 24) by number of trade debtors represent 87.95% (2009/2010 – 86.36%) of the total amount of trade debtors. Only 7.57% (2009/2010 – 15.65%) of trade receivables were overdue but not impaired at balance sheet date. 0.19% (2009/2010 – 0.20%) 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		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
26,406	57,156	114,914	Plant materials	26,406	57,156	114,914
471,277	477,849	225,051	Maintenance consumables	-	-	-
497,683	535,005	339,965	Total inventories	26,406	57,156	114,914

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

9. PROPERTY, PLANT AND EQUIPMENT

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Operational assets						
Land at cost						
1,469,509	1,417,924	1,417,924	Carrying amount at 1 July	1,469,509	1,417,924	1,417,924
500,000	51,585	-	Additions	500,000	51,585	-
1,969,509	1,469,509	1,417,924	Carrying amount at 30 June	1,969,509	1,469,509	1,417,924
Land at valuation						
46,976,670	46,976,670	46,976,670	Carrying amount at 1 July	-	-	-
-	-	-	Additions	-	-	-
46,976,670	46,976,670	46,976,670	Carrying amount at 30 June	-	-	-
Buildings						
29,528,778	21,237,261	20,796,970	Cost as at 30 June previous year	5,587,187	5,422,504	4,170,195
11,498,091	10,959,724	10,474,066	Accumulated depreciation	2,051,633	1,861,006	1,688,753
18,030,687	10,277,537	10,322,904	Net book value previous year	3,535,554	3,561,498	2,481,442
18,030,687	10,277,537	10,322,904	Carrying amount at 1 July	3,535,554	3,561,498	2,481,442
2,056,338	8,812,465	1,502,188	Additions	1,986,128	164,683	1,252,309
-	92,798	834,806	Disposals	-	-	-
1,074,400	966,517	712,749	Depreciation	243,770	190,627	172,253
19,012,625	18,030,687	10,277,537	Carrying amount at 30 June	5,277,912	3,535,554	3,561,498
Motor vehicles						
1,970,878	1,829,536	1,678,728	Cost as at 30 June previous year	1,970,878	1,829,536	1,678,728
1,027,387	858,942	776,870	Accumulated depreciation	1,027,387	858,942	776,870
943,491	970,594	901,858	Net book value previous year	943,491	970,594	901,858
943,491	970,594	901,858	Carrying amount at 1 July	943,491	970,594	901,858
509,640	359,592	433,481	Additions	509,640	359,592	433,481
37,099	24,464	28,108	Disposals	37,099	24,464	28,108
400,966	362,231	336,637	Depreciation	400,966	362,231	336,637
1,015,066	943,491	970,594	Carrying amount at 30 June	1,015,066	943,491	970,594
Plant, equipment and fittings						
30,632,506	31,793,054	28,505,395	Cost as at 30 June previous year	3,374,505	3,106,070	2,568,112
16,455,025	17,090,934	15,600,548	Accumulated depreciation	2,422,003	2,197,801	2,039,068
14,177,481	14,702,120	12,904,847	Net book value previous year	952,502	908,269	529,044
14,177,481	14,702,120	12,904,847	Carrying amount at 1 July	952,502	908,269	529,044
1,178,948	1,490,272	3,812,095	Additions	431,173	277,654	548,880
59,515	56,886	292,388	Disposals	-	9,219	552
2,024,227	1,958,025	1,722,434	Depreciation	272,624	224,202	169,103
13,272,687	14,177,481	14,702,120	Carrying amount at 30 June	1,111,051	952,502	908,269
Office furniture						
563,557	552,236	539,901	Cost as at 30 June previous year	563,557	552,236	539,901
471,476	446,311	417,323	Accumulated depreciation	471,476	496,311	417,323
92,081	105,925	122,578	Net book value previous year	92,081	105,925	122,578
92,081	105,925	122,578	Carrying amount at 1 July	92,081	105,925	122,578
11,440	11,323	12,335	Additions	11,440	11,323	12,335
-	-	-	Disposals	-	-	-
22,622	25,167	28,988	Depreciation	22,622	25,167	28,988
80,899	92,081	105,925	Carrying amount at 30 June	80,899	92,081	105,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Computer equipment						
2,210,422	2,152,211	2,066,681	Cost as at 30 June previous year	2,210,422	2,152,211	2,066,681
2,046,339	1,966,713	1,882,405	Accumulated depreciation	2,046,339	1,966,713	1,882,405
164,083	185,498	184,276	Net book value previous year	164,083	185,498	184,276
164,083	185,498	184,276	Carrying amount at 1 July	164,083	185,498	184,276
73,213	58,211	85,529	Additions	73,213	58,211	85,529
-	-	-	Disposals	-	-	-
69,117	79,626	84,307	Depreciation	69,117	79,626	84,307
168,179	164,083	185,498	Carrying amount at 30 June	168,179	164,083	185,498
Maintenance dredging						
2,713,612	2,713,612	2,280,054	Cost as at 30 June previous year	-	-	-
1,744,415	460,157	1,442,757	Accumulated depreciation	-	-	-
969,197	2,253,455	837,297	Net book value previous year	-	-	-
969,197	2,253,455	837,297	Carrying amount at 1 July	-	-	-
2,028,380	-	2,555,896	Additions	-	-	-
