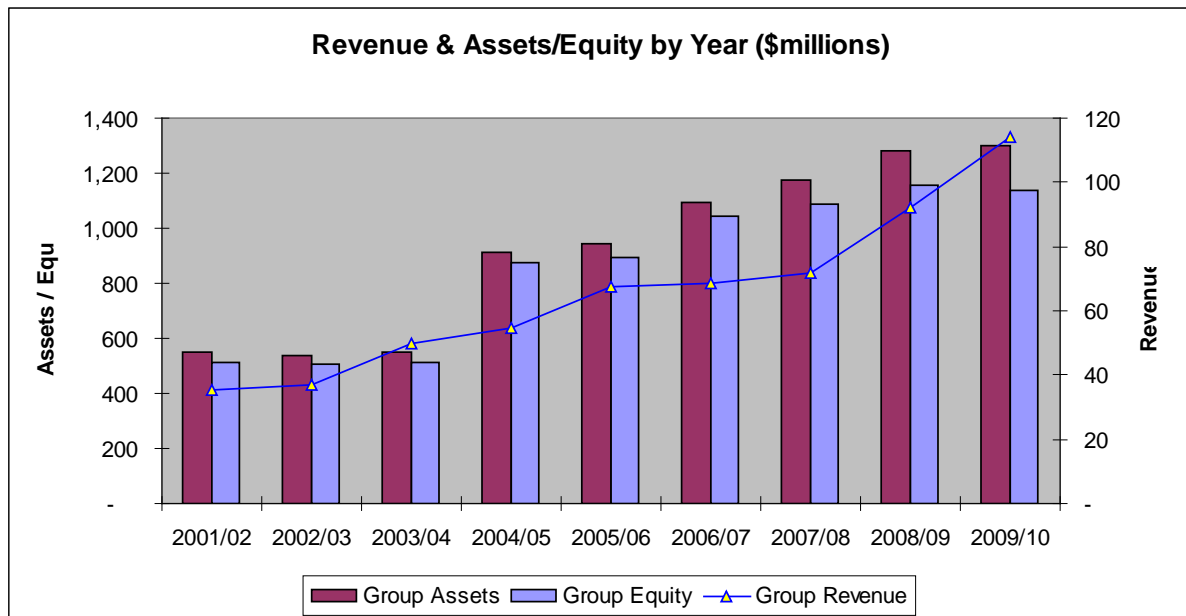
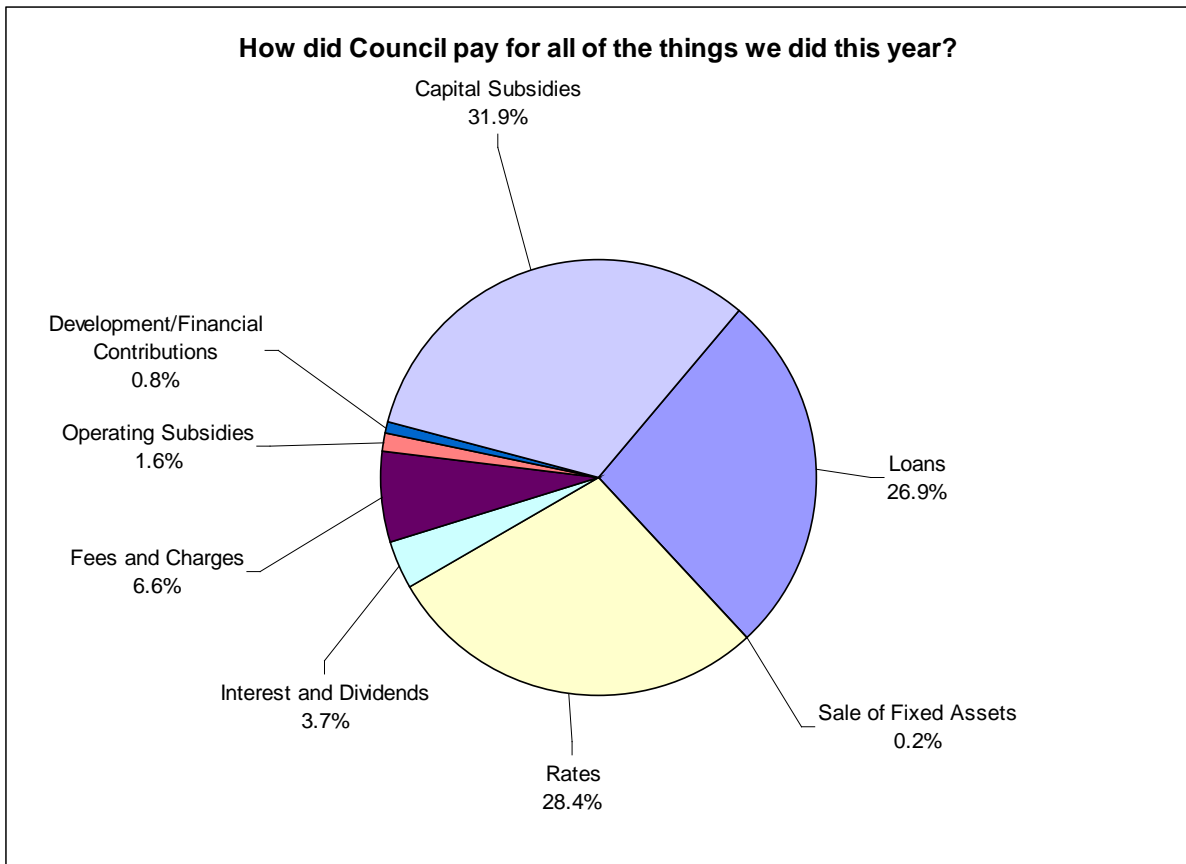


▶ FINANCIAL PERFORMANCE



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Finances at a glance



Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Notes	Council Actual 2010 \$000	Council Estimate 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Income						
Rates revenue	2	42,479	43,057	39,967	42,479	39,967
Other revenue from significant activities	1,3	62,634	43,312	41,908	63,006	42,310
Finance Income	3	5,608	6,699	5,959	5,619	5,964
Other revenue	3	925	4,400	2,356	925	2,356
Other gains/(losses)	3	1,691	719	1,818	1,691	1,818
Total operating revenue		113,337	98,187	92,008	113,720	92,415
Expenditure						
Employee benefit expenses	1,4	19,461	19,224	19,196	19,601	19,336
Depreciation and Amortisation	1,4	16,248	12,575	13,833	16,493	14,075
Finance costs	1,4	6,505	9,582	5,570	6,505	5,581
Other expenses	1,4	36,505	27,589	29,375	36,870	29,644
Total operating expenditure		78,719	68,970	67,974	79,469	68,636
Operating surplus (deficit) before taxation		34,618	29,217	24,034	34,251	23,779
Share of associate surplus/(deficit)	30	(1,118)	-	(1,859)	(1,118)	(1,859)
Net surplus (deficit) before taxation		33,500	29,217	22,175	33,133	21,920
Tax (expense) / credit	5	-	-	-	85	76
Net surplus (deficit) after taxation		33,500	29,217	22,175	33,218	21,996
Net surplus (deficit) after taxation is attributable to:						
Taupo District Council	6	33,500	29,217	22,175	33,359	22,086
Non-controlling interest	6	-	-	-	(141)	(90)
Net surplus (deficit) after taxation		33,500	29,217	22,175	33,218	21,996
Other comprehensive income						
Property, plant & equipment revaluations		(55,775)	53,935	47,863	(55,580)	47,863
Financial assets at fair value through other comprehensive income	2	-	-	33	2	33
Plus tax on equity items		-	-	-	44	-
Cash flow hedges		-	-	(237)	-	(237)
Total Other Comprehensive Income		(55,773)	53,935	47,659	(55,534)	47,659
Total Comprehensive Income		(22,273)	83,152	69,834	(22,316)	69,655

Explanation of major variances against budget are provided in note 29.

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

Statement of Changes in Equity

For the Year Ended 30 June 2010

	Notes	Council Actual 2010 \$000	Council Estimate 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Equity at start of the year		1,152,370	1,108,198	1,082,536	1,158,788	1,089,133
Capital introduced	6	-	-	-	86	-
Property, plant and equipment						
Revaluations gains/(losses) through equity	6	(55,775)	53,935	47,863	(55,580)	47,863
Financial assets at fair value through equity						
Revaluation gains/(losses) through equity	6	2	-	33	2	33
Cash flow hedges taken to equity	6	-	-	(237)	-	(237)
Tax on equity items	6	-	-	-	44	-
Net income (expense) recognised directly in equity		(55,773)	53,935	47,659	(55,448)	47,659
Surplus(deficit) for the year		33,500	29,217	22,175	33,218	21,996
Total recognised income and expenses for the year		(22,273)	83,152	69,834	(22,230)	69,655
Total recognised income and expenses are attributable to:						
Taupo District Council		(22,273)	83,152	69,834	(22,194)	69,745
Non-controlling interest	6	-	-	-	(36)	(90)
Total recognised income and expenses for the year		(22,273)	83,152	69,834	(22,230)	69,655
Equity at end of the year		1,130,097	1,191,350	1,152,370	1,136,558	1,158,788

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

Statement of Financial Position

as at 30 June 2010

	Notes	Council Actual 2010 \$000	Council Estimate 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Equity						
Accumulated Funds	6	875,658	870,059	836,213	877,519	838,215
Council Created Reserves	6	95,481	98,870	100,971	95,481	100,971
Restricted Reserves	6	-	232	-	-	-
Revaluation Reserves	6	158,958	222,189	215,186	160,641	216,649
Non-controlling interest	6	-	-	-	2,917	2,953
Total Equity		1,130,097	1,191,350	1,152,370	1,136,558	1,158,788
Current Assets						
Cash and Cash Equivalents	7	27,119	16,891	7,930	27,158	8,013
Other Financial Assets	10	5,437	18,422	25,712	5,662	25,823
Derivative Financial Instruments	20	-	-	-	-	-
Trade and Other Receivables	8	10,523	6,395	8,061	10,544	8,089
Inventories	9	457	480	550	457	550
Non-Current Assets Held for Sale	11	26,883	4,514	116	26,883	116
Total Current Assets		70,419	46,702	42,369	70,704	42,591
Non-Current Assets						
Other Financial Assets	10	55,688	44,730	57,819	52,827	54,958
Derivative Financial Instruments	20	456	-	-	456	-
Intangible Assets	14	892	924	908	902	921
Investment Properties	15	2,645	-	2,883	2,645	3,110
Investments in Associates	30	2,261	-	3,379	2,261	3,379
Biological Assets - Forestry	13	4,947	5,595	4,130	4,947	4,130
Property, Plant and Equipment	12	1,154,161	1,247,868	1,165,228	1,164,042	1,175,122
Total Non-Current Assets		1,221,050	1,299,117	1,234,347	1,228,080	1,241,620
Total Assets		1,291,469	1,345,819	1,276,716	1,298,784	1,284,211
Current Liabilities						
Trade and Other Payables	16	13,891	9,888	14,348	13,921	14,474
Employee Benefit Liabilities	17	3,053	2,282	3,010	3,075	3,030
Derivative Financial Instruments	20	-	-	470	-	470
Borrowings	19	40,320	8,895	1,924	40,320	1,924
Total Current Liabilities		57,264	21,065	19,752	57,316	19,898
Non-Current Liabilities						
Provisions	18	41	35	38	41	38
Derivative Financial Instruments	20	6,355	-	1,223	6,355	1,223
Borrowings	19	97,314	132,959	102,964	97,314	102,964
Deferred Tax Liabilities	5	-	-	-	802	931
Employee Benefit Liabilities	17	398	410	369	398	369
Total Non-Current Liabilities		104,108	133,404	104,594	104,910	105,525
Total Liabilities		161,372	154,469	124,346	162,226	125,423
Total Net Assets		1,130,097	1,191,350	1,152,370	1,136,558	1,158,788

The accompanying accounting policies and notes form part of these financial statements.
The financial statements are authorised for issue by Council on 28 September 2010.



Rob Williams CHIEF EXECUTIVE OFFICER
TAUPO DISTRICT COUNCIL



Rick Cooper MAYOR
TAUPO DISTRICT COUNCIL

Statement of Cashflows

For the Year Ended 30 June 2010

	Council Actual 2010 \$000	Council Estimate 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Cash flows from operating activities					
Cash was provided from :					
Rates	42,336	43,385	39,756	42,336	39,756
Subsidies	2,399	2,229	1,843	2,399	1,843
Interest income	5,465	6,699	6,425	5,473	6,430
Dividends received	8	-	13	8	13
Fees, charges and other income	9,397	11,895	11,651	9,720	11,301
Net GST received	448	-	-	445	-
Cash inflows from operating activities	60,053	64,208	59,688	60,381	59,343
Cash was applied to :					
Payments to suppliers and employees	46,087	47,339	45,761	46,457	45,221
Interest on public debt	6,176	9,582	5,569	6,176	5,580
Net GST paid	-	-	677	-	668
Cash outflows from operating activities	52,263	56,921	52,007	52,633	51,469
Net cash inflow (outflow) from operating activities (note 21)	7,790	7,287	7,681	7,748	7,874
Cash Flows from investing activities					
Cash was provided from :					
Proceeds from sale of property, plant and equipment	255	1,275	1,694	314	1,694
Development/Financial Contributions	1,141	3,132	2,997	1,141	2,997
Capital Subsidies	47,518	26,348	24,031	47,518	24,031
Net decrease in investments	22,085	-	-	21,971	-
Cash inflows from investing activities	70,999	30,755	28,722	70,944	28,722
Cash was applied to :					
Purchase and development of property, plant and equipment	92,144	56,294	61,717	92,177	63,615
Purchase of intangible assets	216	-	229	216	242
Net increase in investments	-	646	17,223	-	16,107
Cash outflows from investing activities	92,360	56,940	79,169	92,393	79,964
Net cash inflow (outflow) from investing activities	(21,361)	(26,185)	(50,447)	(21,449)	(51,242)

	Council Actual 2010 \$000	Council Estimate 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Cash Flows from financing activities					
Cash was provided from :					
Loans raised	40,019	24,174	37,949	40,019	37,949
Capital Injection	-	-	-	86	957
Net increase in finance lease liability	-	-	183	-	183
Cash inflows from financing activities	40,019	24,174	38,132	40,105	39,089
Cash was applied to:					
Repayment of loans	7,159	5,276	4,327	7,159	4,635
Net repayment of finance lease liability	100	-	-	100	-
Cash outflows from financing activities	7,259	5,276	4,327	7,259	4,635
Net cash inflow (outflow) from financing activities	32,760	18,898	33,805	32,846	34,454
Net increase (decrease) in cash held	19,189	-	(8,961)	19,145	(8,914)
Add cash at start of year	7,930	16,891	16,891	8,013	16,927
Cash at end of period	27,119	16,891	7,930	27,158	8,013
Consisting of:					
Cash and bank	355	100	125	357	126
Call deposits	16,728	-	1,905	16,765	1,987
Short term deposits (less than 3 months)	10,036	16,791	5,900	10,036	5,900
Cash at end of period	27,119	16,891	7,930	27,158	8,013

Notes:

The net GST item in the operating activity cashflows reflects the net GST paid or received with the Inland Revenue Department. The GST item is disclosed on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

The net investment item in the investment activity cashflows reflects the net investment activity with banks and corporates. The investment item is disclosed on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

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

Statement of Accounting Policies

For the Year Ended 30 June 2010

1. Reporting Entity

Taupo District Council is a Local Authority governed by the Local Government Act 2002. The financial statements of Taupo District Council and Group have been prepared in accordance with the provisions of section 98(1) of the Local Government Act 2002.

