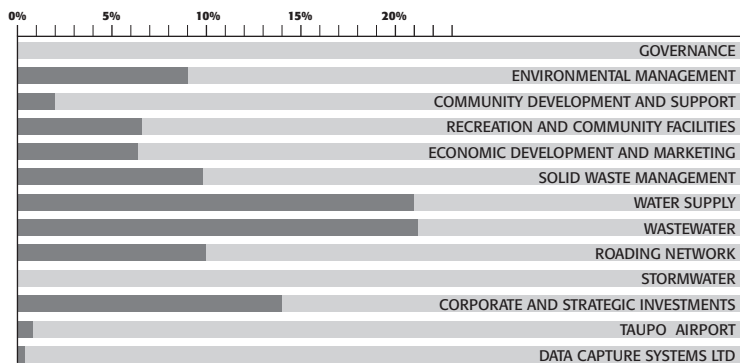


FINANCIAL PERFORMANCE

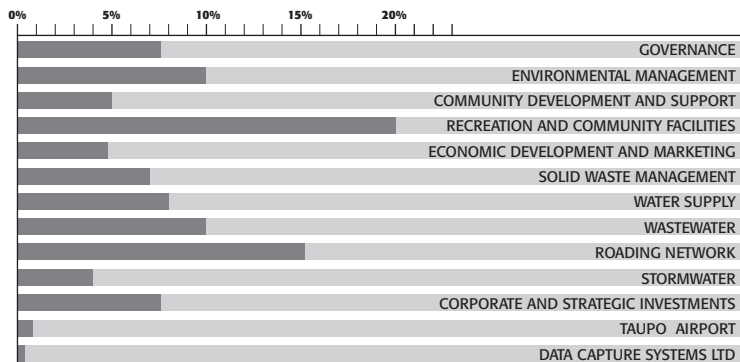


FINANCIAL STATISTICS

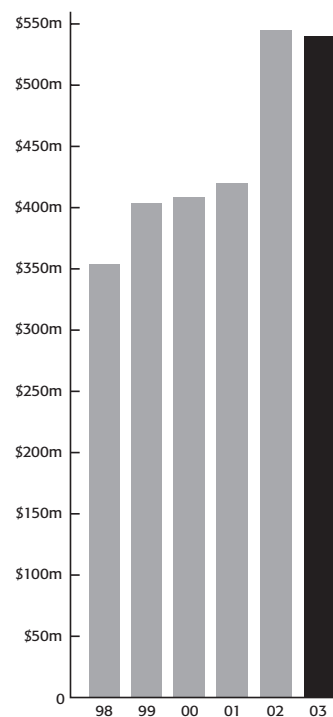
TOTAL OPERATING REVENUE



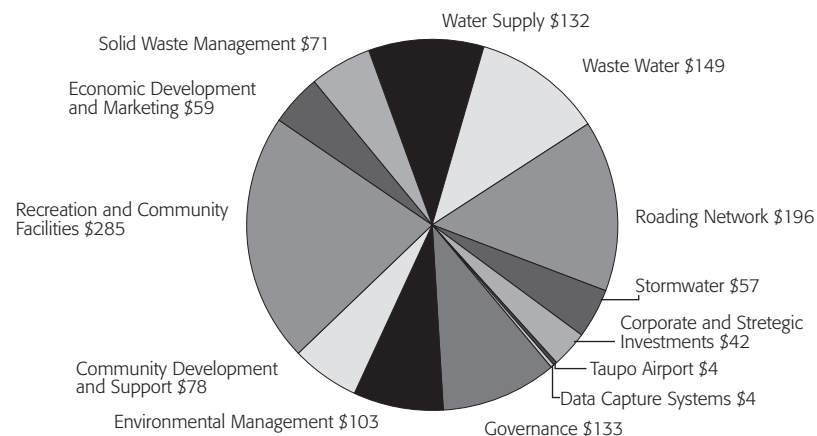
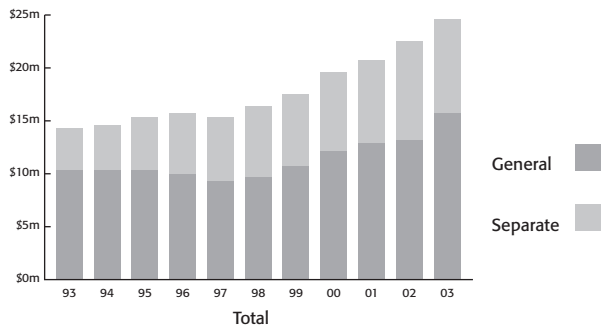
TOTAL OPERATING EXPENDITURE



TOTAL ASSETS

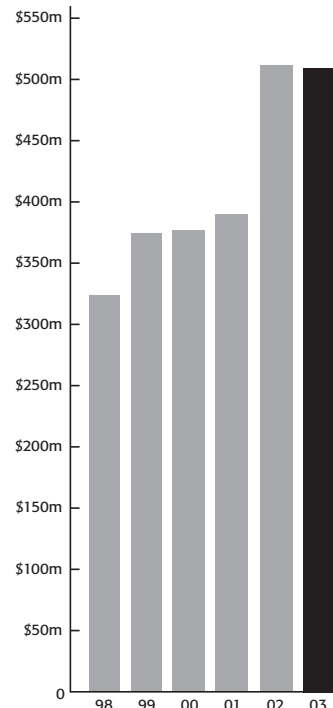


RATES



On average it cost each ratepayer \$1,313 to operate these services

NET ASSETS



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2003

	Notes	Parent & Group Actual 2003 \$000	Parent Estimate 2003 \$000	Parent & Group Actual 2002 \$000
Revenue				
Revenue from activities	1	16,750	16,310	15,506
General rates	2	15,848	15,254	12,563
Other revenue	3	4,094	4,995	6,508
Total operating revenue		36,692	36,559	34,557
Expenditure				
Expenditure on activities	1	37,201	35,446	35,142
Total operating expenditure	4	37,201	35,446	35,142
Surplus (deficit) before adjustments		(509)	1,113	(565)
Asset Adjustment - first time recognition	3	17	0	344
Unrealised gain/(loss) on equities	3	(1,740)	0	(6,938)
Operating surplus (deficit) before taxation		(2,232)	1,113	(7,159)
Less Taxation Expense	5	0	0	0
Net surplus (deficit) after taxation		(2,232)	1,113	(7,159)

Explanation of Council net deficit:

The Council made a net deficit of \$2.2m (budgeted surplus of \$1.1m).

The major reason for the negative variance is the recognition of the unrealised losses on equity investments. Further explanation of the variance between actual and estimated net surplus (deficit) is provided in note 23.

The accompanying accounting policies and notes form part of these financial statements.

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 30 June 2003

	Notes	Parent & Group Actual 2003 \$000	Parent Estimate 2003 \$000	Parent & Group Actual 2002 \$000
Equity at start of the year		511,156	375,191	388,023
Net surplus (deficit)		(2,232)	1,113	7,159
Increases in revaluation reserves		0	0	130,292
Total recognised revenues and expenses for the year		(2,232)	1,113	123,133
Equity at end of the year		508,924	376,304	511,156

The accompanying accounting policies and notes form part of these financial statements.

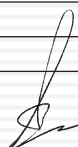
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2003

	Notes	Parent & Group Actual 2003 \$000	Parent Estimate 2003 \$000	Parent & Group Actual 2002 \$000
Equity				
Accumulated Funds	6	213,258	211,486	203,092
Council Created Reserves	6	67,523	76,818	77,264
Restricted Reserves	6	198	0	1,309
Asset Revaluation Reserves	6	227,945	88,000	229,491
Total Equity		508,924	376,304	511,156
Current Assets				
Cash and Bank		142	100	0
Investments	8	23,124	40,000	41,257
Accounts Receivable & Prepayments	7	4,104	3,000	3,581
Inventories		522	345	424
Forestry intended for sale	9(b)	2,353	0	0
Properties Intended for Resale	10	773	1,000	585
		31,018	44,445	45,847
Non-Current Assets				
Investments	8	31,740	62,846	30,453
Other non-current assets	9(a)	474,566	304,061	473,146
		506,306	366,925	503,599
Total Assets		537,324	411,370	549,446
Current Liabilities				
Cash and Bank		0	0	773
Accounts Payable	11	6,757	6,000	7,739
Employee Entitlements	12	1,227	1,150	1,234
Public Debt	13	7,212	6,697	8,037
		15,196	13,847	17,783
Non-Current Liabilities				
Public Debt	13	12,671	20,719	19,948
Employee Entitlements	12	533	500	559
		13,204	21,219	20,507
Total Liabilities		28,400	35,066	38,290
Net Assets		508,924	376,304	511,156