-	-	-	Disposals	-	-	-
1,196,336	1,284,258	1,139,738	Depreciation	-	-	-
1,801,241	969,197	2,253,455	Carrying amount at 30 June	-	-	-
Port installations						
41,022,314	39,700,231	37,465,566	Cost as at 30 June previous year	-	-	-
18,867,003	17,164,703	15,640,945	Accumulated depreciation	-	-	-
22,155,311	22,535,528	21,824,621	Net book value previous year	-	-	-
22,155,311	22,535,528	21,824,621	Carrying amount at 1 July	-	-	-
318,888	1,325,693	2,234,665	Additions	-	-	-
-	-	-	Disposals	-	-	-
2,443,298	1,705,910	1,523,758	Depreciation	-	-	-
20,030,902	22,155,311	22,535,528	Carrying amount at 30 June	-	-	-
Floating plant						
14,227,758	14,460,901	12,496,963	Cost as at 30 June previous year	-	-	-
4,176,584	3,866,929	3,256,203	Accumulated depreciation	-	-	-
10,051,174	10,593,972	9,240,760	Net book value previous year	-	-	-
10,051,174	10,593,972	9,240,760	Carrying amount at 1 July	-	-	-
107,581	75,479	1,963,938	Additions	-	-	-
-	5,152	-	Disposals	-	-	-
615,110	613,125	610,726	Depreciation	-	-	-
9,543,645	10,051,174	10,593,972	Carrying amount at 30 June	-	-	-
Capital dredging						
21,505,193	21,505,193	21,488,916	Cost as at 30 June previous year	-	-	-
1,361,461	931,357	501,253	Accumulated depreciation	-	-	-
20,143,732	20,573,836	20,987,663	Net book value previous year	-	-	-
20,143,732	20,573,836	20,987,663	Carrying amount at 1 July	-	-	-
-	-	16,277	Additions	-	-	-
-	-	-	Disposals	-	-	-
430,105	430,104	430,104	Depreciation	-	-	-
19,713,627	20,143,732	20,573,836	Carrying amount at 30 June	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Work-in-progress						
448,542	8,598,755	4,957,396	Carrying amount at 1 July	435,957	353,911	1,436,800
5,102,077	4,961,660	16,822,795	Additions	1,333,993	624,447	612,626
(3,888,507)	13,111,873	13,181,436	Transferred upon completion	(132,511)	(542,401)	(1,695,515)
1,662,112	448,542	8,598,755	Carrying amount at 30 June	1,637,439	435,957	353,911
Infrastructure assets						
Flood and river control assets						
5,062,070	5,044,070	3,732,500	Valuation as at 30 June previous year	5,062,070	5,044,070	3,732,500
-	-	-	Accumulated depreciation	-	-	-
5,062,070	5,044,070	3,732,500	Net book value previous year	5,062,070	5,044,070	3,732,500
5,062,070	5,044,070	3,732,500	Carrying amount at 1 July	5,062,070	5,044,070	3,732,500
596,539	18,000	1,311,570	Revaluations	596,539	18,000	1,311,570
5,658,609	5,062,070	5,044,070	Carrying amount at 30 June	5,658,609	5,062,070	5,044,070
140,905,772	140,684,028	144,235,884	Total property, plant and equipment	16,918,664	12,655,247	12,547,689
Cost or valuation	Accumulated depreciation	Carrying amount	As at 30 June 2011	Cost or valuation	Accumulated depreciation	Carrying amount
1,969,509	-	1,969,509	Land at cost	1,969,509	-	1,969,509
46,976,670	-	46,976,670	Land at valuation	-	-	-
31,585,116	12,572,491	19,012,625	Buildings	7,573,315	2,295,403	5,277,912
2,443,419	1,428,353	1,015,066	Motor vehicles	2,443,419	1,428,353	1,015,066
31,761,125	18,488,363	13,272,762	Plant, equipment and fittings	3,814,863	2,703,738	1,111,125
565,814	484,914	80,900	Office furniture	565,814	484,914	80,900
2,283,635	2,115,531	168,104	Computer equipment	2,283,635	2,115,531	168,104
2,186,096	384,855	1,801,241	Maintenance dredging	-	-	-
41,341,203	21,310,301	20,030,902	Port installations	-	-	-
14,335,339	4,791,694	9,543,645	Floating plant	-	-	-
21,505,193	1,791,566	19,713,627	Capital dredging	-	-	-
1,662,112	-	1,662,112	Work-in-progress	1,637,439	-	1,637,439
5,658,609	-	5,658,609	Flood and river control assets	5,658,609	-	5,658,609
204,273,840	63,368,068	140,905,772	Total property, plant and equipment	25,946,603	9,027,939	16,918,664

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 disclosure purposes at Cloten Road, Stratford, Robe Street, and Rifle Range Road, New Plymouth on a fair value (current market value) basis at \$2,320,000 (2009/2010 – \$2,350,000). Telfer Young (Taranaki) Limited has valued Tupare, Pukeiti, Hollard Gardens and the Lepperton riparian nursery land and buildings, for disclosure purposes as at 30 June 2011 on a depreciated replacement cost basis, at \$6,209,000 (2009/2010 – \$3,681,700), because the properties include either heritage assets or specialised assets for public use. The Pukeiti assets (2010/2011 – \$2,496,000) were recorded at the 1 July 2010 valuation. The Council records the land and buildings on a historic cost basis, which reflects the on-going intention of use to the Council.