The Council's financial statements include Council and the Lake Taupo Protection Trust as an equity accounted associate.

The group reporting entity consists of the Taupo District Council, and its subsidiaries, Taupo Airport Authority, Data Capture Systems Limited and Destination Lake Taupo Limited. Council has two other Council Controlled Entities being the Lake Taupo Tourism Advisory Board and the Taupo District Economic Development Board. These are advisory boards and there are no financial results or assets or liabilities to consolidate.

The primary objective of Taupo District Council and group is to provide goods or services to the community for social benefit rather than for making a financial return. Accordingly the Council has designated itself and the group as a public benefit entity for the purposes of financial reporting.

The financial statements of Taupo District Council are for the year ended 30 June 2010. The financial statements were authorised for issue by Council on 28 September 2010.

2. Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practices. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements are prepared using the historical cost basis, except for assets and liabilities, which are recorded at fair value. These are detailed in the specific policies below.

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

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

The Council and group has adopted the following revisions to accounting standards during the financial year, which have had only a presentation or disclosure effect:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information

in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Council and group has decided to prepare a single statement of comprehensive income for the year ended the 30 June 2010 under the revised standard. Financial information for the year ended the 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognized directly in the statement of changes in equity.

Amendments to NZ IFRS 7 Financial Instruments: Disclosures. The amendments introduce a three level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The Council and group has elected to disclose comparative information.

Standards and interpretations issued and not yet adopted

Standards, interpretations, and amendments issued but not yet effective that have not been early adopted, and which are relevant to Taupo District Council include:

NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004) and is required to be applied, at the latest, in preparing the 30 June 2012 financial statements. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Council and group has elected to adopt this standard for the year ending 30 June 2011.

NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In October 2008, mandatory adoption of NZ IAS 23 (revised 2007) by public sector entities was deferred pending the completion of the Financial Reporting Standards Board's research project into the application of NZ IAS 23 (revised 2007) by public benefit entities. Taupo District Council has elected not to adopt the revised NZ IAS 23 for the year ended 30 June 2010. Accordingly, all borrowing costs were recognized as an expense in the period in which they were incurred.

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced

through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. Taupo District Council has not yet assessed the effect of the new standard and expects it will not be early adopted.

3. Accounting Policies

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

3.1 Basis of Consolidation

Subsidiaries include special purpose entities and are those over which Taupo District Council and group has the power to govern financial and operating policies, generally arising from a shareholding of at least half of the voting rights. Potential exercisable or convertible voting rights are considered when assessing whether Taupo District Council and group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Taupo District Council and group, and de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries.

Inter-company transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by Taupo District Council and group.

The following entities are treated as subsidiaries in Council's consolidated financial statements:
 Taupo Airport Authority (50% owned but in substance Council exercises control)
 Data Capture Systems Limited (100% owned)
 Destination Lake Taupo Limited (100% owned)

3.2 Accounting for Associates

Taupo District Council accounts for an investment in an associate in the parent and group financial statements using the equity method. The associate is the Lake Taupo Protection Trust. The Trust is treated

as an associate, as Council has significant influence over it without it being either a subsidiary of any organisation, nor an interest in a joint venture. Council has equal significant influence with two other settlers, Environment Waikato and the Crown. As a result Council accounts for an equity interest of 33.3%. The carrying amount of Council's interest is increased or decreased each year to recognise Council's share of the surplus or deficit of the Trust in keeping with this 33.3% interest. Council's share of the surplus or deficit of the associate is recognised in the Statement of Comprehensive Income.

3.3 Foreign Currency Transactions

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. At 30 June 2009 no assets or liabilities were held in foreign currency.

3.4 Derivative Financial Instruments

Taupo District Council and group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with the treasury policies of the respective group entities, Taupo District Council and group do not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each balance date. Gains or losses in fair value and those resulting from re-measuring are recognised in the Statement of Financial Performance.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

3.5 GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

3.6 Revenue

Rates revenue is recognised when invoiced.

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.

Government grants, including non-monetary grants at fair value, shall not be recognised by Taupo District Council and group until there is reasonable assurance that:

- (a) the entity will comply with the conditions accounting to them; and
- (b) the grants will be received.

Government grants, other than grants related to assets, shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

NZ Transport Agency 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. Grants and bequests are recognised at their fair value where there is a reasonable assurance that the grant or bequest will be received and that Council as the recipient will comply with all attached conditions.

Revenue from the sale of goods is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered (except as described above) is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

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

Development contributions and financial contributions are recognised as revenue when Council invoices the customer.

Dividend income shall be recognised when the shareholder's right to receive payment is established.

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Interest income is not allocated to significant activities and is included as other income in the Statement of Comprehensive Income.

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 Taupo District Council are recognised as revenue when control over the asset is obtained. General rates are not allocated to significant activities and are included as general rate revenue in the Statement of Comprehensive Income.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.7 Expenses

Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognized as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognized as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the Statement of Comprehensive Income (see Hedging policy).

The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Income using the effective interest rate method.

3.8 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
- Revaluation Reserves

3.9 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 Reserves arise from certain asset classes being revalued, with these classes including land, buildings, infrastructural assets, restricted assets and investments. The treatment of revaluation movements is detailed in item 3.15.1 of the policies.

3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Taupo District Council and group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

3.11 Financial Assets

Taupo District Council and group classify its investments in the following categories:

(a) Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the Statement of Comprehensive Income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised

in the Statement of Comprehensive Income.

(c) Held-to-maturity investments

Held-to-maturity investments 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. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category, or not classified in any of the other categories.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and re-evaluates this designation at every reporting date. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Statement of Comprehensive Income. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the Statement of Comprehensive Income even though the asset has not been derecognised. On derecognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income.

Council investment in subsidiaries

For the purposes of the Council's financial statements, Taupo District Council's equity investments in its subsidiary companies are stated at cost, less impairment losses (see impairment policy).

Investments in debt and equity securities

Financial instruments held for trading are classified as financial assets at fair value through profit and loss and are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Income. Council's managed equity investments fall into this category. Fair value is determined as current market value based on the 30 June closing sale price recorded in the relevant stock exchange. The value of the foreign-listed managed equities is converted to New Zealand dollars at the 30 June closing rate of exchange.

Council's shareholding in King Country Energy Limited is classified as available for sale. This investment is stated at fair value with the resultant gain or loss recognised through equity. Fair value is determined at current market value based on the 30 June closing stock exchange sale price.

Where Taupo District Council and group has the positive intent and ability to hold Government bonds to maturity, they are classified as held-to-maturity investments, measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses (see accounting policy).

3.12 Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently valued at their amortised cost using the effective interest method, less impairment losses (see accounting policy 3.19).

A provision for impairment of receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of the estimated recovery of the debt.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis, are measured at cost, adjusted when applicable, for any loss of service potential.

The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.14 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale, are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately

from other liabilities in the balance sheet.

3.15 Property, plant and equipment

Property, plant and equipment 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.
- Heritage assets and works of art.

3.15.1 Valuation Methodologies

Operational land and restricted land were initially valued at fair value as determined from market based evidence by independent valuer Quotable Value New Zealand at 30 June 2005, which was considered deemed cost. These were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2010.

Operational buildings were initially valued at fair value as determined from market based evidence by independent valuer Quotable Value New Zealand at 1 July 2005, which was considered deemed cost. These were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2010.

Infrastructure roading assets (except for land under roads) were valued at depreciated replacement cost as determined from market based evidence by Council Asset Managers and reviewed by Opus International Consultants Limited at 30 June 2005. These were revalued at depreciated replacement cost on the same basis by Council Asset Managers and reviewed by Opus International Consultants Limited at 30 June 2008. This valuation is considered deemed cost.

Infrastructure water, wastewater and stormwater (excluding buildings associated with these networks) were valued at depreciated replacement cost determined from market based evidence by independent valuer, Beca Valuations Limited at 30 June 2005. These were revalued at depreciated replacement cost by independent valuer, AECOM New Zealand Limited, at 30 June 2009. This valuation is considered deemed cost.

Infrastructure solid waste is valued at cost less accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a

value that is not materially different from fair value.

Land under roads was initially valued as determined from market based evidence by independent valuer Quotable Value New Zealand at 30 June 2005 which was considered deemed cost. This asset class was revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2010.

Urban land was valued at 45% of the surrounding land's market value. Rural land was valued based on the surrounding land's market value. Land under roads is not depreciated.

The Airport Infrastructure was valued at depreciated replacement cost by independent valuer Beca Valuations Limited at 30 June 2002. These were revalued at depreciated replacement cost by independent valuer, Beca Valuations Ltd effective 30 June 2008. This valuation is considered deemed cost.

Heritage assets and park furniture were included for the first time at 1 July 2005. Under NZ IFRS this valuation has been deemed cost, and will no longer be valued. Heritage assets are not depreciated.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the Statement of Comprehensive Income, the increase is first recognised in the Statement of Comprehensive Income. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Statement of Comprehensive Income.

Borrowing costs are not capitalised as part of the cost of an asset. They are recognised as an expense in the period in which they are incurred.

3.15.2 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 sub-divisional 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.

3.15.3 Depreciation

Land is not depreciated. Depreciation on other assets is calculated using either the straight line or the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The useful lives and associated depreciation rates of assets to be depreciated have been estimated as follows:

Operational assets:		
Land	Nil	Nil
Buildings	40-75 yrs	1.3%-2.5%SL
Site Value	13 yrs	7.69% SL
Structure	20-80 yrs	1.3% -5% SL
Roof	20-40 yrs	2.5%-5% SL
Services	20-45 yrs	2.5%-5% SL
Internal fit out	15-35 yrs	2.9%-6.7% SL
Plant	20-30 yrs	3.3% - 5% SL
Machinery	2-20 yrs	10-25%DV (old rate), 5%-50%SL (new rate)
Computer Equipment	4 yrs	25%SL
Office Equipment	4-10 yrs	10-20%DV (old rate), 13.33%-25%SL (new rate)
Furniture & Fittings	2 -10 yrs	10%-20%DV (old rate),10-50%SL (new rate)
Park Furniture	2-25 yrs	4%- 50% SL
Vehicles	4 -10yrs	10-20%DV (old rate), 10-25%SL (new rate)
Library Books	6.5 yrs	15.5%SL
Infrastructural assets:		
Roads		
top surface	3 -20 yrs	5%-33%SL
pavement	45 - 60 yrs	1.7%-2%SL
formation		not depreciated
culverts	55-80 yrs	1.3%-1.8%SL
footpaths	50 - 80 yrs	1.3%-2%SL
kerbs	60 yrs	1.7%SL
signs	15 yrs	6.7%SL
street lights	25 - 60 yrs	1.7%-4%SL
Bridges	90-100 yrs	1%-1.1%SL
Lnd under roads		not depreciated

Water Reticulation		
pipes	45 - 80 yrs	1.25%-2.2%SL
valves, hydrants	40 yrs	2.5%SL
pump stations	10 - 60 yrs	1.7%-10%SL
tanks	25 - 80 yrs	1.3%-4%SL
Sewerage Reticulation		
pipes	15 - 80 yrs	1.3%-6.7%SL
manholes	80 yrs	1.3%SL
treatment plant	5 - 80 yrs	1.3%-20%SL
Stormwater Systems		
pipes	70 - 100 yrs	1%-1.4%SL
manholes, cesspits	75 - 100 yrs	1%-1.3%SL
flood control systems	50 - 100 yrs	1%-2%SL
Restricted Assets:		
Land	Nil	
Other	0 - 40 yrs	0-2.5%SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 separately disclosed.

3.15.4 Disposal

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

3.16 Intangible Assets

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 Comprehensive Income 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. As the company has made the decision to cease trading, all development expenditure has been fully impaired.

Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These are valued at cost, and are amortised over the expected useful life of the license.

The useful lives and associated amortisation rates of assets to be amortised have been estimated as follows:

Software	4 years	25%
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Costs associated with maintaining computer software are recognised as an expense when incurred.

3.17 Biological assets and agricultural produce

A biological asset is a living animal or plant. Biological assets that are the subject of agricultural activity (i.e., the management of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets) are stated at fair value less estimated point-of-sale costs, determined on the basis of an annual revaluation, with any resultant gain or loss recognised in the Statement of Comprehensive Income. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

All other biological assets are measured at the lower of cost and net realisable value.

Agricultural produce is the harvested product of the entity's biological assets. Agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

Forest assets

Forest assets are predominantly standing trees which are managed on a sustainable yield basis. These are shown in the balance sheet at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forest assets are included in the Statement of Comprehensive Income, together with the change in fair value for each accounting period.

The valuation of Taupo District Council and groups forests is based on discounted cash flow models where the fair value is calculated using cash flows from continued operations; that are, based on sustainable forest management plans taking into account growth potential. The yearly harvest from tree forecast tree growth is multiplied by expected wood prices and the costs associated with forest management, harvesting and distribution are then deducted to derive annual cash flows.

The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational and market restrictions. Forest assets are valued separately from the underlying freehold land.

3.18 Investment property

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

Council has one investment property held within the TEL fund and the Airport has investment property which is consolidated into the group financial statements. Investment property is measured initially at its cost, including transaction costs. After initial recognition, Council measures all investment property at fair value as determined annually by an independent valuer.

The valuation of Council's investment property was performed by Veitch Morrison Valuers Ltd, an independent valuer, based on open market evidence.

Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income.

3.19 Impairment

The carrying amounts of Taupo District Council and group's assets, other than investment property (see Investments policy), inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of

Comprehensive Income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

3.20 Financial Liabilities

Financial liabilities (creditors, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

3.21 Employee Entitlements

Provision is made in respect of Taupo District Council and group's liability for annual leave, sick leave, long service leave, and gratuities.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Long-service leave for which there is already actual entitlement is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave are accrued on an actual entitlement basis, using current rates of pay.

Liabilities for accumulating short-term compensated absences (for example, sick leave) are measured as the amount of unused entitlement accumulated at balance date that the Council anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

3.22 Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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.

3.23 Interest-bearing Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

3.24 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income 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 substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.25 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.

3.26 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 Long Term Council Community Plan / 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.

3.27 Third Party Transfer Payment Agencies

Taupo District Council and group collect monies for many organisations. Where collections are processed through Taupo District Council and group's books, any monies held are shown as trade payables in the Balance Sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

3.28 Critical Accounting Estimates and Assumptions

In preparing these financial statements, Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural Assets

There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example, the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating

the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk, Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which provides Council with further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Critical Judgements in Applying Council's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2010.

