

FINANCIAL STATEMENTS

The following pages present the financial results of the Council for the 2006/2007 year compared against the budgets set in the *2006/2016 Long-Term Council Community Plan* and the results achieved in 2005/2006. In particular, the following information is presented:

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

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

Group		Notes	Council		
2006/2007 Actual \$	2005/2006 Actual \$		2006/2007 Actual \$	2006/2007 Budget \$	2005/2006 Actual \$
Cost of services					
493,292	405,153		493,292	643,459	405,153
433,153	437,261		433,153	432,903	437,261
2,792,638	2,690,203		2,792,638	2,805,268	2,690,203
1,753,639	1,507,740		1,753,639	2,131,950	1,507,740
452,276	384,585		452,276	454,845	384,585
1,035,985	864,446		1,071,415	1,051,410	886,560
1,374,126	1,371,794		1,374,126	1,459,463	1,371,794
1,849,347	1,768,414		1,849,347	1,916,370	1,768,414
773,694	384,129		773,694	863,892	384,129
1,097,816	961,997		1,097,816	1,014,127	961,997
29,445,121	26,239,054		-	-	-
41,501,087	37,014,776		12,091,396	12,773,687	10,797,836
Income					
5,273,975	4,274,560		5,273,975	5,273,975	4,274,560
747,800	627,274		747,800	746,160	627,274
2,687,003	2,487,806		2,722,469	3,056,084	2,514,719
542,925	409,960		542,925	456,800	409,960
126	-		1,000,126	800,000	840,000
1,576,265	1,712,134		1,597,565	1,659,687	1,722,784
1,955,000	65,000		1,955,000	680,250	65,000
36,915,467	29,908,240		-	-	-
49,698,561	39,484,974		13,839,860	12,672,956	10,454,297
8,197,474	2,470,198		1,748,464	(100,731)	(343,539)
-	-		-	-	-
8,197,474	2,696,430		1,748,464	(100,731)	(343,539)
2,672,342	1,420,756	5	-	-	-
5,525,132	1,049,442	3, 4	1,748,464	(100,731)	(343,539)

Included in Total operating expenditure above is:

Group		Notes	Council		
2006/2007 Actual \$	2005/2006 Actual \$		2006/2007 Actual \$	2006/2007 Budget \$	2005/2006 Actual \$
1,549,239	1,570,521		-	-	-

The variance between the actual net operating surplus and that budgeted for is explained in detail in Note 4.

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 2007

Group			Council		
2006/2007	2005/2006		2006/2007	2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Budget \$	Actual \$
105,995,511	104,865,069	Public equity as at 1 July	64,208,941	65,008,155	64,471,480
5,525,132	1,049,442	Surplus/(deficit) after tax	1,748,464	(100,731)	(343,539)
84,000	81,000	Increase in asset revaluation reserves	84,000	-	81,000
5,609,132	1,130,442	Total recognised revenue and expenses	1,832,464	(100,731)	(262,539)
111,604,644	105,995,511	Public equity as at 30 June	66,041,406	64,907,424	64,208,941

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 2007

Group		Notes	Council		
2006/2007 Actual \$	2005/2006 Actual \$		2006/2007 Actual \$	2006/2007 Budget \$	2005/2006 Actual \$
Current assets					
3,940,979	4,503,596	7	3,724,182	633,957	4,370,921
2,059,336	3,033,725	12	2,059,336	-	3,033,725
6,373,272	5,872,958	8	1,642,207	1,200,000	1,424,227
203,746	250,867	9	67,812	-	77,019
41,722	154,243		21,545	100,000	63,318
210,473	-	30	210,473	-	-
12,829,528	13,815,389		7,725,555	1,933,957	8,969,210
Non current assets					
117,761,444	102,106,674	10	9,291,713	9,757,129	9,063,080
1,140,839	907,428	11	939,384	600,000	640,022
11,374,630	9,494,693	12	37,374,630	40,481,093	35,494,693
14,035,000	12,080,000	13	14,035,000	14,285,245	12,080,000
586,825	-	15	-	-	-
501,923	1,193,918	6	-	-	-
145,400,661	125,782,713		61,640,727	65,123,467	57,277,795
158,230,189	139,598,101		69,366,282	67,057,424	66,247,004
Current liabilities					
5,891,257	4,635,904	16	1,944,871	1,000,000	995,493
1,159,965	720,099	17	540,965	700,000	445,099
449,246	187,601	30	449,246	-	187,601
33,800,000	3,000,000	18	-	-	-
467,283	380,116	5	-	-	-
41,767,751	8,923,720		2,935,082	1,700,000	1,628,193
Non current liabilities					
1,357,794	1,678,870	17	389,794	450,000	409,870
3,500,000	23,000,000	18	-	-	-
4,857,794	24,678,870		389,794	450,000	409,870
46,625,545	33,602,590		3,324,876	2,150,000	2,038,063
Public equity					
78,347,652	71,452,630	19	54,665,351	52,987,734	51,546,998
10,669,249	12,039,138	19	10,669,249	9,877,889	12,039,138
22,587,743	22,503,743	19	706,806	2,041,801	622,806
111,604,644	105,995,511	19	66,041,406	64,907,424	64,208,941
158,230,189	139,598,101		69,366,282	67,057,424	66,247,004

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 2007

Group			Council		
2006/2007	2005/2006	Notes	2006/2007	2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Budget \$	Actual \$
Cash flow from operating activities					
Cash was provided from:					
6,021,775	4,901,834		6,021,775	6,020,135	4,901,834
1,121,472	1,376,765		1,108,062	116,787	1,068,300
126	-		1,000,126	800,000	840,000
44,827,468	31,411,290		3,581,991	4,055,784	3,487,614
51,970,841	37,689,889		11,711,954	11,992,706	10,297,748
Cash was applied to:					
36,975,308	29,743,478		9,720,523	11,414,361	9,923,043
1,893,180	647,897		-	-	-
475,533	500,291		475,533	320,000	301,749
1,545,721	1,417,549		-	-	-
40,889,742	32,309,215		10,196,056	11,734,361	10,224,792
11,081,099	5,380,674	24	1,515,898	258,345	72,956
Cash flow from investing activities					
Cash was provided from:					
-	4,076,675		-	-	4,076,675
-	1,498,000		-	-	-
159,328	137,038		112,424	187,500	137,038
159,328	5,711,713		112,424	187,500	4,213,713
Cash was applied to:					
905,548	-		905,548	-	-
624,985	-		-	-	-
1,107,578	236,014		-	-	-
20,464,932	13,358,006		1,369,513	1,686,500	2,044,847
23,103,043	13,594,020		2,275,061	1,686,500	2,044,847
(22,943,715)	(7,882,307)		(2,162,637)	(1,499,000)	2,168,866
Cash flow from financing activities					
Cash was provided from:					
11,300,000	4,700,000		-	-	-
11,300,000	4,700,000		-	-	-
Cash was applied to:					
-	-		-	-	-
-	-		-	-	-
-	-		-	-	-
11,300,000	4,700,000		-	-	-
(562,616)	2,198,367		(646,739)	(1,240,655)	2,241,822
4,503,595	2,305,228		4,370,921	1,874,612	2,129,099
3,940,979	4,503,595	7	3,724,182	633,957	4,370,921

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 2007

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 2007. The financial statements were authorised for issue by Council on 19 September 2007.

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 Council and Group changed its accounting policies on 1 July 2006 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards", with 1 July 2005 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the Council's and Group's financial position, financial performance and cash flows is discussed in Note 2.

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.

STANDARDS AND INTERPRETATION ISSUED AND NOT YET ADOPTED

In the current year the Council has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Council's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Property, plant and equipment
- Accounting for income tax
- Investment property
- Receivables
- Provisions

The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1. Additional information is contained in note 2 of the financial statements and in the accounting policy below.

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

- Amendments to NZ IFRS 4 and IFRS 4 Appendices C and D.

- Amendments to NZ IAS 36 Impairment of Assets - Impairment of Non Cash Generating Assets by Public Benefit Entities.
- Amendments to NZ IAS 39 and IAS 39 Financial Instruments: Recognition and Measurement.
- Amendments to NZ IFRIC 4 and IFRIC 4 Determining Whether an Arrangement contains a Lease.
- Amendments to NZ IFRIC 5 and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration Environmental Rehabilitation Funds.

All standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2007.

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

SIGNIFICANT ACCOUNTING POLICIES

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

SUBSIDIARIES

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

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

ASSOCIATES

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

BASIS OF CONSOLIDATION

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

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

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

REVENUE

Revenue is measured at the fair value of consideration received.

