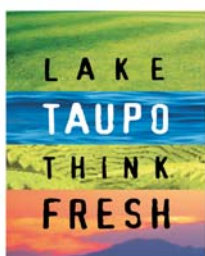


SUMMARY ANNUAL REPORT 2005/2006

www.taupo.govt.nz

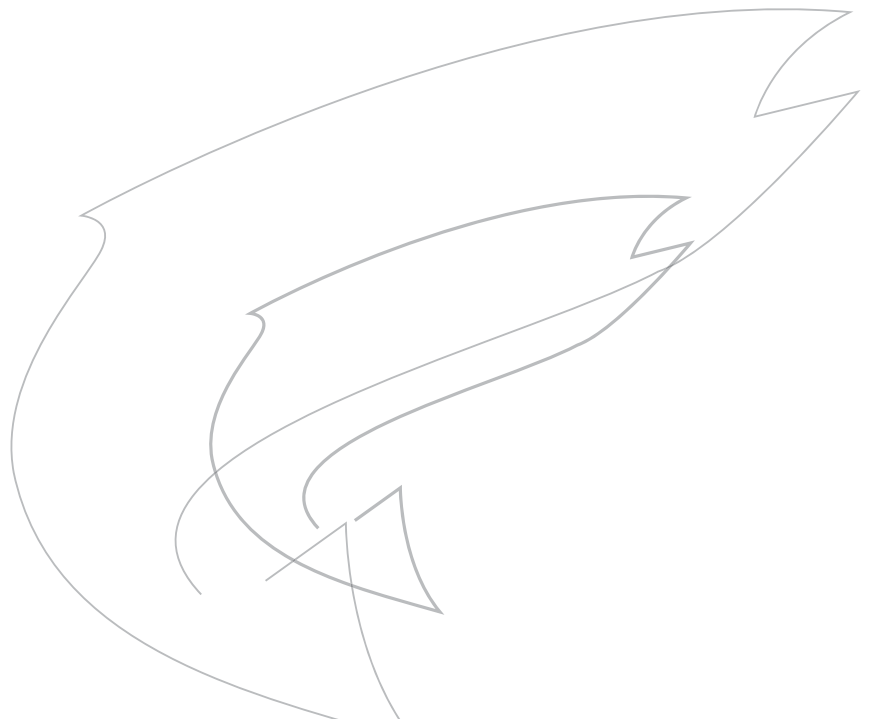


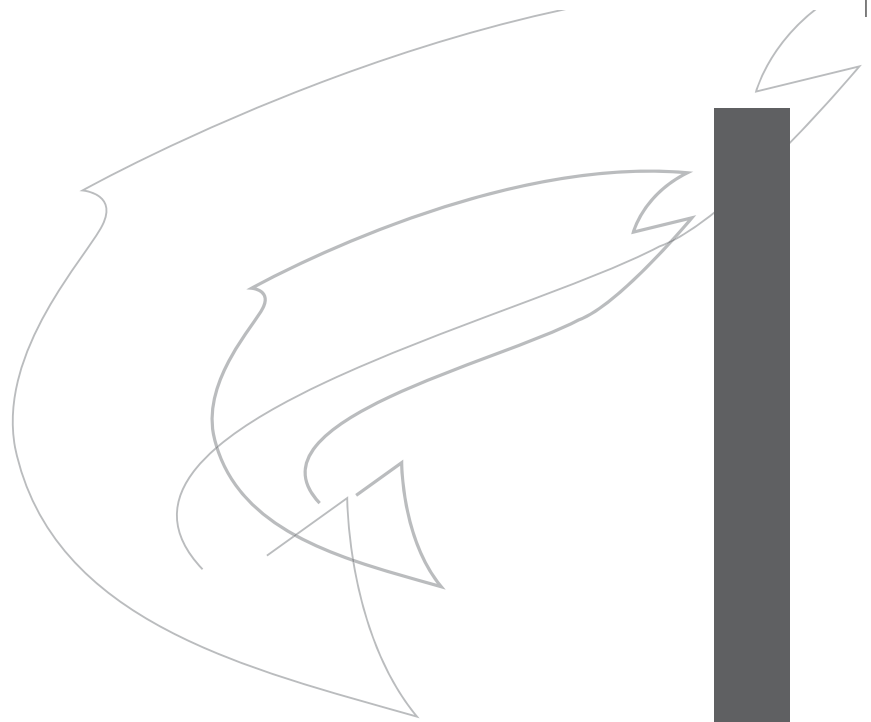
THE SUMMARY ANNUAL REPORT

This document provides an overview of Taupo District Council's operational and financial performance for the 2005/06 financial year. It is prepared in accordance with section 98(4) of the Local Government Act 2002, and in line with section 98(5) of that same act it represents fairly and consistently the information regarding the major matters dealt with in the annual report.

The specific disclosures included in this summary report have been extracted from the full annual report which was adopted by Council with an unqualified audit opinion on 6 October 2006. The summary has been examined by the auditor for consistency with the full financial report and audited by Audit New Zealand on behalf of the Auditor-General. This summary was authorised for issue by Council on 26 September 2006.

The summary report cannot be expected to provide as complete an understanding of Council's financial and service performance, financial position and cashflows as the full annual report. The full annual report is our key accountability document and is available on request from Council offices or on-line at www.taupo.govt.nz.





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MAYOR AND CHIEF EXECUTIVE OFFICERS' REPORT

Politics, both local and national have featured heavily over the past year with Taupo experiencing its share of ups and downs. Many of the major issues we have faced have been echoed throughout the country as debate centred around provision of services by local government, the cost and funding of infrastructure – in particular roading and water, and a national debate about the rating structure in New Zealand. The continuing impact of additional legislation continues to be a bone of contention between councils and central government.

Some of our major achievements this year are the completion of the Turangi Waste Water Treatment Plant which is state-of-the-art; the reinstatement of timing for the East Taupo Arterial in the face of fierce competition; the completion of our growth management strategy – Taupo District 2050; and the support or impetus that we have provided for parts of our communities to realise some of their objectives.