Classification of Property

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. Receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

Notes to the Financial Statements

1 Summary Cost of Services	Actual	Actual	Actual	Estimate	Actual	Actual	Actual
	2010	2010	2010	2010	2009	2009	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue	Expenses	Net	Net	Revenue	Expenses	Net
Strong Safe & Healthy Communities	63,295	41,747	(21,548)	(5,939)	41,906	39,714	(2,192)
Sustainable Environment	14,508	18,639	4,131	1,264	13,138	14,911	1,773
Growth & Economic Development	10,424	13,319	2,895	(4,249)	12,977	7,177	(5,800)
Working Together	158	6,211	6,053	6,004	164	6,877	6,713
Activity revenues and expenses	88,385	79,916	(8,469)	(2,920)	68,185	68,679	494
Targeted rates included in note 2	(16,570)	-	16,570	(16,562)	(15,192)		15,192
Rates Penalties included in Note 2	(386)	-	386	200	(428)		428
Other revenue & other gains in Note 3	(8,224)	-	8,224	11,818	(10,133)		10,133
Internal transactions	(571)	(1,197)	(626)	(600)	(524)	(1,075)	(551)
Total Council	62,634	78,719	16,085	(8,064)	41,908	67,604	25,696
Taupo Airport	372	750	378	(3)	402	662	260
Total Group	63,006	79,469	16,463	(8,067)	42,310	68,266	25,956

Internal transactions

Each significant activity is stated inclusive of internal costs and revenues, and includes targeted rates (refer note 2). In order to fairly reflect the total external operations of the Council in the statement of comprehensive income, these transactions are eliminated as shown above, except for the revenue from internal rates eliminated against general rates (refer note 2), the revenue from internal water rates eliminated against water supply (refer note 2)

2 Rates Revenue - Council only	Actual 2010 \$000	Estimate 2010 \$000	Actual 2009 \$000
General rates (excluding internal rates)	26,510	26,823	25,133
Less rates remissions	(800)	(528)	(649)
General rates	25,710	26,295	24,484
Targeted rates attributable to activities:			
Lake Protection	1,396	1,400	1,382
Water Supply	4,479	4,515	4,308
Sewage Disposal	7,695	7,676	6,701
Refuse Disposal	1,608	1,601	1,533
Marketing Development	1,055	1,037	952
Mainstreet Rate	166	165	166
Mainstreet Security Rate	41	41	35
Whakamaru Fire Protection	4	4	3
Taupo Town Centre	126	123	112
Total targeted rates	16,570	16,562	15,192
Rates Penalties	386	200	428
less internal water rates	(187)	0	(137)
Total rates revenue	42,479	43,057	39,967

Rates remissions

Under Council's remissions policies, remissions are allowed for Lake Taupo lakebed and lakeshore reserve; community, sporting, and other organisations; non-income producing, unoccupied Maori freehold land in multiple ownership and in undeveloped state; and penalties in certain circumstances and at Council's discretion.

Rates Remissions were included in expenditure in the Annual Plan, however to show a true rates revenue they have been netted off income for both actual and plan.

Non-rateable properties

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. This includes schools, places of worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of water supply, sewage disposal and refuse disposal.

3 Revenue by nature

	Council Actual 2010 \$000	Council Estimate 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Revenue from significant activities					
NZ Transport Agency - Roading subsidy	51,349	28,551	29,136	51,349	29,136
Other Government grants & subsidies	318	62	263	318	263
Grants/Donations	145	78	219	145	219
User Charges	7,543	8,000	6,262	7,785	42,310
Regulatory Income	1,831	2,811	2,210	1,831	2,210
Rental income from investment properties	-	-	-	130	111
Infringements and fines	409	328	398	409	398
Petrol Tax	372	350	376	372	376
Development/Financial contributions	667	3,132	3,044	667	3,044
Revenue from significant activities	62,634	43,312	41,908	63,006	78,067
Other revenue					
Interest income	5,608	6,699	5,959	5,619	5,964
Dividend income	8	-	13	8	13
Vested assets	-	4,400	2,137	-	2,137
First time recognition of assets	716	-	12	716	12
Other income	201	-	194	201	194
Other revenue	6,533	11,099	8,315	6,544	8,320
Other gains					
<i>Non-financial instruments</i>					
Changes in fair value of forestry assets (note 13)	708	719	-	708	-
Gains on disposal of property, plant and equipment	29	-	1,005	29	1,005
Non-financial instruments gains	737	719	1,005	737	1,005
<i>Financial instruments</i>					
Changes in value of term deposit investments	-	-	238	-	238
Realised gain/(loss) on shares	150	-	575	150	575
Unrealised gain on derivatives not hedge accounted	804	-	-	804	813
Financial instruments gains	954	-	813	954	
Other gains/(losses)	1,691	719	1,818	1,691	1,818

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 Comprehensive Income, with an equivalent increase in fixed assets.

The vested assets comprise:	Council Actual 2010 \$000	Council Actual 2009 \$000
Roads	-	626
Wastewater	-	538
Water	-	-
Stormwater	-	973
Reserves - land	-	-
Other	-	-
Total vested assets	-	2,137

Government Grants

There are no unfulfilled conditions or other contingencies attached to any recognised government grants.

4 Operating Expenditure

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Employee benefit expenses				
Salaries and wages	19,159	18,308	19,298	18,441
Increases/(decreases) in employee benefit liabilities	72	687	73	694
Severance payments (see below)	13	2	13	2
Contribution to superannuation schemes	217	199	217	199
Employee benefit expenses	19,461	19,196	19,601	19,336
Depreciation and Amortisation				
Depreciation (see note 12)	16,016	13,587	16,258	13,829
Amortisation (see note 14)	232	246	235	246
Depreciation and Amortisation	16,248	13,833	16,493	14,075
Finance costs				
Interest on borrowings	6,459	5,536	6,459	5,547
Finance charges on leased assets	46	34	46	34
Finance costs	6,505	5,570	6,505	5,581
Other expenses				
<i>Audit fees</i>				
Audit fees paid to Audit NZ for Council and Group entity audits	107	116	116	125
Audit fees paid to Audit NZ for audit of the LTCCP & amendments	-	83	-	83
Councillor remuneration (note 24)	385	375	385	375
Community Board remuneration (note 24)	63	62	63	62
Directors fees	-	-	4	4
Loss on disposal of property, plant and equipment	1,991	965	1,991	965
Donations	226	261	226	261
Minimum lease payments under operating leases	259	323	263	329
Impairment of accounts receivable (note 8)	114	211	114	210
Changes in value of term deposit investments	19	(31)	19	(31)
Loss on revaluation of buildings	979	-	979	-
Changes in fair value of investment properties (note 15)	238	217	406	255
Changes in fair value of share investments	307	-	307	-
Property, plant and equipment impairment (note 12)	587	-	587	-
Changes in fair value of forestry assets (note 13)	-	150	-	150
Unrealised loss on derivatives not hedge accounted	5,010	1,808	5,010	1,808
Other costs	26,220	24,835	26,400	25,048
Other expenses	36,505	29,375	36,870	29,644
Total Operating Expenses	78,719	67,974	79,469	68,636

Severance payments

In 2009/10 there was a severance payment to one employee totalling \$12,956 (2009 1 employee, \$1,983).

5 Taxation

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Relationship between tax expense and accounting profit				
Operating surplus before taxation	33,500	22,175	33,133	21,920
Tax calculated @ 30%	10,050	6,653	9,940	6,576
<i>Less tax effect of:</i>				
Non taxable income	(10,050)	(6,653)	(10,025)	(6,652)
Taxation expense/(credit)	-	-	(85)	(76)
Current tax expense				
Current year taxation	-	-	-	-
Deferred taxation	-	-	(85)	(76)
Taxation expense	-	-	(85)	(76)

Deferred Tax

The tables below represent both Council and Group as there are no deferred tax entries for council.

Group 2010	Actual			
	Property, plant & equipment \$000	Non- deductible provisions \$000	Tax losses \$000	Total \$000
Opening balance	1,253	(5)	(317)	931
Charged to income	(35)	-	(36)	(71)
Change to tax rate	(38)	-	23	(15)
Charged to equity	(43)	-	-	(43)
Closing balance	1,137	(5)	(330)	802

Group 2009	Actual			
	Property, plant & equipment \$000	Non- deductible provisions \$000	Tax losses \$000	Total \$000
Opening balance	1,282	(4)	(271)	1,007
Charged to income	(29)	(1)	(46)	(76)
Closing balance	1,253	(5)	(317)	931

Council has not recognised a deferred tax asset of \$7,537 in relation to tax losses of \$26,918 (2009 \$5,340).

Data Capture Systems Limited, a subsidiary of Council, has unrecognised tax losses as at 30 June 2010 of \$225,325 to carry forward (2009 \$225,325). The tax effect of these losses is \$67,598 (2009 \$67,598). The carried forward losses originated from the activity of Taupo Information Centre Limited, that company later being renamed Data Capture Systems Limited.

6 Equity

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Accumulated Funds				
Opening balance	836,213	807,378	838,215	809,469
Net Surplus/(Deficit) attributable to Council	33,500	22,175	33,359	22,086
	869,713	829,553	871,574	831,555
<i>Transfers from reserves:</i>				
Council created reserves	71,655	50,018	71,655	50,018
From asset revaluation reserve on disposal of property, plant and equipment	455	61	455	61
<i>Transfers to reserves:</i>				
Restricted reserves	-	232	-	232
Council created reserves	(66,165)	(43,651)	(66,165)	(43,651)
Total Accumulated Funds	875,658	836,213	877,519	838,215
Council Created Reserves				
Opening balance	100,971	107,338	100,971	107,338
Transfer from accumulated funds	66,165	43,651	66,165	43,651
Transfer to accumulated funds	(71,655)	(50,018)	(71,655)	(50,018)
Total Council Created Reserves	95,481	100,971	95,481	100,971
<i>Council Created Reserves are made up as follows:</i>				
Depreciation reserves	21,775	24,187	21,775	24,187
Development contributions	8,120	6,950	8,120	6,950
TEL Fund	52,849	53,409	52,849	53,409
Disaster recovery	1,663	1,593	1,663	1,593
Other special purpose	11,074	14,832	11,074	14,832
Total Council Created Reserves	95,481	100,971	95,481	100,971
Restricted Reserves				
Opening balance	-	232	-	232
Transfer from (to) Accumulated Funds	-	(232)	-	(232)
Total Restricted Reserves	-	-	-	-

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

A separate section on page 176 details the history of the TEL fund.

Revaluation Reserves

Property, Plant and Equipment

Opening balance	214,998	167,196	216,461	168,659
Change in asset value	(55,775)	47,863	(55,580)	47,863
Transfer to retained earnings on disposal of property, plant and equipment	(455)	(61)	(455)	(61)
Plus tax on equity items	-	-	44	-
less non-controlling interest share in change in asset value	-	-	(19)	-
Closing balance - Property, Plant and Equipment	158,768	214,998	160,451	216,461

Property, Plant and Equipment Revaluation Reserves made up as follows:

Land under roads	51,091	71,432	51,091	71,432
Infrastructural buildings	-	456	-	456
Reserves	10,739	25,087	10,739	25,087
Other restricted land	848	730	848	730
Operational Land	15,805	28,986	16,705	29,686
Operational buildings	-	7,646	17	7,665
Roading	32,696	32,798	32,696	32,798
Water	22,927	23,056	22,927	23,056
Wastewater	11,642	11,787	11,642	11,787
Land Improvements	-	-	54	52
Stormwater	13,020	13,020	13,055	13,053
Runways	-	-	668	650
Fencing	-	-	8	8
Streetlighting	-	-	1	1
Closing balance - Property, Plant and Equipment	158,768	214,998	160,451	216,461
Fair value through other comprehensive income - Investments in Shares				
Opening balance	188	155	188	155
Change in asset value	2	33	2	33
Closing balance - Investments in Shares	190	188	190	188
Cash Flow Hedge Reserves				
Opening balance	-	237	-	237
Change in asset value	-	(237)	-	(237)
Closing balance - Cashflow Hedge Reserves	-	-	-	-
Total Revaluation Reserves	158,958	215,186	160,641	216,649
Non-controlling Interest				
Opening balance	-	-	2,953	3,043
Share of revaluation reserve change in asset value	-	-	19	-
Equity injection by Crown	-	-	86	-
Share of surplus	-	-	(141)	(90)
Total Non-controlling Interest	-	-	2,917	2,953

7 Cash and Cash Equivalents

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Cash at bank and in hand	355	125	357	126
Call deposits	16,728	1,905	16,765	1,987
Short term deposits of less than 3 months	10,036	5,900	10,036	5,900
Total cash and cash equivalents	27,119	7,930	27,158	8,013

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. Refer to note 10 for weighted average effective interest rate for cash and cash equivalents.

8 Trade and Other Receivables

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Rates Receivable	2,437	2,293	2,437	2,293
General Debtors	5,618	1,469	5,643	1,522
Related Party Receivables (Note 22)	17	44	1	13
Accruals	2,664	4,659	2,664	4,659
Prepayments	407	291	419	297
	11,143	8,756	11,164	8,784
Less Provision for Impairment	620	695	620	695
Total Net Trade and Other Receivables	10,523	8,061	10,544	8,089
Made up of:				
Current	10,523	8,061	10,544	8,089
Non-current	-	-	-	-
Total Net Trade and Other Receivables	10,523	8,061	10,544	8,089

Debtors and other receivables are non-interest bearing and receipt is normally on 30day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Taupo District Council does not provide for any impairment on rates receivable, with the exception of multiple owned Maori Freehold Land, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstance. Where such repayment plans are in place, debts are discounted to their present value of future payments if the impact of discounting is material.

These powers allow Taupo District Council to commence legal proceedings to recover any rates that remain unpaid 4 months after due date for payment. If payment has not been made within 3 months of the Court's judgement, then Taupo District Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The carrying amount of receivables that would otherwise be impaired, whose terms have been renegotiated is \$58,363 (2009 \$22,880).