S F Rowbotham
Chief Executive Officer, Taupo District Council
30 September 2003



C T A Stent
Mayor, Taupo District Council

The accompanying accounting policies and notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2003

	Notes	Parent & Group Actual 2003 \$000	Parent Estimate 2003 \$000	Parent & Group Actual 2002 \$000
Cash Flows from operating activities				
Cash was provided from :				
Rates		23,165	24,397	21,984
Subsidies		1,553	1,627	1,497
Interest Income		3,512	4,608	5,849
Fees, Charges & Other Income		6,741	6,682	4,374
Regional Council rates		2,394	0	2,298
		37,365	37,314	36,002
Cash was applied to :				
Payments to Suppliers & Employees		28,989	23,701	23,131
GST Paid		83	65	78
Levies Paid to other authorities		2,394	0	2,298
Interest on Public Debt		999	1,971	1,594
		32,465	25,737	27,101
Net cash inflow (outflow) from operating activities	14	4,900	11,577	8,901
Cash Flows from investing activities				
Cash was provided from :				
Proceeds from sale of fixed assets		3,613	500	1,434
Net Decrease in investments		13,469	1,367	0
Release of sinking funds		1,135	0	19
		18,217	1,867	1,453
Cash was applied to :				
Purchase & Development of Fixed Assets		14,535	17,801	9,759
Net Increase in investments		0	0	1,340
Payment into sinking funds		0	0	75
		14,535	17,801	11,174
Net cash inflow (outflow) from investing activities		3,682	(15,934)	(9,721)
Cash Flows from financing activities				
Cash was provided from :				
Loans Raised		1,845	11,054	4,341
		1,845	11,054	4,341
Cash was applied to:				
Repayment of public debt		10,014	6,697	2,132
		10,014	6,697	2,132
Net cash inflow (outflow) from financing activities		(8,169)	4,357	2,209
Net increase (decrease) in cash held		413	0	1,389
Add cash at start of year		4,177	300	2,788
Cash at end of period		4,590	300	4,177
Made up of:				
Cash and bank		142	100	(773)
Call Deposits	8	4,448	200	4,950
		4,590	300	4,177

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2003

1. REPORTING ENTITY

Taupo District Council is a Local Authority governed by the Local Government Act 1974.

The Taupo District Council group consists of the Taupo District Council and its subsidiaries, Data Capture Systems Ltd and Destination Lake Taupo Ltd. The Council has a 50% joint venture arrangement with the New Zealand Government in the Taupo Airport Authority.

The financial statements of Taupo District Council have been prepared in accordance with Section 223E of the Local Government Act 1974, and in compliance with standards issued by the Institute of Chartered Accountants of New Zealand.

2. MEASUREMENT BASE

The financial statements have been prepared on a historical basis, modified by the revaluation of certain fixed assets.

3. ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of results and financial position have been applied:

3.1 General Revenues

Rates revenue is recognised when levied.

Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at year end, are accrued on an average usage basis.

Transfund roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests, and assets vested in the Council – with or without conditions – are recognised as revenue when control over the assets is obtained.

General rates are not allocated to significant activities and are included as general rate revenue in the Statement of Financial Performance.

3.2 Accounts Receivable

Accounts receivable are valued at expected realisable value after providing for doubtful and uncollectible debts.

3.3 Investments

All investments, including those in subsidiaries, are stated

at the lower of cost or net realisable value. Any decreases are recognised in the statement of financial performance.

3.4 Inventories

Inventory is valued at the lower of cost and net realisable value.

3.5 Properties intended for resale

Properties intended for resale are stated at the lower of cost and net realisable value.

3.6 Fixed Assets and other non-current assets

Fixed assets consist of:

- ▶ Operational assets – These include land, buildings, improvements, library books, plant and equipment, and motor vehicles.
- ▶ Restricted assets – Restricted assets are parks and reserves owned by the Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- ▶ Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and pump stations.
- ▶ Development expenditure – Costs related to producing the accounting billing system for Data Capture Systems Ltd. Development costs are capitalised where future benefits are expected to exceed those costs, otherwise such costs are recognised in the statement of financial performance in the period in which they are incurred. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable, and any amount so identified is written off.

3.6.1 Valuation

All assets are valued at historical cost, except the following:

- ▶ Operational land and buildings have been valued at fair value by Quotable Value New Zealand as at 30 June 2002.
- ▶ Restricted land and buildings have been valued at fair value by Quotable Value New Zealand as at 30 June 2002.
- ▶ Infrastructure assets have been valued at depreciated

replacement cost by Beca Valuations Ltd as at 30 June 2002, except for the land under roads.

- ▶ Land under roads has been valued by QV Valuations Ltd as at 30 June 2002. Urban land was valued at 45% of the surrounding land market value. Rural land was valued based on the surrounding land value.
- ▶ Forestry is valued on the estimated worth of the net present value based on the age and condition of the trees. The valuation was carried out by Forest & Woodlot Consultants (NZ) Ltd as at 30 June 1999.

All valuations are reviewed by independent qualified valuer's, and are carried out at least every 3 years, except for forestry valuations which are previously determined every 3 years by an independent valuer. However pending implementation of Exposure Draft 90 (Agriculture) forestry assets remain valued as at 30 June 1999 until such time as the new accounting standard is implemented.

Valuations will be undertaken more regularly if necessary to ensure that no individual item of property, plant and equipment within a class is included at a valuation that is materially different from its fair value.

3.6.2 Additions

Additions between valuations are shown at cost, except vested assets. Certain infrastructural assets and land have been vested in Council as part of the subdivisional consent process. The vested land reserve has been initially recognised at the most recent appropriately certified government valuation. Vested infrastructural assets are valued based on the actual quantities of infrastructure components vested and the current "in the ground" cost of providing identical services.

The results of revaluing are credited or debited to an asset revaluation reserve, for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

3.6.3 Depreciation

Depreciation has been provided on a straight line basis on all fixed assets other than land, at rates which will write-off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Land	Nil	Nil
Buildings	40-75 years	1.3%-2.5% SL
Machinery	4-10 years	10-25% DV
Computer Equipment	4 years	25% SL

Office Equipment	5-10 years	10-20% DV
Furniture & Fittings	5 years	20% DV
Vehicles	5 years	20% DV
Library Books	6.5 years	15.5% SL

Infrastructural assets:

Roads

top surface	3 -20 years	5%-33% SL
pavement	45 - 60 years	1.7%-2% SL
formation		not depreciated
culverts	55-80 years	1.3%-1.8% SL
footpaths	50-80 years	1.3%-2% SL
kerbs	60 years	1.7% SL
signs	15 years	6.7% SL
street lights	25-60 years	1.7%-4% SL
bridges	90-100 years	1%-1.1% SL
land under roads		not depreciated

Water Reticulation

pipes	45-80 years	1.25%-2.2% SL
valves, hydrants	40 years	2.5% SL
pump stations	10-60 years	1.7%-10% SL
tanks	25-80 years	1.3%-4% SL

Sewerage Reticulation

pipes	15-80 years	1.3%-6.7%
manholes	80 years	1.3%
Treatment Plant	10-80 years	1.3%-10%

Stormwater Systems

pipes	80-100 years	1%-1.3%
manholes,		
cesspits	80-100 years	1%-1.3%
Flood Control		
Systems	15-18 years	5.6%-6.7%

Restricted Assets

Land	Nil	Nil
Other	0-40 years	Nil - 2.5% SL

Forest Assets are not depreciated.

Assets under construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is disclosed in Note 9.

Amortisation

Amortisation of Data Capture Systems Ltd development expenditure has been provided on a straight-line basis. Amortisation is provided at rates calculated to allocate the asset cost over the years that related economic benefits are expected to be received. The useful life and associated depreciation rate for development expenditure has been estimated as follows:

Development expenditure	5 Years	(20%)
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3.7 GST

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST. Where GST is not

recoverable as an input tax then it is recognised as part of the related asset or expense.

3.8 Taxation

The Council is not subject to income tax.

The Taupo Airport Authority and Data Capture System Ltd income tax expense is charged in the statement of financial performance in respect of current year's earnings.

3.9 Joint Venture and Consolidation

The Council has a 50% interest in Taupo Airport Authority. The Council's interest is accounted for using the 'line by line' (proportionate) method of consolidation.