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

Other revenue. Government grants are assistance by the government in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to operating activities. Government grants

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FOR THE YEAR ENDED 30 JUNE 2007

include government assistance where there are no conditions specifically relating to the operating activities of the Council other than the requirement to operate in certain regions or industry sectors. Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

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

Sales of goods and services are recognised when the Council has transferred to the buyer the significant risks and rewards of ownership of the goods or services. The recorded revenue is the gross amount of the sale, including fees payable for the transaction. Such fees are included in other expenses.

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

Interest income is recognised using the effective interest method.

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

INCOME TAX

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

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

Deferred tax is provided using the comprehensive balance sheet liability method, providing 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 temporary differences are recognised when realisation is probable and that temporary differences will not reverse in the foreseeable future. Deferred taxation liabilities attributable to temporary differences are amounts of income taxes payable in future periods, and recognised when realisation is probable. 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.

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

FOREIGN CURRENCY

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

INVENTORIES

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

The write down from cost to net realisable value is recognised in the statement of financial performance.

FINANCIAL INSTRUMENTS

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.

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

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

Other investments. Investments other than held-to-maturity are classed as available-for-sale and are stated at cost. Assets designated as available-for-sale, such as shares in Port Taranaki Ltd and NZ Local Government Insurance Corporation Limited, are measured at cost because they don't have a quoted market price in an active market.

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

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

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

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

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

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

IMPAIRMENT OF ASSETS

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

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Port Taranaki Ltd estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

PROPERTY, PLANT AND EQUIPMENT

These assets consist of:

- Operational assets. These include land, buildings, motor vehicles, plant & equipment, office furniture, computer equipment and improvements.
- Infrastructure assets. These are fixed utility systems owned by the Regional Council such as the Waitara and 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. Certain items of property, plant and equipment, namely land and floating plant, have been revalued to fair value on or prior to 1 July 2005, the date of transition to NZ IFRS, and are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

VALUATION.

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

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

decrease of the same class of assets previously recognised in the *Statement of Financial Performance*. A net revaluation decrease for a class of assets is recognised in the *Statement of Financial Performance*, except to the extent that it reverses a revaluation increase previously recognised in the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of the same class of asset.

DEPRECIATION

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

Buildings	5 to 50 yrs	2 to 20%
Motor vehicles	5 yrs	20%
Plant and equipment	2.5 to 25 yrs	4 to 40%
Office furniture and fittings	5 to 10 yrs	10 to 20%
Computer equipment	3 to 5 yrs	20 to 33%
Port installations	5 to 66 yrs	0.67 to 20%
Floating plant	3 to 25 yrs	4 to 33%
Resource consents	25 yrs	4%
Maintenance dredging	2 yrs	50%
Capital dredging	50 yrs	2%

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

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

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

INTANGIBLE ASSETS

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

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

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

INVESTMENT PROPERTY

Investment properties which are held to earn rental income and/or for capital appreciation are stated at fair value. An external, independent valuer revalues investment property portfolio on an annual basis. Any gain or loss arising from a change in the fair value of investment property is recognized 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

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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 Ltd has two employees on a defined benefit plan. The Scheme is a multi-employer defined benefit scheme. The Scheme's Administrator has advised that insufficient information is available to assess with accuracy the extent of over or under funding. Therefore the scheme is accounted for as a defined contribution scheme and no liability is provided.

PROVISIONS

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

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

ACC PARTNERSHIP PROGRAMME

As a port operator, Port Taranaki Ltd is liable to pay residual claims levies to the ACC. The ACC actuary advises that the residual claims fund is expected to be fully funded by 2014. A provision is made at balance date reflecting the estimated amount payable through to 2014 based upon current residual levy rates. The assessed figure is discounted at the 10 year government bond rate to determine the final provision.

BORROWINGS

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

EQUITY

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

The components of equity are:

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

GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

BUDGET FIGURES

The budget figures are those approved by the Council at the beginning of the year in the long-term council community plan or annual plan. The budget figures

have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Taranaki Regional Council for the preparation of the financial statements.

OVERHEAD ALLOCATIONS

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

BORROWING COSTS

The Council recognises as an expense within the *Statement of Financial Performance* all borrowing costs incurred, with the exception of interest costs incurred during construction/assembly of major capital projects, where the interest costs incurred for the asset or project exceed \$50,000 in which case they are capitalised as part of the cost of the asset.

OPERATING LEASE PAYMENTS

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

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

STATEMENT OF CASH FLOWS

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

2. TRANSITION TO NZ IFRS

The Taranaki Regional Council Group changed its accounting policies on 1 July 2006 to comply with *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* (NZ IFRS). The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, with 1 July 2005 as the date of transition.

EXEMPTIONS FROM FULL RETROSPECTIVE APPLICATION ELECTED BY TARANAKI REGIONAL COUNCIL

Taranaki Regional Council group has elected to apply the following optional exemption from full retrospective application:

Business combinations exemption: The Taranaki Regional Council group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 July 2005 transition date.

As permitted under NZ IFRS 1 Port Taranaki Ltd has elected to treat the revalued amount of floating plant and equipment as deemed cost at date of transition. Mandatory exceptions to retrospective application of other New Zealand equivalents to IFRSs under NZ IFRS 1 paragraph 26 do not result in an impact on the NZ IFRS opening balance sheet of Port Taranaki Ltd.

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

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

EFFECT OF NZ IFRS

The following tables show the Council's and consolidated group's financial position, financial performance and cash flows from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION—COUNCIL

	Notes	Previous NZGAAP 1 July 2005 \$	Effect on transition to NZIFRS 1 July 2005 \$	NZIFRS 1 July 2005 \$	Previous NZGAAP 30 June 2006 \$	Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$
Assets							
Cash and cash equivalents		2,129,099	-	2,129,099	4,370,921	-	4,370,921
Current portion of investments	l	-	-	-	3,033,725	-	3,033,725
Trade and other receivables	h	1,123,002	45,871	1,168,873	1,378,356	45,871	1,424,227
Taxation refundable		-	-	-	-	-	-
Inventories		-	-	-	77,019	-	77,019
Prepayments		91,823	-	91,823	63,318	-	63,318
Work-in-progress	m	-	-	-	-	-	-
Total current assets		3,343,924	45,871	3,389,795	8,923,339	45,871	8,969,210
Non current assets							
Property, plant and equipment	a	8,556,386	-384,369	8,172,017	9,703,102	-640,022	9,063,080
Intangible assets	a	-	384,369	384,369	-	640,022	640,022
Investments	l	42,605,093	-	42,605,093	35,494,693	-	35,494,693
Investment property		12,015,000	-	12,015,000	12,080,000	-	12,080,000
Investment in associates		-	-	-	-	-	-
Loan—Jebsens		-	-	-	-	-	-
Deferred tax asset		-	-	-	-	-	-
Total non current assets		63,176,479	-	63,176,479	57,277,795	-	57,277,795
Total assets		66,520,403	45,871	66,566,274	66,201,134	45,871	66,247,004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Previous NZGAAP 1 July 2005 \$	Effect on transition to NZIFRS 1 July 2005 \$	NZIFRS 1 July 2005 \$	Previous NZGAAP 30 June 2006 \$	Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$
Current liabilities							
Trade and other payables		883,435	-	883,435	995,493	-	995,493
Provisions		-	-	-	-	-	-
Employee entitlements	b, e	670,982	137,773	808,755	316,599	128,500	445,099
Work-in-progress	m	-	-	-	187,601	-	187,601
Borrowings		-	-	-	-	-	-
Taxation payable		-	-	-	-	-	-
Total current liabilities		1,554,417	137,773	1,692,190	1,499,693	128,500	1,628,193
Non current liabilities							
Provisions		-	-	-	-	-	-
Employee entitlements	b, e	402,604	-	402,604	409,870	-	409,870
Borrowings		-	-	-	-	-	-
Total non current liabilities		402,604	-	402,604	409,870	-	409,870
Total liabilities		1,957,021	137,773	2,094,794	1,909,563	128,500	2,038,063
Public equity							
Retained earnings	k	42,824,763	7,577,598	50,402,361	43,895,127	7,651,871	51,546,998
Reserves		13,527,313	-	13,527,313	12,039,138	-	12,039,138
Asset revaluation reserves	c	8,211,306	-7,669,500	541,806	8,357,306	-7,734,500	622,806
Total public equity		64,563,382	-91,902	64,471,480	64,291,571	-82,629	64,208,941
Total liabilities and equity		66,520,403	45,871	66,566,274	66,201,134	45,871	66,247,004