The status of receivables as at 30 June 2010 and 2009 are detailed below:

Council	Actual 2010			Actual 2009		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	5,571	-	5,571	516	-	516
Past Due 1-30 days	125	-	125	362	-	362
Past due 31-60 days	776	-	776	1,454	-	1,454
Past due >60 days	1,600	(620)	980	1,474	(695)	779
Total	8,072	(620)	7,452	3,806	(695)	3,111
Group						
Not past due	5,574	-	5,574	531	-	531
Past Due 1-30 days	129	-	129	364	-	364
Past due 31-60 days	776	-	776	1,454	-	1,454
Past due >60 days	1,602	(620)	982	1,479	(695)	784
Total	8,081	(620)	7,461	3,828	(695)	3,133

The impairment provision has been calculated based on expected losses for Taupo District Council's pool of debtors. Expected losses have been determined based on a review of specific debtors as detailed below:

	Council Actual 2010	Council Actual 2009	Group Actual 2010	Group Actual 2008
Individual impairment	448	215	448	215
Collective impairment	172	480	172	480
Total provision for impairment	620	695	620	695

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows:

Current	-	-	-	-
Past Due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due >60 days	448	215	448	215
Total individual impairment	448	215	448	215

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

Opening balance	695	657	695	658
Additional Provisions made during the year	(25)	138	(25)	138
Receivables written off during the year	(50)	(100)	(50)	(101)
Closing balance	620	695	620	695

Taupo District Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

9 Inventories

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Held for distribution				
- water reticulation spare parts	77	103	77	103
- parks & reserves chemicals	7	18	7	18
- wastewater spare parts	69	67	69	67
- wastewater chemicals	19	19	19	19
- swimming pool chemicals	3	11	3	11
- other	37	15	37	15
Commercial inventories				
- held for use in the provision of services	245	317	245	317
Total Inventories	457	550	457	550

10 Other Financial Assets	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Current				
<i>Held to maturity</i>				
Local government and corporate bonds	998	2,002	998	2,002
<i>Fair value through other comprehensive income</i>				
Term deposits	4,439	23,710	4,664	23,821
Total Current Investments	5,437	25,712	5,662	25,823
Non-Current				
<i>Held to maturity</i>				
Local government and corporate bonds	49,237	50,292	49,237	50,292
<i>Fair Value through the income statement</i>				
Community Loan	91	88	91	88
<i>Fair value through other comprehensive income</i>				
Term deposits	1,200	4,299	1,200	4,299
Other shares in companies	2,299	279	2,299	279
Subsidiaries at Cost				
Data Capture Systems Ltd	-	-	-	-
Taupo Airport Authority	2,861	2,861	-	-
Total Non-Current Investments	55,688	57,819	52,827	54,958
Interest Rates				
Weighted Average Effective Interest Rates are:				
Short term deposits with maturities of less than 3 months	3.66%	3.75%	3.66%	3.74%
Current Term deposits	6.25%	4.26%	6.16%	4.26%
Non-current Term Deposits	7.50%	6.25%	7.50%	6.25%
Local government and corporate bonds	8.44%	8.51%	8.44%	8.51%

	Actual 2010 \$000 <6 mths	Actual 2010 \$000 6-12 mths	Actual 2010 \$000 1-2 yrs	Actual 2010 \$000 2-5 yrs	Actual 2010 \$000 >5 yrs
Maturities - Council					
Term deposits	14,475	-	-	1,200	-
Local government and corporate bonds	-	998	-	47,237	2,000
	14,475	998	-	48,437	2,000
Maturities - Group					
Term deposits	14,700	-	-	1,200	-
Local government and corporate bonds	-	998	-	47,237	2,000
	14,700	998	-	48,437	2,000

	Actual 2009 \$000 < 6 mths	Actual 2009 \$000 6-12 mths	Actual 2009 \$000 1-2 yrs	Actual 2009 \$000 2-5 yrs	Actual 2009 \$000 > 5 yrs
Maturities - Council					
Term deposits	29,610	-	4,299	-	-
Local government and corporate bonds	2,002	-	997	36,295	13,000
	31,612	-	5,296	36,295	13,000

	Actual 2009 \$000 < 6 mths	Actual 2009 \$000 6-12 mths	Actual 2009 \$000 1-2 yrs	Actual 2009 \$000 2-5 yrs	Actual 2009 \$000 > 5 yrs
Maturities - Group					
Term deposits	29,721	-	4,299	-	-
Local government and corporate bonds	2,002	-	997	36,295	13,000
	31,723	-	5,296	36,295	13,000

Subsidiaries

Taupo District Council has 50% ownership of the Taupo Airport Authority Joint Venture. The Crown is the owner of the other 50%. The Taupo Airport Authority balance date is 30 June.

Taupo District Council has 100% ownership (150 shares) of the subsidiary Data Capture Systems Limited (2009 150 shares).

Taupo District Council has 100% ownership (100 shares) of the subsidiary Destination Lake Taupo Limited (2009 100 shares).

Other Shares in Companies

Council holds the following equity investments:

NZ Local Government Insurance Corporation Ltd 83,971 shares at fair value of \$3.05 (2009 \$3.01) each.

King Country Energy Limited 6,129 shares at fair value of \$3.90 (2009 \$4.11) each.

Local Authority Shared Services Ltd 1 ordinary capital share (uncalled) of \$1,000 (2009 \$1000).

BOP Local Authority Shared Services Ltd 1 ordinary capital share of \$1,000 (2009 \$1000).

HSBC Holdings 45,000 shares at fair value of \$13.37 each (TEL Fund).

Tesco 45,000 shares at fair value of \$8.26 each (TEL Fund).

Aviva 100,000 shares at fair value of \$6.83 each (TEL Fund).

Marks & Spencers 50,000 shares at fair value of \$7.24 each (TEL Fund).

11 Non-Current Assets Held for Sale	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Buildings	516	-	516	-
Land	26,367	116	26,367	116
Total Non-Current Assets Held for Sale	26,883	116	26,883	116

The non-current assets held for sale are large tracks of land formerly put aside for commercial land subdivision projects. Council resolved on 27 April 2010 to defer its role as a property developer and actively promote the sale of its non-committed land assets hence the significant increase in the amount of land that has been identified for this purpose. The land is only shown in this category if it has been approved by Council for sale, the land is being actively marketed, and it is expected to sell within the next financial year.

12 Property, Plant and Equipment	Cost or Valuation	Accumulated Depreciation	Net Book Value	Cost or Valuation	Accumulated Depreciation	Net Book Value
	2010 \$000	2010 \$000	2010 \$000	2009 \$000	2009 \$000	2009 \$000
Infrastructural Assets						
At Valuation						
Land under roads	288,303	-	288,303	308,440	-	308,440
Infrastructural Buildings	4,747	-	4,747	4,676	220	4,456
Roading network	280,255	9,184	271,071	280,834	406	280,428
Wastewater	89,870	2,010	87,860	90,380	-	90,380
Water	52,103	1,695	50,408	52,922	-	52,922
Stormwater	49,052	783	48,269	49,052	-	49,052
At Cost						
Roading network	9,797	317	9,480	6,368	4,373	1,995
Land under roads	-	-	-	203	-	203
Infrastructural Buildings	-	-	-	831	100	731
Wastewater	10,683	1,649	9,034	-	-	-
Water	5,264	17	5,247	18	18	-
Stormwater	1,086	8	1,078	8	8	-
Solid Waste	3,191	2,090	1,101	2,358	1,827	531
Items under construction	108,623	-	108,623	51,443	-	51,443
Council Infrastructural Assets	902,974	17,753	885,221	847,533	6,952	840,581
Restricted Assets						
At Valuation						
Reserves	145,608	-	145,608	160,208	-	160,208
Other	1,948	-	1,948	1,830	-	1,830
At Cost						
Reserves	-	-	-	913	-	913
Council Restricted Assets	147,556	-	147,556	162,951	-	162,951
Operational Assets						
At Valuation						
Land	48,052	-	48,052	61,883	-	61,883
Buildings	53,457	-	53,457	50,679	2,055	48,624
At Cost						
Land	-	-	-	20,276	-	20,276
Buildings	-	-	-	14,084	1,989	12,095
Machinery, vehicles and plant	9,762	5,735	4,027	9,455	5,598	3,857
Furniture, office equipment & recreational fixtures	19,227	6,938	12,289	15,220	5,943	9,277
Library books	3,988	3,173	815	3,677	2,972	705
Heritage assets	1,485	-	1,485	1,325	-	1,325
Computers and fitness equipment (leased)	1,357	889	468	1,530	986	544
Items under construction	791	-	791	3,110	-	3,110
Council Operational Assets	138,119	16,735	121,384	181,239	19,543	161,696
Total Council	1,188,649	34,488	1,154,161	1,191,723	26,495	1,165,228

	Cost or Valuation 2010	Accumulated Depreciation 2010	Net Book Value 2010	Cost or Valuation 2009	Accumulated Depreciation 2009	Net Book Value 2009
Taupo Airport						
Airport Infrastructure (at Valuation)	6,392	440	5,952	6,392	220	6,172
Airport Infrastructure (at Cost)	9	1	8	8	-	8
Land (at Valuation)	3,500	-	3,500	3,300	-	3,300
Buildings (at Valuation)	382	-	382	337	19	318
Buildings (at Cost)	4	-	4	67	4	63
Machinery, vehicles and plant	126	119	7	126	115	11
Furniture and office equipment	75	47	28	77	55	22
Taupo Airport Assets	10,488	607	9,881	10,307	413	9,894
Total Group	1,199,137	35,095	1,164,042	1,202,030	26,908	1,175,122

Infrastructural assets — Council manages infrastructural assets in accordance with Asset Management Plans. These plans detail 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.

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

Computers and fitness equipment — These assets are subject to finance leases.

Impairment — Asset values were written down by \$587,000 in 2009/10 to provide for impairment.

Movements for 2009/10	Net Book Value 1/7/2009 \$000	Asset Reclassns 2010 \$000	Additions 2010 \$000	Disposals 2010 \$000	Depreciation Expense 2010 \$000	Revaluation Increment 2010 \$000	Net Book Value 30/6/2010 \$000
Infrastructural Assets							
Roading network	282,423	(27)	3,470	(523)	(4,792)	-	280,551
Land under roads	308,643	-	-	-	-	(20,340)	288,303
Infrastructural buildings	5,187	-	663	(87)	(184)	(832)	4,747
Wastewater	90,380	-	10,683	(492)	(3,677)	-	96,894
Water	52,922	-	5,248	(798)	(1,717)	-	55,655
Stormwater	49,052	-	1,077	-	(782)	-	49,347
Solid Waste	531	-	833	-	(263)	-	1,101
Items under construction	51,443	-	57,180	-	-	-	108,623
Council Infrastructural Assets	840,581	(27)	79,154	(1,900)	(11,415)	(21,172)	885,221
Restricted Assets							
Reserves	161,121	(2,550)	955	-	-	(13,918)	145,608
Other	1,830	-	-	-	-	118	1,948
Items under construction	-	-	-	-	-	-	-
Council Restricted Assets	162,951	(2,550)	955	-	-	(13,800)	147,556
Operational Assets							
Land	82,159	(23,817)	3,320	-	-	(13,610)	48,052
Buildings	60,719	-	3,734	(590)	(2,237)	(8,169)	53,457
Machinery, vehicles and plant	3,857	-	1,155	(239)	(746)	-	4,027
Furniture, office equipment & recreational fixtures	9,277	27	4,231	(3)	(1,243)	-	12,289
Library books	705	-	311	-	(201)	-	815
Heritage assets	1,325	-	160	-	-	-	1,485
Computers and fitness equipment (leased)	544	-	198	(100)	(174)	-	468
Items under construction	3,110	-	-	(2,319)	-	-	791
Council Operational Assets	161,696	(23,790)	13,109	(3,251)	(4,601)	(21,779)	121,384
Total Council	1,165,228	(26,367)	93,218	(5,151)	(16,016)	(56,751)	1,154,161
Taupo Airport							
Airport Infrastructure	6,180	-	1	-	(221)	-	5,960
Land	3,300	-	-	-	-	200	3,500
Buildings	381	-	22	-	(13)	(4)	386
Machinery, vehicles and plant	11	-	-	-	(4)	-	7
Furniture and office equipment	22	-	10	-	(4)	-	28
Taupo Airport Assets	9,894	-	33	-	(242)	196	9,881
Total Group	1,175,122	(26,367)	93,251	(5,151)	(16,258)	(56,555)	1,164,042

Movements for 2008/09	Net Book Value 1/7/2008 \$000	Asset Reclassns 2009 \$000	Additions 2009 \$000	Disposals 2009 \$000	Depreciation Expense 2009 \$000	Revaluation Increment 2009 \$000	Net Book Value 30/06/2009 \$000
Infrastructural Assets							
Roading network	281,477	28	6,129	(496)	(4,715)	-	282,423
Land under roads	308,643	-	-	-	-	-	308,643
Infrastructural buildings	4,606	23	717	-	(159)	-	5,187
Wastewater	52,647	(23)	17,482	(208)	(2,574)	23,056	90,380
Water	41,414	-	923	(2)	(1,200)	11,787	52,922
Stormwater	34,615	-	2,016	-	(599)	13,020	49,052
Solid Waste	568	-	-	-	(37)	-	531
Items under construction	37,650	-	13,793	-	-	-	51,443
Council Infrastructural Assets	761,620	28	41,060	(706)	(9,284)	47,863	840,581
Restricted Assets							
Reserves	161,051	(28)	98	-	0	-	161,121
Other	1,830	-	-	-	-	-	1,830
Council Restricted Assets	162,881	(28)	98	-	-	-	162,951
Operational Assets							
Land	62,661	152	20,587	(1,241)	-	-	82,159
Buildings	55,941	-	6,978	(164)	(2,036)	-	60,719
Machinery, vehicles and plant	3,736	-	1,142	(261)	(760)	-	3,857
Furniture, office equipment & recreational fixtures	8,476	-	1,848	(9)	(1,038)	-	9,277
Library books	653	-	242	-	(190)	-	705
Heritage assets	1,325	-	-	-	-	-	1,325
Computers and fitness equipment (leased)	389	-	481	(47)	(279)	-	544
Items under construction	7,445	-	-	(4,335)	-	-	3,110
Council Operational Assets	140,626	152	31,278	(6,057)	(4,303)	-	161,696
Total Council	1,065,127	152	72,436	(6,763)	(13,587)	47,863	1,165,228
Taupo Airport							
Airport Infrastructure	6,392	-	8	-	(220)	-	6,180
Land	3,300	-	-	-	-	-	3,300
Buildings	390	-	4	-	(13)	-	381
Machinery, vehicles and plant	12	-	5	-	(6)	-	11
Furniture and office equipment	19	-	6	-	(3)	-	22
Taupo Airport Assets	10,113	-	23	-	(242)	-	9,894
Total Group	1,075,240	152	72,459	(6,763)	(13,829)	47,863	1,175,122

13 Biological Assets - Forestry	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Opening Balance	4,130	4,157	4,130	4,157
Capitalisation of forestry costs	109	123	109	123
Gains/(losses) arising from changes in fair value	708	(150)	708	(150)
Biological assets at 30 June	4,947	4,130	4,947	4,130

The forest estate comprises a number of relatively small forests and two larger forests (Rangitaiki & Tirohanga) in the Taupo basin. The main species is radiata pine with an area of semi-mature Douglas fir present in Rangitaiki forest. The total net stocked area of the estate is estimated to be 1,060 hectares.

No harvesting has taken place this year (2009 Nil).

Independent valuers, Chandler Fraser Keating Limited have valued the forestry assets as at 30 June 2010. The following assumptions have been adopted in determining the fair value of forestry assets:

- a pre tax discount rate of 11% has been used in discounting the present value of expected cashflows
- notional land rental costs have been included for freehold land
- forests have been valued on a going concern basis and includes the value of the existing crops on a single rotational basis
- costs are current average costs. No allowance has been made for cost improvements in future operations.
- log prices are based on a five year historical rolling average.

The increase in value has come about largely through forest growth and an improved assessment of long-term log prices. Long term log prices are assessed as the average prices prevailing over the past 30 quarters. During the past two years there have been periods of relatively high log prices, particularly in the export-log market, and these are starting to influence the 30-quarter average.

Financial risk management strategies

Council is exposed to financial risks arising from changes in timber prices. As Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, it has not taken any measures to manage the risk of a decline in timber prices.