3.10 Subsidiaries and Consolidation

Owing to the small size of the subsidiaries separate disclosure of consolidated figures from the parent has not been necessary. The Council's interest in subsidiaries is accounted for using the 'line by line' (proportionate) method of consolidation.

3.11 Employee Entitlements

Provision is made in respect of Taupo District Council's liability for annual leave, long service leave, and gratuities. Annual leave has been calculated on an actual entitlement basis at current rates of pay while long service leave and gratuities have been calculated on an actuarial basis at current rates of pay by Council staff.

3.12 Landfill post-closure costs

The Council, as operator of the district landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

3.13 Leases

Finance Leases

Leases which effectively transfer to the lessee substantially all the risks and benefits incident to

ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Council is expected to benefit from their use.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods in which they are incurred.

3.14 Cost Allocation

Taupo District Council has derived the net cost of service for each significant activity of the Council using the following cost allocation system:

Direct costs (costs directly attributable to a significant activity) are charged directly to significant activities. Indirect costs (those costs which cannot be identified in an economically feasible manner, with a specific significant activity) are charged to significant activities based on cost drivers and related activity/usage information.

3.15 Interest Income

Interest income is not allocated to significant activities and included as other income in the Statement of Financial Performance.

3.16 Budget Figures

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

3.17 Financial Instruments

The group are party to financial instruments as part of their normal operations. These financial instruments include bank accounts, investments, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to the financial instruments are recognised in the statement of financial performance. Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value

Council has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates. While these financial instruments are subject to risk that

market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Council has entered into interest rate and currency risk management instruments to manage the risks exposed to. On maturity of the risk management instrument realised revenues and expenses are recognised in the statement of financial performance.

3.18 Statement of Cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council or group invests as part of its day to day cash operations.

Operating activities include cash received from all income sources and record the cash payments made for the supply of goods and services. Agency transactions (the collection of regional council rates) are recognised as receipts and payments in the Statement of Cash Flows given they flow through the Council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise activities that change the equity and debt capital structure of the Council.

3.19 Equity

Equity is the community's interest in the Council as measured by the value of total assets less total liabilities. Public Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses Council makes of its accumulated surpluses. The public equity of Council is made up of the following components:

- Accumulated Funds
- Council Created Reserves
- Restricted Reserves
- Asset Revaluation Reserves

3.20 Reserves

Reserves are a component of Public Equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Council Created Reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Restricted Reserves are those reserves subject to specific conditions accepted as binding by the Council, and which Council may not revise without reference to a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Asset Revaluation Reserve

Asset classes have been revalued and include land, buildings, infrastructural assets, restricted assets, forestry assets and shares. These revaluations have each been credited to an asset revaluation reserve.

4. Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements. All policies have been applied on a basis consistent with the previous period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

	Actual 2003 \$000 Revenue	Actual 2003 \$000 Expenses	Actual 2003 \$000 Net	Estimate 2003 \$000 Net	Actual 2002 \$000 Net
1 Council Services provided were:					
Governance	5	2,997	2,992	2,893	2,740
Environmental Management	1,596	3,909	2,313	2,481	2,172
Community Development and Support	281	2,045	1,764	1,541	1,610
Recreation and Community Facilities	1,236	7,661	6,425	6,613	6,742
Economic Development and Marketing	1,203	1,895	692	810	856
Solid Waste Management	1,765	2,466	701	565	(4)
Water Supply	3,764	3,269	(495)	18	(480)
WasteWater	3,801	3,883	82	(4)	(215)
Roading Network	1,784	6,032	4,248	3,968	4,260
Stormwater	0	1,286	1,286	795	877
Corporate and Strategic Investments	2,358	3,297	939	134	1,647
Taupo Airport	207	298	91	(3)	25
Data Capture Systems Ltd	80	169	89	0	0
	18,080	39,207	21,127	19,811	20,230
Internal transactions	(1,330)	(2,006)	(676)	(675)	(594)
Total	16,750	37,201	20,451	19,136	19,636

Internal transactions

Each significant activity is stated gross of internal costs and revenues, and includes separate rates (refer note 2). In order to fairly reflect the total external operations for the Council in the Statement of Financial Performance, these transactions are eliminated as shown above, except for internal rates paid which have been eliminated against general rates (refer note 2).

	Actual 2003 \$000	Estimate 2003 \$000	Actual 2002 \$000
2 Rates Revenue			
General Rates (excluding internal rates)	16,190	15,667	13,061
Less rates remissions	342	413	498
	15,848	15,254	12,563
<i>Separate rates attributable to activities:</i>			
Water	3,482	3,132	3,314
WasteWater	3,280	3,346	3,360
Solid Waste Management	909	914	1,778
Economic Development and Marketing	643	612	577
Turangi Mainstreet Rate	148	149	130
Turangi Security Rate	29	51	0
<i>Total separate rates</i>	8,491	8,053	9,159
Total Rates Revenue	24,339	23,307	21,722

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Estimate 2003 \$000	Actual 2002 \$000
3 Other Revenue			
Petroleum Tax	329	336	325
Interest and dividend income	2,956	4,609	5,419
Vested assets	783	0	733
Other income	26	50	31
	4,094	4,995	6,508
Unrealised Gain/(Loss) on equities	(1,740)	0	(6,938)
Asset Adjustment - first time recognition	17	0	344
	2,371	4,995	(86)

Subdivisional Vested Assets

The Council has vested to it certain infrastructural assets and land as part of the subdivisional approval process. Council recognises the value of these vested assets as other income in its Statement of Financial Performance with an equivalent increase in fixed assets.

The vested assets comprise:

	Actual 2003 \$000	Actual 2002 \$000
Roads	753	178
Wastewater	12	192
Water	0	40
Stormwater	18	70
Reserves - land	0	253
	783	733

Unrealised Gain/(Loss) on equities

Equities held are shown in the financial statements at fair value (market value). The unrealised loss represents the decline in the market value of the equities for the year.

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000
4 Operating surplus (deficit)		
<i>After charging</i>		
Audit fees		
- fees paid to Audit NZ for Council audit	75	75
- fees paid to Audit NZ for joint venture capital	6	6
- fees paid to Audit NZ for joint subsidiaries audit	4	0
- other services provided by Audit NZ	18	27
Councillor remuneration	346	331
Community Board remuneration	36	43
Depreciation		
- Roothing network	2,631	2,412
- Wastewater	1,166	1,108
- Water	994	994
- Stormwater	381	460
- Reserves (restricted)	1	0
- Flood control (restricted)	37	36
- Buildings (operational)	736	968
- Machinery, vehicles and plant	428	438
- Furniture and office equipment	323	485
- Library books	205	194
- Leased computers	76	96
- Taupo Airport	177	42
- Development expenditure amortised	13	0
Total depreciation and amortisation for the year	7,168	7,233
Bad debts written off	101	244
Change in provision for doubtful debts	7	41
Donations	1,274	1,109
Interest expense	915	989
Rental expense on operating leases	128	98
Finance charges on leased assets	15	14
In terms of Sections 223E(12), 223J and 223K of the Local Government Act 1974:		
Insurance premiums	336	309
Ex Gratia payments	0	0
Ceremonies	0	0
Isignia and Robes of Office and Civic Insignia	0	0
Entertainment	18	24
Subscriptions	76	92
Unauthorised expenditure	0	0
Severance payments exceeding \$50,000	0	0
	Actual 2003 \$000	Actual 2002 \$000
5 Taxation		
Operating surplus before taxation	(2,232)	(7,159)
Prima facie tax expense @ 33%	(737)	(2,362)
Less tax effect of:		
Non assessable income	737	2,362
Timing differences	0	0
Taxation expense	0	0

Data Capture Systems Ltd, a subsidiary of Council, has tax losses as at 30 June 2003 of \$356,313 to carry forward. The tax effect of these losses is \$117,583.