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION—GROUP

	Notes	Previous NZGAAP 1 July 2005 \$	Effect on transition to NZIFRS 1 July 2005 \$	NZIFRS 1 July 2005 \$	Previous NZGAAP 30 June 2006 \$	Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$
Assets							
Cash and cash equivalents		2,305,228	-	2,305,228	4,503,596	-	4,503,596
Current portion of investments	l	-	-	-	3,033,725	-	3,033,725
Trade and other receivables	g, h	3,781,165	45,871	3,827,036	5,671,980	200,978	5,872,958
Loan		1,498,000	-	1,498,000	-	-	-
Taxation refundable		776,360	-	776,360	-	-	-
Inventories		156,451	-	156,451	250,867	-	250,867
Prepayments		110,944	-	110,944	154,243	-	154,243
Work-in-progress	m	-	-	-	-	-	-
Total current assets		8,628,148	45,871	8,674,019	13,614,411	200,978	13,815,389
Non current assets							
Property, plant and equipment	a	95,579,141	-828,236	94,750,905	103,014,102	-907,428	102,106,674
Intangible assets	a	-	828,236	828,236	-	907,428	907,428
Investments	l	16,605,093	-	16,605,093	9,494,693	-	9,494,693
Investment property		12,015,000	-	12,015,000	12,080,000	-	12,080,000
Investment in associates		-	-	-	-	-	-
Loan—Jebsens		-	-	-	-	-	-
Deferred tax asset	d	373,290	437,010	810,300	816,388	377,530	1,193,918
Total non current assets		124,572,524	437,010	125,009,534	125,405,183	377,530	125,782,713

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Previous NZGAAP 1 July 2005 \$	Effect on transition to NZIFRS 1 July 2005 \$	NZIFRS 1 July 2005 \$	Previous NZGAAP 30 June 2006 \$	Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$
Total assets		133,200,672	482,881	133,683,553	139,019,594	578,508	139,598,101
Current liabilities							
Trade and other payables	e	4,044,883	-	4,044,883	3,864,645	771,259	4,635,904
Provisions		-	-	-	-	-	-
Employee entitlements	b, e	1,608,945	107,158	1,716,103	1,327,380	-606,381	720,999
Work-in-progress	m	-	-	-	187,601	-	187,601
Borrowings		10,300,000	-	10,300,000	3,000,000	-	3,000,000
Taxation payable		-	-	-	380,116	-	380,116
Total current liabilities		15,953,828	107,158	16,060,986	8,758,842	164,878	8,923,720
Non current liabilities							
Provisions		-	-	-	-	-	-
Employee entitlements	b, e	402,604	1,354,895	1,757,499	409,870	1,269,000	1,678,870
Borrowings		11,000,000	-	11,000,000	23,000,000	-	23,000,000
Total non current liabilities		11,402,604	1,354,895	12,757,499	23,409,870	1,269,000	24,678,870
Total liabilities		27,356,432	1,462,053	28,818,485	32,168,712	1,433,878	33,602,590
Public equity							
Retained earnings	k	59,525,227	9,389,784	68,915,011	61,874,042	9,578,588	71,452,630
Reserves		13,527,313	-	13,527,313	12,039,138	-	12,039,138
Asset revaluation reserves	c, f	32,791,700	-10,368,957	22,422,743	32,937,700	-10,433,957	22,503,743
Total public equity		105,844,240	-979,173	104,865,067	106,850,880	-855,369	105,995,511
Total liabilities and equity		133,200,672	482,880	133,683,552	139,019,594	578,509	139,598,101

RECONCILIATION OF SURPLUS FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Previous NZGAAP 30 June 2006 \$	Council Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$	Group Previous NZGAAP 30 June 2006 \$	Group Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$
Cost of services							
Policy and planning	b	405,391	-238	405,153	405,391	-238	405,153
Civil defence emergency management	b	437,356	-95	437,261	437,356	-95	437,261
Resource consents	b	2,696,190	-5,987	2,690,203	2,696,190	-5,987	2,690,203
Land management	b	1,508,982	-1,242	1,507,740	1,508,982	-1,242	1,507,740
River control and flood protection	b	384,645	-60	384,585	384,645	-60	384,585
Land transport and harbour management	b	886,652	-92	886,560	864,538	-92	864,446
Resource investigations, monitoring & enhancement	b	1,372,061	-267	1,371,794	1,372,061	-267	1,371,794
Pest management	b	1,768,955	-541	1,768,414	1,768,955	-541	1,768,414
Recreation, culture and heritage	b	384,870	-741	384,129	384,870	-741	384,129
Regional representation, information & investments	b	962,007	-10	961,997	962,007	-10	961,997
Port operations	e	-	-	-	26,257,957	-18,903	26,239,054
Total operating expenditure		10,807,109	-9,273	10,797,836	37,042,952	-28,176	37,014,776

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Council			Group		
		Previous NZGAAP 30 June 2006 \$	Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$	Previous NZGAAP 30 June 2006 \$	Effect on transition to NZIFRS 30 June 2006 \$	NZIFRS 30 June 2006 \$
Income							
General rates revenue		4,274,560	-	4,274,560	4,274,560	-	4,274,560
Targeted rates revenue		627,274	-	627,274	627,274	-	627,274
Direct charges	m	2,514,719	-	2,514,719	2,487,806	-	2,487,806
Government grants		409,960	-	409,960	409,960	-	409,960
Dividends		840,000	-	840,000	-	-	-
Other investment income		1,722,784	-	1,722,784	1,712,134	-	1,712,134
Investment property: unrealised gain	c	-	65,000	65,000	-	65,000	65,000
Port operations	g	-	-	-	29,753,133	155,107	29,908,240
Total operating income		10,389,297	65,000	10,454,297	39,264,867	220,107	39,484,974
Operating surplus before tax		-417,812	74,273	-343,539	2,221,915	248,283	2,470,198
Share of associate surplus/(deficit)		-	-	-	-	-	-
Surplus/(deficit) before tax		-417,812	74,273	-343,539	2,221,915	248,283	2,470,198
Taxation	i	-	-	-	-1,361,275	-59,481	-1,420,756
Surplus/(deficit) after tax		-417,812	74,273	-343,539	860,640	188,802	1,049,442

RECONCILIATION OF EQUITY AND SURPLUS—EXPLANATORY NOTES

- a) Intangible assets: Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS is \$384,369 (Group—\$828,236) and at 30 June 2006 is \$640,022 (Group—\$907,428). All major software programs in use have been reclassified from plant, property and equipment to intangibles.
- b) Employee entitlements: Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the Taranaki Regional Council to recognise employees unused sick leave entitlement that can be carried forward at balance date, to the extent that the Taranaki Regional Council anticipates it will be used by staff to cover future absences.
- c) Investment property: Movements in the value of investment property were taken to an investment property revaluation reserve under previous NZ GAAP. NZ IAS 40 requires these movements to be taken to the statement of financial performance. The investment property revaluation reserve has therefore been transferred to retained earnings. The revaluation reserve balance of \$7,669,500 (Group—\$7,669,500) at transition date and \$7,734,500 (Group—\$7,734,500) at 30 June 2006 was transferred to retained earnings.
- d) Deferred tax: Under NZ IFRS, deferred tax is recognised on all temporary differences between accounting and tax values for each asset and liability (known as the balance sheet approach) rather than accounting for the effect of timing differences between accounting and tax profits. As at 30 June 2006 a total deferred tax asset has been calculated under NZ IFRS amounting to \$1,193,918 (2005 - \$810,300) which consists of the tax effect on the temporary differences on provisions (including the revised provisions described in e) below), receivables (see note g) below) and property, plant and equipment. The deferred tax asset calculated under NZ GAAP as at 30 June 2006 amounting to \$816,388 (2005 - \$373,290) was de-established at balance date.
- e) Provisions, trade and other payables: The employee benefits figure consists of Port Taranaki Ltd's assessed non vested liability as at balance date for employee benefits both long and short term. Short term employee benefits include sick leave and the current portion of the assessed liability for ACC residual claims levy. A small increase in short term employee benefits was calculated at 30 June 2006. Long term employee benefits include a provision for retiring allowance, unvested long service leave provision and the long term portion of the assessed liability for ACC residual claims levies. The long term employee benefits with the exception of ACC residual claims levies are calculated by an external actuary and amount to \$866,000 as at 30 June 2006 (2005 - \$839,000) (Council and Group figures) whilst ACC residual claims levies provision has been assessed internally at \$403,000 as at 30 June 2006 (2005 - \$515,895) (Council and Group figures). The vested portion of holiday pay and long service leave as at 30 June 2006 amounted to \$861,258 (Council and Group figures).
- f) Asset revaluation reserve: Port Taranaki Limited has elected to use a previous NZ GAAP revaluation of floating plant before the date of transition to NZ IFRS as deemed cost at the date of revaluation, and that this deemed cost represents fair value of those assets. In future floating plant will be carried at cost or deemed cost less future impairments and depreciation. Additionally a small miscellaneous capital reserve of \$14,881 was taken to retained earnings at balance date. The effect is to reduce the value of the asset revaluation reserve at 30 June 2005 by \$2,714,338 to \$22,422,743 (Group figures) and by \$2,699,457 (2005/2006). The adjustment is taken to retained earnings.
- g) Trade receivables/revenue recognition: In accordance with NZ IAS 18 Port Taranaki Limited recognises revenue for the rendering of services when the amount :
 - can be reliably measured
 - it is probable that the economic benefits associated with the transaction will flow to the entity
 - the stage of completion of the transaction at balance date can be reliably measured and the costs incurred can be reliably measured.