One such example is the securing of the 100% Pure NZ Ora Garden by Taupo Museum achieved with phenomenal support by the Friends of the Museum, local business and the community at large. This project would have struggled to get off the ground without the initial support and funding provided by Council.

The fact that not one, but two applications for Major Regional Initiatives, the MIT Taupo Race Track and the Clean Energy Centre were approved, (the latter subject to conditions), for our district speaks volumes about the ambition and competitiveness of Taupo which has since surpassed itself by securing the world class A1 Grand Prix which has placed Taupo in an enviable position in the international racing circuit and on the world stage.

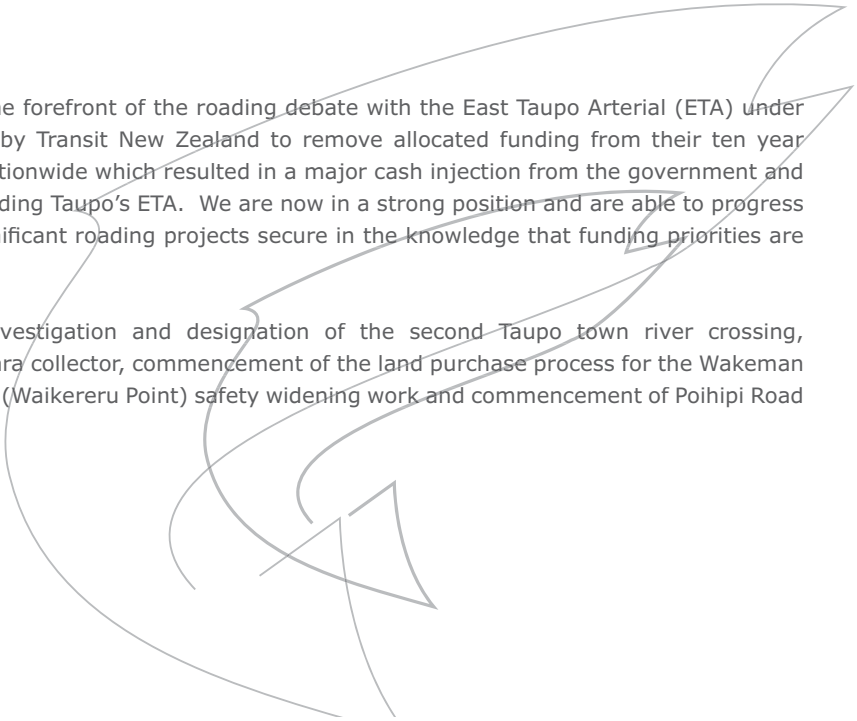
The character of Taupo is always to be a leader. We do not shy away from the big challenges and often we are able to accomplish what others, often larger or better resourced, only dream of attempting. Part of Council's role is to support the district's direction and development not just in financial terms, but also in terms of providing a voice of reason, caution and balance.

OUR ROADING

A bumpy but ultimately rewarding trip

Early in the year, Taupo was very much at the forefront of the roading debate with the East Taupo Arterial (ETA) under threat from escalating costs and the move by Transit New Zealand to remove allocated funding from their ten year forecast. This sparked a furious response nationwide which resulted in a major cash injection from the government and re-instatement of high priority projects, including Taupo's ETA. We are now in a strong position and are able to progress not only our ETA, but a number of other significant roading projects secure in the knowledge that funding priorities are now guaranteed for the next three years.

Some other roading initiatives included investigation and designation of the second Taupo town river crossing, continuation of planning process for the Mapara collector, commencement of the land purchase process for the Wakeman Road extension, completion of Downers Point (Waikereru Point) safety widening work and commencement of Poihipi Road seal widening work (cyclists).



OUR PLANNING

Our future will profit from our current investment in planning

A major piece of work that has consumed local authorities throughout the country is the Long Term Council Community Plan (LTCCP). This is a mammoth undertaking and a major achievement for Council.

Another complex and valuable body of work is our growth management strategy - Taupo District 2050 - which was also completed this year. It outlines where Council wants future growth to occur and the nature and scale of such growth. The fact that we have such a robust planning document has gained recognition at a national level. The updating of Councils Asset Management Plans also provides the finer details - or the 'nuts and bolts' needed to carry out our plans.

The formulation of these strategies and plans set our district on a firm path into the future.

Some other key policies and strategies completed were the Reserve Management Plan for the Tongariro Domain, the Recreation Strategy, the Cycling, Walking and Horse Riding Strategy and the completion of the Reserve Management Plan for the Taupo Lakefront.

OUR COMMUNITIES

We have strong links with our communities

The range of facilities in the district ensures our communities are well served with increased use experienced at the Great Lake Centre, the AC Baths and other venues. The AC Baths have gone from strength to strength with usage levels increasing from approximately 240,000 per annum in 2003/04 to approximately 302,000 per annum in 2005/06.

The successful transition of Taupo Museum to Council ownership provided the museum with the necessary support to bring the 100% Pure New Zealand Ora the Garden of Wellbeing to Taupo.

Feasibility study and concept plans for the Turangi and Taupo libraries extensions have been finalised. A planned Community Health Centre for Turangi is fully supported with funding pledged to secure the land which enables the Trust to gather momentum, sponsorship and resource to progress this community project.

Other community initiatives are the preparation for the Riverside Park, commencement of a trial public bus service between Mangakino and Tokoroa, and expansion of the Exercise on Prescription services in Taupo and Turangi.

OUR ENVIRONMENT

We take our environmental responsibilities seriously

We continue our advocacy role with regard to geothermal issues and work continues on improving lake water quality, stormwater disposal and land-use policies. A comprehensive strategy, the Lake Taupo Foreshore Protection and Risk Management Strategy, is being developed to identify and look at measures to deal with erosion and flood hazards around Lake Taupo.

The Motuoapa and Atiamuri wastewater treatment plants were upgraded and the completion of a state-of-the-art waste water treatment plant at Turangi clearly signals how serious we are about our environmental responsibilities. This plant is one of the most sophisticated in the country and ensures we attain the highest standard of treatment available.