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000
6 Equity		
(a) Accumulated Funds		
Opening balance	203,092	204,747
Net Surplus/(Deficit)	(2,232)	(7,159)
	200,860	197,588
Transfers from reserves:		
- restricted reserves	1,111	19
- council created reserves	25,850	18,752
- revaluation reserves	1,546	0
Transfers to reserves:		
- restricted reserves	0	(75)
- council created reserves	(16,109)	(13,192)
Total Accumulated Funds	213,258	203,092
(b) Council Created Reserves	Actual 2003 \$000	Actual 2002 \$000
Opening balance	77,264	82,824
Transfer from accumulated funds	16,109	13,192
Transfer to accumulated funds	(25,850)	(18,752)
Total Council Created Reserves	67,523	77,264
Special Funds are funds put into a reserve for a specific purpose and are invested separately. The transfer from accumulated funds includes the proceeds and accumulated interest from the sale of electricity shares. The investment capital is held and inflation proofed each year for the benefit of future generations.		
(c) Restricted Reserves	Actual 2003 \$000	Actual 2002 \$000
Opening balance	1,309	1,253
Transfer to (from) Accumulated Funds	(1,111)	56
Total Restricted Reserves	198	1,309

These reserves are sinking funds put aside for the repayment of loans.

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000
(d) Asset Revaluation Reserves		
General Assets		
Opening balance	225,982	95,690
Change in asset value	0	131,767
Add/(Less) Revaluation attributable to assets sold	40	(1,475)
Closing balance	226,022	225,982
Roading network and land	100,876	100,876
Wastewater	13,489	13,489
Water	6,968	6,968
Stormwater	24,845	24,845
Reserves (restricted)	63,166	63,166
Other (restricted)	0	101
Land (operational)	7,780	7,639
Buildings (operational)	7,780	7,780
Taupo Airport	1,118	1,118
Closing balance	226,022	225,982
Forest		
Opening balance	3,509	3,509
Change in asset value	(1,586)	0
Closing balance	1,923	3,509
Total Asset Revaluation Reserve	227,945	229,491
	Actual 2003 \$000	Actual 2002 \$000
7 Accounts Receivable & Prepayments		
Rates debtors	980	797
General debtors	1,439	675
Accruals	1,341	1,773
Sundry debtors	680	689
Prepayments	46	22
	4,486	3,956
Less: Provision for doubtful debts	382	375
	4,104	3,581

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000			
8 Investments					
(a) Current					
Call deposits	4,448	4,950			
Short term deposits	18,676	34,838			
LA Stock	0	374			
Sinking Funds	0	1,095			
Other	0	0			
Total Current Investments	23,124	41,257			
(b) Non-Current					
Long term deposits	13,808	14,970			
Sinking Funds	198	184			
Equity Investments	17,675	15,207			
Shares in Companies	59	92			
Total Non-Current Investments	31,740	30,453			
Sinking funds are invested with Sinking Fund Commissioners of Taupo District Council and National Provident Fund. Equity Investments are invested by State Street Global Advisors, Fund Managers.					
(c) Interest Rates					
Weighted Average Effective Interest Rates were:	2003	2002			
Short and Long term deposits	6.54%	6.39%			
LA Stock		7.45%			
Sinking Funds	7.50%	6.31%			
(d) Maturities	2003 \$000	2003 \$000	2003 \$000	2003 \$000	2003 \$000
	<6 mths	6-12 mths	1-2 yrs	2-5 yrs	>5 yrs
Short and Long term deposits	21,090	2,034	7,313	4,491	2,004
Sinking Funds	0	0	0	38	160
	21,090	2,034	7,313	4,529	2,164
(e) Joint Venture					
Taupo District Council has 50% ownership of the joint venture Taupo Airport Authority. Taupo Airport Authority balance date is 30 June.					
(i) Share of Assets employed				Actual 2003 \$000	Actual 2002 \$000
The Council's interest in the joint venture is disclosed in the financial statements under the classifications shown below:					
Non - Current Assets				2,734	2,795
Current Assets				78	48
Share of Assets employed				2,812	2,843
(ii) Share of net expense				298	253
(iii) Share of net revenue				207	228
(f) Subsidiary				Actual 2003 \$000	Actual 2002 \$000
The following amounts for Data Capture Systems Limited have been consolidated into the financial statements under the following headings:					
Revenue from Activities				80	0
Operating Expenditure				169	0
Current Assets				56	0
Non-current Assets				124	0
Current Liabilities				15	0
(g) Shares in Companies					
NZ Local Government Insurance Corporation Ltd 83,971 shares at fair value of \$0.56 (2002 83,971 at \$1.00) each. King Country Energy Limited 6,129 shares at fair value of \$2.00 (2002 \$1.21) each. Destination Lake Taupo 100 shares no par value and Data Capture Systems Ltd 100 shares no par value					

Notes to the Financial Statements:

For the year ended 30 June 2003

9 a) Other Non-Current Assets	Cost 2003 \$000	Valuation 2003 \$000	Accum Depn/ Amortisation 2003 \$000	Net Book Value 2003 \$000	Cost or Valuation 2002 \$000	Accum Depn 2002 \$000	Net Book Value 2002 \$000
Infrastructural Assets							
Roading network and land at valuation	4,313	217,636	2,666	219,283	217,939	0	217,939
Wastewater	1,758	39,389	1,042	40,105	39,480	0	39,480
Water	1,789	28,294	995	29,088	28,312	0	28,312
Stormwater	106	27,641	381	27,366	27,665	0	27,665
Items under construction	10,302	0	0	10,302	5,956	0	5,956
	18,268	312,960	5,084	326,144	319,352	0	319,352
Restricted Assets							
Reserves	2	75,830	6	75,826	75,830	4	75,826
Flood control	0	0	0	0	656	100	556
Other at valuation	0	680	0	680	680	0	680
Items under construction	0	0	0	0	840	0	840
	2	76,510	6	76,506	78,006	104	77,902
Operational Assets							
Land	710	19,579	0	20,289	19,966	0	19,966
Buildings	7,771	33,335	737	40,369	33,644	2	33,642
Machinery, vehicles and plant	6,606	0	3,719	2,887	6,379	3,539	2,840
Furniture and office equipment	5,011	0	3,918	1,093	4,924	3,683	1,241
Library books	2,405	0	1,957	448	2,217	1,752	465
Heritage assets	42	0	12	30	42	12	30
Items under construction	1,211	0	0	1,211	6,997	0	6,997
	23,756	52,914	10,343	66,327	74,169	8,988	65,181
Capitalised Finance Leased Assets							
Computers at cost	484	0	167	317	441	184	257
	484	0	167	317	441	184	257
Taupo Airport Authority							
Airport assets	1,429	1,522	238	2,713	2,946	151	2,795
Items under construction	20	0	0	20	64	0	64
	1,449	1,522	238	2,733	3,010	151	2,859
Data Capture Systems Ltd							
Office equipment	3	0	0	3	0	0	0
Development expenditure	135	0	14	121	0	0	0
	138	0	14	124	0	0	0
Total Fixed Assets	44,097	443,906	15,852	472,151	474,978	9,427	465,551
Forestry at valuation	0	2,415	0	2,415	7,595	0	7,595
Total other non-current assets	44,097	446,321	15,852	474,566	482,573	9,427	473,146

Capital work in progress is shown under the appropriate asset class.

Infrastructural assets - Council manages infrastructural assets in accordance with Asset Management Plans. These plans provide the level of service required, the current physical extent, condition and capacity of the network and the timing, extent and cost of work required to maintain and restore the network's defined capacity in future years.

Restrictions - Restricted assets cannot be disposed of because of legal or other restrictions.

Fair Value - Council consider the fair value of land and buildings to be the book value of these assets.

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000
9 b) Forestry Assets intended for sale		
Forest Asset	2,353	0

As at 30 June 2003, 54% of the area, or 51% of the estimated volume of the Rangitaiki Forest radiata crop had been harvested. The remainder of the radiata crop was expected to be harvested over the next twelve months. Using the current net returns being obtained from the Rangitaiki forest as the basis for valuing the remaining Rangitaiki radiata crop, a fair value of the Council forest, both in non-current assets and in forestry assets intended for sale, as at 30 June 2003 is estimated at \$7,128,000.

10 Properties intended for resale	Actual 2003 \$000	Actual 2002 \$000
Land	312	442
Buildings	461	143
	<u>773</u>	<u>585</u>

These include Mahoe St Depot.

11 Accounts Payable	Actual 2003 \$000	Actual 2002 \$000
Creditors	2,737	4,457
Deposits/Bonds/Provisions	818	802
Accruals - General	1,867	1,394
Accrued Interest	109	193
Landfill aftercare provision	24	22
Investment held for Airport Authority	0	19
Councillors' fees payable	35	32
Income in advance	1,167	820
	<u>6,757</u>	<u>7,739</u>

A liability of \$1,206,565 has been recognised for rates payable to forest land owners in the district due to a decision by the Land Valuation Tribunal. The decision determined a decrease of 8.8% in the land valuation for a forest land owner. The decision was appealed by the forest land owners. The outcome of this appeal was a decrease of between 14% to 80% of the land valuation. This liability is recognised in the financial statements as at 30 June 2003 (30/06/02 \$893,311).