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 (2009/2010 – \$46,976,670) using the direct sales comparison approach methodology. The carrying amount of land had it been recognised under the cost model is \$10,364,837 (2009/2010 – \$10,364,837).

The Waitara River Flood Protection Scheme assets and the Waiwhakaiho River Flood Protection Scheme assets were independently valued at 30 June 2011 at depreciated replacement cost, by Mr John Philpott (Registered Engineer and member of IPENZ, Masters of Civil Engineering of John Philpott & Associates Ltd. The revalued amount of land used in this report less the Capital work on progress amounts to \$5,658,609 (2009/2010 – \$5,062,070). The carrying amount of land had it been recognised under the cost model is \$2,825,194 (2009/2010 – \$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 no borrowing costs (2009/2010 – \$133,166) capitalised during the period. The weighted average capitalisation rate on funds borrowed during the 2010 year was 7.66%. 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 Note 17 - Borrowings)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

10. INTANGIBLE ASSETS

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Carrying amounts					
Intangible assets					
Computer software					
5,659,642	4,506,574	3,357,253	1,887,562	1,691,356	1,672,664
3,260,903	2,788,270	2,411,923	1,371,634	1,137,037	890,250
2,398,739	1,718,304	945,330	515,928	554,319	782,414
Reconciliation					
Intangible assets					
Computer software					
2,398,739	1,718,304	945,330	515,928	554,319	782,414
505,963	1,504,107	1,220,744	10,721	196,207	18,691
-	62,769	-	-	-	-
1,019,718	760,903	447,770	241,015	234,598	246,786
1,884,984	2,398,739	1,718,304	285,634	515,928	554,319
Cost	Accumulated depreciation	Carrying Amount	Cost	Accumulated depreciation	Carrying Amount
6,165,605	4,280,621	1,884,984	1,898,283	1,612,649	285,634
6,165,605	4,280,621	1,884,984	1,898,283	1,612,649	285,634

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

11. INVESTMENTS

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Current portion of investments					
-	4,800,000	3,000,000	-	4,800,000	3,000,000
-	3,550,122	1,023,896	-	3,550,122	1,023,896
-	8,350,122	4,023,896	-	8,350,122	4,023,896
Non current investments					
500,000	-	2,800,000	500,000	-	2,800,000
12,957,975	5,685,953	6,065,876	12,957,975	5,685,953	6,065,876
1,000	1,000	1,000	1,000	1,000	1,000
-	-	-	26,000,000	26,000,000	26,000,000
13,458,975	5,686,953	8,866,876	39,458,975	31,686,953	34,866,876
13,458,975	14,037,075	12,890,772	39,458,975	40,037,075	38,890,772
Term deposit maturity dates and effective interest rates					
-	4,800,000	3,000,000	-	4,800,000	3,000,000
-	5.84%	8.85%	-	5.84%	8.85%
-	-	2,800,000	500,000	-	2,800,000
-	-	6.48%	5.60%	-	6.48%
500,000	-	-	-	-	-
5.60%	-	-	-	-	-
Corporate bonds maturity dates and effective interest rates					
-	3,550,122	1,023,896	-	3,550,122	1,023,896
-	5.46%	6.26%	-	5.46%	6.26%
-	-	2,048,253	-	-	2,048,253
-	-	6.28%	-	-	6.28%
5,677,695	-	-	5,677,695	-	-
7.29%	-	-	7.29%	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
1,012,847	-	-	1,012,847	5,685,953	-
6.00%	-	-	6.00%	7.09%	-
4,717,674	-	-	4,717,674	-	4,017,623
6.33%	-	-	6.33%	-	7.75%
1,549,759	-	-	1,549,759	-	-
6.54%	-	-	6.54%	-	-
12,957,975	9,236,075	7,089,772	12,957,975	9,236,075	7,089,772
13,574,732	9,566,650	7,256,615	13,574,732	9,566,650	7,256,615

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		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
16,037,000	16,085,000	16,830,000	16,037,000	16,085,000	16,830,000
-	-	-	-	-	-
-	-	-	-	-	-
522,000	(48,000)	(745,000)	522,000	(48,000)	(745,000)
16,559,000	16,037,000	16,085,000	16,559,000	16,037,000	16,085,000

Taranaki Regional Council's investment properties are independently valued annually at fair value effective 30 June. All investment properties are valued based on the comparable sales approach using assumptions the valuer believed to be fair and reasonable at the date of valuation. 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 2011 was \$16,559,000 (2009/2010 – \$16,037,000).

13. BUSINESS COMBINATIONS

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

West Coast Coal Company Limited (WCCC) was formally dissolved on 28 August 2009.

