Financial statements

The following pages present the financial results of the Council for the 2002/03 year compared against the budgets set in the *2002/03 Annual Plan* and the results published in the *2001/02 Annual Report*. In particular, the following information is presented:

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

Statement of accounting policies

Reporting entity

The Taranaki Regional Council (the Council) is a regional local authority governed by the Local Government Act 1974. The group consists of the Council and its 100% owned subsidiary, Westgate Transport Limited. The consolidated financial statements have been prepared in terms of section 223E of the Local Government Act 1974, which includes the requirement to comply with generally accepted accounting practice.

Measurement base

The measurement base adopted is that of historical cost, modified by the revaluation of certain non-current assets.

Accounting policies

Budget figures
The budget figures are those approved by the Council, after public consultation, as part of the annual plan process. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

Basis of consolidation
Consolidated financial results include the Council and Westgate Transport Limited. The subsidiary is accounted for using the purchase method. All significant inter-entity transactions are eliminated upon consolidation.

Goods and services tax
All items are exclusive of goods and services tax (GST), excluding accounts receivable and payable, which are recorded inclusive of GST in the *Statement of Financial Position*.

Revenue
Rates and other revenue excluding grants are recognised when rates are struck and/or invoices have been issued. Grant revenue is recognised at the same time as the related expenditure is recognised and as the income is received from the grantor agency. Dividends are recognised in the period that they are authorised and approved.

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

Taxation
Income tax expense is charged in the *Statement of Financial Performance* in respect of the current year's surplus after allowing for permanent differences. The liability method of accounting for deferred taxation has been used and this has been applied on a comprehensive basis. Future taxation benefits attributable to tax losses or timing differences are recognised only when there is virtual certainty of realisation.

Foreign currency
Transactions in foreign currencies have been converted at the rate of exchange ruling at the date of the transaction. At balance date, all foreign currency monetary assets and liabilities are adjusted using the prevailing spot rate of the day. Any gain or loss is recognised in the reported financial year in the *Statement of Financial Performance*.

Maintenance dredging
The cost of maintenance dredging is expensed over the period of benefit through to the commencement of the next dredging campaign. The value of the unexpired portion of maintenance dredging at balance date is reflected in the *Statement of Financial Position* (fixed assets).

Investment properties
Investment properties are valued annually (at 30 June 2003) by TelferYoung (Taranaki) Limited, registered valuers, at net current value based on an existing use valuation basis. Any revaluation gain is taken to the investment property revaluation reserve. There is no depreciation on investment properties.

Investments
Bank investments and shares in Westgate Transport Limited and the New Zealand Local Government Insurance Corporation Limited are stated at the lower of cost and net realisable value.

Fixed assets
Fixed assets are stated at historic cost except for the following:

- The Waitara River Flood Protection Scheme assets and the Waiwhakaiho River Flood Protection Scheme assets have been independently valued at 30 June 2003 at replacement cost, by Mr Gary Williams (Registered Engineer and member of IPENZ, B.E. (Hons), B.Sc., M Com. (Hons)) of G and E Williams Consultants Limited.
- Infrastructure restricted asset Waitara—this land has been included in the financial statements at the government valuation as at 30 June 1995.
- An independent registered valuer revalues Westgate Transport Limited-owned land every three years. Telfer Young (Taranaki) Limited, New Plymouth, revalued land at 30 June 2002. The basis of the valuation was fair value which equates to a highest and best use value.
- An independent registered valuer revalues Westgate Transport Limited-owned floating plant every five years. CB Richard Ellis, Wellington, revalued floating plant at 30 June 2002. The basis of the valuation was fair value, which equates to market value.

When a fixed asset is revalued the resulting increase or decrease in value is recognised in the *Statement of Movements in Equity*. If the revaluation of a fixed asset results in a revaluation deficit for that class of fixed asset then the revaluation deficit is recognised in the *Statement of Financial Performance*. To the extent that the revaluation of a fixed asset reverses a previous revaluation deficit for that class of fixed asset and the deficit was recognised in the *Statement of Financial Performance*, the revaluation increase is recognised in the *Statement of Financial Performance*.

Property held for sale
Property held for sale is held at cost in the year of incurrence, thereafter an independent registered valuer revalues it every year.

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

Buildings	5 to 40 years	2.50% to 20%
Motor Vehicles	5 years	20%
Plant and Equipment	2.5 to 25 years	4% to 40%
Office Furniture	5 to 10 years	10% to 20%
Computer Equipment	3 to 5 years	20% to 33%
Port Installations	6 to 66 years	1.15% to 16.67%
Maintenance dredging	2 years	50%
Floating Plant	3 to 25 years	4% to 33%

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

Accounts receivable
Accounts receivable are stated at estimated realisable value after providing for debts where collection is doubtful.

Inventories
Inventories are valued at the lower of weighted average cost and net realisable value after allowing for slow-moving and obsolete items.