14 Intangible Assets	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Software				
Opening carrying amounts				
Cost	2,046	1,818	2,059	1,818
Less Accumulated Amortisation	(1,138)	(894)	(1,138)	(894)
Opening carrying amounts	908	924	921	924
Movements				
Purchases	216	230	216	243
Amortisation	(232)	(246)	(235)	(246)
Closing carrying amounts - Intangible assets	892	908	902	921

15 Investment Properties	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Opening Balance	2,883	-	3,110	266
Additions from acquisitions	-	3,100	-	3,100
Disposal of properties	-	-	(227)	-
Fair value gains/(losses) on valuation (Note 3)	(238)	(217)	(238)	(256)
Investment Properties at 30 June	2,645	2,883	2,645	3,110

16 Trade and Other Payables	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Trade payables	10,869	10,319	10,885	10,330
Deposits/Bonds/Provisions	347	489	347	489
Accrued expenses	813	2,051	835	2,084
Interest payable	350	21	350	21
Income in Advance	1,442	1,430	1,468	1,512
Amounts due to related parties (Note 22)	41	4	7	4
Councillors' fees payable	29	34	29	34
Total Trade and Other Payables	13,891	14,348	13,921	14,474

Accounts payable are non-interest bearing and are normally settled on 30-day terms, therefore the carrying values of accounts payables approximates their fair value.

17 Employee Benefit Liabilities	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Accrued pay	508	438	510	439
Annual leave	2,317	2,360	2,337	2,379
Retirement gratuities & long service leave	576	527	576	527
Sick leave	50	54	50	54
Total Employee Benefit Liabilities	3,451	3,379	3,473	3,399
Made up of:				
Current	3,053	3,010	3,075	3,030
Non-current	398	369	398	369
Total Employee Benefit Liabilities	3,451	3,379	3,473	3,399
Opening Balance	3,379	2,692	3,399	2,704
Additional provisions made during the year	2,961	2,915	2,983	2,935
Amounts used during the year	(2,867)	(2,199)	(2,887)	(2,211)
Discount unwinding	(22)	(29)	(22)	(29)
Balance 30 June	3,451	3,379	3,473	3,399

18 Provisions

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Council has made provision for landfill after-care liability.				
Landfill liability	41	38	41	38
Opening balance	38	35	38	35
Additional provisions made during the year	3	3	3	3
Closing balance	41	38	41	38

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 estimated remaining capacity of the site as at 30 June 2010 is approximately 507,000 cubic metres (2009 534,000 cubic metres).

The estimated remaining life as at 30 June 2010 is 20 years (2009 21 years).

Estimates of the remaining capacity and 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%.

19 Term Borrowing

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Borrowing liability				
Current				
Loans	40,040	1,638	40,040	1,638
Lease Liabilities	280	286	280	286
	40,320	1,924	40,320	1,924
Non-current				
Loans	97,069	102,625	97,069	102,625
Lease Liabilities	245	339	245	339
	97,314	102,964	97,314	102,964
Total Public Debt	137,634	104,888	137,634	104,888

The value of Council's debt subject to fixed interest rates is \$0 (2009 \$1,607,871).

Council's floating rate debt is secured bank funding issued under committed loan facilities with both the ANZ & BNZ. The interest rates on the ANZ and the two year BNZ facility are repriced quarterly at the 90-day bank bill rate plus margin. The interest rate on the four year BNZ facility is repriced quarterly at BNZ's 90-day committed cash advance facility rate plus margin. The \$40 million facility with the ANZ matures in January 2012, the \$80 million facility with the BNZ has two tranches of \$40 million each, the first is a two year evergreen facility which expires in July 2010; the second is a four year evergreen facility.

Council has entered into \$181 million of interest rate swaps to provide fixed rate cover on the committed loan facility. Refer to note 20 for further details.

Council manages its borrowing in accordance with its funding and financial policies, which includes a Treasury Management Policy. This policy has been adopted as part of the Council's Long Term Council Community Plan 2009-2019.

Security

All of Council's secured loans are secured under the terms of the Debenture Trust Deed between the Council and Trustees Executors, as Trustee. Security is by a charge over the Council's ability to levy rates in favour of the Trustee. Pursuant to the Debenture Trust Deed Council has issued debenture and security stock certificates totalling \$200m at 30 June 2010 to secure the various debentures issued, bank loan facilities, guarantees issued on behalf of Council and other general banking facilities.

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Repayment terms				
Payable no later than one year	40,320	1,924	40,320	1,924
Later than one, not later than two years	40,229	40,278	40,229	40,278
Later than two, not later than five years	57,085	62,686	57,085	62,686
Later than five years	-	-	-	-
	137,634	104,888	137,634	104,888

	Council Actual 2010	Council Actual 2009	Group Actual 2010	Group Actual 2009
Interest rates				
Weighted average effective interest rates on borrowing's (both current & non current):				
Loans	5.63%	5.74%	5.63%	5.74%
Lease Liabilities	14.62%	14.54%	14.62%	14.54%
Overall weighted average	5.70%	5.82%	5.70%	5.82%

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Analysis of Finance Lease Liabilities				
Payable no later than one year	316	326	316	326
Later than one, not later than two years	189	238	189	238
Later than two, not later than five years	84	150	84	150
	589	714	589	714
Future Finance Charges	(65)	(89)	(65)	(89)
Recognised as a liability	524	625	524	625
Representing Lease Liabilities:				
Current	280	286	280	286
Non-current	244	339	244	339
	524	625	524	625

20	Derivative Financial Instruments	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
	Current asset portion				
	Interest rate swaps - cash flow hedges	-	-	-	-
	Total current portion	-	-	-	-
	Non-current asset portion				
	Interest rate swaps - cash flow hedges	456	-	456	-
	Total non-current portion	456	-	456	-
	Current liability portion				
	Interest rate swaps - cash flow hedges	-	470	-	470
	Total current portion	-	470	-	470
	Non-current liability portion				
	Interest rate swaps - cash flow hedges	6,355	1,223	6,355	1,223
	Total non-current portion	6,355	1,223	6,355	1,223

The fair value of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independantly sourced (Bloomberg) market parameters such as interest rate yield curves. The interest rate swaps have been valued by Bancorp Treasury Services as at 30 June 2010.

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2010 were \$181,000,000 (2009 \$104,000,000).

At 30 June 2010, the fixed interest rates of cash flow hedge interest rate swaps vary from 4.20% to 7.55% (2009 4.20% to 6.74%).

21 Reconciliation of Net Surplus to Net Cash Inflow from Operating Activities

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Net surplus (deficit)	33,500	22,175	33,218	21,996
Add (less) Non Cash Items:				
Depreciation & amortisation	16,248	13,807	16,493	14,049
Vested Assets	(716)	(2,149)	(716)	(2,149)
Impairment of property, plant & equipment	587	-	587	-
Unrealised (gains)/ losses in fair value of property, plant & equipment	979	-	979	-
Unrealised (gains)/ losses in fair value of biological assets	(708)	150	(708)	150
Unrealised (gains)/ losses in fair value of term deposits	19	(269)	19	(269)
Unrealised (gains)/ losses in fair value of non-hedge accounted derivatives	4,206	1,809	4,206	1,809
Share of associate (surplus)/deficit	1,118	1,859	1,118	1,859
Unrealised (gains)/ losses in fair value of investment properties	238	217	238	255
Unrealised (Gain)/Loss on equities	307	-	307	-
	22,278	15,424	22,523	15,704
Add (less) Movements in Working Capital:				
(Increase) decrease in accounts receivable	(2,462)	(1,666)	(2,456)	(2,501)
(Increase) decrease in inventories	93	(70)	93	(70)
Increase (decrease) in accounts payable	(382)	5,151	(476)	5,197
	(2,751)	3,415	(2,839)	2,626
Add (less) item classified as investing activity				
Net (Gain) Loss on sale / write-offs	2,542	(40)	2,710	(40)
Capital Subsidies	(47,518)	(24,031)	(47,518)	(24,031)
Development/Financial Contributions	(1,141)	(2,997)	(1,141)	(2,997)
Non-operating movement in deferred tax	-	-	(85)	(76)
Decrease / (increase) in creditors for capital expenditure	944	(5,955)	944	(4,998)
Increase / (decrease) in debtors for capital revenue	(64)	(310)	(64)	(310)
	(45,237)	(33,333)	(45,154)	(32,452)
Per statement of cashflows	7,790	7,681	7,748	7,874

22 Related Party Transactions

Taupo District Council has a number of group and associated entities.

During 2009/10 the following related party transactions occurred:

Taupo Airport Authority (see Note 10 for details of the nature of the relationship)

The Airport paid the Council administration and management fees of \$12,500 (2009: \$22,500).

The Airport has accounts payable to Council as at 30 June 2010 of \$16,105 (2009: \$33,801).

The Council has accounts payable to the Airport as at 30 June 2010 of \$33,713 (2009: \$0).

The Council injected \$0 of equity into the Airport to maintain its shareholding at 50% (2009 \$1,264,815).

Data Capture Systems Limited (see Note 10 for details of the nature of the relationship)

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

BoP LASS Ltd (see Note 10 for details of the nature of the relationship)

Council paid BoP LASS Ltd \$9,636 (2009 \$8,157.50) for contributions to various projects being undertaken by the organisation.

Local Authority Shared Services Ltd (see Note 10 for details of the nature of the relationship)

Council paid LASS Ltd \$2,023 (2009 \$24,694) for contributions to various projects being undertaken by the organisation.

LASS Ltd has accounts payable to Council as at 30/6/2010 of \$763 (2009 \$0).

Lake Taupo Protection Trust (see Note 30 for details of the nature of the relationship)

Council paid the Lake Taupo Protection Trust \$1,126,000 during the 2009/10 year, this amount fully meeting Council's responsibilities for targeted rate contributions for the 2009/10 years under the agreed funding arrangements (2009 \$1,126,000). Council received \$221 from the Trust for expenses.

During the year Councillors and key management personnel, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, use of Council facilities, dog registration, purchase of rubbish stickers, etc).

	Payments to Related Party		Amount owing at 30 June by Council		Receipts from Related Party		Amount owing at 30 June to Council	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Taupo District Councillors								
Mayor Rick Cooper								
Wings & Wheels (director)	14,573	16,823	2,230	1,470	-	-	-	-
Cooper Family Investments Ltd (director)	178	-	200	-	5,757	1,740	-	-
Councillor Welch								
Taupo Youth Arts Trust (committee member)	700	7,185	-	-	2,117	3,793	-	443
Creative Taupo (Chairman)	21,500	22,000	-	-	-	-	-	-
Welch Farms Limited (Director)	-	-	-	-	2,860	-	-	-
Councillor Uvhagen								
Acacia Bay residents Association (committee)	375	470	-	-	147	110	-	-
Councillor Downard								
Senjo Securities (Director)	28,299	19,170	1,004	-	-	-	-	-
M21 Meats (Director)	906	1,504	-	-	-	-	-	-
Councillor Gathergood								
Mangakino Area School BOT (Chairperson to May 2010)	-	123	-	-	1,512	5,264	-	3,640
Lakes DHB (committee member)	127	-	-	-	2,955	-	-	(20)

	Payments to Related Party		Amount owing at 30 June by Council		Receipts from Related Party		Amount owing at 30 June to Council	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Councillor Hickling								
Waipahihi Botanical Society (board member)	2,384	2,424	-	-	-	19	-	-
Turangi/Tongariro Community Board Members								
Mrs J Lockyer								
Southern Lake Taupo Health Trust (trustee)	-	1,500	-	-	5,808	6,000	-	6,000
Lockyer's Retravision & Furniture Ltd (owner)	4,520	3,129	-	-	-	-	-	-
Tongariro Cabinetmakers & Joiners Ltd (owner to 15/9/08)	-	2,625	-	-	-	-	-	-
Mr T O'Brien								
Total Property Management Ltd (owner)	28,300	18,461	3,188	1,547	1,844	5,770	223	300
Key Management Personnel								
CEO - Rob Williams								
Taupo-nui-a-tia College PTA (committee)	-	-	-	-	56	-	-	-
Group Manager- Environmental Services - Gareth Green								
Key2knowledge (family member's business)	-	1,800	-	-	-	-	-	-
Taupo Safer Community Trust (trustee)	195	1,000	-	-	6,952	-	-	-
Pihanga Health (father trustee)	160	-	-	-	-	-	-	-
Tongariro Whanau Support Trust (father trustee)	761	-	-	-	-	-	-	-
Lake Taupo Housing Trust (partner trustee)	6,000	-	-	-	-	-	-	-
Town Centre Taupo (partner General Manager)	153,504	116,950	680	510	19,016	1,013	-	-
Community Manager - Tina Jakes								
Lake Taupo PHO (director)	-	-	-	-	3,282	330	482	(56)
	262,482	215,164	7,302	3,527	52,306	24,039	705	10,307

The Southern Lake Taupo Health Trust also owes the Council \$300,000 by way of mortgage.

There are close family members of key management personnel employed by Taupo District Council. The terms and conditions of those arrangements are no more favourable than Taupo District Council would have adopted if there were no relationship to key management personnel.

Key management personnel compensation	Actual 2010 \$000	Actual 2009 \$000
Salaries and other short term employee benefits	1,618	1,728
Other long term benefits	3	217

It should be noted that the definition of key management personnel for this disclosure includes the Mayor, Councillors, the Chief Executive, members of the Senior Leadership Group, the Area Manager Turangi, and the Community Manager. Details of remuneration paid to Councillors and Community Board members is provided in Note 24

23 Financial Instruments

23A Financial Instrument Categories

The accounting policies for financial instruments have been applied to the line items below:

Financial Assets	Council 2010 \$000	Council 2009 \$000	Group 2010 \$000	Group 2009 \$000
Fair value through surplus or deficit				
<i>Held for trading</i>				
Interest rate swaps - cash flow hedges	456	-	456	-
<i>Loans and receivables</i>				
Cash and cash equivalents	27,119	7,930	27,158	8,013
Debtors and other receivables	10,523	8,061	10,544	8,089
Other financial assets:				
- term deposits	5,639	28,009	5,864	28,120
- shares	2,019	-	2,019	-
Total loans and receivables	45,300	44,000	45,585	44,222
<i>Held to maturity</i>				
Other financial assets				
- local government and corporate bonds	50,235	52,294	50,235	52,294
- community loans	91	88	91	88
Total held-to-maturity	50,326	52,382	50,326	52,382
Fair value through other comprehensive income				
Other financial assets				
- unlisted shares	280	279	280	279
Total fair value through comprehensive income	280	279	280	279
Financial Liabilities				
Fair value through surplus or deficit				
<i>Held for trading</i>				
Interest rate swaps - cash flow hedges	6,355	1,693	6,355	1,693
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	13,891	14,348	13,920	14,474
Borrowings				
- secured loans	92,109	104,263	92,109	104,263
- debentures	45,000	-	45,000	-
Total financial liabilities and amortised cost	151,000	118,611	151,029	118,737

23B Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.

Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Valuation Techniques			
	Total \$000	Quoted market price \$000	Observable inputs \$000	Significant non- observable inputs \$000
Council 2010				
Financial assets				
- Interest rate swaps - cash flow hedges	456	-	456	-
- Term investments	5,639	-	5,639	-
- Shares - listed	2,019	-	2,019	-
- Shares - unlisted	280	24	256	-
Financial liabilities				
- Interest rate swaps - cash flow hedges	6,355	-	6,355	-
Group 2010				
Financial assets				
- Interest rate swaps - cash flow hedges	456	-	456	-
- Term investments	5,864	-	5,864	-
- Shares - listed	2,019	-	2,019	-
- Shares - unlisted	280	24	256	-
Financial liabilities				
- Interest rate swaps - cash flow hedges	6,355	-	6,355	-
Council 2009				
Financial assets				
- Interest rate swaps - cash flow hedges	-	-	-	-
- Term investments	28,009	-	28,009	-
- Shares - listed	-	-	-	-
- Shares - unlisted	279	25	254	-
Financial liabilities				
- Interest rate swaps - cash flow hedges	1,693	-	1,693	-
Group 2009				
Financial assets				
- Interest rate swaps - cash flow hedges	-	-	-	-
- Term investments	28,120	-	28,120	-
- Shares - listed	-	-	-	-
- Shares - unlisted	280	24	256	-
Financial liabilities				
- Interest rate swaps - cash flow hedges	1,693	-	1,693	-

There were no transfers between the different levels of the fair value hierarchy.

23C Financial Instrument Risks - Council only

Council is risk adverse and seeks to minimise risk exposure associated with financial instruments and treasury activity. Council has risk management policies and processes in place particularly with regard to risk exposures relating to interest rates and the concentration of credit risk.

Council has established a Treasury Management Policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature.

Market Risk

Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Council is exposed to price risk through its equity securities, which are classified as financial assets held at fair value through other comprehensive income. This price risk arises due to market movements in the value of listed securities. This price risk is managed by the diversification of Council's investment portfolio and is managed by Council's Investment Management Entity and external Fund Managers in accordance with Council's Investment Policy.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Taupo District Council has no significant exposure to currency risk.

Interest Rate Risk

Note 10 provides information on investment interest rates and maturity profile. Note 19 provides information on term loan interest rates and maturity profile.

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. This could impact on the cost of borrowing or the return from an investment.

Council's Liability Management Policy sets minimum and maximum levels of fixed rate exposure for borrowings, across various time windows.

Council's Investment Policy provides for interest rate risk on investments to be managed by Council as part of its overall investment strategy.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risk.

Taupo District Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting floating rate borrowings into fixed rates that are generally lower than those available if Taupo District Council borrowed at fixed rates directly.

Under the interest rate swaps, Taupo District Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Disclosure of the value of Council's interest rate swap instruments is made in note 20.

Credit risk

Credit risk is the risk that a third party will default on its obligation to 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.

Council's Investment Policy limits the amount of credit exposure on investment instruments to any one institution or organisation. There are also minimum credit rating limits in place.

Sports club and other loan guarantees are minimal and subject to policy constraints. There are no significant concentrations of credit risk with accounts receivable balances as Council has a large number of credit customers, mainly ratepayers, and there are appropriate debt management practices in place. Council has significant powers under the Local Government (Rating) Act 2002 to recover outstanding amounts from ratepayers.

Maximum exposure to credit risk

Taupo District Council's maximum credit exposure for each class of financial instrument is as follows:

	Council 2010 \$000	Council 2009 \$000	Group 2010 \$000	Group 2009 \$000
Cash at bank & term deposits	32,758	35,939	33,022	36,133
Debtors and other receivables	7,452	3,111	7,461	3,133
Community & related party loans	300	300	300	300
Local authority & government stock	3,500	3,500	3,500	3,500
Corporate stock	46,735	48,794	46,735	48,794
Derivative financial instrument assets	-	-	-	-
Financial guarantees	12	12	12	12
Total credit risk	90,757	91,656	91,030	91,872

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Council 2010 \$000	Council 2009 \$000	Group 2010 \$000	Group 2009 \$000
Counterparties with Credit Ratings				
Cash at bank & term deposits:				
AA	32,758	35,939	33,022	36,133
AA-	-	-	-	-
Total cash at bank & term deposits	32,758	35,939	33,022	36,133
Local authority & government stock:				
A+	3,500	3,500	3,500	3,500
Total local authority & government stock:	3,500	3,500	3,500	3,500
Corporate Stock				
AAA	-	-	-	-
AA	34,242	34,302	34,242	34,302
AA-	-	-	-	-
A+	4,992	6,992	4,992	6,992
A	7,501	7,500	7,501	7,500
Total corporate stock	46,735	48,794	46,735	48,794
Derivative financial instrument assets:				
AA	-	-	-	-
Total derivative financial instrument assets:	-	-	-	-
Counterparties without credit ratings				
Community & related party loans:				
	91	88	91	88
Total community & related party loans	91	88	91	88

Debtors and other receivables mainly arise from Taupo District Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Taupo District Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and Taupo District Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity Risk

Liquidity risk is the risk that Council will encounter difficulty in raising sufficient funds to meet financial commitments as they fall due.

Liquidity risk management ensures that there is sufficient cash available to meet obligations in an orderly manner as they fall due. As part of liquidity risk management Council, at 30 June 2010 had \$28 million of un-drawn committed bank facilities. Councils' Treasury Policy also requires spreading of debt maturities across financial periods to avoid concentration of risk.

Council also holds cash and cash equivalents to manage short-term liquidity risk.

Contractual maturity analysis of financial liabilities

The table below analyses Taupo District Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt and interest rate derivatives are based on the relevant interest rate at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount \$000	Contractual Cash Flows \$000	< 1yr \$000	1-2 years \$000	2-5 years \$000	> 5 years \$000
Council 2010						
Creditors and other payables	13,891	13,891	13,891	-	-	-
Net settled derivative liabilities	6,355	8,804	2,265	2,184	3,801	554
Secured Loans	137,109	148,083	44,462	43,809	59,812	-
Finance Leases	525	589	316	189	84	-
Financial Guarantees	3	50	50	-	-	-
Total	157,883	171,417	60,984	46,182	63,697	554
Group 2010						
Creditors and other payables	13,920	13,920	13,920	-	-	-
Net settled derivative liabilities	6,355	8,804	2,265	2,184	3,801	554
Secured Loans	137,109	148,083	44,462	43,809	59,812	-
Finance Leases	525	589	316	189	84	-
Financial Guarantees	3	50	50	-	-	-
Total	157,912	171,446	61,013	46,182	63,697	554
Council 2009						
Creditors and other payables	14,348	14,348	14,348	-	-	-
Net settled derivative liabilities	1,693	10,926	2,449	2,023	5,144	1,310
Secured Loans	104,263	112,118	5,166	42,289	64,663	-
Finance Leases	625	713	325	238	150	-
Financial Guarantees	12	100	100	-	-	-
Total	120,941	138,205	22,388	44,550	69,957	1,310
Group 2009						
Creditors and other payables	14,474	14,474	14,474	-	-	-
Net settled derivative liabilities	1,693	10,926	2,449	2,023	5,144	1,310
Secured Loans	104,263	112,118	5,166	42,289	64,663	-
Finance Leases	625	713	325	238	150	-
Financial Guarantees	12	100	100	-	-	-
Total	121,067	138,331	22,514	44,550	69,957	1,310

Contractual maturity analysis of financial assets

The table below analyses Taupo District Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	Carrying Amount \$000	Contractual Cash Flows \$000	< 1yr \$000	1-2 years \$000	2-5 years \$000	> 5 years \$000
Council 2010						
Cash and cash equivalents	27,119	27,119	27,119	-	-	-
Debtors and other receivables	7,452	7,452	7,452	-	-	-
Net settled derivative assets	456	475	190	190	95	-
Other financial assets:						
- term deposits	5,639	16,045	14,600	-	1,445	-
- community loans	91	438	6	6	18	408
- local authority stock	3,500	4,725	245	245	4,235	-
- bonds	46,735	30,047	5,037	3,971	18,799	2,240
Total	90,992	86,301	54,649	4,412	24,592	2,648
Group 2010						
Cash and cash equivalents	27,158	27,158	27,158	-	-	-
Debtors and other receivables	7,461	7,461	7,461	-	-	-
Net settled derivative assets	456	475	190	190	95	-
Other financial assets:						
- term deposits	5,864	16,270	14,825	-	1,445	-
- community loans	91	438	6	6	18	408
- local authority stock	3,500	4,725	245	245	4,235	-
- bonds	46,735	30,047	5,037	3,971	18,799	2,240
Total	91,265	86,574	54,922	4,412	24,592	2,648
Council 2009						
Cash and cash equivalents	7,930	7,930	7,930	-	-	-
Debtors and other receivables	3,111	3,111	3,111	-	-	-
Net settled derivative assets	-	-	-	-	-	-
Other financial assets:						
- term deposits	28,009	34,339	29,839	4,500	-	-
- community loans	88	444	6	6	18	414
- local authority stock	3,500	4,970	245	245	735	3,745
- bonds	48,794	36,306	6,108	5,037	14,954	10,207
Total	91,432	87,100	47,239	9,788	15,707	14,366
Group 2009						
Cash and cash equivalents	8,013	8,013	8,013	-	-	-
Debtors and other receivables	3,133	3,133	3,133	-	-	-
Net settled derivative assets	-	-	-	-	-	-
Other financial assets:						
- term deposits	28,120	34,451	29,951	4,500	-	-
- community loans	88	444	6	6	18	414
- local authority stock	3,500	4,970	245	245	735	3,745
- bonds	48,794	36,306	6,108	5,037	14,954	10,207
Total	91,648	87,317	47,456	9,788	15,707	14,366

Sensitivity analysis

The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on Taupo District Council's financial instrument exposures at balance date. These tables represent both the Council & Group positions as no analysis is required for subsidiaries.

Council & Group	2010				2009			
	-100bps		+100bps		-25bps		+25bps	
	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000
Financial assets								
Cash and cash equivalents (1)	-	-	-	-	-	-	-	-
Other financial assets:								
- term deposits (2)	84	-	(80)	-	30	-	(30)	-
- community loans (3)	-	-	-	-	-	-	-	-
- local authority stock (4)	-	-	-	-	-	-	-	-
- bonds (4)	-	-	-	-	-	-	-	-
Financial Liabilities								
Term Loans (5)	-	-	-	-	-	-	-	-
Interest Rate Derivatives (5)	-	-	-	-	-	-	-	-
Total sensitivity to interest rate risk	84	-	(80)	-	30	-	(30)	-

Foreign Exchange Risk	-5%		+5%		-5%		+5%	
	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000
	Financial assets							
Other financial assets:								
- quoted share investments (6a)	(96)	-	106	-	-	-	-	-
Total sensitivity to foreign exchange risk	(96)	-	106	-	-	-	-	-

Equity Price Risk	-5%		+5%		-5%		+5%	
	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000
	Financial assets							
Other financial assets:								
- unlisted share investments (7)	-	(1)	-	1	-	(1)	-	1
- quoted share investments (6b)	(202)	-	202	-	-	-	-	-
Total sensitivity to equity price risk	(202)	(1)	202	1	-	(1)	-	1

Explanation of sensitivity analysis - Council & Group

1 - Cash and Cash Equivalents

Cash and cash equivalents include deposits at call of \$16,728,000 (2009 \$1,987,000) which are at an interest rate close to the Official Cash Rate. As the likelihood of this rate moving on balance date is unlikely no sensitivity analysis has been applied.

2 - Term Deposits

Term deposits have a fair value of \$15,675,000(2009 \$28,120,000). A movement of plus or minus 1% in the interest rate has an effect on the profit and loss of (\$80,000)/\$84,000 (2009 (\$30,000)/\$30,000).

3 - Community Loans

Taupo District Council has lent the Southern Lakes Taupo Health Trust \$300,000 for a period of 25 years at 2%pa, this loan was valued at fair value of \$90,640 (2009 \$88,127) at balance date. Changes in interest rates at balance date will not affect the valuation of this loan.

4 - Local Authority Stock and Bonds

These financial assets are classified as held to maturity and are at fixed interest rates, therefore sensitivity analysis is not applicable.

5 - Term loans & Interest Rate Derivatives

Taupo District Councils loan facilities and interest rate derivatives are at fixed rates and were repriced at balance date, a movement of plus or minus 1% in the interest rate has an immaterial effect on 1 day's interest accrual.

6 - Quoted Share Investments

a) Taupo District Council holds listed equity instruments in HSBC Holdings, Tesco Ltd, Marks & Spencers and Aviva, which are publicly traded and included in the FTSE equity index. If the share price moved plus or minus 5% the effect has an impact of \$202,000/(\$202,000) in the fair value through profit. (2009 Nil)

b) For these same shares if there was a movement of plus or minus 5% in the British pound the effect has an impact of (\$96,000)/\$106,000 in the fair value through profit. (2009 Nil.)

7 - Unlisted Share Investments

Taupo District Council holds shares in King County Electricity which are publicly traded on the secondary NZ sharemarket. A movement of plus or minus 5% in the share price has an effect of \$1000/(\$1000) (2009 +/- 5% \$1000/(\$1000)) in the fair value through other comprehensive income.

24 Remuneration - Council only

Chief Executive Officer's Remuneration

The Chief Executive Officer of the Taupo District Council is appointed under Section 42 of the Local Government Act 2002.

	Actual 2010	Actual 2009
Cost during the financial year:		
Total remuneration package	272,896	254,200
Vehicle (value of FBT)	7,564	7,931
	280,460	262,131

For the period ending 30 June 2010, the total cost including fringe benefit tax to the Council of the remuneration package paid, or payable to, the current Chief Executive Officer is calculated at \$280,460 (2009 262,131).

Mayor and Elected Members Remuneration

The following people held office as elected members of the Council's governing body during the reporting period.

The aggregate monetary remuneration to the 16 councillor's/community board members and the Mayor during the year totalled \$448,374 (2009: 16 councillors/community board members and the Mayor \$437,142) and is disaggregated and classified as follows:

Council/Community Board Member	Salary	Meeting Allowances	Total Actual 2010	Total Actual 2009
Cooper, Rick (Mayor)	77,530	-	77,530	75,555
Blyth, Doreen	20,362	8,550	28,912	28,191
Chrustowski, Bernhard	20,362	7,250	27,612	27,991
Downard, Mich'éal	20,362	7,550	27,912	26,691
Gathergood, Ailsa	20,362	9,050	29,412	25,791
Hickling, Barry	20,362	7,150	27,512	26,591
Keepa, Gary	20,362	4,850	25,212	24,391
McElwee, Christine	22,628	8,950	31,578	32,697
Ormsby, Donald	37,816	8,750	46,566	44,640
Uvhagen, Kathryn	25,180	10,250	35,430	34,897
Welch, Andrew	20,362	7,150	27,512	27,991
Campbell, Don	10,531	-	10,531	10,286
Lockyer, Janis	10,531	-	10,531	10,286
McCarthy, Susan	10,531	-	10,531	10,286
O'Brien, Terry	10,531	-	10,531	10,286
Smallman, Mary	10,531	-	10,531	10,286
Stewart, Margaret	10,531	-	10,531	10,286
Total Monetary Remuneration	368,874	79,500	448,374	437,142

The monetary remuneration detailed above (salary and meeting allowances) is determined by the Council resolution within limits set by the Local Government Elected Members Determination in accordance with the provisions of Clause 6 Schedule 7 of the Local Government Act 2002. FBT of \$6,065 (2009 \$6,360) was paid to the IRD by Council for a vehicle supplied to the Mayor, Rick Cooper.