Greyport Terminal Company Ltd (relates to Port Taranaki Ltd only)

Greyport Terminals Ltd (GTC) was formally dissolved on 9 November 2009.

14. LOAN - JEBSENS

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
-	-	48,336	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(48,336)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

The carrying amount of the loan equals fair value. The denominated foreign currency of this balance at year end is US dollars.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15. TRADE AND OTHER PAYABLES

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
4,853,565	5,335,868	5,698,676	Trade payables and accruals	1,640,328	1,596,041	1,530,899
880,091	363,643	362,299	Accrued pay	345,312	77,106	49,242
-	-	-	Related parties payables and accruals	-	-	3,165
5,739,506	5,699,511	6,060,975	Total trade and other payables	1,985,640	1,673,147	1,583,306
Comprising:						
4,810,506	4,617,511	5,347,975	Current liabilities	1,985,640	1,673,147	1,583,306
924,000	1,082,000	713,000	Non current liabilities	-	-	-
5,739,506	5,699,511	6,060,975	Total trade and other payables	1,985,640	1,673,147	1,583,306

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		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
1,576,814	1,339,916	1,489,893	Holiday leave	527,553	443,079	448,250
127,000	91,000	100,500	Sick leave	75,000	69,000	47,500
569,496	619,141	540,960	Long service leave	223,000	210,000	218,000
1,228,295	1,110,474	1,192,000	Retirement gratuities	462,295	425,474	387,000
3,501,605	3,160,531	3,323,353	Total employee entitlements	1,287,848	1,147,553	1,100,750
Comprising:						
2,083,935	1,840,491	2,079,953	Current liabilities	701,178	600,513	587,350
1,417,670	1,320,040	1,243,400	Non current liabilities	586,670	547,040	513,400
3,501,605	3,160,531	3,323,353	Total employee entitlements	1,287,848	1,147,553	1,100,750

The provision is affected by a number of estimates including the expected employment period of employees and the timing of employees utilising the benefits. Benefits are recalculated annually, retiring allowance and long service leave by an actuary, and all non current portions are discounted using the 10 year bond rate applicable at balance sheet date. All movements are recorded in operating expenses.

17. BORROWINGS

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Current liabilities						
489,624	1,219,645	569,077	Secured loans - Westpac	-	-	-
0.00%	4.20%	3.95%	Weighted average interest rate	-	-	-
Non current liabilities						
35,500,000	38,500,000	40,500,000	Secured loans - Westpac	-	-	-
(54,878)	(98,780)	(142,683)	Deferred Loan Facility Fee	-	-	-
35,445,122	38,401,220	40,357,317	Secured loans - Westpac	-	-	-
5.55%	5.56%	5.98%	Weighted average interest rate	-	-	-

The non current loans are due within 2 years. The carrying amount for current and non current loans and their fair values are disclosed in Note 24. The carrying amount for current and non current loans is denominated in New Zealand dollars. The secured loans are obtained under a \$50 million (2009/2010 – \$50 million) funding facility provided by Westpac Banking Corporation. As at 30 June 2011 \$14.5 million (2009/2010 – \$10.6 million) was undrawn. During the year there have been no defaults or breaches of bank covenants. The sole security interest, fixed charge and agreement to mortgage is to Westpac Banking Corporation for a priority amount of \$80 million (2009/2010 – \$80 million). The security interest is in Port Taranaki Ltd's personal property (present and after acquired) and the fixed charge and agreement to mortgage is granted over other property (present and future rights). Other property is defined as any other land or assets not deemed Personal Property. Personal Property can be considered to be any property other than land. The weighted average interest rate is based on the applicable fixed rates and floating rates as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