12 Employee Entitlements	Actual 2003 \$000	Actual 2002 \$000
Accrued pay	178	225
Annual leave	875	865
Retirement gratuities & long service leave	707	703
	<u>1,760</u>	<u>1,793</u>
Made up of:		
Current	1,227	1,234
Non-current	533	559
	<u>1,760</u>	<u>1,793</u>

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000
13 Public Debt		
(a) Current		
Loans	7,067	7,919
Lease Liabilities	145	118
	7,212	8,037
Non-current		
Loans	12,465	19,819
Lease Liabilities	206	129
	12,671	19,948
Gross Public Debt	19,883	27,985

(b) Security

All loans are secured over the rates of the district or Council assets. New loans are secured by Deed of Charge in favour of the ANZ banking Group (New Zealand) Limited.

	Actual 2003 \$000	Actual 2002 \$000
(c) Repayment terms		
Payable no later than one year	7,212	8,037
Later than one, not later than two years	6,612	5,086
Later than two, not later than five years	4,585	11,037
Later than five years	1,474	3,825
	19,883	27,985

(d) Interest rates

Weighted average effective interest rates on borrowings (current & non current) were:

	2003	2002
Loans	6.93%	7.14%
Lease Liabilities	14.04%	11.53%
Overall weighted average	7.47%	7.22%

(e) Analysis of Finance Lease Liabilities

	Actual 2003 \$000	Actual 2002 \$000
Payable no later than one year	165	125
Later than one, not later than two years	127	94
Later than two, not later than five years	110	51
Later than five years	0	20
	402	290
Future Finance Charges	(51)	(43)
Recognised as a liability	351	247
Representing Lease Liabilities:		
Current	145	118
Non-current	206	129
	351	247

There have been no significant amendments to or departures from the Treasury Management Policy during the year ended 30 June 2003

Notes to the Financial Statements:

For the year ended 30 June 2003

	Actual 2003 \$000	Actual 2002 \$000
14 Reconciliation of Net Surplus to Net Cash		
Inflow from Operating Activities		
Net surplus (deficit)	(2,232)	(7,159)
Add (less) Non Cash Items:		
Depreciation	7,168	7,233
Vested Assets & first time recognition of assets	(800)	(1,077)
Unrealised Gain/(Loss) on equities	1,740	6,938
(Decrease) increase in doubtful debts	7	41
	8,115	13,135
Add (less) Movements in Working Capital:		
(Increase) decrease in accounts receivable	(499)	141
(Increase) decrease in Prepayments	(24)	64
(Increase) decrease in stock	(98)	(22)
Increase (decrease) in accounts payable	(1,015)	1,352
	(1,636)	1,535
<i>Add item classified as investing activity</i>		
Net (Gain) Loss on sale / write-offs	54	1,390
Decrease / (increase) in creditors for capital expenditure	(152)	0
Increase / (decrease) in debtors for capital revenue	751	0
	653	1,390
Per statement of cashflows	4,900	8,901

15 Related Party Transactions

During 2002/2003 the following related party transactions occurred:

Taupo Airport Authority (see Note 8 for details of the nature of the relationship between the related parties)

Until April 2003 all cash transactions of this authority were carried out by the Taupo District Council through the Current Account. The balance in this account effectively represents an on demand deposit. Interest was credited to this account by the Taupo District Council and was calculated on the average balance at 7.18% for the year ended 30 June 2003 (2002 - 7.38%). From April 2003 the authority operated its own bank account.

The balance of a loan provided by the Council to the Airport at 30 June 2003 was \$239,077 (2002: \$218,246)

The Airport paid the Council a management fee of \$24,000 (2002: \$24,000)

The Airport has accounts payable to Council as at 30 June 2003 of \$34,431 (2002: \$0)

Data Capture Systems Limited (see Note 8 for details of the nature of the relationship between the related parties)

Data Capture Systems operates its own bank account. The balance of a loan provided by the Council to Data Capture Systems Limited at 30 June 2003 was \$258,000 (2002: \$0). The interest rate on the loan balances varies according to current interest rates prevailing.

Payment was made to Taupo District Council for development expenditure and other costs of \$258,000.

Data Capture Systems Limited has accounts payable to Taupo Airport Authority as at 30 June 2003 of \$6,703 (2002 \$0). Data Capture Systems Limited has accounts receivable from Taupo Airport Authority as at 30 June 2003 of \$6,660 (2002 \$0).

Data Capture Systems Limited is administered by Taupo District Council and all costs associated with the administration are absorbed by Council.

Lake Taupo Development Trust

Of the seven trustees on the Lake Taupo Development Trust, three are Taupo District Council appointees.

The Lake Taupo Development Trust owns 100% of the Lake Taupo Development Company Ltd.

\$250,400 was paid to the company by Council during the year ended 30 June 2003, for the delivery of Economic Development services.

Notes to the Financial Statements:

For the year ended 30 June 2003

Taupo Employment Support Trust

Taupo District Council has one councillor as an observer / advisor to the Taupo Employment Support Trust. A \$35,000 grant was paid to the Trust by Council during the year ended 30 June 2003.

Lake Taupo Arts Festival Trust

Taupo District Council has one councillor as an observer / advisor to the Lake Taupo Arts Festival Trust. A grant of \$30,000 was paid to the Trust by Council during the year ended 30 June 2003. The grant is a contribution towards the running of the Bi-Annual Taupo Arts Festival.

Councillors

During the year Councillors and key management, as part of a normal customer relationship were involved in minor transactions with the Council (such as accomodation, entertainment, furnishings, painting supplies, flights and commissions.)

16 Financial Instruments

Council is risk adverse and seeks to minimise exposure from its treasury activities. Council provides risk management for interest rates and the concentration of credit risk. Council has established a Treasury Management Policy specifying what transaction can be entered into. The policy does not allow any transactions that are speculative in nature to be entered into.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the cost of borrowing or the return from an investment.

Note 8 provides information on investment interest rates and maturity profile.

Note 13 provides information on term loan interest rates and maturity profile.

Council's current policy enables it to hedge up to 100% of its financial investment and borrowings.

Council can hold up to 25% of total debt with a floating rate.

At 30 June 2003 Council does not have any interest rate risk management instruments in place.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Council has exposure to currency fluctuation on its international equity investments (note 8). As at 30 June 2003 Council hedged 50% of this exposure.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Council, causing the Council to incur a loss.

Financial instruments which potentially subject the Council to credit risk principally consist of bank balances, accounts receivable, all investments, and sports club and other guarantees.

The maximum exposures to credit risk for each class is the carrying amount in the statement of financial position.

The group reduces counterparty risk by spreading its investments over approved institutions.

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties, in an arm's length transaction.

Other than disclosed below, the fair value of financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position.

Notes to the financial statements:

For the year ended 30 June 2003

	Carrying amount 2003 \$000	Fair Value 2003 \$000	Carrying Amount 2002 \$000	Fair Value 2002 \$000
Equity Investments (note 8)	17,675	17,675	15,207	15,207
Short and Long term deposits (note 8)	36,932	36,932	54,758	54,758
LA Stock (note 8)	0	0	374	374

17 Chief Executive's Remuneration

The Chief Executive of the Taupo District Council appointed under Section 119C[1][a] of the Local Government Act 1974 received a salary of \$120,000 (2001: \$148,771)

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

Additional Benefit	Cost during the financial year	
	2003	2002
Vehicle (market value plus FBT)	6,374	19,121
Medical Insurance (inclusive of FBT)	826	5,308
Subscriptions	0	1,614
Bonus	25,090	0
Retirement Gratuities	41,184	0
Leave Entitlements	106,888	0

For the period 1 July 2002 to 31 October 2002, the total annual cost including fringe benefit tax to the Council of the remuneration package being received by the Chief Executive is calculated at \$235,397 (30/06/01 \$174,814).

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

Additional Benefit	Cost during the financial year	
	2003	2002
Vehicle (market value plus FBT)	10,338	0
Medical Insurance (inclusive of FBT)	750	0
Superannuation Contribution	1,500	0
Subscriptions	1,107	0
Chief Executive Officer Designate payment	5,000	0

For the period 1 November 2002 to 30 June 2003, the total cost including fringe benefit tax to the Council of the remuneration package being received by the new Chief Executive Officer is calculated at \$98,695.