Employee entitlements
Provision is made in respect of the group's liability for annual leave, long service leave, gratuities and payroll accruals. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Gratuities and long service leave have been calculated on an actuarial basis at current rates of pay.

Financial instruments
The Council (and group) is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors and creditors. All of these are recognised in the *Statement of Financial Position* at fair value unless otherwise stated.

Revenues and expenses in relation to financial instruments are recognised in the *Statement of Financial Performance*.

Westgate Transport Limited is party to foreign exchange forward contracts with off balance sheet risk to reduce exposure to fluctuation in foreign exchange rates. The Company enters into foreign currency forward exchange contracts to hedge foreign currency transactions when purchasing major fixed assets and when payment is denominated in foreign currency. Gains and losses on such contracts are recognised in the year in which the transaction is completed.

Statement of cash flows
The following are the definitions of terms used in the statement of cash flows:

- Cash means deposits with banks
- Investing activities comprise the purchase and sale of fixed assets, investment properties and investments
- Financing activities comprise the change in equity and debt structures
- Operating activities include all transactions and events that are not investing or financial activities.

Changes in accounting policies

There have been no changes in accounting policies during the year. All policies have been applied on a basis consistent with prior years.

Statement of financial performance For the year ended 30 June 2003

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Notes	Council 2002/03 Actual $	Council 2002/03 Budget $	Council 2001/02 Actual $
		Cost of services				
784,568	750,509	Policy and planning		784,568	798,057	750,509
452,408	404,655	Emergency management		452,408	441,008	404,655
2,478,795	2,414,889	Resource consents		2,478,795	2,064,874	2,414,889
1,314,129	1,254,846	Land management		1,314,129	1,322,301	1,254,846
231,224	286,950	River control and flood protection		231,224	326,976	286,950
586,776	564,616	Land transport & harbour management		603,108	576,821	582,466
1,094,364	1,008,883	Resource investigations & monitoring		1,094,364	1,131,381	1,008,883
1,469,081	1,239,503	Pest animal management		1,469,081	1,283,352	1,239,503
346,589	351,873	Pest plant management		346,589	489,517	351,873
907	40,309	Investments		907	15,000	40,309
301,925	9,903,600	Recreation, culture and heritage		301,925	250,000	9,903,600
595,658	640,065	Representation		595,658	607,992	640,065
22,946,409	21,170,347	Port operations		-	-	-
32,602,833	**40,031,045**	**Total operating expenditure**		**9,672,756**	**9,307,279**	**18,878,548**
		Revenue				
3,113,801	2,869,812	General rates		3,113,801	3,119,812	2,869,812
1,125,909	228,500	Separate rates		1,125,909	1,104,500	228,500
2,145,491	1,907,044	Direct charges		2,173,354	1,699,435	1,975,635
322,924	293,647	Government grants		322,924	311,430	293,647
-	-	Dividends		2,500,000	2,650,000	3,200,000
1,334,125	1,607,220	Other investment revenue		1,434,125	1,297,194	1,607,220
167,858	958,550	Donated assets		167,858	-	958,550
29,874,958	28,229,495	Port operations		-	-	-
38,085,066	**36,094 268**	**Total operating revenue**		**10,837,971**	**10,182,371**	**11,133,364**
5,482,233	**(3,936,777)**	**Operating surplus/(deficit) before tax**		**1,165,215**	**875,092**	**(7,745,184)**
2,164,166	2,607,180	Taxation	1	-	-	-
3,318,067	**(6,543,957)**	**Net operating surplus/(deficit) after tax**	**2,3**	**1,165,215**	**875,092**	**(7,745,184)**

The variance between the actual net operating surplus/(deficit) and that budgeted for is explained in detail in Note 3. Reference should also be made to the Chairman and Chief Executive's reports.

Statement of movements in equity For the year ended 30 June 2003

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Notes	Council 2002/03 Actual $	Council 2002/03 Budget $	Council 2001/02 Actual $
79,164,455	**80,397,890**	**Public equity as at 1 July**		**54,000,180**	**51,963,124**	**61,501,464**
3,318,067	(6,543,957)	Net operating surplus/(deficit) after tax	2,3	1,165,215	875,092	(7,745,184)
832,900	5,310,522	Increase/(decrease) in asset revaluation reserves	12	832,900	4,790	243,900
4,150,967	**(1,233,435)**	Comprehensive income/expenditure		**1,998,115**	**879,882**	**(7,501,284)**
83,315,422	**79,164,455**	**Public equity as at 30 June**		**55,998,295**	**52,843,006**	**54,000,180**

These statements should be read in conjunction with the statement of accounting policies and the notes to the financial statements.