Taupo's Pollution Control Plant has also gained international accreditation for drinking water testing - the second smallest laboratory in the country to do so.

OUR ECONOMY

Council is entwined in the economic wellbeing of the district

Tourism is a key economic driver and our marketing arm, Destination Lake Taupo, drive and protect the district's prominent tourism and events profile. The economic benefit of tourism is spread widely through the community, not just to businesses directly associated with the industry.

Council also supports indirectly, other ventures which bring economic benefit to the district. One of the success stories this year is the securing of the A1GP motor race for 2007 by MIT Development Limited who lease the land from Council.

Construction and issue of titles for the Botanical Heights residential subdivision was achieved and the Victoria Street subdivision is underway with completion targeted for mid-way through the 2006/07 year with Stage 1 completely pre-sold. The Tod Place subdivision in Turangi has also been completed with all lots sold.

OUR RULES AND REGULATIONS

We ensure quality standards are enforced

Another core function of Council is to provide consent application processing, licensing, monitoring and enforcement activities. These services have been impacted on by legislative requirements such as the Building Act Accreditation and the micro-chipping of dogs.

A review of systems, procedures and recruitment resulted in 100% compliance with statutory timeframes for issuing resource consents in March, April, May and June 2006, an outstanding achievement.

The total number of resource consent applications processed is 431; Council also issued 1,508 building consents (valued at \$140,821,294). All but one outstanding appeal to the District Plan were resolved and a number of variations were notified and an earthquake-prone, dangerous and unsanitary building policy was completed and adopted.

IN SUMMARY

Throughout the country, finances have proved challenging for local authorities and in some areas have required dire decision making. The Taupo District is not one of those and Council has managed the many financial demands in a responsible and realistic manner. Affordability continues to occupy Council discussion as a significant topic, as does the maintenance of existing service levels.

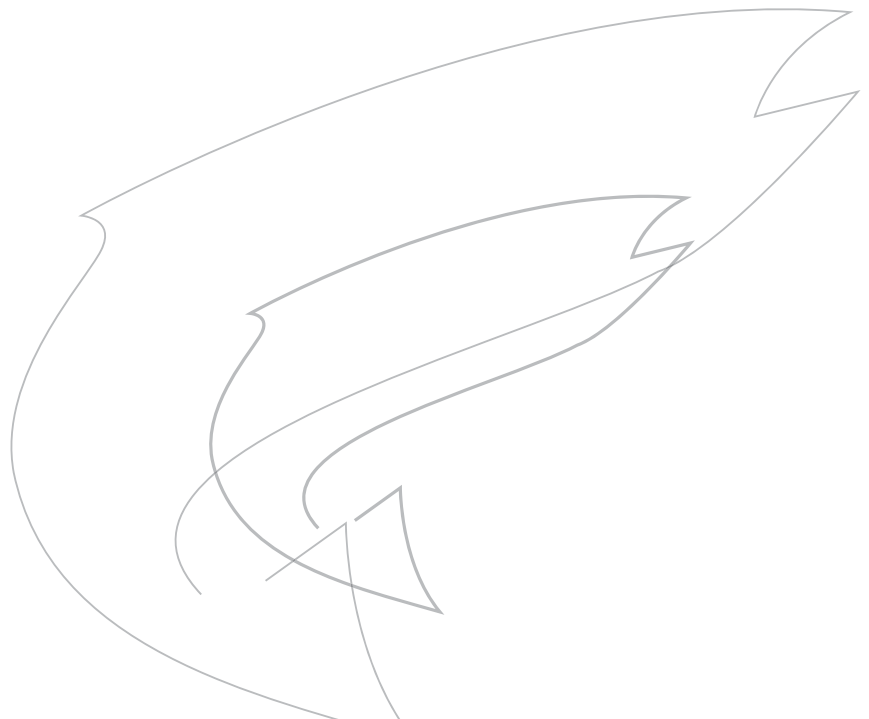
2005/06 has been a year of change and growth for Council, with positive steps in the right direction. We would like to extend our thanks to the Council and the staff for achieving this result.



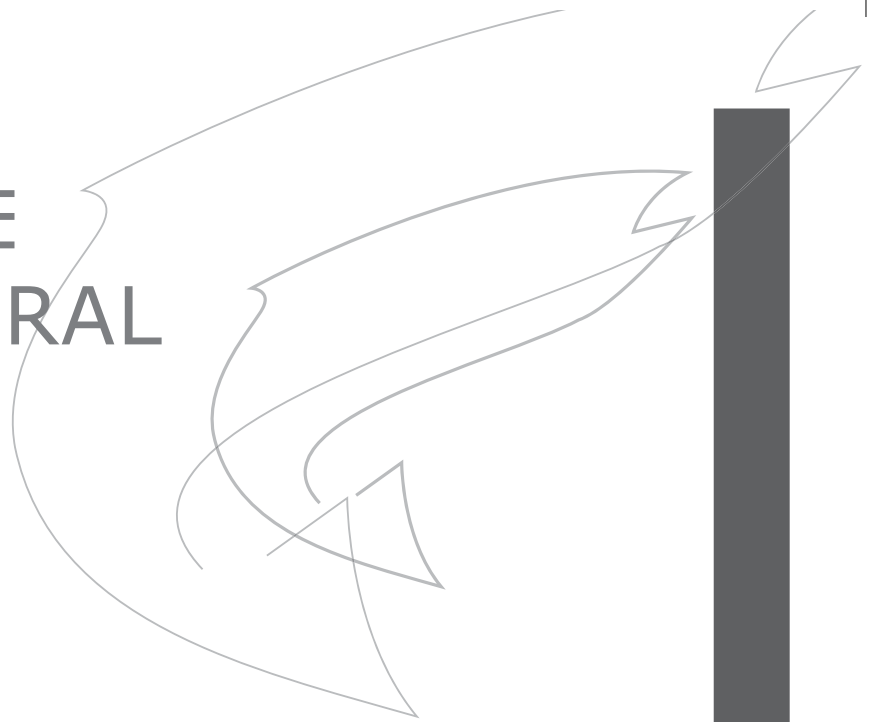
Clayton Stent
Mayor



Simon Rowbotham
Chief Executive Officer



REPORT OF THE AUDITOR-GENERAL



Please refer to the separate Report of the Auditor-General.