18. PUBLIC EQUITY

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Retained earnings					
84,240,282	86,726,460	85,064,874	59,242,379	58,562,415	58,419,905
4,145,930	(3,713,080)	2,818,423	2,938,327	(546,939)	1,299,347
(83,660)	(373,473)	(1,543,581)	(83,660)	(373,473)	(1,543,581)
1,096,200	1,600,375	386,745	1,096,200	1,600,375	386,745
89,398,752	84,240,282	86,726,460	63,193,246	59,242,379	58,562,415
Reserves (refer to Note 19)					
9,459,190	10,686,092	9,529,256	9,459,190	10,686,092	9,529,256
83,660	373,473	1,543,581	83,660	373,473	1,543,581
(1,096,200)	(1,600,375)	(386,745)	(1,096,200)	(1,600,375)	(386,745)
8,446,650	9,459,190	10,686,092	8,446,650	9,459,190	10,686,092
<i>Makuri River Control Scheme reserve</i>					
940	1,233	1,500	940	1,233	1,500
60	82	108	60	82	108
(375)	(375)	(375)	(375)	(375)	(375)
625	940	1,233	625	940	1,233
<i>North Taranaki/Waitara River Control Scheme reserve</i>					
642,310	513,008	457,612	642,310	513,008	457,612
68,052	129,302	243,473	68,052	129,302	243,473
(5,740)	-	(188,077)	(5,740)	-	(188,077)
704,622	642,310	513,008	704,622	642,310	513,008
<i>Contingency/disaster reserve</i>					
1,086,000	1,086,000	1,086,000	1,086,000	1,086,000	1,086,000
-	-	-	-	-	-
-	-	-	-	-	-
1,086,000	1,086,000	1,086,000	1,086,000	1,086,000	1,086,000
<i>Hollard Garden Endowment reserve</i>					
-	-	198,293	-	-	198,293
-	-	-	-	-	-
-	-	(198,293)	-	-	(198,293)
-	-	-	-	-	-
<i>Dividend equalisation reserve</i>					
7,485,851	9,085,851	7,785,851	7,485,851	9,085,851	7,785,851
-	-	1,300,000	-	-	1,300,000
(1,090,085)	(1,600,000)	-	(1,090,085)	(1,600,000)	-
6,395,766	7,485,851	9,085,851	6,395,766	7,485,851	9,085,851
<i>Passenger transport targeted rate reserve</i>					
244,089	-	-	244,089	-	-
15,548	244,089	-	15,548	244,089	-
-	-	-	-	-	-
259,637	244,089	-	259,637	244,089	-
8,446,650	9,459,190	10,686,092	8,446,650	9,459,190	10,686,092
<i>Asset revaluation reserves</i>					
38,848,709	38,830,709	37,519,139	2,236,876	2,218,876	907,306
596,539	18,000	1,311,570	596,539	18,000	1,311,570
39,445,248	38,848,709	38,830,709	2,833,415	2,236,876	2,218,876
<i>Waitara flood control scheme</i>					
1,887,570	1,869,570	779,500	1,887,570	1,869,570	779,500
182,995	18,000	1,090,070	182,995	18,000	1,090,070
2,070,565	1,887,570	1,869,570	2,070,565	1,887,570	1,869,570

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Group			Council			
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	
<i>Waiwhakaiho flood control scheme</i>						
349,306	349,306	127,806	Opening balance	349,306	349,306	127,806
413,544	-	221,500	Change in asset value	413,544	-	221,500
762,850	349,306	349,306	Closing balance	762,850	349,306	349,306
<i>Land</i>						
36,611,833	36,611,833	36,611,833	Opening balance	-	-	-
-	-	-	Change in asset value	-	-	-
36,611,833	36,611,833	36,611,833	Closing balance	-	-	-
39,445,248	38,848,709	38,830,709	Total asset revaluation reserves	2,833,415	2,236,876	2,218,876
137,290,651	132,548,181	136,243,261	Total public equity	74,473,312	70,938,445	71,467,383

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.

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.

Passenger transport targeted rate reserve

The Council strikes a targeted rate based on capital values over the New Plymouth District for purposes of funding passenger transport services. Any unspent funds must be appropriated to this reserve. Funds may only be appropriated to cover expenditure on these purposes.

20. REMUNERATION

Total remuneration of Members was:

	2010/2011 Actual \$	2009/2010 Actual \$
Councillor M J Cloke	28,277	28,587
Councillor M G Davey	27,437	27,663
Councillor P D Horton	27,982	28,108
Councillor M A Irving	27,413	28,189
Councillor B R Jeffares	27,198	27,247
Councillor M P Joyce	28,128	30,047
Councillor D L Lean – Deputy Chairman	40,047	42,199
Councillor D N MacLeod – Chairman	81,595	82,510
Councillor B J Marsh – July 2010 to October 2010	9,181	27,991
Councillor R F H Maxwell	40,220	41,780
Councillor N W Walker	40,236	40,468
Councillor C S Williamson – October 2010 to June 2011	19,857	-

The Chief Executive of the Taranaki Regional Council, appointed under section 42(1) of the Local Government Act 2002, received a salary of \$260,514 (\$238,202 – 2009/2010). In addition to salary the Chief Executive is entitled to private use of a Council vehicle, contribution to superannuation, professional membership fees and medical fees. Total remuneration was \$328,879 (2009/2010 – \$306,664).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

21. SEVERANCE PAYMENTS

During the year ended 30 June 2011 the Council made one severance payment of \$16,000 (\$0 – 2009/2010).

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 21 July 2011 Maersk Sealand announced that it would cease its weekly call to Port Taranaki from 4th August 2011. The financial impact of this event is uncertain at this time.

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

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
4,212,165	(3,713,080)	2,818,423	Net operating surplus/(deficit)	2,938,327	(546,939)	1,299,347
			Add/(less) non-cash items			
9,295,889	8,185,866	7,037,212	Depreciation and amortisation	1,250,114	1,116,451	1,038,075
(191,418)	3,372,794	152,248	Deferred tax movement	-	-	-
(522,000)	48,000	745,000	Investment property: unrealised (gain)/loss	(522,000)	48,000	745,000
(2,552,869)	-	-	Vested asset- Pukeiti	(2,552,869)	-	-
10,241,767	7,893,580	10,752,882		1,113,572	617,512	3,082,421
			Add/(less) movements in assets and liabilities			
607,206	(845,139)	1,279,460	Trade and other receivables	(130,484)	311,234	(523,677)
35,205	249,004	(424,123)	Prepayments	10,687	(62,367)	(21,931)
37,323	(195,040)	(173,542)	Inventories	30,751	57,758	(107,632)
228,588	68,909	(422,770)	Work in progress—current liability	228,588	68,909	(422,770)
(94,344)	324,468	(8,130)	Work in progress—current asset	(94,344)	324,468	(8,130)
201,237	(407,158)	365,653	Trade and other payables	312,493	89,841	271,689
341,074	(162,822)	392,869	Employee entitlements	140,295	46,803	106,239
143,742	186,360	352,624	Taxation payable	-	-	-
			Add/(less) investing activity items			
(32,085)	(340,322)	982,140	(Profit)/loss on sale of assets (net)	(27,566)	(47,702)	(38,915)
(24,000)	24,000	-	Movement in fixed asset debtors	-	-	-
(26,856)	1,115,864	(251,450)	Movement in fixed asset creditors	-	-	-
11,658,857	7,911,704	12,845,613	Cash inflow from operating activities	1,583,992	1,406,456	2,337,294