Statement of financial position As at 30 June 2003

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Notes	Council 2002/03 Actual $	Council 2002/03 Budget $	Council 2001/02 Actual $
		Current assets				
4,225,448	3,654,673	Bank and call deposits	4	3,811,423	579,007	3,025,560
3,522,149	4,338,125	Accounts receivable	5	614,354	570,000	632,872
159,119	168,985	Inventory		-	-	-
63,482	851,770	Prepayments		38,148	80,000	69,950
1,498,000	1,498,000	Property held for sale	6	-	-	-
9,468,198	**10,511,553**	**Total current assets**		**4,463,925**	**1,229,007**	**3,728,382**
		Non current assets				
778,267	632,111	Future taxation benefit	1	-	-	-
13,551,000	13,351,000	Investments	6	39,551,000	42,201,000	39,351,000
5,707,000	4,924,100	Investment properties	7	5,707,000	4,794,790	4,924,100
81,155,241	80,175,464	Fixed assets	8	8,331,722	6,638,209	7,815,988
101,191,508	**99,082,675**	**Total non current assets**		**53,589,722**	**53,633,999**	**52,091,088**
110,659,706	**109,594,228**	**Total assets**		**58,053,647**	**54,863,006**	**55,819,470**
		Current liabilities				
35,022	14,438	Taxation payable	1	-	-	-
3,530,751	3,690,978	Accounts payable	9	1,051,160	1,200,000	989,166
1,526,446	1,287,827	Employee entitlements	10	552,127	410,000	393,594
10,800,000	25,000,000	Debenture (secured)	11	-	-	-
15,892,219	**29,993,243**	**Total current liabilities**		**1,603,287**	**1,610,000**	**1,382,760**
		Non current liabilities				
452,065	436,530	Employee entitlements	10	452,065	410,000	436,530
11,000,000	-	Debenture (secured)	11	-	-	-
11,452,065	**436,530**	**Total non current liabilities**		**452,065**	**410,000**	**436,530**
27,344,284	**30,429,773**	**Total liabilities**		**2,055,352**	**2,020,000**	**1,819,290**
		Public equity				
57,889,196	67,076,725	Retained earnings	12	40,351,745	50,827,738	51,692,126
13,843,244	1,337,648	Reserves	12	13,843,244	1,279,222	1,337,648
11,582,982	10,750,082	Asset revaluation reserves	12	1,803,306	736,046	970,406
83,315,422	**79,164,455**	**Total public equity**		**55,998,295**	**52,843,006**	**54,000,180**
110,659,706	**109,594,228**	**Total liabilities and equity**		**58,053,647**	**54,863,006**	**55,819,470**

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

Statements of cash flows For the year ended 30 June 2003

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Notes	Council 2002/03 Actual $	Council 2002/03 Budget $	Council 2001/02 Actual $
		Cash flow from operating activities				
		Cash was provided from:				
33,622,012	29,591,596	Customers		3,052,544	2,375,515	2,630,336
4,199,930	3,098,312	Rates		4,199,930	4,224,312	3,098,312
1,019,521	1,219,963	Interest		992,748	932,544	1,187,565
-	-	Dividends		2,500,000	2,650,000	3,200,000
38,841,463	33,909,871			10,745,222	10,182,371	10,116,213
		Cash was applied to:				
25,707,275	34,158,638	Employees and suppliers		8,544,059	8,311,711	19,739,969
2,289,739	2,192,826	Income tax		-	-	-
3,183	(1,055,086)	Goods and services tax		189,572	320,000	(1,055,308)
1,451,825	1,384,087	Interest		-	-	-
29,452,022	36,680,465			8,733,631	8,631,711	18,684,661
9,389,441	**(2,770,594)**	**Net cash flow/(outflow) from operating activities**	**16**	**2,011,591**	**1,550,660**	**(8,568,448)**
		Cash flow from investing activities				
		Cash was provided from:				
-	10,300,000	Investments		-	-	10,300,000
207,667	95,958	Fixed assets		145,807	100,500	119,217
207,667	10,395,958			145,807	100,500	10,419,217
		Cash was applied to:				
200,000	-	Investments		200,000	2,150,000	-
5,626,333	13,252,132	Fixed assets		1,171,535	823,716	730,759
5,826,333	13,252,132			1,371,535	2,973,716	730,759
(5,618,666)	**(2,856,174)**	**Net cash flow/(outflow) from investing activities**		**(1,225,728)**	**(2,873,216)**	**9,688,458**
		Cash flow from financing activities				
		Cash was provided from:				
-	6,800,000	Loans		-	-	-
-	6,800,000			-	-	-
		Cash was applied to:				
3,200,000	-	Loans		-	-	-
3,200,000	-			-	-	-
(3,200,000)	**6,800,000**	**Net cash flow/(outflow) from financing activities**		**-**	**-**	**-**
570,775	**1,173,232**	**Net increase/(decrease) in cash held**		**785,863**	**(1,322,556)**	**1,120,010**
3,654,673	2,481,441	Opening cash balance		3,025,560	1,901,563	1,905,550
4,225,448	**3,654,673**	**Closing cash balance**	**4**	**3,811,423**	**579,007**	**3,025,560**

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

Statement of commitments and contingencies

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2002/03 Budget $	Council 2001/02 Actual $
		Contingencies			

Westgate Transport Limited has indemnified Dufill Watts & King Limited for a period of four years with respect to the payment of any redundancy or retiring allowances payable to three (four—2001/02) former employees who ceased employment with Westgate Transport Limited during 2001/02 and concurrently took up employment with Dufill Watts & King Limited. At 30 June 2003 the quantum of the indemnity given amounts to $292,145 ($456,975—2001/02).