SERVICE PERFORMANCE

OVERVIEW

Council's service performance reporting is centred on the five groups of activities – we term them "Strategic Themes" – presented in the 2004-14 Long Term Council Community Plan (LTCCP). That document, and the 2005/06 Annual Plan, established for each theme a number of key actions and performance targets that Council intended to achieve. The Annual Report provides a report of our achievements against those targets and key actions.

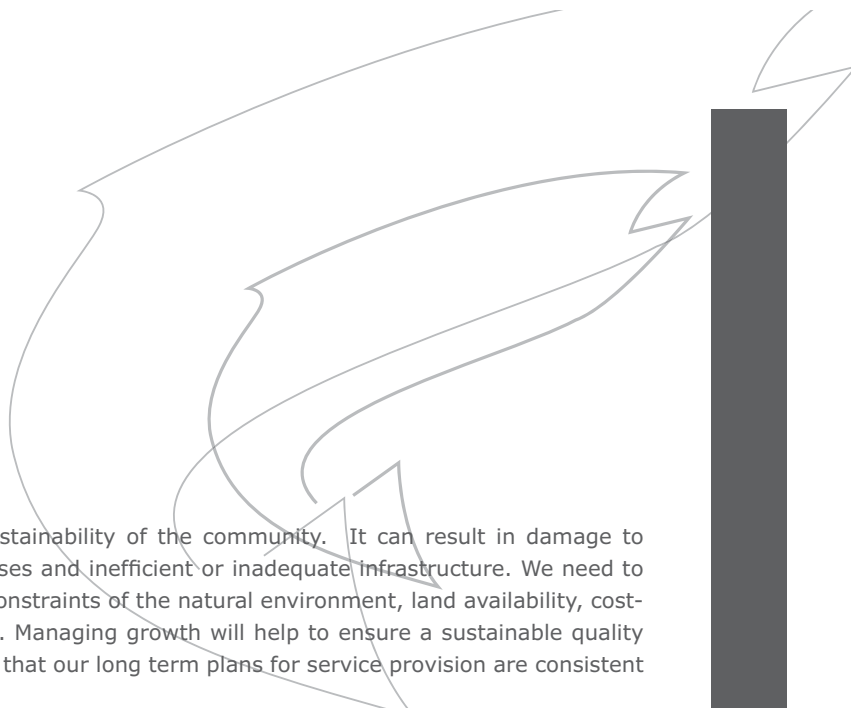
This section presents for each strategic theme, a background to the theme and then highlights of our achievements, particularly in relation to the key actions set out in the LTCCP. The presentation is balanced showing both what we achieved, and also what we set out to achieve but could not accomplish this year.

In this Summary document we do not report on specific performance targets. The full Annual Report should be referred to if the reader wishes to see these results. It should be noted however that many of the specific performance targets are based on an April/May 2006 National Research Bureau survey.

That survey produced a very positive result for Council, indicating overall satisfaction with Council's performance for the delivery of services and facilities compares favourably with its peers. Satisfaction in Taupo was higher than Council's peer group for landfills and transfer stations, roads, recycling, public toilets and wastewater, satisfaction was on a par with the peer group for litter control, water supply, rubbish collection, swimming pools (AC Baths), reserves and street gardens, sports grounds, Taupo Museum and district libraries. Satisfaction was slightly below the peer group average, for stormwater drainage and parks.



MANAGING GROWTH



Unmanaged growth has the potential to undermine the sustainability of the community. It can result in damage to sensitive environments, conflicts between competing land uses and inefficient or inadequate infrastructure. We need to provide for growth in a planned, structured way within the constraints of the natural environment, land availability, cost-effective infrastructure provision and socio-economic issues. Managing growth will help to ensure a sustainable quality of life for residents. An integrated approach will also ensure that our long term plans for service provision are consistent with growth options and solutions.

KEY ACTIVITIES: Development Planning, Urban Land Development

WE HAVE ACHIEVED:

DEVELOPMENT PLANNING

- Completion of the district-wide Growth Management Strategy titled *Taupo District 2050* – providing a comprehensive view of our districts growth management issues over a 20-50 year horizon

URBAN LAND DEVELOPMENT

- Construction and issue of title for the *Arrowsmith Stage 1* (Botanical Heights) residential subdivision (with 44 of the 62 lots in this subdivision sold), together with sale of all 35 marketed sections and a significant progression of construction of the *Victoria Stage 1* residential subdivision

WE HAD ALSO INTENDED TO ACHIEVE:

URBAN LAND DEVELOPMENT

- Construction of the *Arrowsmith Stage 2* residential subdivision, on hold while the remainder of Stage 1 is sold
- Completion of northern land purchases. Delays in the negotiation of contract terms have deferred completion into the 2006/07 year



STRONG COMMUNITIES

A key component of Council's role in building strong communities is providing effective and efficient infrastructure and services such as roads, recreation facilities and water supplies. These services must respond to identified needs and be provided at levels that are acceptable to the community (i.e. cost, quality, frequency etc.).

Strong communities are not just about bricks and mortar – they are about people and helping communities to help themselves. Council has a role in supporting community initiatives, encouraging creativity and honouring community heritage. All communities have agreements about how they will live together. Council has a role in monitoring and enforcing agreed rules and policies to ensure that community values and individual rights are respected.