Certain take or pay storage contracts fall under this policy and accordingly revenue and an associated receivable has been recognised at 30 June 2006 amounting to \$155,107.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

- h) Trade receivables: The general provision for doubtful debts is not permitted under NZ IFRS 39. The provision balance of \$45,871 at transition date and as at 30 June 2006 was transferred to retained earnings.
- i) Income tax expense: As a consequence of increased revenue in notes c) and g) above, the increased provisions, trade and other payables in e) above and decreased net employee benefits in note b) above income tax expense has increased overall in 2006 under NZ IFRS in comparison with NZ GAAP.
- j) Effect of NZ IFRS on the cash flow statement: There is no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under NZ GAAP.
- k) Retained earnings adjustment incorporates all notes above.
- l) Correction of prior period error. During the 2006/2007 financial year, it became known that \$3,033,725 of investments were actually due to be settled in the 2006/2007 financial year and therefore were current in the 2005/2006 financial year. This has been reclassified.
- m) Correction of a prior period error. In the prior year (2005/2006) revenue was not recognised until the date it was invoiced. From 2006/2007 the work is now recognised as it is completed. This resulted in compliance monitoring revenue increasing and comparatives being restated. The opening balance of 2005/2006 is impracticable to estimate. The current assets in work-in-progress relates to work performed not yet charged to the customer, and the current liability in work-in-progress relates to work invoiced in advance. The effect of this change on the financial statements is that direct charge revenue has been increased by \$226,232 to \$2,722,469 (2005/2006 reduced by \$226,232 to \$2,524,719), work-in-progress (current asset) is unchanged in 2006/2007 but in 2005/2006 this has been reduced by \$38,631 to nil and work-in-progress (current liability) is unchanged in 2006/2007 but in 2005/2006 this has been increased by \$187,601 to \$187,601.

3. OPERATING SURPLUS/(DEFICIT)

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		The net operating surplus was achieved after crediting:		
126	-	Dividends	1,000,126	840,000
1,147,546	1,439,192	Interest	1,114,160	1,130,727
53,465	96,163	Gain on sale of property, plant and equipment	53,465	96,163
		And after charging:		
15,542,777	14,361,253	Employee benefits	5,754,432	5,257,156
8,891,110	7,312,285	Cost of services	5,024,038	4,318,084
3,936,919	3,393,034	General expenses	-	-
1,549,239	1,570,521	Interest expense	-	-
60,838	56,005	Maintenance dredging	-	-
5,708,640	4,384,291	Repairs and maintenance	342,362	280,376
140,916	122,500	Directors' fees	-	-
5,752,625	5,885,399	Depreciation and amortisation	862,776	830,555
48,541	27,165	Loss on disposal of plant, property and equipment	5,694	27,165
(7,000)	10,000	Change in the provision for doubtful debts	-	-
568	-	Donations	-	-
-	1,207	Bad debts	-	-
74,826	-	Translation adjustments	-	-
141,048	84,000	Audit fees for financial statements	88,169	49,000
30,000	-	Audit fees for NZ IFRS transition	-	-
-	35,500	Audit fees for Long-Term Council Community Plan	-	35,500
5,000	56,410	Fees to auditor for taxation services	5,000	2,000
8,925	-	Fees to auditor for review of staff allegations	8,925	-

4. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The Council made a net operating surplus/(deficit) of \$1,748,464 (2005/2006—(\$343,539)) compared to a budgeted deficit, before transfers to and from reserves, of (\$100,731) (2005/2006—\$452,582). The major reasons for this variance between the actual net operating surplus and the budgeted net operating deficit are:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007	2005/2006
	Actual \$	Actual \$
Operating expenditure was less than budgeted <i>Due to in complete programmes and less riparian plant purchases than planned for.</i>	682,291	\$820,614
Rates were more than budgeted	1,640	(\$1,641)
Direct charges were less than budgeted <i>Due mainly to less riparian plant sales.</i>	(333,615)	(\$1,934)
Government grants were more than anticipated	86,125	\$39,796
Dividends were more or less than forecast <i>Better operational performance from Port Taranaki Ltd resulted in higher dividends.</i>	200,126	(\$1,560,000)
Other investment revenue was less than budgeted	(62,122)	\$68,276
Unrealised gains on investment properties were more than budgeted <i>Property valuations in New Plymouth grew by much more than the 5% budgeted for in the 2006/2016 Long-Term Council Community Plan.</i>	1,274,750	\$65,000

The 2007/2008 Annual Plan has budgeted for a net operating surplus, before transfers to and from reserves, of \$188,219 for the 2007/2008 year. The entire operating surplus is from continuing activities.

5. TAXATION

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
Income tax recognised in the Statement of Financial Performance				
1,980,347	1,804,374	Current tax expense	-	-
691,995	(383,618)	Deferred tax income on temporary differences	-	-
2,672,342	1,420,756	Income tax expense per Statement of Financial Performance	-	-
Reconciliation of operating surplus before tax and income tax expense				
8,197,474	2,696,430	Profit before taxation and subvention payment	1,748,464	(343,539)
-	-	Less subvention payment	-	-
8,197,474	2,696,430	Operating surplus before taxation	1,748,464	(343,539)
2,705,166	815,165	Income tax expense at 33%	576,993	(113,368)
-	-	Tax effect share of results of associates	-	-
571,949	466,992	Tax effect of non deductible expenses in operating surplus before taxation	-	-
(84,393)	527,100	Tax effect of non assessable income in operating surplus before taxation	(84,393)	527,100
60,318	-	Tax effect of rate change on future tax benefits	-	-
(88,098)	23,174	Prior period adjustments impacting income taxation expense	-	-
-	2,057	Other	-	-
(492,600)	(413,732)	Imputation credit adjustment	(492,600)	(413,732)
2,672,342	1,420,756	Income taxation expense per Statement of Financial Performance	-	-
Taxation refundable/(payable)				
(380,116)	776,360	Opening balance	-	-
293,180	(752,102)	Prior year tax paid/(refund)	-	-
86,936	(24,258)	Prior year adjustment	-	-
(2,067,283)	(1,780,116)	Current taxation payable	-	-
-	-	Resident withholding tax on income paid	-	-
1,600,000	1,400,000	Provisional taxation paid	-	-
(467,283)	(380,116)	Taxation refundable/(payable)	-	-
Imputation credit account				
3,897,261	3,663,096	Balance 1 July	-	-
(492,538)	(413,732)	Imputation credits attached to dividends paid during the year	-	-
1,893,180	647,897	Income tax payments (net of refunds) during the year	-	-
5,297,903	3,897,261	Balance 30 June	-	-
5,297,903	3,897,261	Imputation credits available directly and indirectly to the Council through Port Taranaki Ltd	-	-

The Council is exempt from income tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

6. DEFERRED TAX ASSET

	Depreciation/ Amortisation	Provisions/ Payables	Receivables/ Prepayments	Total
Balance 1 July 2005	46,209	762,111	1,980	810,300
Charged/(credited) to the Statement of Financial Performance	374,322	57,181	(47,885)	383,618
Balance 30 June 2006	420,531	819,292	(45,905)	1,193,918
Charged/(credited) to the Statement of Financial Performance	(700,004)	6,654	1,355	(691,995)
Balance 30 June 2007	(279,473)	825,946	(44,550)	501,923

The deferred tax asset only relates to Port Taranaki Ltd. On May 17, 2007, the New Zealand Government announced in its annual budget that the corporate tax rate of New Zealand will be reduced from 33% to 30% with effect from 1 April 2008. For Port Taranaki Ltd the reduction in tax rate will occur from 1 July 2008 which is the start of its financial year. The effect this change has had on Port Taranaki Ltd's deferred tax balance is a decrease of \$60,318. There are no income tax losses carried forward.