		Commitments			
2,593,588	897,221	Capital commitments approved and contracted	106,588	-	223,221
2,593,588	897,221		106,588	-	223,221

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2001/02 Actual $
Note 1—Taxation				
5,482,233	(3,936,777)	Operating surplus/(deficit)	1,165,215	(7,745,184)
1,809,137	(1,299,136)	Prima-facie taxation @ 33%	384,521	(2,555,911)
392,577	3,906,644	Plus (less) tax effect of permanent differences	1,209,521	(1,499,911)
-	-	Imputation credit adjustment	(1,594,042)	4,055,822
(37,548)	(328)	Prior year under (over) provision	-	-
2,164,166	**2,607,180**	**Taxation per statement of financial performance**	**-**	**-**
		Comprising		
(37,548)	(328)	Prior year under (over) provision	-	-
2,335,022	2,408,438	Current tax	-	-
(133,308)	199,070	Deferred tax	-	-
2,164,166	**2,607,180**		**-**	**-**
		Future tax benefit		
632,111	828,728	Opening balance	-	-
133,308	(199,070)	Movement	-	-
12,848	2,453	Prior year adjustment	-	-
778,267	**632,111**		**-**	**-**
		Current taxation		
(2,335,022)	(2,408,438)	Taxation receivable/(payable)	-	-
2,300,000	2,394,000	Taxation paid	-	-
(35,022)	(14,438)	Taxation receivable/(payable)	-	-
(35,022)	**(14,438)**	**Taxation receivable/(payable)**	**-**	**-**
		Imputation credit account		
2,729,816	2,113,109	Opening balance	-	-
(1,231,344)	(1,576,119)	Credits attached to dividends	-	-
(3,606)	-	Prior period adjustments	-	-
2,289,739	2,192,826	Income tax payments	-	-
3,784,605	**2,729,816**	**Closing balance**	**-**	**-**

Council's tax losses/surpluses arise from the shareholding in Westgate Transport Limited. A significant portion of the tax losses have been offset against the tax liability of Westgate Transport Limited.

Note 2—Operating surplus

The net operating surplus was achieved after receiving:

-	-	Dividends	2,500,000	3,200,000
964,906	1,206,442	Interest	938,133	1,174,044
75,773	95,849	Gain on sale of assets	69,474	63,354
-	1,778	Donations	-	1,778
-	-	Subvention payment	100,000	-
167,858	958,550	Donated assets	167,858	958,550
And after charging:				
62,500	62,500	Audit fees	35,000	35,000
11,440	12,923	Other services provided by auditors	11,440	9,439
4,908,391	4,961,436	Depreciation	669,010	578,107
305,505	289,777	Councillors' fees	305,505	289,777
144,400	128,250	Directors' fees	-	-
1,475,018	1,309,997	Interest expense	-	-
(12,979)	-	Increase/(decrease) provision for doubtful debts	(2,979)	-
3,655	-	Bad debts written off	2,980	-
6,011	509,657	Loss on sale of assets	1,096	-
-	-	Insurance premiums	106,924	81,721
-	-	Subscriptions, levies, contributions	42,655	37,417
-	-	Unauthorised expenditure	10,066	11,081

There has been no other expenditure pursuant to section 223J of the Local Government Act 1974.

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2001/02 Actual $

Note 3—Net operating surplus/(deficit)

The Council made a net operating surplus of $1,165,215 compared to a budgeted surplus, before transfers to and from reserves, of $875,092. The major reasons for this positive variance between the actual net operating surplus and budgeted net operating surplus are:

Operating expenditure was more than budgeted	($365,477)
General rates were less than budgeted	($6,011)
Separate rates were more than budgeted	$21,409
Direct charges were higher than budget	$473,919
Government grants were higher than anticipated	$11,494
Dividends were less than forecast	($150,000)
Other investment revenue was higher than budgeted	$136,931
Donated assets	$167,858

The *2003/04 Annual Plan* has budgeted for a net operating surplus, before transfers to and from reserves, of $877,050.

Note 4—Bank

653,639	742,119	Bank	239,614	113,006
3,571,809	2,912,554	Call deposits	3,571,809	2,912,554
4,225,448	**3,654,673**	**Total bank and call deposits**	**3,811,423**	**3,025,560**

The weighted average effective interest rate on call deposits was 5.62% for the year ended 30 June 2003 (5.55% for the year ended 30 June 2002).