KEY ACTIVITIES: Emergency Management, Roothing, Water Supply, Regulatory Services, Community Support, Community Facilities, Recreation and Leisure Services

WE HAVE ACHIEVED:

ROADING

- Among other projects;
 - Continuation of East Taupo Arterial design and consenting processes
 - The letting of the tender for investigation and designation of the second Taupo town river crossing
 - Continuation of planning process for the Mapara collector
 - Commencement of the land purchase process for the Wakeman Road extension
 - Commencement of a trial public bus service between Mangakino and Tokoroa

WATER SUPPLY

- Among other projects;
 - Completion of an extensive pipe renewal programme (including Lake Terrace).
 - Continued upgrading in terms of capacity and security in tandem with development, particularly at Kinloch and at Taupo
 - Commencement of strategic planning for the Drinking Water Treatment Project for the Tapuaeharuru Bay area
 - Completion of the construction of the Cherry Lane Reservoir

REGULATORY SERVICES

- All required consent application processing, licensing, monitoring and enforcement activities, while improving our systems and procedures
- In Animal Control, commencement of the implementation of micro-chipping requirements, and the trialling of new after-hours services - to ensure a 24 hour, 7 days a week service
- In Parking Control, the commencement of preparatory work for the introduction and implementation of paid parking
- In Resource Consents, significant progress towards full compliance with statutory timeframes, with 100% compliance with statutory timeframes for March - June 2006 being a significant improvement on previous results



COMMUNITY FACILITIES

- The successful transition of Taupo Museum to Council ownership, and the provision of the necessary support to bring the 100% Pure New Zealand Ora the Garden of Wellbeing to Taupo

RECREATION AND LEISURE SERVICES

- Commencement of the creation of the new Riverside Park on the north Domain in line with the Reserve Management Plan for the Tongariro Domain
- Council adoption of the Recreation Strategy and the Cycling, Walking and Horse Riding Strategy

WE HAD ALSO INTENDED TO ACHIEVE:

ROADING

- Commencement of East Taupo Arterial (ETA) stages 1 to 3 and a shared path beside the ETA (now carried forward into the 2007/08 year)

REGULATORY SERVICES

- Building consent authority accreditation – significant progress has been made towards this

COMMUNITY SUPPORT

- Completion of the community arts strategy - to be further developed in 2006/2007

COMMUNITY FACILITIES

- The Turangi and Taupo library extensions. These were progressed with the development of concept plans and will be completed in the next two years
- A review of community halls, commenced although more detailed research is required to provide options for future service delivery

RECREATION AND LEISURE SERVICES

- The adoption of a Reserve Management Plan for the Taupo Lakefront. Consultation on this Reserve Management Plan commenced in the 2005/06 year, the draft plan is due to be completed by December 2006



SUSTAINABLE ENVIRONMENT

A sustainable environment - natural and built - is essential for the economic, social and cultural wellbeing of the Taupo District. Currently we are faced with significant pressures that threaten the quality of the environment we and our visitors enjoy.

Council has various roles to play in relation to the environment – under different Acts we make policies and rules for managing land and mitigating the effects of human activities on the environment, we provide infrastructure and services to manage waste, and as a community leader we have a role as advocate. However, Council is not alone in managing these issues. Environment Waikato, government agencies such as the Department of Conservation and the Ministry for the Environment, Ngati Tuwharetoa and the community all have responsibility in caring for the Taupo District environment. We recognise that by working together we can develop better, integrated solutions.

KEY ACTIVITIES: Environmental Planning, Protecting Lake Taupo, Wastewater, Stormwater, Solid Waste

WE HAVE ACHIEVED:

ENVIRONMENTAL PLANNING

- Hearings and decisions on Variation 8, dealing with the Rural Environment
- Notification of a number of other variations
- Resolution of a number of outstanding appeals to the District Plan. The resolution of the majority of appeals to the District Plan should enable the Plan to become operative in the first part of next financial year
- Preliminary research and monitoring as a first step in implementing a state of the environment monitoring regime

PROTECTING LAKE TAUPO

- Collection of the second year of the targeted rate for Protecting Lake Taupo
- In conjunction with Environment Waikato and Central Government, the appointment of trustees for the Lake Taupo Protection Trust and establishment of the joint committee to oversee the Trust

WASTEWATER

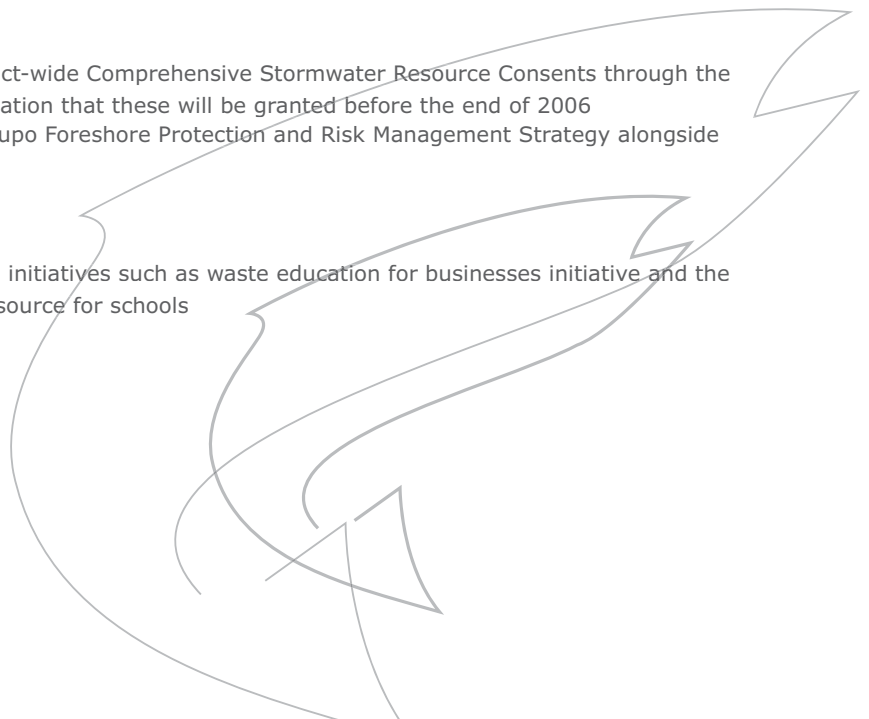
- Construction of a new wastewater treatment plant for Turangi which will lower nutrient inputs to the receiving environment dramatically
- Other re-consenting, construction and upgrade ensuring continually improved treatment and disposal of wastewater