24. FINANCIAL INSTRUMENTS

Taranaki Regional Council has a series of policies to manage the risks associated with financial instruments. Taranaki Regional Council is risk averse and seeks to minimise exposure from its treasury activities. Taranaki Regional Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

The finance department of Port Taranaki Ltd provides treasury services to the Company, monitoring and reviewing financial risk through internal management reporting. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company seeks to minimise the effects of these risks by adhering to a treasury policy reviewed annually by the Company's board of directors. The treasury policy provides written guidelines on foreign exchange risk, interest rate risk and credit risk. All surplus funds are applied against Company borrowings.

The Company does not enter into, or trade financial instruments, including derivative financial instruments for speculative purposes.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets. The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

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

The Act requires the Council to make adequate and effective provision in its long-term council community plan (LTCCP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's 2009/2019 Long-Term Council Community Plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

The Council has the following Council created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

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

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

The capital structure of Port Taranaki Ltd consists of debt, which includes the borrowings disclosed in Note 17, and equity attributable to the shareholder, comprising issued capital, reserves and retained earnings as disclosed in Note 18.

Port Taranaki Ltd's board of directors monitors and reviews the capital structure annually through the statement of corporate intent process and treasury policy review. Part of this review includes adherence to bank covenant requirements, which have capital requirements in relation to debt to equity ratios. Through these two processes the Company seeks to balance the growth objectives of the Company with the Company's dividend policy objective. Due to the strength of the Company's balance sheet all new business ventures of the Company can currently be debt funded.

CATEGORIES OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are as follows:

Group			Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Financial assets					
Loans and receivables					
Foreign currency bank balances					
-	12,408	19,362	-	-	-
-	12,408	19,362	-	-	-
Term deposits					
500,000	4,800,000	5,800,000	500,000	4,800,000	5,800,000
500,000	4,800,000	5,800,000	500,000	4,800,000	5,800,000
Cash and cash equivalents					
5,400,233	2,790,905	3,377,588	2,405,635	2,349,807	3,209,568
5,400,233	2,790,905	3,377,588	2,405,635	2,349,807	3,209,568
Trade and other receivables					
6,783,957	7,387,426	6,847,162	2,315,487	2,185,003	2,496,237
6,783,957	7,387,426	6,847,162	2,315,487	2,185,003	2,496,237
Held-to-maturity					
Corporate bonds					
12,957,975	9,236,075	7,089,772	12,957,975	9,236,075	7,089,772
13,574,732	9,566,650	7,256,616	13,574,732	9,566,650	7,256,616
Financial liabilities					
Trade and other payables					
4,451,858	4,585,651	5,268,052	1,985,640	1,673,147	1,583,306
4,451,858	4,585,651	5,268,052	1,985,640	1,673,147	1,583,306
Provisions					
3,501,605	3,160,531	3,323,353	1,287,848	1,147,553	1,100,750
3,501,605	3,160,531	3,323,353	1,287,848	1,147,553	1,100,750
Interest bearing loans					
35,934,746	39,620,865	40,557,317	-	-	-
36,600,832	39,852,692	40,551,998	-	-	-

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Cash and cash equivalents, foreign currency balances, receivables, term deposits, and short term payables and accruals: The carrying value of these items is equivalent to the fair value. Corporate bonds were independently valued to their market value by Bank of New Zealand as at 30 June 2011.

Interest bearing loans: The fair value of the current loans and term loans are estimated based upon the market prices available for similar debt securities obtained from the lender at balance date.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The finance departments of the Council and of Port Taranaki provide treasury services, monitoring and reviewing financial risk through internal management reporting. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by adhering to a treasury policy reviewed by the Council and Port Taranaki's board of directors respectively. The treasury policy provides written guidelines on foreign exchange risk, interest rate risk and credit risk. All Port Taranaki's surplus funds are applied against borrowings.

The Group does not enter into, or trade financial instruments, including derivative financial instruments for speculative purposes.