Note 5—Accounts receivable

3,619,234	4,448,189	Trade receivables	661,439	682,936
(97,085)	(110,064)	Provision for doubtful debts	(47,085)	(50,064)
3,522,149	**4,338,125**	**Total accounts receivable**	**614,354**	**632,872**

Note 6—Investments

		Non-current assets		
13,550,000	13,350,000	Term deposits	13,550,000	13,350,000
1,000	1,000	NZ Local Government Insurance Corporation	1,000	1,000
-	-	Westgate Transport Limited	26,000,000	26,000,000
13,551,000	**13,351,000**	**Total investments**	**39,551,000**	**39,351,000**

The weighted average effective interest rate on term deposits was 5.62% for the year ended 30 June 2003 (5.55% for the year ended 30 June 2002).

Shares

NZ Local Government Insurance Corporation Limited-insurance company-30 June balance date-1,000 shares
Westgate Transport Limited-port operator–100% owned subsidiary–30 June balance date–52,000,000 shares

Property held for sale

		Current assets		
1,498,000	1,498,000	Property held for sale within twelve months	-	-
1,498,000	**1,498,000**		**-**	**-**

Note 7—Investment properties

4,345,500	4,345,500	Cost	4,345,500	4,345,500
578,600	439,700	Revaluations to date	578,600	439,700
782,900	138,900	Current year revaluations	782,900	138,900
5,707,000	**4,924,100**	**Total investment properties**	**5,707,000**	**4,924,100**

An independent registered valuer (TelferYoung (Taranaki) Limited) revalued investment properties as at 30 June 2003.

Note 8—Fixed assets

	2002/03 Actual $				2001/02 Actual $			
	Cost or valuation	Annual depn.	Accum. depn.	Net book value	Cost or valuation	Annual depn.	Accum. depn.	Net book value
Council								
At cost								
Land	466,025	-	-	466,025	452,065	-	-	452,065
Buildings	3,038,374	79,385	1,007,798	2,030,576	3,049,049	68,540	933,288	2,115,761
Motor vehicles	1,303,775	247,071	530,432	773,343	1,190,211	220,820	484,205	706,006
Plant and equipment	2,183,159	152,178	1,665,119	518,040	2,091,885	131,512	1,528,926	562,959
Office furniture	499,090	25,111	350,766	148,324	489,219	23,236	326,684	162,535
Computer equipment	2,076,836	165,265	1,422,113	654,723	1,645,289	133,999	1,256,848	388,441
Work in progress	485,691	-	-	485,691	223,221	-	-	223,221
At valuation								
Infrastructure assets	3,255,000	-	-	3,255,000	3,205,000	-	-	3,205,000
Total assets	13,307,950	669,010	4,976,228	8,331,722	12,345,939	578,107	4,529,951	7,815,988
Consolidated								
At cost								
Land	16,259,613	-	-	16,259,613	16,154,983	-	-	16,154,983
Buildings	16,967,320	654,839	6,860,831	10,106,489	16,835,253	740,154	6,236,279	10,598,974
Motor vehicles	1,303,775	247,071	530,432	773,343	1,190,211	220,820	484,205	706,006
Plant and equipment	25,798,062	1,458,019	10,278,629	15,519,433	23,156,840	1,463,485	8,961,195	14,195,645
Office furniture	499,090	25,111	350,766	148,324	489,219	23,236	326,684	162,535
Computer equipment	2,076,836	165,265	1,422,113	654,723	1,645,289	133,999	1,256,848	388,441
Port installations	31,539,691	1,029,543	9,230,153	22,309,538	29,528,821	976,739	8,200,608	21,328,213
Maintenance dredging	1,371,924	783,956	783,956	587,968	2,225,248	713,052	713,052	1,512,196
Intangibles	178,976	-	-	178,976	-	-	-	-
Floating plant	11,415,538	544,587	597,682	10,817,856	11,405,669	689,844	53,095	11,352,574
Work in progress	543,978	-	-	543,978	570,897	-	-	570,897
At valuation								
Infrastructure assets	3,255,000	-	-	3,255,000	3,205,000	-	-	3,205,000
Total assets	111,209,803	4,908,391	30,054,562	81,155,241	106,407,430	4,961,329	26,231,966	80,175,464

Fair values

The fair value of land and buildings is the value for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction. Quotable Value New Zealand and TelferYoung (Taranaki) Limited have valued the Council's land and buildings as at 30 June 2003 on a fair value (current market value) basis at $2,404,500 (2001/02—$2,072,152). The Council values the land and buildings on a historic cost basis, which reflects the on-going existing use valuation to the Council. The Council has no plans to dispose of the land and buildings, which would make the fair value valuation more appropriate than the on-going existing use valuation. Westgate Transport Limited revalued its land and buildings as at 30 June 2002. The Company believes that this valuation reflects the fair value of land and buildings.