Notes to the financial statements:

For the year ended 30 June 2003

18 Commitments

Major capital contracts which Council was committed to:

	Actual 2003 \$000	Actual 2002 \$000
Waste water	135	389
Water Supply	28	359
District Roothing	3,884	4,428
Refuse	1,493	1,538
AC Baths	100	4,538
Property Purchase	540	427
	6,180	11,679
Non-cancellable operating leases	212	128
	6,392	11,807

19 Contingencies

Loan Guarantees

	Year of guarantee	Term in years	Amount of guarantee	Guarantee outstanding 2003 \$000
The following Loan Guarantees have been given by Council:				
Taupo Squash Rackets Club	1982	25	57,400	18,509
Taupo Association Football Club	1992	25	53,000	42,996
Lakeland Bowling Club Inc	1991	10	230,000	32,104
Taupo Netball Association	1995	10	20,500	14,171
Mount Tauhara Gymnastics Club Inc	1996	10	50,000	9,966
Life Education Trust (not drawn down yet)	1997	3	35,000	0
Totals for the year ended 30 June 2003			445,900	117,746
Totals for the year ended 30 June 2002			486,100	162,612

Contingencies

Taupo District Council

Council are awaiting a decision by the Land Valuation Tribunal relating to valuation of forestry land for rating purposes. This decision may determine a change in value of forestry land for the 2002/03 rating year with the potential of a rates refund being required to forest land owners who have objected to their land valuations. These are unable to be quantified at this stage.

Scientific advice has been received regarding the Hipaua Geothermal Landslide risk near Waihi at the southern end of Lake Taupo. In the event of a landslide any property damage and/or loss of life potentially could give rise to claim(s) against Council.

Other litigation includes potential liability for claims under the Building Act 1991, Resource Management Act 1991 and an employment issue claim. (Maximum liability \$825,000) Also a rates exemption challenge by Council and a rating challenge against Council. (Maximum liability \$550,000) Council does not believe it will be liable for the aforementioned litigation.

There is a current issue within Taupo of differential subsidence, potentially causing property damage and therefore raising liability issues. Taupo District Council does not believe it has any direct potential liability, specifically related to the causes of differential subsidence. The issue of contingent liability however is under review.

Notes to the Financial Statements:

For the year ended 30 June 2003

Contingencies

Taupo Airport Authority

Taupo District Council has three types of lease agreements over its Taupo Airport Authority land. Under two of those types of lease agreements the improvements (including buildings) revert to the lessor at the end of the lease. Under the third type of lease agreement the tenant owns the improvements and has the option to remove the improvements (including buildings) at the end of the lease. These assets are not recognised in the Statement of Financial Position because of the uncertainty as to the date when ownership passes to the lessor. The fair value of the improvements, as confirmed by Quotable Value New Zealand (1/7/02) is \$1,931,000.

20 Segmental Reporting

Taupo District Council provides local authority services to ratepayers and other residents of the Taupo, Kaingaroa, Mangakino/Pouakani, Turangi/Tongariro wards.

21 Landfill Aftercare

Taupo District Council gained a resource consent in September 1998 to operate the Broadlands Road Landfill. The Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- final application and vegetation
- drainage control features
- facilities for leachate collection and monitoring
- facilities for water quality monitoring
- facilities for monitoring and recovery of gas

Post-closure responsibilities:

- treatment and monitoring of leachate
- ground water and surface monitoring
- gas monitoring and recovery
- implementation of remedial measures such as needed for cover and control systems
- ongoing site maintenance for drainage systems, final cover and vegetation

The management of the landfill will influence the timing of recognition of some liabilities, for example, the current landfill consists of a series of new cells being progressively opened as old ones are completed. Each of these require additional capital expenditure and the recalculation of the landfill aftercare provision.

Capacity of the Site

- the remaining capacity of the site is approximately 691 million cubic metres (refuse, cleanfill and cover).
- the estimated remaining life is 26 years.

Estimates of the life have been made by Council's engineers based on historical volume information and early results from the new Solid Waste Management Strategy.

The cash outflows for landfill post-closure are expected to occur between 2030 and 2035. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.75%.

Notes to the Financial Statements:

For the year ended 30 June 2003

	Parent 2003 \$000	Parent 2002 \$000	Group 2003 \$000	Group 2002 \$000
Landfill liability	24	22	24	22
			2003 \$000	2002 \$000
Opening balance			22	0
Adjustment for adoption of FRS-15			0	0
Additional provisions			2	22
Amounts used			0	0
Unused provision reversed			0	0
Discounting changes			0	0
Closing balance			24	22

22 Transit NZ Act Disclosure

	Actual 2003 \$000	Actual 2002 \$000
Operating Costs	407	398
Less recoveries		
Subsidised roading	236	231
Other	203	181
	439	412
Net cost of service	(32)	(14)

Note: The surplus on operation of the business unit is transferred to the general fund.
The above information is presented in accordance with section 31 of the Transit New Zealand Act.

Notes to the Financial Statements:

For the year ended 30 June 2003

23 Major Budget Variations

Explanations for major variations from the Council estimate figures in the 2002/2003 annual plan are as follows:

Statement of Financial Performance

The major variations are due to:

- Interest and Dividend income was below budget by \$1.6m due to low dividend payouts on international equities and less interest received from the TEL fund as a result of the \$10m reduction of external debt.
- Infrastructural assets vested in council increased other income by \$0.8m.
- An unbudgeted \$1.7m write down of international equities was required to record assets at fair value.
- Unbudgeted expenditure of \$1.2m related to legal, professional and consultancy fees mainly due to issues associated with the Eastern Taupo Arterial route and Geothermal subsidence. A further \$0.3m relates to an increase in the provision for rates refundable to forestry owners as a result of objections.

Statement of Movements in Equity

The major variations are due to:

- Net Deficit for the period against a budgeted surplus as detailed under the Statement of Financial Performance.

Statement of Financial Position

The major variations are due to:

Equity variations are detailed under the explanation for statement of movements in equity.

- Investments held at year end are lower than budgeted due to a cumulative writedown of international equities of \$11m and the retirement of \$10m of external debt from the TEL Fund.
- Other non current assets are higher than budgeted due mainly to asset revaluations in 2001/02 as part of councils three yearly revaluation cycle and a change to the asset revaluation policy as shown in the statement of accounting policies.
- Accounts payable are \$0.7m higher than budgeted due to greater than expected accruals for capital projects at year end.
- Public debt is lower than budgeted by \$7.5m. This is mainly due to the \$10m debt reduction from the TEL fund.

24 Statement of Financial Involvement in Late's and other Companies

The Council has control over the following entities:

Data Capture Systems Limited (previously Taupo Information Centre)

Destination Lake Taupo Limited (currently dormant shelf company)

The Council also has a joint venture in the Taupo Airport Authority.

Details of financial interests in these entities are detailed in notes 8 and 15. Advances to subsidiaries and joint ventures are: \$258,000 advance to Data Capture Systems Limited and \$237,077 advance to Taupo Airport Authority, both on normal commercial terms.

The cost to each of the above enterprises for the financial interests, finance or financial assistance of the Council is as follows:

	Dividends 2003 \$000	Interest 2003 \$000	Total 2003 \$000
Subsidiary			
Data Capture Systems Limited	0	0	0
Joint Venture			
Taupo Airport Authority	0	16	16
Total Cost	0	16	16

The provision of financial assistance by Taupo District Council to both of these entities is through loans and in the case of the Taupo Airport Authority also through share capital. It does not include any guarantee over loans made by them.