25 Commitments	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Major contracts which Council was committed to:				
Wastewater	780	1,912	780	1,912
Stormwater	53	543	53	543
Water Supply	350	1,663	350	1,663
District Roothing	3,270	2,076	3,270	2,076
Refuse	3,936	5,738	3,936	5,738
District Electricity Supply	2,600	876	2,600	876
East Taupo Arterial	16,649	65,870	16,649	65,870
Dog Pound Construction	-	835	-	835
Victoria St Subdivision Stage 2	-	526	-	526
Pier 87	-	226	-	226
Total Major Contracts	27,638	80,265	27,638	80,265

Non-cancellable operating leases as lessee:

Taupo District Council leases property, plant and equipment in the normal course of its business. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Payable no later than one year	253	270	257	274
Later than one, not later than two years	151	207	154	210
Later than two, not later than five years	48	129	48	129
Total Commitments	28,090	80,871	28,097	80,878

26 Contingencies	Year of guarantee	Term in years	Amount of original guarantee	Current level of guarantee outstanding
Loan Guarantees - Council only				
The following Loan Guarantees have been given by Council:				
Taupo Squash Rackets Club	2005	10	50,000	3,020
Totals for the year ended 30 June 2010			50,000	3,020
Totals for the year ended 30 June 2009			100,000	11,792

Other Contingencies

Taupo District Council

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 could potentially give rise to claim(s) against Council, currently unquantifiable (2009 Same contingency disclosure made).

A land subsidence issue has been identified in the Taupo urban area, with the potential for 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 the subsidence. The issue of contingent liability however, currently unquantifiable, is under review (2009: Same contingency disclosure made).

Council controls and has brought to account certain reserve lands throughout the District which will return to Iwi ownership in the event that they are no longer required for reserve purposes. Council does not envisage that this situation will ever eventuate (2009 Same disclosure of this contingency).

Council may be subject to claims relating to weathertightness building defects. As at the date of this report the Weathertight Home Resolution Service (WHRS) is investigating 3 claims affecting 4 properties in the Taupo District. These may or may not result in formal claims against Council. No weathertightness claims have been lodged directly with Council. The quantum of these claims cannot be accurately calculated at present, although any liability under this claim will be met by our insurers, subject to our usual excess requirements (2009: Three WHRS claims plus one lodged directly).

All Councils with responsibilities under the Building Act have, to varying extents, been impacted by the leaky building issue. Unfortunately, as the issue has evolved, other parties to the claims have disappeared and Councils and Riskpool (our insurer) are often the only party responding to the claims. This has meant that judgements against Councils are increasing. Riskpool's funds are exhibiting deficits and this means that calls will be made upon member councils to contribute to the fund. Council has received a call of \$99,374 for the 2011 financial year and has been advised by Riskpool that a further call on 1 July 2011 and possibly another on 1 July 2012 will also be made. The amount of these calls is undetermined at this time.

In addition to the weathertightness building defect claims, there are a further 8 unresolved potential legal claims against Council as at 30 June 2010 (2009: 6 claims). All seek compensation related to resource consents, property damage, contractual disputes, or other aspects of Council's operations which the claimants believe have caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council will vigorously defend all claims and expects its actual liability to be minimal, if indeed there is any liability at all.

A weathertightness issue has arisen at the AC Baths, however the costs likely to be incurred in rectifying the issue are undetermined at balance date, and therefore no provision has been made (2009 Same contingency disclosure made).

The potential for erosion and flooding risk has been identified through technical reports around the foreshore of Lake Taupo, with the potential for 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 the erosion and flooding. The issue of contingent liability however, currently unquantifiable, is under review (2009 Same contingency disclosure made).

As at 30 June 2009 contractual dispute had arisen on the sale of a council property. The purchaser had lodged a caveat to protect their interest. Council took action in the High Court and the caveat was removed.

Group

There are no contingent assets or liabilities relating to the subsidiary entities (2009: nil).

27 Events after balance date

There were no significant events after balance date that require reporting.

28 Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds 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, general financial dealings prudently and in a manner that promotes the current and future interests of the community.

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

Taupo District Council has the following Council created reserves:

- Depreciation reserves
- Development contributions
- TEL Fund
- Disaster recovery
- Other special purpose

Depreciation reserves reflect the value of depreciation expense charged in the financial statements and funded from rates. These reserves are utilised to fund the replacement and renewal of the assets that are being depreciated.

Development contribution reserves reflect development contributions invoiced and received, but not yet spent on growth-related asset purchases or construction.

The TEL Fund was established in September 2005 when Taupo District Council sold its investments in Taupo Electricity Limited and Taupo Generation Limited. The beneficial owners of the fund are the ratepayers in the Taupo/Kaiangaroa and Mangakino/Pouakani (TKMP) rating areas and the fund is utilised to reduce the rating requirement in these areas of the District.

The disaster recovery reserve is set aside to assist with readily available funds in the case of a significant natural disaster.

The other special purpose reserves are an accumulation of a number of other designated reserves, funded and held for a variety of purposes. Among the more significant balances are the strategic property reserve, land subdivision reserves, the forestry reserve, and the Turangi/Tongariro general purpose reserve.

29 Explanation of major variances against budget

Explanations for major variations from the Council 2009/10 Annual Plan are as follows:

Statement of Comprehensive Income

Council's actual surplus of \$33.5m is \$4.3m greater than the \$29.2m budgeted. The major variations are due to:

- Revenue from activities being \$19.3m higher than budgeted. The major factor in this is that the ETA is six months ahead of plan, therefore NZ Transport Agency Subsidy for costs relating to the East Taupo Arterial (\$22.8m) is also ahead of plan. This gain is offset by a shortfall in regulatory income (\$1m) and development contributions (\$2.5m) due to market conditions.
- Other revenue is down by \$4.5m major factors are finance income down due to interest rates being lower than budgeted due to economic conditions (\$1m), no vested assets (\$4.4m) offset by first time recognition of assets and other income (\$0.9m).
- Other gains and losses being \$0.946m higher than budget due to realised gain on sale of shares (\$0.15m) and unrealised gain on derivatives (\$0.8m).
- Partially offsetting these items of unbudgeted revenue is Council's expenditure being \$9.7m in excess of budget. Major factors in this are \$5.0m of unbudgeted losses on the fair valuation of interest rate derivatives, a \$3.7m increase in depreciation over budget due to increase in valuation infrastructural assets at 30/6/09, \$1.9m loss on disposal of assets (mainly roading and infrastructure), revaluation loss on buildings exceeding the revaluation reserve \$1m, and impairment of assets \$0.6m, offset by \$3.0m saving in interest costs due to current economic conditions.
- An unbudgeted \$1.1m recognition of the loss of Council's associate - the Lake Taupo Protection Trust.

Statement of Movements in Equity

The major variations are due to:

- The opening equity position being \$44m higher than anticipated in the budget, primarily due to infrastructural revaluations at 30 June 2009 and the higher than budget surplus in 2008/09.
- The 30 June 2010 revaluations of land and buildings being \$109.7m lower than anticipated in the Annual Plan.
- The net surplus for the year being \$4.3m higher than budgeted (see explanation under 'Statement of Comprehensive Income' heading above)

Statement of Financial Position

The major variations are due to:

- Total investments (including cash) \$8m higher than budgeted.
- Trade and other receivables being \$4m higher than budgeted.
- Non-Current Assets Held for sale being \$22.3m higher than budgeted with changes in the timing of Council's subdivision programme impacting on this as well as a Council resolution to defer its role as a property developer and actively promote the sale of its non-committed land assets .
- The recognition of an unbudgeted \$2.2 million interest in the net assets of Council's associate - the Lake Taupo Protection Trust.
- Property, plant and equipment being \$91.7m lower than budgeted, the result of 30 June 2010 revaluations (\$109.7m) and impairment of assets (\$0.6m) offset by corrections and revaluations at 30 June 09, and changes in Council's capital spending programmes.
- Trade and Other payables \$4.0m higher than budgeted due to the ETA project.
- Employee Benefits \$0.8m higher than budgeted.
- Derivative financial instruments being \$5.9m higher than budgeted, due to the nature of this liability year end balances are not budgeted. With changes in interest rates over the year the value of the interest rate swaps that Council has entered into has decreased from last year.
- Borrowings being \$4.2m less than budgeted, the result of changes in Council's capital expenditure programme.
- Equity position varying as described under the heading of 'Statement of Movements in Equity' elsewhere in this note.

30 Investments in Associates

Taupo District Council has significant influence over the activities of the Lake Taupo Protection Trust, an entity created in February 2007.

As one of the three settlors of the Trust, together with Environment Waikato and the Ministry for the Environment, Taupo District Council has assessed its interest in the Trust at 33.3%.

	Council Actual 2010 \$000	Council Actual 2009 \$000	Group Actual 2010 \$000	Group Actual 2009 \$000
Movements in the carrying amount of investments in associates:				
Opening Balance	3,379	5,238	3,379	5,238
Share of total recognised revenues and expenses	(1,118)	(1,859)	(1,118)	(1,859)
Value of investment	2,261	3,379	2,261	3,379
Summarised financial information of associates:	\$000	\$000		
Assets	11,105	10,463		
Liabilities	4,322	325		
Equity	6,783	10,138		
Revenues	6,989	6,625		
Expenses	10,343	12,202		
Surplus/(deficit)	(3,355)	(5,577)		
Taupo District Council's interest	33.3%	33.3%		

The Lake Taupo Protection Trust is charged with developing a programme of work that will reduce the amount of manageable nitrogen leaching into the lake by 20% over a 14 year period. It will encourage and assist land use change, purchase land or nitrogen in the Lake Taupo catchment, and fund research and other initiatives that will assist landowners to reduce the nitrogen impact of their activities on Lake Taupo. The Trust will be funded with \$81.5 million over a 14 year period to achieve these purposes.

Council, together with the two other settlors contributes funding to the Trust, with Council's share of this funding charged as operational expenditure in the Council accounts and recognised as revenue in the Trust's accounts. Council expects no return on equity from the Trust other than the achievement of the set objective of nitrogen reduction.



Official opening ceremony of the ETA — convoy of classic cars cruising the ETA for the first time, 8 October 2010

COUNCIL-CONTROLLED ORGANISATIONS

Taupo District Council has a controlling interest in two council-controlled organisations (CCOs).

These are:

- Taupo Airport Authority
- Lake Taupo Tourism Advisory Board.

Taupo District Council has an interest in three other council-controlled organisations. These are:

- the Lake Taupo Protection Trust – the settlors of this trust are Taupo District Council, Environment Waikato and the Ministry for the Environment
- Local Authority Shared Services Limited – Council has a shareholding interest in this company together with other local authorities in the Waikato Region
- BoP LASS Ltd - Council has a shareholding interest in this company together with other local authorities in the Bay of Plenty Region.

Taupo District Council also has a controlling interest in two organisations exempted under section 7 of the Local Government Act 2002 from the definition of 'council-controlled organisation'.

These are:

- Data Capture Systems Limited
- Destination Lake Taupo Limited.

This section of the Annual Report describes the performance of these entities in the 2009/10 year.

Taupo Airport Authority

Background

Taupo District Council and the Crown, represented by the Ministry of Transport, own the Taupo Airport Authority (TAA) equally. The Taupo Airport Authority is a council-controlled organisation as defined by the Local Government Act 2002.

Taupo District Council, under agreement with the Crown, manages the Taupo Airport Authority. The governance of the airport operations is provided by a Committee of Council. The committee consists of Council and business representatives.

Auditors	Audit New Zealand
Bankers	Bank of New Zealand
Solicitors	Le Pine & Co, Taupo

Significant Policies and Objectives

The objective of the Taupo Airport Authority is to operate a successful business providing for the safe, appropriate and efficient air transport needs of the Taupo District.

The authority provided for the safe, appropriate and efficient air transport needs of the Taupo District during the year. In meeting this objective the authority operated at a loss.

Nature and Scope of Activities

The Taupo Airport Authority is to provide an airport infrastructure to meet the needs of the Taupo District, together with leasehold land for airport-related development. The nature and scope of the activities undertaken by the authority during the year were consistent with this intention.

Performance

Performance Targets	Results	Achievement
The sealed runway will be open for air traffic 365 days of the year unless prevented by adverse weather or unexpected events.	The sealed runway was open for air traffic each day.	Achieved
The grass runway will be open for air traffic 365 days of the year unless prevented by adverse weather or unexpected events, or when the sealed runway is in use.	The grass runway was open for air traffic each day.	Achieved
The airport will be Part 139 Certified.	Passed audit in November 2009.	Achieved
The terminal building will be open at least half an hour before arrival times and half an hour after flight departure.	The terminal building was open as specified.	Achieved
A financial return on equity to be achieved annually.	Full year result is a before tax loss of \$367K.	Not achieved
The TAA be self-funding in terms of its own cashflow requirements as soon as possible.	Operating cash flow for the year ended 30 June 2010 year is a \$42K outflow. (\$70K inflow if non-operating cash flows are included).	Not achieved

Financial performance for the year ended 30 June 2010	Actual 2010 \$	Budget 2010 \$
Total revenue	396,116	601,000
Total expenditure (including tax expense)	678,186	598,444
Net surplus (deficit) after taxation	(282,070)	2,556

Lake Taupo Tourism Advisory Board

Background

The Lake Taupo Tourism Advisory Board (the Board) provides advice on tourism in the district including advice on the marketing direction and operations of Destination Lake Taupo (DLT) ² and destination management.

The five members of the Board are appointed by Council³ after an interview process. These appointments are open to any person with the appropriate skills, experience and attributes. The Board may co-opt additional non-voting members at its discretion.

Auditors Audit New Zealand

Significant Policies and Objectives

The Lake Taupo Tourism Advisory Board is a CCO for the purposes of the Local Government Act 2002. It is a not-for-profit organisation and the Board has no authority delegated to it by Council.

Nature and Scope of Activities

The nature and scope of the activities to be undertaken comprises three key activity areas:

- Promote the 10 Year Visitor Industry Strategic Plan on behalf of the industry encapsulating a long term vision and strategic pathway for the Lake Taupo District as a visitor destination
- Identification of strategic issues for the tourism industry in the Lake Taupo District and development of strategies to address these issues
- Provide advice and guidance on destination marketing and destination management including appropriateness of plans and efficient use of funding

The Board shall provide this advice and communicate with stakeholders in a timely and effective manner.

² The Council division operating as Regional Tourism Organisation

³ Note that Council decided in June 2009 to alter the terms of reference of the Board reducing membership from ten to five and removing the ability of specific organisations to nominate members. The new board was appointed on 28 July 2009.