Note 9—Accounts payable

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2001/02 Actual $
1,310,820	2,038,376	Trade creditors	568,218	402,029
43,334	20,141	Interest accrual	-	-
771,628	327,707	Fixed asset accruals	206,510	192,005
1,404,969	1,304,754	Other creditors and accruals	276,432	395,132
3,530,751	**3,690,978**	**Total accounts payable**	**1,051,160**	**989,166**

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2001/02 Actual $
Note 10—Employee entitlements				
1,727,690	1,615,417	Holiday and long service leave	753,371	721,184
250,821	108,940	Accrued pay	250,821	108,940
1,978,511	**1,724,357**	**Total employee entitlements**	**1,004,192**	**830,124**
		Split between:		
1,526,446	1,287,827	Current liabilities	552,127	393,594
452,065	436,530	Non current liabilities	452,065	436,530
1,978,511	**1,724,357**	**Total employee entitlements**	**1,004,192**	**830,124**
Note 11—Debenture (secured)				
		Repayable within one year		
10,800,000	25,000,000	Westpac Banking Corporation	-	-
5.65%	5.90%	Weighted average interest rate	-	-
		Repayable one to two years		
11,000,000	-		-	-
6.40%	-	Weighted average interest rate	-	-

Westgate Transport Limited's sole remaining debenture is to Westpac Banking Corporation. This debenture is secured over all of Westgate Transport Limited's assets and undertakings.

Note 12—Public equity				
		Retained earnings		
67,076,725	71,873,700	Opening balance	51,692,126	57,690,328
3,318,067	(6,543,957)	Operating surplus/(deficit)	1,165,215	(7,745,184)
(12,509,802)	(25,909)	Transfers to reserves	(12,509,802)	(25,909)
4,206	1,772,891	Transfers from reserves	4,206	1,772,891
57,889,196	**67,076,725**	**Closing balance**	**40,351,745**	**51,692,126**
		Reserves		
		Makuri River Control Scheme reserve		
4,076	4,572	Opening balance	4,076	4,572
229	254	Transfers from retained earnings	229	254
(1,635)	(750)	Transfers to retained earnings	(1,635)	(750)
2,670	**4,076**	**Closing balance**	**2,670**	**4,076**
		North Taranaki/Waitara River Control Scheme reserve		
247,572	294,058	Opening balance	247,572	294,058
24,559	25,655	Transfers from retained earnings	24,559	25,655
(2,571)	(72,141)	Transfers to retained earnings	(2,571)	(72,141)
269,560	**247,572**	**Closing balance**	**269,560**	**247,572**
		Contingency/disaster reserve		
1,086,000	1,086,000	Opening balance	1,086,000	1,086,000
-	-	Transfers from retained earnings	-	-
-	-	Transfers to retained earnings	-	-
1,086,000	**1,086,000**	**Closing balance**	**1,086,000**	**1,086,000**
		Hollard Garden Endowment reserve		
-	-	Opening balance	-	-
145,014	-	Transfers from retained earnings	145,014	-
-	-	Transfers to retained earnings	-	-
145,014	**-**	**Closing balance**	**145,014**	**-**

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2001/02 Actual $
Note 12—Public equity				
		Dividend equalisation reserve		
-	-	Opening balance	-	-
12,340,000	-	Transfers from retained earnings	12,340,000	-
-	-	Transfers to retained earnings	-	-
12,340,000	**-**	**Closing balance**	**12,340,000**	**-**
13,843,244	**1,337,648**	**Total reserves**	**13,843,244**	**1,337,648**
		Asset revaluation reserves		
		Waitara flood control scheme		
317,000	212,000	Opening balance	317,000	212,000
50,000	105,000	Change in asset value	50,000	105,000
367,000	**317,000**	**Closing balance**	**367,000**	**317,000**
		Waiwhakaiho flood control scheme		
74,806	74,806	Opening balance	74,806	74,806
-	-	Change in asset value	-	-
74,806	**74,806**	**Closing balance**	**74,806**	**74,806**
		Floating plant		
2,699,457	-	Opening balance	-	-
-	2,699,457	Change in asset value	-	-
2,699,457	**2,699,457**	**Closing balance**	**-**	**-**
		Investment properties		
7,658,819	5,152,754	Opening balance	578,600	439,700
782,900	2,506,065	Change in asset value	782,900	138,900
8,441,719	**7,658,819**	**Closing balance**	**1,361,500**	**578,600**
11,582,982	**10,750,082**	**Total asset revaluation reserves**	**1,803,306**	**970,406**

Note 13—Reserves

Reserve funds are utilised to provide a fund for expenditure on specific purposes. In some circumstances the reserves are a legal requirement. The Council holds the following reserve funds:

Makuri River Control Scheme reserve
The Council strikes a Works and Services rate, as and when required, based on land values in the Makuri Valley River catchment for maintenance of the river scheme. Any unspent funds must be appropriated to this reserve.

North Taranaki/Waitara River Control Scheme reserve
The Council strikes a Works and Services rate based on capital values over the New Plymouth District for purposes of:

- Maintenance of the Waitara River Flood Protection scheme
- the construction of flood protection works in the lower Waiwhakaiho catchment; and
- for other minor river control works which are required for flood protection in the district.