STORMWATER

- Significant progression of the District-wide Comprehensive Stormwater Resource Consents through the consenting process with the expectation that these will be granted before the end of 2006
- Further progression on the Lake Taupo Foreshore Protection and Risk Management Strategy alongside Environment Waikato

SOLID WASTE

- Continuation of waste minimisation initiatives such as waste education for businesses initiative and the production of a waste education resource for schools

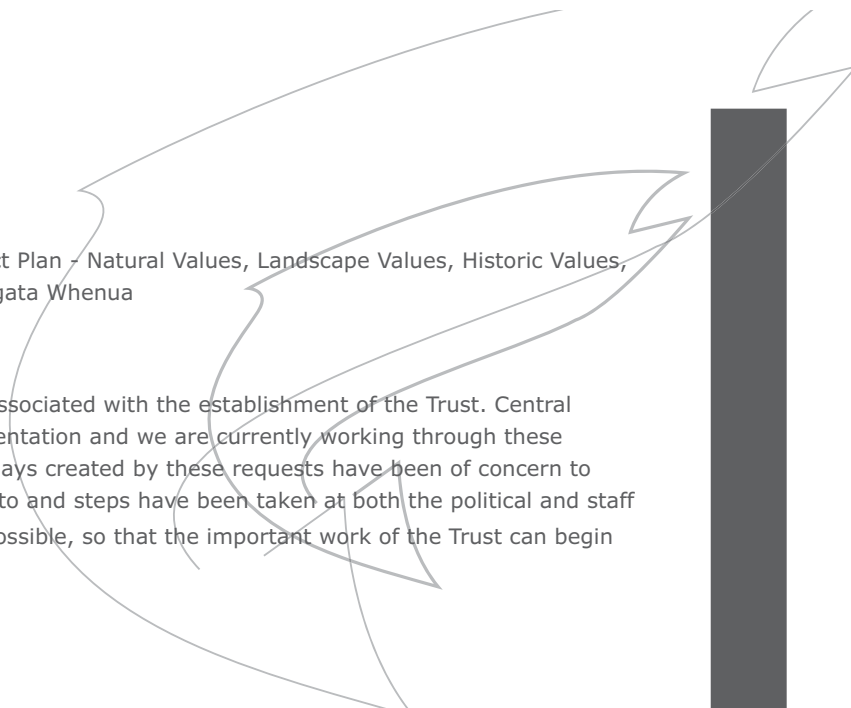


WE HAD ALSO INTENDED TO ACHIEVE:
ENVIRONMENTAL PLANNING

- Notification of the following Variations to the District Plan - Natural Values, Landscape Values, Historic Values, Cultural Values as consultation is ongoing with Tangata Whenua

PROTECTING LAKE TAUPO

- Finalisation of the deed and other documentation associated with the establishment of the Trust. Central Government has requested additions to the documentation and we are currently working through these additions along with Environment Waikato. The delays created by these requests have been of concern to both Taupo District Council and Environment Waikato and steps have been taken at both the political and staff levels to move this process forward as quickly as possible, so that the important work of the Trust can begin



ECONOMIC DEVELOPMENT

Our vision is for Taupo District to be seen as a vibrant, exciting and fresh visitor destination with our community enjoying diverse and sustainable economic and lifestyle benefits.

KEY ACTIVITIES: Destination Marketing and Management, Visitor Centres, Economic Development Strategy Implementation, Developer Liaison

WE HAVE ACHIEVED:

DESTINATION MARKETING AND MANAGEMENT

- Completion of the 10 Year Visitor Industry Strategy, incorporating many of the initiatives into Destination Lake Taupo (DLT) activities
- Development of the Great New Zealand Touring Route (GNZTR) initiative, and the signing of a Memorandum of Understanding with Tourism NZ so that the Pacific Coast Highway and the Thermal Explorer Highway are now recognised in all international marketing activity by Tourism NZ
- The launch of a comprehensive domestic marketing campaign with substantial industry support (55%)
- Recognition of the Film Volcanic initiative by Film NZ with two projects currently in negotiation

VISITOR CENTRES

- Completion of a building extension to the Taupo i-Site
- Signing of a Memorandum of Understanding with the Maori Regional Tourism Organisation

ECONOMIC DEVELOPMENT PROJECTS – CENTENNIAL PARK MOTOR RACING CIRCUIT

- Fulfilment of our contribution to the Motor Racing Circuit extension project with the track extension work completed and operating, and attracting new events

ECONOMIC DEVELOPMENT STRATEGY IMPLEMENTATION

- Completion of the review of economic service delivery and establishment of the Taupo District Economic Development Advisory Board (TDEDAB)
- Completion of a process of inviting applications for economic development projects to deliver the Economic Development Strategy, awarding contracts to both the Lake Taupo Development Company (LTDC) and the Taupo Employment Support Trust (TEST)

WE HAD ALSO INTENDED TO ACHIEVE:

DESTINATION MARKETING AND MANAGEMENT

- Up to 1.6 million visitors, staying 3.9 million nights in the district and spending \$333 million. Statistical information available shows a general downward trend in numbers of visitors and visitor expenditure, this is on par with national figures. There has been mounting concern about the statistical validity of some visitor information sources. Over the next financial year Destination Lake Taupo will be developing a local benchmarking survey that will provide more relevant and accurate information for monitoring purposes



GOOD GOVERNANCE AND STRATEGIC ALLIANCES

The Local Government Act 2002 provides the framework within which all local authorities must operate. Central to the Act are a number of principles about good governance. These principles encourage councils to make decisions openly, in consultation with their communities. The Act also requires Councils to work collaboratively with other agencies to achieve community outcomes and make better use of resources.

Good governance and strategic alliances are a key component of sustainable development. Councils and other agencies are challenged to think beyond their traditional boundaries and take an integrated approach to achieving what the community identifies as being important for its future.