MARKET RISK

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Taranaki Regional Council is not exposed to equity securities price risk on its investments. Taranaki Regional Council holds unlisted equity instruments in Port Taranaki Ltd and New Zealand Local Government Insurance Corporation Ltd.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Taranaki Regional Council is not exposed to currency risk, as it does not enter into foreign currency transactions. Port Taranaki Ltd's activities expose it to foreign exchange risk when capital assets are purchased in foreign currency. At balance sheet date the foreign currency exposure was limited to foreign currency bank balances listed in Categories of financial instrument above.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Taranaki Regional Council to fair value interest rate risk. The Council has no such exposure. The Council has interest rate risk on its term deposit and corporate bond investments as they are fixed interest and they are all held to maturity.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings do not expose Taranaki Regional Council to cash flow interest rate risk as the Council has no borrowings. Investments (term deposits and corporate bonds) are issued at fixed interest rates and therefore do not expose Taranaki Regional Council to cash flow interest rate risk.

Port Taranaki Ltd's activities expose it to interest rate movement risk principally, and occasionally to foreign exchange risk when capital assets are purchased in foreign currency. These risks are minimised by adherence to Port Taranaki Ltd's treasury risk policy which endeavours to minimise risk by:

- i) Ensuring a minimum of 50% of Port Taranaki Ltd's interest bearing debt is fixed term or fixed by way of financial derivative.
- ii) Ensuring that any capital asset purchase of \$250,000 or greater sourced in foreign currency is fully hedged within two days of unconditional purchase.

There are no interest rate swaps or forward rate agreements that have been entered into at balance sheet date.

As at 30 June 2011, if interest rates at that date had been 100 basis points lower with all other variables held constant, Port Taranaki Ltd's post-tax profit for the year and equity would have been \$4,500 (2009/2010 – \$5,500) higher, arising as a result of lower interest expense on average variable borrowings. If interest rates had been 100 basis points higher, with all other variables held constant post-tax profit and equity would have been \$4,500 (2009/2010 – \$5,500) lower, arising as a result of higher interest expense on variable borrowings. Profit is equally sensitive to interest rate decreases as increases. The sensitivity is lower in 2011 than in 2010 due to lower average variable interest rate borrowings.

CREDIT RISK MANAGEMENT

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group 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. The maximum exposure to credit risk is the carrying value of financial assets.

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.

No security is held on any of the above amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 2009/2019 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. 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 2010/2011

	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	1,985,640	-	-	-	-	-	1,985,640
Provisions (Council)	0	57,581	141,583	605,251	58,175	425,258	-	1,287,848
Trade and other payables (Port)	0	2,466,218	-	-	-	-	-	2,466,218
Provisions (Port)	0	98,980	243,376	1,040,401	100,000	731,000	-	2,213,757
Fixed interest rate instruments (Port)	5.550	190,139	299,485	-	37,758,358	-	(2,258,358)	35,989,624
Total		4,798,558	684,444	1,645,652	37,916,533	1,156,258	(2,258,358)	43,943,087

INTEREST RISK TABLE FINANCIAL LIABILITIES 2009/2010

	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	1,673,147	-	-	-	-	-	1,673,147
Provisions (Council)	0	52,683	106,022	548,178	57,008	383,662	-	1,147,553
Trade and other payables (Port)	0	2,761,596	186,505	-	569,000	513,000	-	4,030,101
Provisions (Port)	0	92,414	185,978	961,586	100,000	673,000	-	2,012,978
Fixed interest rate instruments (Port)	5.542	190,139	129,403	-	43,944,221	-	(4,544,221)	39,719,542
Variable interest rate instruments (Port)	4.200	900,104	-	-	-	-	-	900,104
Total		5,670,083	607,908	1,509,764	44,670,229	1,569,662	(4,544,221)	49,483,424

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
Provisions (Council)	0	50,534	101,698	525,821	54,683	368,014	-	1,100,750
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
Total		5,518,608	101,698	20,989,851	23,571,205	368,014	(3,480,574)	47,068,802

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Interest risk tables - Financial assets

The following table details the 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 2010/2011

	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	2,405,635	-	-	-	-	-	2,405,635
Current portion of investments (Council)	various*	-	-	-	-	-	-	-
Trade and other receivables (Council)		2,315,487	-	-	-	-	-	2,315,487
Non current portion of investments								
Investments (Council)	various*	-	-	-	7,190,543	6,267,432	-	13,457,975
Cash and cash equivalents (Port)	variable	2,994,598	-	-	-	-	-	2,994,598
Trade and other receivables (Port)	0	4,468,470	-	-	-	-	-	4,468,470
Total		12,184,190	-	-	7,190,543	6,267,432	-	25,642,165

* Weighted average effective interest rate is disclosed in Note 11.

INTEREST RISK TABLE FINANCIAL ASSETS 2009/2010

	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	2,349,807	-	-	-	-	-	2,349,807
Current portion of investments (Council)	various*	-	922,750	7,427,372	-	-	-	8,350,122
Trade and other receivables (Council)		2,185,003	-	-	-	-	-	2,185,003
Non current portion of investments								
Investments (Council)	various*	-	-	-	5,685,953	-	-	5,685,953
Cash and cash equivalents (Port)	variable	441,124	-	-	-	-	(26)	441,098
Trade and other receivables (Port)	0	5,304,999	-	-	-	-	-	5,304,999
Total		10,280,933	922,750	7,427,372	5,685,953	-	(26)	24,316,982

* Weighted average effective interest rate is disclosed in Note 11.