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

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

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

Note 13—Reserves

Dividend equalisation reserve

The Council transfers dividends received in excess of budget to this reserve. The reserve is to be used to equalise dividend returns over time. Dividends in excess of budget since 1996/97 have been transferred to the reserve. Prior to 1996/97 all dividends were used to repay debt incurred during the incorporation of Westgate Transport Ltd. From 1996/97 onwards dividends have been used to reduce the general rate requirement.

Note 14—Remuneration of the Chief Executive

The Chief Executive of the Taranaki Regional Council, appointed under section 119C(1)(a) of the Local Government Act 1974, received a salary of $161,770. In terms of his contract, the Chief Executive also received the following additional benefits:

- Superannuation 24,145
- Vehicle 17,529
- Medical insurance and professional fees 2,784

For the year ending 30 June 2003, the total annual cost including fringe benefit tax to the Taranaki Regional Council of the remuneration package being received by the Chief Executive is calculated at $206,228.

Note 15—Events subsequent to balance date

There have been no material events subsequent to balance date.

Note 16—Reconciliation of net operating surplus to net cash flows from operating activities

Consolidated 2002/03 Actual $	Consolidated 2001/02 Actual $		Council 2002/03 Actual $	Council 2001/02 Actual $
3,318,067	**(6,543,957)**	**Net operating surplus/(deficit)**	**1,165,215**	**(7,745,184)**
		Add/(less) non-cash items		
4,908,391	4,961,436	Depreciation	669,010	578,107
(146,156)	196,617	Future tax benefit	-	-
(26,102)	(958,550)	Donated assets	(26,102)	(958,550)
8,054,200	(2,344,454)		1,808,123	(8,125,627)
		Add/(less) movements in working capital		
815,976	(1,377,034)	Accounts receivable	18,518	(72,122)
788,288	(711,890)	Prepayments	31,802	12,597
9,866	(28,788)	Inventories	-	-
(160,227)	766,029	Accounts payable	61,994	(194,161)
254,154	118,955	Employee entitlements	174,068	9,244
20,584	217,737	Taxation payable	-	-
		Add/(less) investing activity items		
(69,762)	413,808	(Profit)/loss on sale of assets	(68,378)	(63,354)
(323,638)	175,043	Payables from fixed asset purchases	(14,536)	(135,025)
9,389,441	**(2,770,594)**	**Net cash inflow from operating activities**	**2,011,591**	**(8,568,448)**

Note 17—Financial instruments

Credit risk

The Taranaki Regional Council has minimal credit risk in its holdings of various financial instruments. These financial instruments include bank balances, short term deposits, accounts receivable and accounts payable. The Group does not require any collateral or security to support financial instruments due to the quality of the financial institutions with which it deals. The Council is risk averse and seeks to minimise exposure arising from its treasury activities. The Council does not enter into transactions that are speculative in nature. The Council invests funds only in deposits with registered banks and limits the amount of exposure to any one organisation.

Westgate Transport Limited has a concentration of credit risk in accounts receivable where 12% (12) of the number of accounts receivable represent 83% of the total carrying amount of accounts receivable. Only 7.3% of the carrying amount of accounts receivable exceeded an age of 30 days. There are no other significant concentrations of credit risk. The group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers.

Credit facilities

As at 30 June 2003 Westgate Transport Limited had a multi-option bank facility with Westpac Banking Corporation of $30,000,000 (2001/02—$30,000,000) of which $21,800,000 (2001/02—$25,000,000) was borrowed.

Note 17—Financial instruments

Interest rate risk
The interest rates on Westgate Transport Limited's debentures are fixed for their term at the date the debentures are issued. The weighted average interest rate on the Westpac Banking Corporation debenture, as at 30 June 2003 was 6.03% (2001/02—5.9%). No interest rate swap or forward rate agreements had been entered into at balance date.

Fair value
The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Note 18—Related party transactions

The Council's 100% owned subsidiary Westgate Transport Limited is considered to be a related party of the Taranaki Regional Council.

The transactions between the Company and the Council during the year were:

	Council	
	2002/03 Actual $	**2001/02 Actual $**
Harbourmaster services	16,332	17,850
Resource consent application fees	25,716	65,727
Dividend received from Westgate Transport Limited	2,500,000	3,200,000
Miscellaneous revenue	-	804
Resource consent compliance monitoring programme	2,147	2,060

Councillors and key management are, as part of a normal customer relationship, involved with minor transactions with the Council (such as payment of rates). The Chairman of the Council (Councillor David Walter) and Councillor David MacLeod are also Directors of Westgate Transport Limited. Except for items of a trivial nature, neither of these two Councillors, other Councillors or senior management have entered into related party transactions within the group. Councillors David Walter and David Lean are Directors of the TSB Bank Limited. The Council invests surplus funds and receives interest income from the TSB Bank Limited. All transactions between the Council and the TSB Bank Limited are on normal commercial terms.