KEY ACTIVITIES: Governance, Community Planning, Strategic Planning

WE HAVE ACHIEVED:

GOVERNANCE

- The successful completion of the Representation Review as required under the Local Electoral Act 2001 without the need for referral to the Local Government Commission
- Progress on the Water Resources Project, with significant work being put into an erosion study and a flood hazard study. Both of these documents are expected to be finalised before the end of the 2006 calendar year

COMMUNITY PLANNING

- The release of our first community outcomes monitoring report for the District titled *The Top Twenty Report*

STRATEGIC PLANNING

- Preparation of the 2006 - 2016 LTCCP in accordance with legislative requirements, including the holding of an Expo in August 2005, attended by over 1,100 people, setting the scene for the 2006 - 2016 LTCCP and providing the community with the opportunity for input



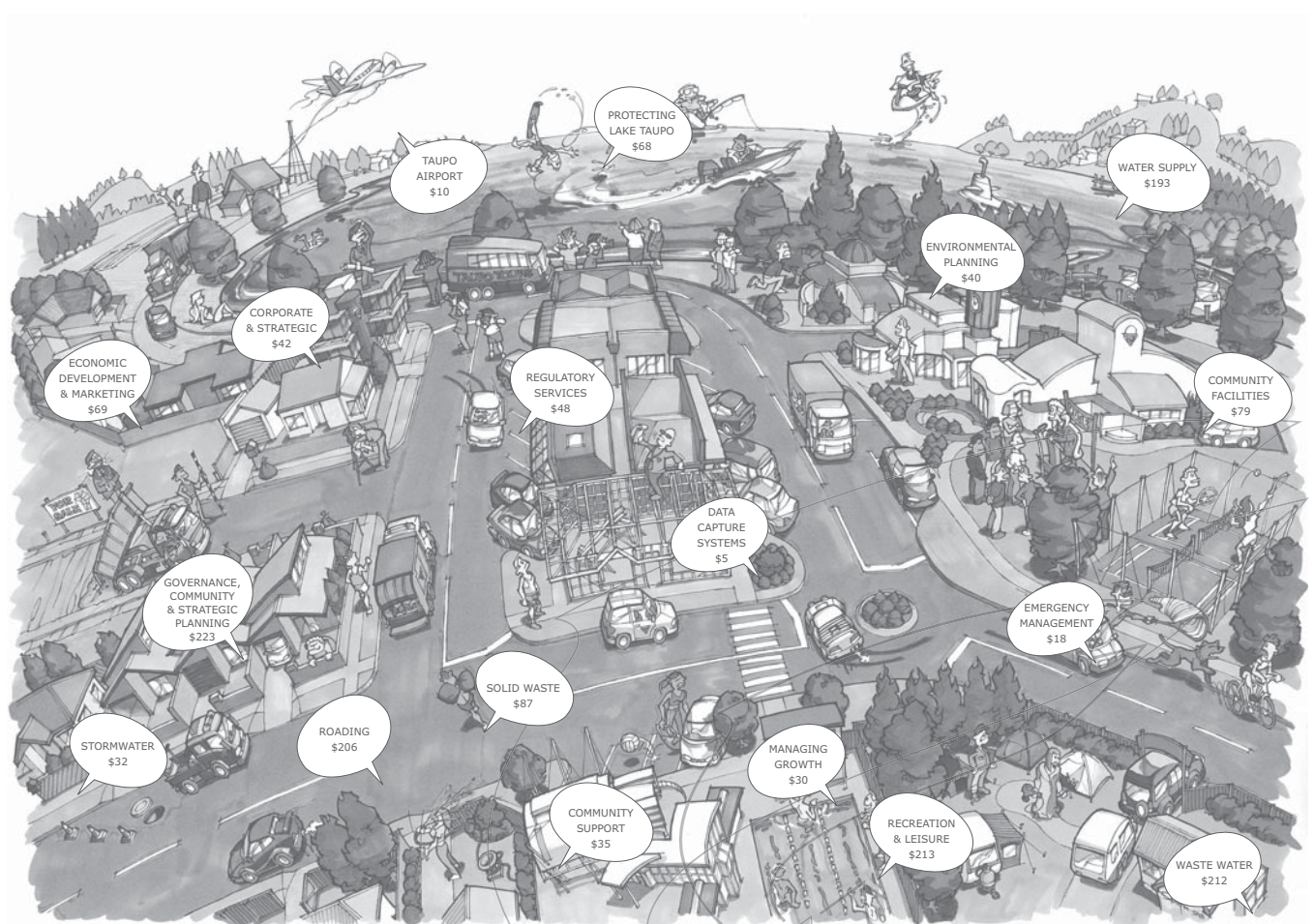
SUMMARY FINANCIAL STATEMENTS

OVERVIEW

Council remains in a sound financial position. Our equity has grown with an operating surplus of \$16.6 million in the 2005/06 year. This compares to a budgeted surplus of \$7.3 million, and last year's \$11.8 million surplus. It must be remembered that much of Council's surplus comes from non-cash revenue items such as the infrastructure vested by developers (\$4.3m), the increases in value of our international equities portfolio (\$3.7m) and the recognition of various assets that have not been previously recognised (\$4.4m). A further significant contributing factor to this year's surplus was the recognition of a \$7.1 million gain on the sale of sections in Council's Botanical Heights subdivision.

Council's statement of financial position reflects a growing district investing in its infrastructure with new capital development resulting in property, plant and equipment increasing in value, together with the public debt which provides a significant means of financing such investment. Revaluations of certain asset classes during the year added a further \$5 million to the balance sheet.

HERE'S HOW YOUR RATES WERE SPENT



STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Taupo District Council is a Local Authority governed by the Local Government Act 2002.

The Taupo District Council group consists of the Taupo District Council and its subsidiaries, Data Capture Systems Limited, the Lake Taupo Tourism Advisory Board, the Taupo District Economic Development Advisory Board and Destination Lake Taupo Limited. The Council has a 50% joint venture arrangement with the Crown in the Taupo Airport Authority.

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 financial statements comply with generally accepted accounting practice.

MEASUREMENT BASE

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

CHANGES IN ACCOUNTING POLICIES

A number of accounting policies have changed this reporting period.