7. CASH AND CASH EQUIVALENTS

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
1,066,026	1,413,951	Bank	849,229	1,281,277
2,874,953	3,089,644	Call deposits	2,874,953	3,089,644
3,940,979	4,503,595	Total bank and call deposits	3,724,182	4,370,921

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

8. TRADE AND OTHER RECEIVABLES

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
5,904,586	5,445,381	Trade receivables	1,642,207	1,424,227
(9,000)	(16,000)	Provision for impairment	-	-
5,895,586	5,429,381	Net trade receivables	1,642,207	1,424,227
165,147	295,971	Other receivables	-	-
312,539	147,606	Related party receivables	-	-
6,373,272	5,872,958	Total trade and other receivables	1,642,207	1,424,227
Movement in the provision for impairment				
16,000	6,000	Balance 1 July	-	-
(7,000)	10,000	Increase/(decrease) in impairment provision recognised in the Statement of Financial Performance	-	-
9,000	16,000	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 2007 and 2006 all overdue receivables have been assessed for impairment and where necessary appropriate provisions applied. The Council does not provide for impairment on rates receivables as it has powers under the Local Government (Rating) Act 2002 to recover outstanding debts.

The average credit period on sales of goods is 42 days (53 days). Interest may be charged at commercial rates on overdue trade receivables, where notification precedes the application of the interest charges. 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 \$618,000 (\$553,000) 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 65 days (85 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 18%, 18 (17%, 15) by number of trade debtors represent 89% (82%) of the total amount of trade debtors. Only 8% (11%) of the carrying amount of trade debtors exceeded an age of 30 days overdue. The directors believe that there is no further credit provision required in excess of the provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

9. INVENTORIES

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
67,812	77,019	Plant materials	67,812	77,019
135,934	173,848	Maintenance consumables	-	-
203,746	250,867	Total inventories	67,812	77,019

10. PROPERTY, PLANT AND EQUIPMENT

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
Carrying amounts				
Council operational assets				
Land				
1,225,416	1,225,416	At cost	1,225,416	1,225,416
Buildings				
3,934,027	3,763,017	At cost	3,934,027	3,763,017
1,522,714	1,368,067	Accumulated depreciation	1,522,714	1,368,067
2,411,313	2,394,950	Balance 30 June	2,411,313	2,394,950
Motor vehicles				
1,533,726	1,379,289	At cost	1,533,726	1,379,289
714,641	676,971	Accumulated depreciation	714,641	676,971
819,085	702,318	Balance 30 June	819,085	702,318
Plant and equipment				
2,324,419	2,230,864	At cost	2,324,419	2,230,864
1,951,206	1,831,743	Accumulated depreciation	1,951,206	1,831,743
373,213	399,121	Balance 30 June	373,213	399,121
Office furniture				
517,138	485,693	At cost	517,138	485,693
389,231	366,546	Accumulated depreciation	389,231	366,546
127,907	119,147	Balance 30 June	127,907	119,147
Computer equipment				
2,002,310	1,935,170	At cost	2,002,310	1,935,170
1,788,454	1,681,838	Accumulated depreciation	1,788,454	1,681,838
213,856	253,332	Balance 30 June	213,856	253,332
Work in progress				
588,923	520,796	At cost	588,923	520,796
5,759,713	5,615,080	Total Council operational assets	5,759,713	5,615,080
Council infrastructure assets				
Flood and river control assets				
3,532,000	3,448,000	At valuation	3,532,000	3,448,000
3,532,000	3,448,000	Total Council infrastructure assets	3,532,000	3,448,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
Subsidiary operational assets				
Land				
32,244,953	31,104,470	At valuation	-	-
Buildings				
16,606,937	16,017,939	At cost	-	-
8,198,807	7,607,436	Accumulated depreciation	-	-
8,408,130	8,410,503	Balance 30 June	-	-
Maintenance dredging				
2,280,054	1,664,229	At cost	-	-
375,279	1,019,589	Accumulated depreciation	-	-
1,904,775	644,640	Balance 30 June	-	-
Port installations				
36,884,538	34,610,696	At cost	-	-
14,235,555	12,843,995	Accumulated depreciation	-	-
22,648,983	21,766,701	Balance 30 June	-	-
Plant, equipment and fittings				
24,040,427	23,161,988	At cost	-	-
12,188,631	11,588,128	Accumulated depreciation	-	-
11,851,796	11,573,860	Balance 30 June	-	-
Floating plant				
11,467,834	11,461,685	At cost	-	-
2,764,082	2,246,229	Accumulated depreciation	-	-
8,703,752	9,215,456	Balance 30 June	-	-
Capital dredging				
21,329,901	21,260	At cost	-	-
71,475	-	Accumulated depreciation	-	-
21,258,426	21,260	Balance 30 June	-	-
Work in progress				
1,448,916	10,306,704	At cost	-	-
108,469,731	93,043,594	Total Subsidiary operational assets	-	-
117,761,444	102,106,674	Total property, plant and equipment	9,291,713	9,063,080

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
Reconciliation				
Council operational assets				
Land				
1,225,416	466,025	Carrying amount 1 July	1,225,416	466,025
-	759,391	Additions	-	759,391
-	-	Revaluations	-	-
-	-	Disposals	-	-
-	-	Depreciation	-	-
1,225,416	1,225,416	Carrying amount 30 June	1,225,416	1,225,416

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Buildings		
2,394,950	2,424,408	Carrying amount 1 July	2,394,950	2,424,408
171,009	115,712	Additions	171,009	115,712
-	-	Revaluations	-	-
-	-	Disposals	-	-
154,646	145,170	Depreciation	154,646	145,170
2,411,313	2,394,950	Carrying amount 30 June	2,411,313	2,394,950
		Motor vehicles		
702,318	648,518	Carrying amount 1 July	702,318	648,518
451,994	343,752	Additions	451,994	343,752
-	-	Revaluations	-	-
64,653	37,660	Disposals	64,653	37,660
270,574	252,292	Depreciation	270,574	252,292
819,085	702,318	Carrying amount 30 June	819,085	702,318
		Plant and equipment		
399,121	459,105	Carrying amount 1 July	399,121	459,105
93,555	105,620	Additions	93,555	105,620
-	-	Revaluations	-	-
-	30,380	Disposals	-	30,380
119,463	135,224	Depreciation	119,463	135,224
373,213	399,121	Carrying amount 30 June	373,213	399,121
		Office furniture		
119,147	135,293	Carrying amount 1 July	119,147	135,293
31,445	8,840	Additions	31,445	8,840
-	-	Revaluations	-	-
-	-	Disposals	-	-
22,685	24,986	Depreciation	22,685	24,986
127,907	119,147	Carrying amount 30 June	127,907	119,147
		Computer equipment		
253,332	238,398	Carrying amount 1 July	253,332	238,398
67,140	129,458	Additions	67,140	129,458
-	-	Revaluations	-	-
-	-	Disposals	-	-
106,616	114,524	Depreciation	106,616	114,524
213,856	253,332	Carrying amount 30 June	213,856	253,332
		Work in progress		
520,796	433,269	Carrying amount 1 July	520,796	433,269
724,937	1,828,257	Additions	724,937	1,828,257
656,810	1,740,730	Transferred upon completion	656,810	1,740,730
588,923	520,796	Carrying amount 30 June	588,923	520,796
5,759,713	5,615,080	Total Council operational assets	5,759,713	5,615,080