There have been a number of transactions between Westgate Transport Limited and the Taranaki Regional Council. During the year in the normal course of business. These transactions are of an immaterial amount both individually and collectively. During 2002/03 Westgate Transport Limited and the Taranaki Regional Council entered into a taxation grouping arrangement which resulted in the transfer of losses from the Council to Westgate Transport Limited amounting to $303,030 and the payment of a subvention payment by Westgate Transport Limited to the Taranaki Regional Council amounting to $100,000.

Note 19—Segmental reporting

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

Westgate Transport Limited operates in one economic and geographic segment, that being the facilitating of export and import activities through the port of Taranaki.

All inter-segment pricing is on an arm's length basis. There were no items of an unusual nature included in the surplus before taxation.

	Port operations		Local authority		Eliminations		Consolidated	
	2002/03 $000's	2001/02 $000's	2002/03 $000's	2001/02 $000's	2002/03 $000's	2001/02 $000's	2002/03 $000's	2001/02 $000's
Revenue from outside the group	29,875	28,229	8,210	7,864	-	-	38,085	36,093
Inter-segment revenue	16	18	2,628	3,269	(2,644)	(3,287)	-	-
Total revenue	29,891	28,247	10,838	11,133	(2,644)	(3,287)	38,085	36,093
Segment net surplus	4,653	4,401	1,165	(7,745)	(2,500)	(3,200)	3,318	(6,544)
Segment assets	78,606	79,775	58,054	55,819	(26,000)	(26,000)	110,660	109,594

Statement of compliance and responsibility

Compliance

The Council and management of the Taranaki Regional Council confirm that all the statutory requirements of Parts VIIA and VIIB of the Local Government Act 1974 have been complied with.

Responsibility

The Council and management of the Taranaki Regional Council accept responsibility for the preparation of the annual consolidated financial statements and the judgements used in them.

The Council and management of the Taranaki Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of the Taranaki Regional Council, the annual consolidated financial statements for the year ended 30 June 2003 fairly reflect the financial position and operations of the Taranaki Regional Council.

David Walter
Chairman
15 September 2003

Basil Chamberlain
Chief Executive
15 September 2003

Michael Nield
Director-Corporate Services
15 September 2003

Equal employment opportunity report

Policy Statement

The Taranaki Regional Council is committed to the principle of equal opportunity in the recruitment, employment, training and promotion of its employees.

The organisation will provide a welcoming, positive environment.

The organisation will implement a purposeful programme of action to ensure its activities and services are carried out with an awareness of, and an intent to eliminate discrimination in the areas of race, colour, ethnic or national origin, gender, religious beliefs, marital status, family responsibilities, sexual orientation, special needs, or age.

Programme	2002/03 actual performance
To ensure that recruitment policies and procedures are developed which select from the widest possible cross-section of potential staff in a non-discriminatory way.	Ensured that recruitment policies and procedures permit selection from the widest possible cross-section of potential staff in a non-discriminatory way by constant and informed review of policies and procedures.
To maintain information sources necessary to provide appropriate detail and information for input into EEO policy development, implementation and evaluation, whilst ensuring confidentiality.	Maintained and further developed information sources necessary to provide appropriate detail and information for input into EEO policy development, implementation and evaluation, whilst ensuring confidentiality.
To ensure all staff have the opportunity to participate in training and educational opportunities, including occupational safety and health issues, both inside and outside the organisation.	Ensured that all personnel are trained in occupational safety and health issues, initially through the induction programme and thence by section supervisors and the Health and Safety committee.
To raise awareness of EEO issues throughout the organisation.	Continued raising awareness of EEO issues throughout the organisation.

Taranaki Regional Council members

David E Walter (Chairman) – 1766 Ohura Road, RD 22, Stratford

Roger F H Maxwell (Deputy Chairman) – 70 Okoki Road, RD 45, Urenui

Ian D Armstrong – 2856 Eltham Road, RD 32, Opunake

MJ (Tom) Cloke – 850 Carrington Road, New Plymouth

David L Lean – 257 Tukapa Street, New Plymouth

Donald H McIntyre – 137 Ratapiko Road, RD 10, Inglewood

David N MacLeod – PO Box 9, 404 South Road, Hawera

Barry J Marsh – 2/302 St Aubyn Street, New Plymouth

Claire L Stewart – 1 Waiwera Place, New Plymouth

Neil W Walker – 48A Rata Street, Hawera

Executive staff

Basil G Chamberlain – (Chief Executive)

Gary K Bedford – (Director—Environment Quality)

Dex G Knowles – (Director—Operations)

Fred McLay – (Director—Resource Management)

Michael J Nield – (Director—Corporate Services)

Bankers

Bank of New Zealand Ltd, Stratford

Auditors

Deloitte Touche Tohmatsu, Hamilton
On behalf of the Controller and Auditor-General, PO Box 3982, Wellington

Solicitors

Till Henderson King, PO Box 192, Stratford

Taranaki Regional Council

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Stratford

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(Fax) 0-6-765 5097

Emergency Management Office

Location
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(Ph) 0-6-758 1110
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