- Development Contributions are now accounted for using the 'liability' method which means that invoiced revenue from these contributions is not recognised as revenue until applied towards an allowable capital project. The invoiced revenue is treated as a liability until applied
- Council's 50% interest in the Taupo Airport Authority has previously been accounted for using a proportionate 50% 'line by line' aggregation of like items of asset, liability, equity, revenue, expense and cashflow. This treatment has now been changed to fully aggregate each line, and to account for the Crown's 50% interest as a minority interest
- Until this year Council's forestry assets have been recorded at a 30 June 1999 valuation. These assets have been revalued at 30 June 2006 and will be revalued annually from now on

There have been no other material changes in accounting policies since the date of the last audited financial statements. All other policies have been applied on a basis consistent with the previous reporting period.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2006

	Council Actual 2006 \$000	Council Estimate 2006 \$000	Council Actual 2005 \$000	Group Actual 2006 \$000	Group Actual 2005 \$000
Operating revenue	63,115	53,986	53,960	63,578	54,481
Operating expenditure	52,201	46,642	42,708	53,077	43,450
	10,914	7,344	11,252	10,501	11,031
Unrealised gain/(loss) on equities	3,707	0	550	3,707	550
Other adjustments	1,983	0	0	1,983	0
Operating surplus before taxation	16,604	7,344	11,802	16,191	11,581
Less taxation expense	0	0	0	0	0
Minority interest in Taupo Airport Authority deficit	0	0	0	141	97
Net surplus (deficit) for the year	16,604	7,344	11,802	16,332	11,678

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2006

	Council Actual 2006 \$000	Council Estimate 2006 \$000	Council Actual 2005 \$000	Group Actual 2006 \$000	Group Actual 2005 \$000
Equity at start of the year	925,023	536,608	515,021	927,020	517,239
Net surplus for the year attributable to:					
- Equity holders of the parent	16,604	7,344	11,802	16,332	11,678
- Minority interest	0	0	0	(141)	(97)
Increases (decreases) in revaluation reserves	5,351	0	398,200	5,351	398,200
Total recognised revenues and expenses	21,955	7,344	410,002	21,542	409,781
Equity at end of the year	946,978	543,952	925,023	948,562	927,020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2006

	Council Actual 2006 \$000	Council Estimate 2006 \$000	Council Actual 2005 \$000	Group Actual 2006 \$000	Group Actual 2005 \$000
Current Assets	42,999	34,145	27,310	42,701	27,336
Non-Current Assets	960,600	546,242	935,025	963,106	937,652
Total Assets	1,003,599	580,387	962,335	1,005,807	964,988
Current Liabilities	22,208	14,346	20,088	22,524	20,231
Non-Current Liabilities	34,413	22,089	17,224	34,721	17,737
Total Liabilities	56,621	36,435	37,312	57,245	37,968
Net Assets / Equity	946,978	543,952	925,023	948,562	927,020

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 30 June 2006

	Council Actual 2006 \$000	Council Estimate 2006 \$000	Council Actual 2005 \$000	Group Actual 2006 \$000	Group Actual 2005 \$000
Net cash from operating activities	10,835	13,000	8,860	10,717	8,926
Net cash from investing activities	(20,915)	(15,779)	(13,314)	(20,838)	(13,318)
Net cash from financing activities	16,544	2,779	5,463	16,544	5,463
Net increase (decrease) in cash held	6,464	0	1,009	6,423	1,071

ADDITIONAL DISCLOSURES

as at 30 June 2006

	Council Actual 2006 \$000	Council Actual 2005 \$000	Group Actual 2006 \$000	Group Actual 2005 \$000
Commitments				
Major contracts	10,288	7,849	10,288	7,849
Non-cancellable operating leases	687	666	699	668
Total Commitments	10,975	8,515	10,987	8,517
Contingencies	Amount of original guarantee 2006 \$000	Amount of original guarantee 2005 \$000	Current level of guarantee outstanding 2006 \$000	Current level of guarantee outstanding 2005 \$000
Sporting Club Loan Guarantees	159	136	116	74

Other Contingencies

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 (2005: 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 (2005: 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 (2005: Same contingency disclosure made).

There are 10 unresolved potential legal claims against Council as at 30 June 2006. All seek compensation related to resource consents, property damage [water] and one claim relevant to the Public Works Act that the claimants believe are attributable to council operations. Council's maximum financial exposure for these claims is \$380,000 (2005: 7 claims - \$613,000). However, Council will vigorously defend all claims and expects its actual liability to be for a much lesser amount, if found to be liable at all.

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 five claims relating to properties in the Taupo District. These may or may not result in formal claims against Council. One further weathertightness claim has been lodged directly with Council. The quantum of this claim is currently unknown, although any liability under this claim will be met by our insurers, subject to our usual excess requirements (2005: 4 WHRS claims plus one lodged directly).

Contingent Asset

Taupo District Council and the Airport Sub-Committee were advised by the Secretary of Transport in July 2005, of a change in policy direction in regard to Crown funding of joint venture airport operating losses. We understand that the policy change means that the Crown will meet its share of the operating losses of joint venture airports such as Taupo. We have been advised that the policy change is applicable to both past and future losses. The policy change should result in the Taupo Airport Authority obtaining an equity injection from the Crown in recognition of any operating losses incurred over the past few years which fit the Crown's policy criteria. The quantum, form and timing of this compensating payment is currently being determined hence its disclosure as a contingent asset.

Post Balance Date Events

Data Capture Systems Limited

The Board of Directors of Data Capture Systems Limited resolved in June 2006 that the company should cease trading as soon as practicable in the 2006/07 year. In view of the level of debt that the company had, a request was made to Taupo District Council for recapitalisation of the company to a level sufficient to meet the company's obligations. Resolutions were passed by the Company (on 28 July 2006) and Taupo District Council (on 2 August 2006), providing for the issue of a further 50 ordinary shares to Taupo District Council at a total issue price of \$356,000. The share issue was subscribed and settled on 15 August 2006 and on that same day the Company repaid all of its loan advances. With these transactions and through other steps taken by the Company, it has subsequent to balance date achieved its intended position of cessation of trading and orderly settlement of its obligations.

