

COMPLIANCE WITH TREASURY MANAGEMENT POLICY

Treasury Management Compliance

As at 30 June 2004

Total Council Limit Compliance Analysis			Notes	Yes	No
Risk management activities are related to underlying cashflow:				✓	
A mixture of undrawn committed lines and liquid investments of no less than \$7.5 million are available for normal operations				✓	
A mixture of undrawn committed lines and liquid financial investments available for self-insured infrastructural assets and contingency reserves				✓	
Hedging of interest rate risk on debt and use of derivatives within allowable parameter:				✓	
Hedging of interest rate risk on investments within allowable parameter:				✓	
Counterparty exposures: (on balance sheet)	ANZ National	≤ \$50m		✓	
	BNZ	≤ \$15m		✓	
	Westpac	≤ \$15m		✓	
	ASB	≤ \$15m		✓	
Counterparty credit limits within allowable parameters (> A+ credit rating for banks)				✓	
Core Council external borrowing limits compliance				✓	
Consolidated group external borrowing limits compliance				✓	
Internal borrowing limits compliance				✓	

Note: The Treasury Management Policy adopted in 30 June 2003 included new consolidated group borrowing compliance limits. The calculation was revised in March 2004 to reflect the intended definitions when the limits were introduced.

Consolidated Group External Borrowing Limits Compliance (as at 30 June 2004)			Notes	Actual	TMP Limits
Net interest expense to total operating revenue				3%	≤ 10%
Net external debt to total operating revenue				46%	≤ 100%
Note: Group net external debt is total external debt less financial investment					

Core Council External Borrowing Limits Compliance			Notes	Actual	TMP Limits
Ratio					
Interest expense on net external debt to rates and levies:				6%	20%
Net external debt to rates and levies:				77%	175%
Net external debt per capita				\$134	\$300
Note: Core council net external debt is total council debt less sinking finds					

Internal Borrowing Limits Compliance			Notes	Actual	TMP Limits	TMP Targets
Activity	Ratio					
Regional Water	Debt to water supply levy			201%	300%	220%
	Financial costs to water supply levy			16%	40%	20%
Flood Protection - Western	Debt to rates			297%	400%	250%
	Financial costs to rates			23%	50%	25%
Flood Protection - Wairarapa	Debt to rates			22%	80%	80%
	Financial costs to rates			2%	10%	10%
Parks & Forests	Debt to rates			33%	50%	50%
	Financial costs to rates			3%	10%	10%
Forestry	Debt to forestry market value			69.97%	70%	35%