SCHEDULE OF CAPITAL EXPENDITURE

		Area	Actual 2003 \$0	Budget 2003 \$0
Community Development & Support				
Taupo Pens Hsg	Refurbish [Internally] 40 Pensioner Units	tkmp	80,424	72,000
Taupo Pens Hsg	Ovens (6)	tkmp	7,575	6,000
Taupo Pens Hsg	External Cladding	tkmp	0	7,875
Taupo Pens Hsg	External Doors	tkmp	0	5,000
Taupo Pens Hsg	Louvre Windows	tkmp	0	2,730
Mko Pens Hsg	Carpets	tkmp	0	5,000
Mko Pens Hsg	Kitchen Benches	tkmp	0	5,000
Mko Pens Hsg	Upgrade Bathrooms Porches	tkmp	0	2,000
Council Property	Waioara House	tkmp	1,001	15,000
Total Community Development & Support			89,000	120,605
Environmental Management				
Planning & regulatory	Replace motor vehicle	dist	0	18,000
Planning & regulatory	Vehicle Replacements	dist	19,310	22,000
Planning & regulatory	Canopy for Vehicle	dist	0	2,500
Total Environmental Management			19,310	42,500
Marketing				
Marketing	Vehicle Replacement	dist	0	22,000
Display Stand		dist	17,581	15,000
Total Marketing			17,581	37,000
Corporate & Strategic Investments				
Management Services	Customer Computer Booth	dist	0	1,000
Management Services	Counting Machine	dist	0	2,250
Main Office Emergency Lighting		dist	0	11,500
Main Office Security		dist	0	50,000
E & S Auto Doors		dist	8,810	7,400
TK Forest	Rakanui Rd Thinning/Pruning	tkmp	0	2,400
Management Services	Pool Cars	dist	0	22,500
Management Services	Painters Ford Econovan	dist	22,097	25,000
Management Services	Carpenters Ford Courier	dist	24,470	25,000
Works	Nissan Sentra	dist	0	20,000
Works	Ford Telstar	dist	0	25,000
Pokuru road Bridge		dist	39,818	120,000
Access Road-across	Inghams Farms	dist	0	30,000
GIS Aerial Photography		dist	25,221	25,221
IT Department	Network Development	dist	131,362	150,000
IT Department	Desktop Upgrade	dist	115,708	100,000
Office Equipment		dist	2,561	7,500
Strategic Management		dist	30,818	30,000
Mko Office	Vehicle replacement - Manager	tkmp	0	25,000
Mko Office	Replace board room chairs	tkmp	0	5,000
Mko Office	Ceiling Fans	tkmp	1,013	2,000
Total Corporate & Strategic Investments			401,878	686,771
Recreation & Community Facilities				
AC Baths	A C Baths Upgrade (budget revised to \$7,747,000)	tkmp	7,651,873	7,340,000
Turangi Reserves	Mower	tt	32,800	35,000
Turangi Reserves	Mower	tt	11,990	15,000
Turangi Reserves	Misc Small Plant	tt	4,468	4,350
Sportsgrounds	Owen Delany Park	tkmp	0	30,000
Sportsgrounds	Owen Delany Park	tkmp	0	50,000
Sportsgrounds	Crown Park	tkmp	0	5,000
Sportsgrounds	Annual Plan Submissions	tkmp	0	50,000
Taupo Reserves	Riverbank Reserve	tkmp	1,254	20,000
Taupo Reserves	Hot Water Beach	tkmp	0	150,000
Taupo Reserves	Lakefront Reserves	tkmp	2,757	10,000
Taupo Reserves	Lakefront Reserves	tkmp	6,086	40,000
Taupo Reserves	Te Moenga Scenic Reserve	tkmp	5,196	45,000
Taupo Reserves	Tongariro Domain	tkmp	10,000	18,000
Taupo Reserves	Nukuhau Boat Park	tkmp	0	12,000
Mko Reserves	Outdoor Furniture	tkmp	3,093	3,000
Mko Reserves	Town Centre Upgrade	tkmp	0	20,000

		Area	Actual 2003 \$0	Budget 2003 \$0
Mko Reserves	Town Centre Upgrade	tkmp	0	50,000
Taupo Reserves	Plant & Equipment & Operational Vehicles	tkmp	54,790	71,000
Taupo Reserves	P7234 Ransom Mower	tkmp	0	105,000
Sportsgrounds	Public Toilet Facilities	tkmp	15,031	18,000
Taupo Reserves	Miscellaneous	tkmp	0	25,000
Taupo Reserves	Whakamaru Reserve	tkmp	0	5,000
Halls	Wairakei Hall	tkmp	0	5,000
Halls	Waitahanui Hall	tkmp	0	35,000
Halls	Wairakei Hall	tkmp	0	9,000
Halls	River Road	tkmp	3,258	3,000
Halls	Wairakei Hall	tkmp	0	10,000
Halls	Acacia Bay	tkmp	1,063	9,000
Halls	Mangakino/Tirohanga Halls	tkmp	0	250,000
Halls	Mangakino/Tirohanga Halls	tkmp	711	1,000
Library	Book Purchases	tkmp	139,500	135,000
Library	Book Purchases	tkmp	7,935	9,000
Library	Shelving	tkmp	9,533	1,000
Library	Building Renewals	tkmp	0	8,420
Sanitation	Vehicles & Plant	tkmp	0	41,000
Superloo	Building Renewals	tkmp	1,254	1,800
Sanitation	Whakamaru Domain toilet block upgrade	tkmp	3,136	10,000
Sanitation	Superloo	tkmp	8,572	12,000
Sanitation	Superloo	tkmp	0	10,000
Sanitation	Superloo	tkmp	1,886	3,000
Sanitation	Superloo	tkmp	15,935	20,000
Sanitation	Superloo	tkmp	0	4,000
GLC	Building Renewals	tkmp	0	4,998
GLC	Vehicle replacement - Manager	tkmp	11,556	20,000
GLC	Poly Fl't Floor	tkmp	12,460	14,000
GLC	Airconditioning Stage 1 Theatre	tkmp	163,633	140,000
GLC	Memorial Courtyard Seats	tkmp	2,580	5,200
GLC	Remaster Keying	tkmp	9,017	15,500
GLC	Cyc Cloth (Cyclorama)	tkmp	0	6,500
GLC	Internal Painting	tkmp	10,112	10,000
Venues Admin	Promo Stands for TEC	tkmp	0	4,000
Venues Operations	Furniture Trailer	tkmp	0	6,000
Venues Operations	Hi Speed Polisher	tkmp	0	2,500
Venues Operations	Carpet Cleaning Machine	tkmp	0	4,500
Venues TEC/Baths	AC Baths Signage	tkmp	0	9,000
Venues TEC/Baths	Pool Vacuum Cleaner	tkmp	8,400	9,000
Venues TEC/Baths	Reception Redesign	tkmp	12,990	10,000
Venues TEC/Baths	Replacement Running Machine	tkmp	19,179	10,000
Venues TEC/Baths	Re-polyurethane stadium floor	tkmp	19,470	40,000
Venues Operations	Air Driers - For hands in toilets- replacement	tkmp	0	3,000
GLC	Replacement of theatre lighting equipment	tkmp	16,155	15,000
Council Property	Refit Golf Ball Town Clock	tkmp	5,474	9,500
MKO Operations	Misc Plant	tkmp	11,274	30,000
Library	Books	tt	40,578	40,500
Turtle Pools	Repaint	tt	9,671	20,000
Library	Computers	tt	15,745	16,000
Operations	Plant replacement	tt	32,821	25,000
Reserves	River road boat ramp	tkmp	0	30,000
Sportsgrounds	River road Reserve Half Court	tkmp	0	20,000
Amenity Plantings	CBD Development	tkmp	2,602	10,000
Total Recreation & Community Facilities			8,395,838	9,228,768
Roading Network				
Rural Rooding	New Edge Marker Posts - Subsidised	tkmp	0	15,000
Urban Rooding	Minor Safety Works - Subsidised	tkmp	62,153	50,000
Urban Rooding	Urban lighting infill	tkmp	0	23,000
Urban Rooding	Installation of lights after undergrounding-Subsdsd	tkmp	0	18,000
Urban Rooding	Safety Marking - Subsidised	tkmp	0	10,000
Urban Rooding	New Controls Arterials - Markings - Subsidised	tkmp	698	1,000
Urban Rooding	New Controls Arterials - Signs - Subsidised	tkmp	0	10,000
Urban Rooding	Blister Islands	tkmp	53,308	15,000
Urban Rooding	Footpath Construction	tkmp	160,102	150,000
Urban Rooding	Industrial Footpath/Berm Upgrade	tkmp	2,814	15,000
Urban Rooding	On Street Parking (contributions offset this expenditure)	tkmp	148,494	50,000
Urban Rooding	CBD Upgrade	tkmp	616,741	650,000
Urban Rooding	Cycle Strategy inc education	tkmp	21,412	40,000