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Council infrastructure assets		
		Flood and river control assets		
3,448,000	3,367,000	Carrying amount 1 July	3,448,000	3,367,000
84,000	81,000	Revaluation	84,000	81,000
3,532,000	3,448,000	Carrying amount 30 June	3,532,000	3,448,000
3,532,000	3,448,000	Total Council infrastructure assets	3,532,000	3,448,000
		Subsidiary operational assets		
		Land		
31,104,470	31,104,470	Carrying amount 1 July	-	-
1,140,483	-	Additions	-	-
-	-	Revaluations	-	-
-	-	Disposals	-	-
-	-	Depreciation	-	-
32,244,953	31,104,470	Carrying amount 30 June	-	-
		Buildings		
8,410,503	7,915,674	Carrying amount 1 July	-	-
588,998	1,057,869	Additions	-	-
-	-	Revaluations	-	-
-	-	Disposals	-	-
(591,371)	563,040	Depreciation	-	-
8,408,130	8,410,503	Carrying amount 30 June	-	-
		Maintenance dredging		
644,640	1,423,772	Carrying amount 1 July	-	-
2,122,338	231,519	Additions	-	-
-	-	Revaluations	-	-
-	-	Disposals	-	-
862,203	1,010,651	Depreciation	-	-
1,904,775	644,640	Carrying amount 30 June	-	-
		Port installations		
21,766,701	22,695,681	Carrying amount 1 July	-	-
2,313,479	398,610	Additions	-	-
-	-	Revaluations	-	-
30,686	-	Disposals	-	-
1,400,511	1,327,590	Depreciation	-	-
22,648,983	21,766,701	Carrying amount 30 June	-	-
		Plant, equipment and fittings		
11,573,860	12,743,893	Carrying amount 1 July	-	-
1,582,706	112,758	Additions	-	-
-	-	Revaluations	-	-
59,065	-	Disposals	-	-
1,245,705	1,282,791	Depreciation	-	-
11,851,796	11,573,860	Carrying amount 30 June	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Floating plant		
9,215,456	9,764,379	Carrying amount 1 July	-	-
7,042	3,038	Additions	-	-
-	-	Revaluations	-	-
-	-	Disposals	-	-
518,746	551,961	Depreciation	-	-
8,703,752	9,215,456	Carrying amount 30 June	-	-
		Capital dredging		
21,260	21,260	Carrying amount 1 July	-	-
21,308,641	-	Additions	-	-
-	-	Revaluations	-	-
-	-	Disposals	-	-
71,475	-	Depreciation	-	-
21,258,426	21,260	Carrying amount 30 June	-	-
		Work in progress		
10,306,704	909,759	Carrying amount 1 July	-	-
20,339,786	10,020,473	Additions	-	-
29,197,574	623,528	Transferred upon completion	-	-
1,448,916	10,306,704	Carrying amount 30 June	-	-
108,469,731	93,043,594	Total Subsidiary operational assets	-	-
117,761,444	102,106,674	Total property, plant and equipment	9,291,713	9,063,080

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 and TelferYoung (Taranaki) Limited have valued the Council's land and buildings for insurance purposes as at 30 June 2007 on a fair value (current market value) basis at \$4,245,000 (\$3,744,000). The Council records the land and buildings on a historic cost basis, which reflects the on-going existing use valuation to the Council. The Council has no plans to dispose of the land and buildings, which would make the fair value valuation more appropriate than the on-going existing use valuation.

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

Port Taranaki Ltd land was revalued at 30 June 2005 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 \$31,104,470. The carrying amount of land had it been recognised under the cost model is \$10,364,016 (\$9,223,533).

Port Taranaki Ltd floating plant was revalued at 30 June 2002 by Mr J Freeman, a registered plant and machinery valuer with CB Richard Ellis, Wellington. Mr Freeman is a member of the New Zealand Property Institute. The revalued amount of \$11,200,000 has been used as deemed cost upon IFRS adoption.

The Waitara River Flood Protection Scheme assets and the Waiwhakaiho River Flood Protection Scheme assets were independently valued at 30 June 2007 at replacement cost, by Mr Gary Williams (Registered Engineer and member of IPENZ, B.E. (Hons), B.Sc., M.Com. (Hons) of G and E Williams Consultants Limited. The revalued amount of land used in this report amounts to \$3,532,000. The carrying amount of land had it been recognised under the cost model is \$2,825,194 (\$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 has been borrowing costs of \$1,107,578 (\$236,014) capitalised during the current period on the capital dredging project which was included within capital works in progress at 30 June 2006. The weighted average capitalisation rate on funds borrowed generally is 7.72% (7.35%). There are no restrictions in titles relating to property plant and equipment or items pledged as security for liabilities apart from those held by Westpac Banking Corporation (refer to in Note 18 - Borrowings).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

11. INTANGIBLE ASSETS

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Carrying amounts		
		Intangible assets		
		Computer software		
3,180,245	2,560,104	At cost	1,567,080	1,080,826
2,039,406	1,652,676	Accumulated amortisation	627,696	440,804
1,140,839	907,428	Total intangible assets	939,384	640,022
		Reconciliation		
		Intangible assets		
		Computer software		
907,428	828,236	Carrying amount 1 July	640,022	384,369
620,141	556,359	Additions	486,254	414,009
-	-	Revaluations	-	-
-	-	Disposals	-	-
386,730	477,167	Amortisation	186,892	158,356
1,140,839	907,428	Total intangible assets	939,384	640,022

Amortisation expense is included in the line item *depreciation and amortisation expense* in Note 3 of the financial statements.

12. INVESTMENTS

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Current portion of investments		
2,059,336	3,033,725	Corporate bonds	2,059,336	3,033,725
2,059,336	3,033,725	Total current portion of investments	2,059,336	3,033,725
		Non current Investments		
7,200,000	3,200,000	Term deposits	7,200,000	3,200,000
4,173,630	6,293,693	Corporate bonds	4,173,630	6,293,693
1,000	1,000	NZ Local Government Insurance Corporation (unlisted shares)	1,000	1,000
-	-	Port Taranaki Ltd (unlisted shares)	26,000,000	26,000,000
11,374,630	9,494,693	Total non current investments	37,374,630	35,494,693
13,433,966	12,528,418	Total investments	39,433,966	38,528,418
		Term deposit maturity dates and effective interest rates		
7,200,000	3,200,000	Term deposits maturing in 1 to 2 years	7,200,000	3,200,000
7.98%	7.09%	Weighted average effective interest rate	7.98%	7.09%
-	-	Term deposits maturing in 2 to 3 years	-	-
-	-	Weighted average effective interest rate	-	-
		Corporate bonds maturity dates and effective interest rates		
2,059,336	3,033,725	Corporate bonds maturing in less than 1 year	2,059,336	3,033,725
6.04%	6.39%	Weighted average effective interest rate	6.04%	6.39%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
1,045,531	2,085,135	Corporate bonds maturing in 1 to 2 years	1,045,531	2,085,135
6.13%	6.04%	Weighted average effective interest rate	6.13%	6.04%
1,045,025	1,055,046	Corporate bonds maturing in 2 to 3 years	1,045,025	1,055,046
6.26%	6.13%	Weighted average effective interest rate	6.26%	6.13%
2,083,074	1,054,584	Corporate bonds maturing in 3 to 4 years	2,083,074	1,054,584
6.28%	6.26%	Weighted average effective interest rate	6.28%	6.26%
-	2,098,928	Corporate bonds maturing in 4 to 5 years	-	2,098,928
-	6.28%	Weighted average effective interest rate	-	6.28%
-	-	Corporate bonds maturing in 5 to 6 years	-	-
-	-	Weighted average effective interest rate	-	-
6,232,966	9,327,418	Corporate bonds carrying value	6,232,966	9,327,418
6,035,614	9,276,239	Corporate bonds market value	6,035,614	9,276,239

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

13. INVESTMENT PROPERTY

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
12,080,000	12,015,000	Balance 1 July	12,080,000	12,015,000
-	-	Additions	-	-
-	-	Disposals	-	-
1,955,000	65,000	Fair value gains/(losses) on valuation	1,955,000	65,000
14,035,000	12,080,000	Balance 30 June	14,035,000	12,080,000

Taranaki Regional Council's investment properties are independently valued annually at fair value effective 30 June. All investment properties are valued based on open market evidence. The valuation was performed by TelferYoung (Taranaki) Limited. TelferYoung (Taranaki) Limited are a registered experienced valuer with extensive market knowledge in the types of investment properties owned by the Taranaki Regional Council. The total fair value of the property valued at 30 June 2007 was \$14,035,000.

14. BUSINESS COMBINATIONS

On 22 December 2005 West Coast Coal Company Limited (WCCC) was incorporated. Total shares issued for the company are four, one each with equal voting rights held by Port Taranaki Ltd, TNL Group Limited, Charterman Marine Services Limited, and Greypoint Terminal Company Ltd (GTC). This company has not traded and the earliest anticipated trading date is 1 November 2007, dependent upon WCCC signing an unconditional Transport Services Agreement (TSA) with Pike River Coal Company Ltd (PRCC). Currently the TSA is conditional upon Port Taranaki Ltd and Charterman Marine Services Ltd obtaining finance. Due to 100% ownership of GTC at year end, Port Taranaki Ltd has a 50% shareholding in WCCC at year end.