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)	various*	-	1,023,896	3,000,000	-	-	-	4,023,896
Trade and other receivables (Council)	0	2,496,237	-	-	-	-	-	2,496,237
Investments (Council)								
Cash and cash equivalents (Port)	various*	-	-	-	4,848,252	4,017,623	-	8,865,875
Trade and other receivables (Port)	variable	168,029	-	-	-	-	(9)	168,020
Loan Jebsens fixed interest rate (Port)	0	4,459,996	-	-	-	-	-	4,459,996
Total		10,333,830	1,023,896	3,000,000	4,848,252	4,017,623	(9)	23,323,592

* Weighted average effective interest rate is disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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		
	2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
Harbourmaster services	27,500	27,500	26,500
Other Port services	9,768	16,510	10,255
Purchases of goods and services from subsidiary	37,268	44,010	36,755
Dividend received from Port Taranaki Ltd	1,850,000	1,900,076	3,900,000
Unauthorised incident-dust discharge on reclamation site	-	-	338
Resource consent application fees	1,446	-	-
Oil spill onto Blyde wharf & into sea	-	650	-
Resource consent compliance monitoring programme	11,620	4,982	26,021
Land lease rental	21,300	21,300	21,300
Sales of goods and services to subsidiary	34,366	26,932	47,659
Accounts payable	-	-	3,165
Accounts receivable	-	3,737	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. These transactions are of an immaterial amount both individually and collectively.

Port Taranaki Limited has no subsidiaries. (2009/2010 – Port Taranaki Limited owned 100% of Greyport Terminals Company Limited (GTC) until 9 November 2009 when it was formally removed from the Companies register and had 75% effective ownership of West Coast Coal Company Limited (WCCC) through its direct holding in WCCC and via its 100% ownership of GTC until 28 August 2009 when it was formally removed from the Companies register.)

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. Councillor 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		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
3,573,807	3,504,103	2,844,222	Salaries and other short term employee benefits	1,458,398	1,396,452	1,342,115
9,000	(155,000)	21,000	Post employment benefits	-	-	-
4,000	5,000	11,000	Other long term benefits	-	-	-
-	236,043	-	Termination benefits	-	-	-

Port Taranaki Limited paid a fee of \$9,750 to Mr R. N. Taylor (a director of Port Taranaki Limited) during the year for economic consulting services. (2009/2010 – Post employment, goods with a market value of \$27,000, were sold to a retired employee at market value).

26. DEFINED BENEFIT PLAN

Port Taranaki Ltd 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. Similarly, if a number of employers ceased to participate in the Scheme, the Group could be responsible for an increased share of the deficit.

As at 30 June 2011, the multi-employer defined benefit plan with National Provident Fund (NPF) entitles 1 employee (2009/2010 – 1) to retirement benefits. No other post retirement plans are provided by Port Taranaki Ltd. The total expenses recognised in the Statement of Comprehensive Income of \$3,226 (\$14,989) represents contributions paid to the plan. Port Taranaki Ltd 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 or to allocate the plan across all participants on a meaningful basis.

As at 31 March 2010, the Scheme had a past service surplus of \$43.6 million (\$15.321 million), 18.2% (5.7%) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

27. PRINCIPAL ACTIVITIES

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

Port Taranaki Ltd facilitates export and import activities through Port Taranaki.

28. COMMITMENTS AND CONTINGENCIES

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
			Commitments			
287,296	505,521	1,458,044	Capital commitments approved and contracted	287,296	442,521	58,044
287,296	505,521	1,458,044	Total commitments	287,296	442,521	58,044
			Non cancellable operating lease commitments			
			Lease commitments due as follows:			
92,331	127,846	220,770	Within 1 year	-	-	-
53,250	74,550	184,935	Between 1-5 years	-	-	-
-	-	10,650	Greater than 5 years	-	-	-
145,581	202,396	416,355	Total operating lease commitments	-	-	-
234,392	227,581	220,770	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 2011 (Nil – 2009/2010).

Pursuant to the Waitara Harbours Act 1940, the Council has an interest in 180ha of New Plymouth District Council owned Waitara Harbour endowment lands. In the event of the sale of part or all of these lands by the New Plymouth District Council, the Council has a contingent asset. At this stage, the value is uncertain.

Port Taranaki Limited 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 Company could be responsible for an increased share of the deficit.

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 2009/2010 and 2010/2011 years.

The property rental income earned by the Council from its investment property, all of which is leased out under operating leases, amounts to \$885,321 (2009/2010 – \$522,984). Direct operating expenses arising on the investment property in the period amounted to \$6,417 (2009/2010 – \$9,630).

Group				Council		
2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$		2010/2011 Actual \$	2009/2010 Actual \$	2008/2009 Actual \$
			Non-cancellable operating lease receivables			
			Lease commitments due as follows:			
2,368,068	2,655,351	2,097,492	Not later than one year	411,131	226,644	470,529
6,179,679	4,838,543	4,338,307	Later than one year and not later than five years	2,664,649	1,580,478	1,056,840
10,740,928	8,732,290	8,264,840	Later than five years	3,075,780	1,807,122	1,236,090