		Area	Actual 2003 \$0	Budget 2003 \$0
Urban Rooding	Upgrade of Mangakino Streets	tkmp	50,698	50,000
Urban Rooding	Renewal - from Asset Management plan	tkmp	353,238	526,000
Rural Rooding	Minor Safety Works - Subsidised	tkmp	0	65,000
Rural Rooding	Rural Flag Lights - Subsidised	tkmp	0	10,000
Rural Rooding	Warning Signs - Subsidised	tkmp	0	8,000
Rural Rooding	Bus Shelters (urban)	tkmp	10,318	13,000
Rural Rooding	New Culverts	tkmp	8,459	11,000
Rural Rooding	Major Drainage (urban)	tkmp	0	30,000
Rural Rooding	General Curve Easing/Widening	tkmp	85,694	200,000
Rural Rooding	Seal Extension	tkmp	371,956	375,000
Rural Rooding	Renewal - from Asset Management plan	tkmp	738,003	909,000
Urban Rooding	Minor Safety Works - Subsidised	tt	20,262	17,000
Urban Rooding	Urban lighting infill	tt	0	7,000
Urban Rooding	Installation of lights after undergrounding - Subsidised	tt	0	2,000
Urban Rooding	Footpath Construction(+10k in maintenance)	tt	0	30,000
Urban Rooding	Programmed Power/Telecom Lines	tt	0	15,000
Urban Rooding	Renewal - from Asset Management plan	tt	90,797	69,000
Rural Rooding	Minor Safety Works - Subsidised	tt	0	9,000
Rural Rooding	Warning Signs - Subsidised	tt	0	2,000
Rural Rooding	Renewal - from Asset Management plan	tt	12,339	68,000
Urban Rooding	Eastern Taupo Arterial	tkmp	534,688	500,000
Total Rooding Network			3,342,174	3,963,000
Solid Waste Management				
Landfill	Fencing manning existing	tkmp	40,160	135,000
Landfill	Extra Haulage Bin	tkmp	0	28,000
Landfill	Water leachate pipes	tkmp	16,594	125,000
Total Solid Waste Management			56,754	288,000
Stormwater				
Stormwater	De Bretts Gully System Improvements	tkmp	0	100,000
Stormwater	Mangakino Renewals	tkmp	0	50,000
Stormwater	Turangi Renewals	tt	0	20,000
Stormwater	Gully Planting program	tkmp	11,514	10,000
Stormwater	CBD Pipe Renewals	tkmp	38,516	25,000
Total Stormwater			50,030	205,000
Wastewater				
SA Taupo	Renewals	tkmp	321,335	645,790
SA Taupo	Toyota - Truck	tkmp	46,755	30,000
SA Taupo	Toyota - Ute	tkmp	0	20,000
SB Acacia Bay	Renewals	tkmp	46,093	30,350
SC Kinloch	Pretreatment Screen	tkmp	21,222	70,000
SC Kinloch	Renewals	tkmp	8,021	50,900
SE Waitahanui	Renewals	tkmp	16,536	190,250
SF Motuoapa	Renewals	tt	6,654	150
SI Mangakino	Infiltration (Prevention)	tkmp	36,879	30,000
Total Wastewater			503,495	1,067,440
Water Supply				
WP Mapara Rd	Pump Upgrade	tkmp	0	84,000
WA Taupo	Renewals	tkmp	15,299	200,536
WA Taupo	Renewals	tkmp	0	35,640
WA Taupo	Nissan - Ute	tkmp	30,213	20,000
WA Taupo	Nissan - Ute	tkmp	32,258	20,000
WA Taupo	Tauhara Reservoir	tkmp	622,584	600,000
WB Acacia Bay	Renewals	tkmp	12,160	14,700
WB Acacia Bay	Cherry Lane Reservoir	tkmp	85,401	950,000
WC Kinloch	Renewals	tkmp	0	1,826
WE Waitahanui	Renewals	tkmp	0	814
WH River Road	Renewals	tkmp	1,258	10,390
WI Mangakino	Renewals	tkmp	13,340	4,482
WL Waihaha	Renewals	tkmp	0	8,809
WN Tirohanga	Renewals	tkmp	13,745	12,850
WN Tirohanga	Pokuru Pumps x 3	tkmp	0	30,000
WO Atiamuri	Renewals	tkmp	9,205	33,000
WP Mapara Rd	Renewals	tkmp	2,116	11,436
WU Whakamoenga Pt	Renewals	tkmp	0	42,447
WW Bonshaw	Renewals	tkmp	1,043	1,700
WZ Whakarora	Renewals	tkmp	370	18,168

		Area	Actual 2003 \$0	Budget 2003 \$0
WZ Whakaroa	Retic Upgrade	tkmp	0	10,000
WF Motuoapa	Renewals	tt	0	6,022
WJ Turangi/Tokaanu	Renewals Tokaanu	tt	0	6,972
WJ Turangi/Tokaanu	Renewals Tgi	tt	23,003	26,456
WK Omori	Renewals	tt	1,523	332
WMWhareroa	Renewals	tt	5,381	6,950
WQ Hatepe	Renewals	tt	802	4,832
Total Water Supply			869,701	2,162,362
Total			13,745,761	17,801,446

INVESTMENT INCOME

TEL/TGL Investment Fund

On 5 September 1995, Taupo District Council sold its investments in Taupo Electricity Ltd and Taupo Generation Ltd [TEL/TGL] providing a net investment fund of \$61.3 million.

The policies regarding the use of the capital and investment income are included in the Treasury Management Policy. Amongst other requirements the policies stipulate:

- the investment income earned on the inflation proofed sale proceeds be available for distribution each year, with the distribution determined during the Annual Plan process. Income available for distribution in 2002/2003 net of the amount required to inflation proof the fund was \$1.947 million [budget \$3.055 million].
- a fluctuation reserve be set up to provide income in any year where income received from the fund does not meet the amount required for distribution by the Annual Plan. The reserve was set up at \$4.5 million and currently has a balance of \$5.8 million.
- 30% of the fund be held in global equities. Due to the decline in global equities the value of the amount invested has decreased. Although unrealised the loss is recognised in the financial statements.

During 2002 Council resolved to use \$10,000,000 TEL funds to repay Taupo/Kaingaroa and Mangakino/Pouakani general rate debt.

The value of the fund at 30 June 2003 was \$51,5089,797. The cumulating sale proceeds plus inflation proofing, fluctuation reserve and unrealised losses are shown below:

	\$
Initial investment September 1995	61,273,557
Inflation proofing	10,221,763
Less: establishment of fluctuation reserve	(4,500,000)
Balance of investment at 30 June 2003	<u>66,995,320</u>
Fluctuation reserve at 30 June 2003	5,852,476
Unrealised gains/(losses) on equities 30 June 2003	(11,757,999)
Repayment of public debt (general rate)	<u>(10,000,000)</u>
Value of fund at 30 June 2003	<u>\$51,089,797</u>

SCHEDULE OF BORROWING

The actual borrowing for the year ended 30 June 2003 and the external borrowing requirements of the Council for the next three years are as follows:

	2003 Actual	2003 Budget	2004 Budget	2005 Budget
Governance	0	0	0	0
Environmental Management	0	0	0	27,000
Community Development And Support	0	0	70,000	105,000
Recreation And Community Facilities	4,896,437	7,730,000	1,173,000	770,000
Economic Development And Marketing	0	0	420,000	0
Solid Waste Management	132,035	288,000	675,000	500,000
Water Supply	165,453	1,096,000	1,124,000	5,617,000
Wastewater	731,715	0	2,000,000	1,250,000
Roading Network	2,096,247	1,740,000	4,450,000	4,400,000
Stormwater	179,848	0	140,000	0
Corporate And Strategic Investments	375,503	200,000	435,000	376,000
Total Borrowing	8,577,238	11,054,000	10,487,000	13,045,000
less internally borrowed	999,605	0	3,500,000	4,000,000
Total external borrowing for the year	\$7,577,633	\$11,054,000	\$6,987,000	\$9,045,000

The actual borrowing level was below budget due to capital projects either being deferred or in progress therefore fewer funds were required.

Total interest costs and loan repayments to be met from rating revenue are:

	2003 Actual	2003 Budget	2004 Budget	2005 Budget
Interest*	1,327,937	1,970,000	2,575,000	3,391,000
Loan repayments**	15,918,326	1,859,000	2,009,000	2,496,000

*2003 Actual interest includes internal interest paid on internal borrowing of \$413,500.

**Actual loan repayments were higher than budgeted due to:

- i) \$10,000,000 TEL funds used to repay Taupo/Kaingaroa and Mangakino/Pouakani existing general rate debt and offset actual new general rate debt required for the year.
- ii) Funds from partial harvesting of the forestry assets were used to repay forestry debt \$2,473,792.

Borrowing is managed within the Council's Treasury Management Policy.