On 26 April 2006 GTC was incorporated. Port Taranaki Ltd holds the only issued share. This Company has not traded yet and the earliest anticipated trading date is 1 November 2007, conditional upon WCCC signing a TSA with Pike River Coal Company Ltd. After the signing of a TSA but before trading commences a shareholder capitalisation will occur which gives rise to a joint venture arrangement with Port of Westland Ltd, a fully owned subsidiary of Greymouth District Council. Port Taranaki Ltd have incurred costs totalling \$625,078 (2006 \$147,606) on behalf of GTC, which will be fully recovered when the entity begins trading.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

15. LOAN—JEBSENS

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
-	-	Balance 1 July	-	-
624,985	-	Advances	-	-
-	-	Repayments	-	-
19,976	-	Capitalised interest	-	-
(58,136)	-	Translation loss	-	-
586,825	-	Total loan—Jebbens	-	-

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

16. TRADE AND OTHER PAYABLES

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
4,512,484	3,266,057	Trade payables and accruals	1,944,871	802,193
1,059,967	1,054,558	Employee entitlements	-	193,300
318,806	315,289	Interest payable	-	-
-	-	Related parties payables and accruals	-	-
5,891,257	4,635,904	Total trade and other payables	1,944,871	995,493

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.

17. EMPLOYEE ENTITLEMENTS

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
351,934	251,069	Holiday leave	351,934	251,069
152,000	167,500	Sick leave	107,000	128,500
395,249	354,400	Long service leave	186,249	169,400
1,029,576	987,000	Retirement gratuities	285,576	306,000
347,000	549,000	ACC residual claims	-	-
242,000	90,000	Other	-	-
2,517,759	2,398,969	Total employee entitlements	930,759	854,969
		Comprising:		
1,159,965	720,099	Current liabilities	540,965	445,099
1,357,794	1,678,870	Non current liabilities	389,794	409,870
2,517,759	2,398,969	Total employee entitlements	930,759	854,969

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

18. BORROWINGS

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Current liabilities		
33,800,000	3,000,000	Secured loans - Westpac	-	-
7.80%	7.73%	Weighted average interest rate	-	-
		Non current liabilities		
3,500,000	23,000,000	Secured loans - Westpac	-	-
7.10%	7.29%	Weighted average interest rate	-	-

The non current loans are due within 1 to 3 years. The carrying amount for current and non current loans is equivalent to fair value. The carrying amount for current and non current loans is denominated in New Zealand dollars. The secured loans are obtained under a \$45million funding facility provided by Westpac Banking Corporation. As at 30th June \$7.7million (2005/2006 \$19million) was undrawn. During the year there have not been any 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 \$50million. 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. The weighted average interest rate for is based on the applicable fixed rates and floating rates for call accounts as at balance sheet date.

19. PUBLIC EQUITY

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Retained earnings		
71,452,630	68,915,014	Opening balance	51,546,998	50,402,361
5,525,132	1,049,442	Operating surplus/(deficit)	1,748,464	(343,539)
(127,517)	(129,791)	Transfers to reserves	(127,517)	(129,791)
1,497,406	1,617,966	Transfers from reserves	1,497,406	1,617,966
78,347,652	71,452,630	Closing balance	54,665,351	51,546,998
		Reserves (refer to Note 19)		
12,039,138	13,527,313	Opening balance	12,039,138	13,527,313
127,517	129,791	Transfers from retained earnings	127,517	129,791
(1,497,406)	(1,617,966)	Transfers to retained earnings	(1,497,406)	(1,617,966)
10,669,249	12,039,138	Closing balance	10,669,249	12,039,138
		<i>Makuri River Control Scheme reserve</i>		
1,990	2,222	Opening balance	1,990	2,222
131	143	Transfers from retained earnings	131	143
(375)	(375)	Transfers to retained earnings	(375)	(375)
1,746	1,990	Closing balance	1,746	1,990
		<i>North Taranaki/Waitara River Control Scheme reserve</i>		
447,981	386,401	Opening balance	447,981	386,401
115,940	119,171	Transfers from retained earnings	115,940	119,171
(93,625)	(57,591)	Transfers to retained earnings	(93,625)	(57,591)
470,296	447,981	Closing balance	470,296	447,981

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Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		<i>Contingency/disaster reserve</i>		
1,086,000	1,086,000	Opening balance	1,086,000	1,086,000
-	-	Transfers from retained earnings	-	-
-	-	Transfers to retained earnings	-	-
1,086,000	1,086,000	Closing balance	1,086,000	1,086,000
		<i>Hollard Garden Endowment reserve</i>		
173,167	162,690	Opening balance	173,167	162,690
11,446	10,477	Transfers from retained earnings	11,446	10,477
		Transfers to retained earnings	-	-
184,613	173,167	Closing balance	184,613	173,167
		<i>Dividend equalisation reserve</i>		
10,330,000	11,890,000	Opening balance	10,330,000	11,890,000
-	-	Transfers from retained earnings	-	-
(1,403,406)	(1,560,000)	Transfers to retained earnings	(1,403,406)	(1,560,000)
8,926,594	10,330,000	Closing balance	8,926,594	10,330,000
10,669,249	12,039,138	Total reserves	10,669,249	12,039,138
		Asset revaluation reserves		
22,503,743	22,422,743	Opening balance	622,806	541,806
84,000	81,000	Change in asset value	84,000	81,000
22,587,743	22,503,743	Closing balance	706,806	622,806
		<i>Waitara flood control scheme</i>		
548,000	467,000	Opening balance	548,000	467,000
84,000	81,000	Change in asset value	84,000	81,000
632,000	548,000	Closing balance	632,000	548,000
		<i>Waiwhakaiho flood control scheme</i>		
74,806	74,806	Opening balance	74,806	74,806
-	-	Change in asset value	-	-
74,806	74,806	Closing balance	74,806	74,806
		<i>Land</i>		
21,880,937	21,880,937	Opening balance	-	-
-	-	Change in asset value	-	-
21,880,937	21,880,937	Closing balance	-	-
22,587,743	22,503,743	Total asset revaluation reserves	706,806	622,806
11,604,644	105,995,511	Total public equity	66,041,406	64,208,941

20. 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 Works and Services 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 Works and Services 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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

Contingency/disaster reserve

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

Hollard Garden Endowment reserve

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

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.

21. REMUNERATION

Total remuneration of Members was:

	2006/2007 Actual \$	2005/2006 Actual \$
Councillor M J Cloke	29,540	(25,427)
Councillor B G Cudby	21,380	(24,704)
Councillor M A Irving	29,392	(24,833)
Councillor D L Lean	44,094	(39,008)
Councillor D H McIntyre	28,495	(24,570)
Councillor D N MacLeod	29,314	(24,769)
Councillor B J Marsh	29,382	(24,928)
Deputy Chairperson R F H Maxwell	43,791	(39,295)
Councillor N W Walker	40,853	(37,987)
Chairperson D E Walter	79,078	(77,558)

The Chief Executive of the Taranaki Regional Council, appointed under section 42(1) of the Local Government Act 2002, received total remuneration of \$259,784 (\$241,206).

22. SEVERANCE PAYMENTS

During the year ended 30 June 2007 the Council made no severance payments (\$0—2005/2006).

23. SUBSEQUENT EVENTS

There have been no material events subsequent to balance date. Port Taranaki Limited has entered into a contract with Q-West Boat Builders Limited on 15 August 2007 for the construction of a launch vessel which is expected to cost approximately \$1.75m dependent on final "in water costs". The launch vessel will be leased to Shell Todd Oil Services (STOS) under an operating arrangement for a minimum period of 10 years with STOS having two rights of renewal terms of 5 years each. A contract to this effect was signed by Port Taranaki Ltd on 15 August 2007.