Performance

Performance Targets	Results	Achievement
Advice provided within required timeframes	External delivery model presented to Council in November 2009 to develop the "Best Regional Tourism Organisation" in the country.	Delivered on time. A Statement of Proposal was developed based on the Board's Model and was publicly consulted on alongside Council's Draft Annual Plan. The Proposal was accepted in June 2010.
Provide comment and direction on DLT's draft business plans	Advice provided by LTTAB in relation to DLT's 3 Year Marketing Strategy and Annual Business Plan 2009/10	3 Year Marketing Strategy adopted by the Board and the Annual Business Plan.
Stakeholder groups, especially nominating organisations, are kept informed of LTTAB's activities	Regular communication to stakeholders via newsletters (monthly), press releases, industry update functions, coffee mornings with the GM and many individual communications and agency based meetings.	A Stakeholder survey was completed in June 2010 to indicate the degree of satisfaction with communication. Across the 5 satisfaction questions, operators gave DLT the following average satisfaction results of: Very Satisfied 10.46% Satisfied 39.06% Neither satisfied or dissatisfied 26.66% Unsatisfied 15.72% Very unsatisfied 8.06%
Provide advice and guidance on the development of a Sustainable Tourism Charter	This performance target has been included in the 2009/10 business plan. Funding from the Ministry for the Environment has ceased due to reporting requirements for 2008/09 not being met.	A review of Critical Success Factors in August 2009 revealed other priorities to achieve DLT's primary goals, including the need to develop a new governance structure and re-brand the district.
Encourage stakeholder groups to engage in sustainable practices	Listed in the business plan under destination management but not actively pursued in the first six months due to other DLT priorities.	DLT is currently forming an industry group to roll out sustainable initiatives. The first meeting planned for April was postponed until October 2010.
- Regularly engage with other key organisations on issues affecting tourism as appropriate	Ongoing meetings have been held with a number of important tourism stakeholder organisations, as well as attendance at related functions. Organisations include Enterprise Lake Taupo, Towncentre Taupo, Events Centre, Taupo Venues, Chamber of Commerce, Department of Conservation, Ngati Tuwharetoa, Great New Zealand Touring Route, Central Park NZ, Regional Tourism Organisations of NZ, Tourism New Zealand, Ministry of Tourism including recent hosting of the Prime Minister, various event organisers, Bike Taupo. Meetings planned with the Lakes and Waterways Action Group Trust, Taupo Police, Mangakino Visitor Industry Focus Group, Turangi Tongariro Promotional Association, Turangi Tongariro Visitor Strategy Taskforce Group and the Advocates for the Tongariro River.	DLT has made time to work with these organisations, has added value to their objectives and has been better informed about related activities in the wider Districts and beyond.

Other Disclosures

The Board is committed to making the following information available:

Information	Comments
At least 5 months prior to the start of the financial year the Board shall deliver to the Council a report setting out its recommendations on the DLT annual budget, as reflected in the business plan for that year	Provided as part of the annual plan process. The Board requested additional funding of \$100k over and above LTCCP budgets for a domestic marketing campaign. Following public consultation, Council provided the funding subject to it being matched by the industry. (see page 25 of the Taupo District Council 2010/11 Annual Plan
Within 2 months after the end of the first half of each financial year, the Board shall deliver to Council a report on the organisation's operations during that half year	Formally delivered to Council at its March 2010 meeting,
Within 3 months after the end of each financial year, the Board shall deliver to Council, and make available to the public, a report on the organisation's operations during that year	To be provided by the end of September 2010
Within 1 week after each Board meeting, the Board shall make available to the public the monthly report received from the General Manager of Destination Lake Taupo	Monthly reports were available on the previous website. Currently in transition of transferring reports onto the new site. These reports will continue to be displayed on the new site from October 2010.
Within 2 weeks after each Board meeting, the Board shall make available to the public the minutes of the previous Board meeting	Minutes from monthly meetings were available on the previous website and are currently being uploaded to the new website.

As the Board has no assets or liabilities and no financial activity, there is no financial performance to report.

The Lake Taupo Protection Trust

Background

The Lake Taupo Protection Trust (LTPT) was formed and became operative at the time of establishment of the Lake Taupo Protection Project on 9 February 2007. The Trust will administer an \$81.5 million fund over a 14-year period to protect Lake Taupo's water quality.

Settlers of the trust are Taupo District Council, Environment Waikato and the Ministry for the Environment.

Auditors Audit New Zealand

Significant Policies and Objectives

Over a 14-year period, beginning from the 9th February 2007, the trust will reduce the nitrogen flowing into Lake Taupo by at least 153 tonnes from within the Lake Taupo Catchment Area as defined by Environment Waikato.

Nature and Scope of Activities

The Lake Taupo Protection Trust will encourage and assist land use change, purchase land or nitrogen in the Lake Taupo catchment, and fund research and other initiatives that will assist landowners to reduce the nitrogen impact of their activities on Lake Taupo.

The nature and scope of the trust's activities during the year were consistent with these intentions.

Performance

Actions	Measures	Performance against Target
Have completed a business plan with a at least one Tuwharetoa Incorporated Society	Business Plan and agreement in place by December 2009.	Business plan completed which concluded with a carbon and nitrogen agreement for the reduction of 22,000kgs of nitrogen from Puketapu.
Have in place a strategic partner to enable carbon offsets to be purchased	Strategic partner agreement in place by December 2009	Agreement in place with Mighty River Power and now operational.
Operate the Trust to achieve a total of 35 tonnes of nitrogen	35 tonnes of nitrogen reduced by 30 June 2010 towards overall target of 153 tonnes.	Agreements in place to reduce 67 tonnes.
Have in place an exit strategy which achieves the overall aims of the Trust and maximises financial returns	Exit strategy completed by 30 June 2010.	Nitrogen Purchase Policy recommended to Board and approved and subsequently endorsed by the Joint Committee.
Obtain an agreement with the funding partners to undertake an earlier review of the Trust Deed.	Funding partners agree to the review by December 2009.	Completed. Meeting of Ministers to visit Taupo to address ongoing funding and GST. Full project review scheduled for 2012.
Undertake public awareness of the Trust operations measured through the Taupo District Council 2009 Residents Survey.	75% customer awareness result from the survey when the results become available in 2009.	77% achieved.
Environment Waikato to progress with benchmarking of farms within the Lake Taupo catchment in accordance with the agreements outlined between the parties as per the 2009/10 Service Level Agreement.	Benchmarking of all farms within the Lake Taupo catchment are completed on or before 30 June 2010 as agreed in the 2009/10 Service Level Agreement.	Benchmarking 85% complete and reduced budget is in place to phase out this arrangement. Benchmarking is now moving to smaller farming operations

Financial performance for the year ended 30 June 2010	Actual 2010 \$	Budget 2010 \$
Total revenue	6,988,753	5,961,000
Total expenditure	10,343,405	1,715,400
Net surplus (deficit)	(3,354,652)	(4,245,600)
Balance sheet as at 30 June 2010	Actual 2010 \$	Budget 2010 \$
Total assets	11,105,240	25,420,167
Total liabilities	4,322,164	359,810
Equity	6,783,076	25,060,357

Local Authority Shared Services Limited

Background

Taupo District Council has a one-thirteenth ordinary shareholding in Local Authority Shared Services Limited (LASS).

Taupo District Council also holds service shares in the Waikato Regional Aerial Photography Services (21,652 shares), the Waikato Regional Transport Model Service (9,000 shares) and the Valuation Data Hosting Services (one share) activities of the company. These service shareholdings give no rights to a share in the distribution of surplus assets, nor do they provide voting rights.

Auditors Audit New Zealand

Significant Policies and Objectives

The company has been set up to provide Waikato Region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

Any further services that may be initiated under the umbrella of this company will be promulgated only if the business case shows that they provide benefit to the shareholders in terms of improved levels of service and/or reduced cost. Any such proposals will be presented to the Directors for approval prior to implementation.

Nature and Scope of Activities

The principal nature and scope of the activity of LASS is to:

- Provide shared services to all local authorities within the Waikato Region.
- Sell processes and systems as set up under individual agreements to local authorities outside the Region.
- Consider all opportunities to procure shared services that will benefit the community, either through enhanced services and/or reduced cost.
- Give consideration to developing shared services that local authorities of the Region believe are of value. The objective is to provide the most effective access to Regional information that may be of value to the community, using modern technology and processes.
- Obtain a financial return from commercial users of information collected by councils.
- Explore all possible avenues to provide these services itself or contract them from other parties, each depending on a rigorous business case and risk assessment.
- Provide opportunities for development of systems and processes that utilises intellectual property developed by councils and on selling data and services/systems to commercial users for a market based financial return.

Performance

Performance Measure	Actual Outcome
Positive cash flow will be maintained so that the equity ratio is maintained at a minimum of 40%.	Positive cash flow has been maintained, and a positive Bank balance at the end of each month has allowed LASS accounts to be paid on time. No loan balance is held at Balance date. Equity ratio at 30 June 2010 is 98%
The company will carry out an annual survey of shareholders to assist the Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided	A shareholder survey was forwarded to all 13 shareholders, with a total of 9 survey forms being completed and returned. The results show 100% satisfaction from the respondents with the LASS structure, reporting and service operations. Several shareholders requested that the LASS directors be more proactive in pursuing possible further shared services.
Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Total expenditure was under budget. All administration costs in LASS were below budget, with savings being made in external audit fees.
The Board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.	Six monthly reports were provided.

BoP LASS Limited

Background

The councils that operate within the boundaries of the Bay of Plenty Region have formed a council-controlled organisation to investigate, develop and deliver shared back office services and communications where and when that can be done more effectively for any combinations of some or all of the councils. Taupo District Council now has a one-ninth ordinary shareholding in Bay of Plenty Local Authority Shared Services Limited (BoP LASS) with the addition of Gisborne District Council.

Auditors Audit New Zealand

Significant Policies and Objectives

The company was set up to provide Bay of Plenty Region councils with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Such services will be initiated under the umbrella of this company where a business case shows that they provide benefit to the (voluntary) council users by either improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

Nature and Scope of Activities

The principle nature and scope of the activity of BoP LASS Ltd is to:

- enable the provision of shared services to any or all local authorities within the Bay of Plenty Region. BoP LASS Ltd may also sell 'shared' processes and systems as set up under individual agreements to local authorities outside the Region;
- pursue all opportunities to procure shared services that will benefit the community in the widest sense, through enhanced back office services and/or reduced costs for councils
- explore all possible avenues to provide these services itself or contract them from outside parties, each depending on a rigorous business case and risk assessment.

BoP LASS Ltd will also act as a true regional vehicle to attract government and other funding, if or when it is made available.

Performance targets for 2009-2010

Outcomes	Action	Measure	Result
Ensure the umbrella company continues to operate effectively in both governance and management terms	Management reporting Accounting system –financial reports provided	Report target dates met	Target Met
Maintain operational principles regarding developing and approving shared services	Policy statement reviewed annually. Business cases provided and approved for services prior to initiation	30 June 2010 30 June 2010	Target Met Policy reviewed for SOI February.
Develop and sustain communication lines with each shareholding council at appropriate levels,	Management team meetings with constituent Councils.	30 June 2010	Target Met Directors advised meetings to be by invitation meetings with Western bay and other council staff members.
Develop and sustain communication lines with shared service CCOs of neighbouring regions.	Regular contacts resulting in shared information reported to board	30 June 2010	Target Met. Meeting with LASS reps April. Minutes circulated to MWLASS.
Investigate at least 5 shared services to identify saving and or benefits.	Advisory groups established and feasibility studies completed.	30 June 2010	Target Met Rates, GIS, Council Regional Network Platform, Unimarket, Antivirus software etc.
Achieve effective operation of at least 3 shared services with each service contributing appropriately to the costs of the umbrella vehicle.	Service levels agreed and implemented. Cost recovery /levy applied.	3 services by 30 June 2010	Target Met Council Regional Network Platform, Office Max, Sophos antivris software Internal Audit.
Operate within agreed budgets.	Budget approved annually.	Budget approved 1 July 2010	Target Met Budget approved. Write off for Broadband investigation additional.
Maintain positive cash flow.	Cash flow reports provided on time. No negative cashflow arising from BOPLASS actions	30 June 2010	Met Reports provided on time. Annual cashflow positive apart from Broadband issues.
Survey customers of active shared services at least annually to measure their satisfaction with levels and quality of service.	Annual surveys undertaken.	30 June 2010	Not achieved Services not yet mature enough.

Outcomes	Action	Measure	Result
Survey directors at least annually to gauge their satisfaction with the:	Annual surveys prepared and circulated to directors.	30 June 2010	Not Met Survey for year to 30 th June circulated.
<ul style="list-style-type: none"> • Extent and quality of new service investigation and business case development. • Administration and Secretarial support /reporting. • Operations of advisory groups. • Governance and Strategic role of the board. • Performance of the Executive Officer of BOPLASS Ltd. 	Executive Officer report to directors.	6 weekly reports	Reports provided
	Annual surveys prepared and circulated to directors.	30 June 2010	
	Annual review by directors.		
	Chairpersons report to directors.		

Data Capture Systems Limited

Background

Taupo District Council is the 100 per cent owner of Data Capture Systems Limited (DCSL).

Data Capture Systems Limited was a council-controlled organisation (CCO) as defined by the Local Government Act 2002. In February 2006 the directors of Data Capture Systems Limited resolved that it would cease operations. In June 2006, resolutions were passed to wind down the company during the course of the 2006/07 year. The company is now exempt, under section 7 of the Local Government Act 2002, from definition as a council-controlled organisation.

Destination Lake Taupo Limited

Background

Taupo District Council is the 100 per cent owner of Destination Lake Taupo Limited (DLTL). Destination Lake Taupo Limited is a non-trading company that is held only for name-protection purposes. It has no revenue or expenditure, assets or liabilities. Council has passed a resolution, under section 7 of the Local Government Act 2002, making Destination Lake Taupo Limited exempt from definition as a council-controlled organisation.

The Taupo Electricity Limited (TEL) Investment Fund

On 5 September 1995, Taupo District Council sold its investments in Taupo Electricity Ltd (TEL) and Taupo Generation Ltd (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 that the investment income earned on the inflation-proofed sale proceeds be available for distribution each year, with the distribution determined during the Long-Term Council Community Plan/Annual Plan process. Income available for distribution in 2009/2010 was \$4.114 million (budget \$4.377 million). Where the income received from the fund did not meet the amount required for distribution by the LTCCP/Annual Plan, the balance was met by a fluctuation reserve. The fluctuation reserve was also utilised to meet any inflation-proofing that was not achieved through capital growth. With Council's withdrawal from its managed equities investments in October 2006, the fluctuation reserve, which was in a significant negative balance at that time, was 'washed out' into the 'losses on investments over time' figure.

During 2002/03, Council resolved to use \$10 million of the TEL Investment Fund capital to repay Taupo/Kaingaroa and Mangakino/Pouakani general rate debt. In addition to that amount, approximately \$48 million has been generated by the fund (or met by the fluctuation reserve) during the years of the fund's existence, and utilised for rates subsidy or to contribute to the funding of various capital projects which would otherwise have required rates funding.

The principal value of the fund at 30 June 2010 was \$52,848,633 (2009 \$53,408,612). The cumulative sale proceeds and the other significant items impacting the fund's principal value over the course of its history are shown below:

	\$
Initial proceeds on sale, September 1995	61,273,557
Inflation-proofing (temporarily suspended at 1 July 2006)	14,867,291
Less: Establishment of fluctuation reserve	(4,500,000)
Less: Repayment of public debt in 2002/03 year	(10,000,000)
Fund value after capital adjustments	\$61,640,848
Cumulative capital losses on investments over time	(8,792,215)
Value of TEL Investment Fund at 30 June 2010	\$52,848,633
Comparative: Value of TEL Investment Fund at 30 June 2009	\$53,408,612