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

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
5,525,132	1,049,442	Net operating surplus/(deficit)	1,748,464	(343,539)
		<i>Add/(less) non-cash items</i>		
5,752,625	5,885,399	Depreciation	862,776	830,555
691,995	(383,618)	Future tax benefit	-	-
(1,955,000)	(65,000)	Asset revaluations	(1,955,000)	(65,000)
10,014,752	6,486,223		656,240	422,016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		<i>Add/(less) movements in working capital</i>		
(500,314)	(2,117,727)	Trade and other receivables	(217,980)	(255,355)
112,521	28,505	Prepayments	41,773	28,505
47,121	(94,416)	Inventories	9,207	(77,019)
51,172	187,601	Work in progress - current liability	51,172	187,601
		Work in progress - current asset		
1,448,654	397,721	Accounts payable	1,142,678	(81,242)
43,000	(718,243)	Provisions	-	-
(117,510)	(163,090)	Employee entitlements	(117,510)	(163,090)
87,167	1,156,476	Taxation payable		-
		<i>Add/(less) investing activity items</i>		
(4,924)	(68,998)	(Profit)/loss on sale of assets (net)	(47,771)	(68,998)
(100,540)	286,620	Payables from property, plant and equipment purchases	(1,911)	80,537
11,081,099	5,380,674	Cash inflow from operating activities	1,515,898	72,956

25. 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 minimising surplus liquidity.

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 2006/2016 Long-Term Council Community Plan.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

CATEGORIES OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are as follows:

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
		Foreign currency bank balances		
8,922	-	Carrying amount	-	-
8,922	-	Fair value	-	-
		Cash and cash equivalents		
3,940,979	4,503,596	Carrying amount	3,724,182	4,370,921
3,940,979	4,503,596	Fair value	3,724,182	4,370,921
		Term deposits		
7,200,000	3,200,000	Carrying amount	7,200,000	3,200,000
7,200,000	3,200,000	Fair value	7,200,000	3,200,000
		Corporate bonds		
6,232,966	9,327,418	Carrying amount	6,232,966	9,327,418
6,035,614	9,276,239	Fair value	6,035,614	9,276,239
		Shares		
1,000	1,000	Carrying amount	26,001,000	26,001,000
1,000	1,000	Fair value	26,001,000	26,001,000
		Trade and other receivables		
6,373,272	5,872,958	Carrying amount	1,642,207	1,424,227
6,373,272	5,872,958	Fair value	1,642,207	1,424,227
		Loan to Jebsens		
586,825	-	Carrying amount	-	-
586,825	-	Fair value	-	-
		Trade and other payables		
5,891,257	4,635,904	Carrying amount	1,944,871	995,493
5,891,257	4,635,904	Fair value	1,944,871	995,493
		Employee entitlements		
2,517,759	2,398,969	Carrying amount	930,759	854,969
2,517,759	2,398,969	Fair value	930,759	854,969
		Interest bearing loans		
37,300,000	26,000,000	Carrying amount	-	-
37,189,263	25,852,866	Fair value	-	-

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

Cash and cash equivalents, foreign currency balances, receivables, prepayments, employee entitlements, and short term payables and accruals: The carrying value of these items is equivalent to the fair value.

Corporate bonds were independently valued by Bank of New Zealand as at 30 June 2007.

Interest bearing loans and loan to Jebsens: The fair value of the current loans and term loans are estimated based upon the market prices available for similar debt securities. The fair value of the loan to Jebsens is considered to be the carrying value given that a market interest rate is charged on this loan.

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. As at balance date the foreign currency exposure was limited to Jebsen's loan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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.

CREDIT RISK MANAGEMENT

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

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

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

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

In the normal course of its business Port Taranaki Ltd incurs credit risk from trade debtors and financial institutions. The extent of concentration of credit risk lies in trade debtors. Refer to Note 8.

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 recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of any collateral obtained.

No security is held on any of the above amounts.

LIQUIDITY RISK MANAGEMENT

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

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

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

Ultimate responsibility for liquidity risk management rests with Port Taranaki Ltd's board of directors, who have built an appropriate liquidity risk management framework for the management of Port Taranaki Ltd's short, medium and long-term funding and liquidity management requirements. Port Taranaki Ltd manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 18 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 Port Taranaki Ltd's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual liabilities including interest that will accrue to those liabilities except where Port Taranaki Ltd is entitled and intends to repay the liability before its maturity. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

INTEREST RISK TABLE FINANCIAL LIABILITIES 2006/2007

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Fixed interest rate instruments	7.251	-	-	19,975,401	3,910,862	-	(886,263)	23,000,000
Variable interest rate instruments	8.504	14,306,663	-	-	-	-	(6,663)	14,300,000
Total		14,306,663	-	19,975,401	3,910,862	-	(892,926)	37,300,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

INTEREST RISK TABLE FINANCIAL LIABILITIES 2005/2006

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Fixed interest rate instruments	7.293	-	-	-	25,772,551	-	(2,772,551)	23,000,000
Variable interest rate instruments	7.725	3,000,635	-	-	-	-	(635)	3,000,000
Total		3,000,635	-	-	25,772,551	-	(2,773,186)	26,000,000

Interest risk tables - Financial assets

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

INTEREST RISK TABLE FINANCIAL ASSETS 2006/2007

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Loan Jepsens	9.7	-	-	-	664,233	-	(77,408)	586,825
Total		-	-	-	664,233	-	(77,408)	586,825

INTEREST RISK TABLE FINANCIAL ASSETS 2005/2006

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Adjustment \$	Total \$
Loan Jepsens	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-

26. RELATED PARTY TRANSACTIONS

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

	Council	
	2006/2007 Actual \$	2005/2006 Actual \$
Harbourmaster services	24,178	22,114
Other Port services	11,252	42,841
Purchases of goods and services from subsidiary	35,430	64,955
Dividend received from Port Taranaki Ltd	1,000,000	840,000
Oil spill clean-up costs	9,426	-
Resource consent application fees	801	4,940
Resource consent compliance monitoring programme	25,239	22,653
Land lease rental	21,300	10,650
Sales of goods and services to subsidiary	56,766	38,243
Accounts payable	-	282
Accounts receivable	-	2,421

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 owned 100% of Greypoint Terminal Company Limited (GTC) at all times during the year. The transactions that have occurred to date are set up costs of \$625,078 (2005/2006—\$147,616) will be recovered in full on commencement of trading, with 50% being equity accounted for (\$312,539 (2005/2006—100% \$147,616)) when Port of Westland Limited takes up its shareholding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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 Walter) and Councillor David MacLeod are also Directors of Port Taranaki Ltd. Except for items of a trivial nature, neither of these two Councillors, other Councillors or senior management have entered into related party transactions within the group. Councillors David Walter and David Lean are Directors 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	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
2,530,088	2,301,358	Salaries and other short term employee benefits	1,232,732	1,135,749
26,800	1,000	Post employment benefits	-	-
(7,300)	(19,000)	Other long term benefits	-	-
-	-	Termination benefits	-	-

27. DEFINED BENEFIT PLAN

The multi-employer defined benefit plan entitles employees to retirement benefits. No other post retirement plans are provided. The total expenses recognised in the Statement of Financial Performance of \$28,860 (2006 \$29,353) represents contributions payable to the plan. Port Taranaki Ltd has no other liability in respect to the scheme.

28. SEGMENTAL REPORTING

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

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

29. COMMITMENTS AND CONTINGENCIES

Group			Council	
2006/2007	2005/2006		2006/2007	2005/2006
Actual \$	Actual \$		Actual \$	Actual \$
Contingencies				
The Taranaki Regional Council has no known contingent liabilities as at 30 June 2007.				
Port Taranaki Ltd has been notified by Heron Construction of a claim for payment, with respect to dredged volumes that have not been paid within contract terms, amounting to an estimated maximum of \$322,500. Port Taranaki Ltd has yet to receive an invoice for the amounts claimed which may yet be offset by a counterclaim for damage done by Heron Construction to wharf piles within the port in executing the capital dredging contract.				
Commitments				
2,032,648	17,175,068	Capital commitments approved and contracted	2,032,648	175,068
2,032,648	17,175,068	Total commitments	2,032,648	175,068
Non cancellable operating lease commitments				
Lease commitments expire as follows:				
116,558	211,816	Within 1 year	-	-
85,200	175,849	Between 1-5 years	-	-
53,250	74,550	Greater than 5 years	-	-
255,008	462,215	Total operating lease commitments	-	-
211,816	68,471	Lease payments under operating leases recognised as an expense during the year.	-	-

Operating lease payments represent rentals payable by Port Taranaki Ltd for the lease of land and buildings. One lease has terms of between 1 -2 years, with an option to extend for a further 4 years, and another lease has a term of greater than 5 years with a right of renewal for a further ten years. Port Taranaki Ltd does not have an option to purchase any of the leased assets at the end of the lease periods.

30. 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.