

Once again, Greater Wellington has had a very busy year. We've laid the foundations for some significant pieces of work that will have a long-term impact on the region's environmental, economic, social and cultural future.

Public transport

After years of work, a Regional Land Transport Strategy was successfully completed. This is the future strategy for all transport in the region – roading, buses, trains, cycling and walking. A significant factor in this success was the buy-in to the strategy from the region, including city and district councils. Implementing this strategy will be a major focus for Greater Wellington and requires a considerable amount of political like-mindedness and cooperation.

Securing a public transport funding package was a major highlight. Central government agreed to supplement regional transport funds. This has allowed Greater Wellington to commit to upgrading the region's rail network, rolling stock and trolley bus fleet. We already have new carriages operating on the Wairarapa line and more are on their way for other parts of the region. The future of trolley buses in Wellington was secured with the signing of a new long-term contract. This will see complete replacement of all 60 trolley buses, starting from early 2008. Strong relationships with our transport partners have allowed us to be confident of being able to deliver a transport network that meets our region's needs.

Negotiations are close to being finalised on the supply of Electric Multiple Units from Rotem Mitsui.

Flood protection

Upgrading flood protection structural works across the region continues to be a major long-term commitment. This year we had to carry out flood damage works in the Wairarapa, resulting in some other programmes falling a little behind. However, major capital works were progressed on the Otaki and Hutt rivers, and the Kopuaranga River enhancement scheme was finalised. All planned maintenance work was completed. We really appreciate the relationships we have with people over flooding issues. The community has generally been willing to work with us to develop the best solution possible.

Wellington Regional Strategy

Another highlight of the year was the finalisation of a Wellington Regional Strategy – a sustainable growth strategy for the region. All councils pulled together to complete this strategy and its governance and funding arrangements. Everyone recognised that this region will only move forward if we all work together. Other regions have struggled to cooperate to this extent and the Wellington region can be proud of what it has achieved. Having a growth strategy like this in place gives us an advantage over other regions in the country.

One important aspect of the strategy was the setting up of a new economic development agency to cover the whole region. Previously we had a rather piecemeal approach. The region should benefit enormously having a unified body driving economic development.

Environment

One of Greater Wellington's core functions is environment management. Improving the health of our environment is a huge task and one that we cannot carry out alone. Consequently, we engage with a wide range of organisations and the community on environmental projects. We have care groups all over the region. These are people who give up their spare time to do riparian planting, wetland improvements, and sand dune and native bush restorations. More and more organisations want to do corporate planting days. Businesses are becoming increasingly aware of the impact they have on the environment and are seeking our help to work more sustainably. It's good to see the pleasure and reward that people get from doing their bit for the environment.

I too get huge personal pleasure from working with groups to restore our environment. I look forward each year to seeing our region's children at Arbor Day plantings – it's enormously satisfying to show a young child how a tree planted by one of their predecessors has grown.

Financial performance

Greater Wellington's financial result reflects a considered approach by councillors, senior management and staff. Our Chief Executive has delivered on the Council's expectations. It's particularly pleasing to see continued efficiencies being made across our operational activities, particularly as our community demands more and more services.

End of the triennium

This report is the last one for the triennium. I would like to take this opportunity to thank my fellow councillors for their hard work and commitment throughout the past three years. We've had to grapple with difficult issues and make hard decisions – but at all times councillors have kept their focus and humour. It has been both a rewarding and enjoyable year.

Ian Buchanan
Chairman

Chief Executive's report

We have just completed the first year of our 2006-16 Ten-Year Plan (LTCCP) and this report shows that we have made excellent progress. A comprehensive list of Greater Wellington's achievements for the year is outlined on pages 10-13. It shows the extensive range of activities undertaken by our people – all of which shape our region.

Greater Wellington's work helps make the region a greater place to live. The impact of our programmes are all around us, be it when catching a bus or train, visiting a regional park, sailing in our harbours, drinking a glass of water, walking by a river, saving our emergency water supplies or walking in our native bush.

Creating a sustainable region

Sustainability has become a key focus for central government and for governments all over the world. Creating a sustainable region has been a core business for Greater Wellington for many years.

Climate change is now emerging as a major area of concern. Most of the sustainability matters that Greater Wellington has been advancing also address climate change issues. But we are conscious that as an organisation we need to take a greater leadership role – both within our organisation and as part of the communities in our region. This was a key theme in submissions received on our Ten-Year Plan.

This year we joined the Communities for Climate Protection programme and have achieved Milestone One. We will continue to partner with other local authorities in our region, as well as with central government and community organisations, to reduce greenhouse gas emissions and adapt to the possible impacts of climate change.

Building a culture of efficiency, productivity and responsiveness

An organisational restructuring begun in early 2006 has bedded in well and is delivering positive results in terms of organisational performance.

The major reason for the restructuring was to better align Greater Wellington's internal structures, processes and delivery standards with our business. As an organisation funded by ratepayers, we are very aware of our responsibility to ensure that the services we provide are delivered effectively, efficiently and consistently.

Another benefit of the restructuring has been the appointment of new people which, combined with a refocusing of our activities, has added renewed energy and enthusiasm for the work that we all do.

Making Greater Wellington Greater

An outcome of the restructuring was the development of an organisational development strategy with eight integrated goals. The strategy has a working title of Making Greater Wellington Greater. Its purpose can be summarised as "We will have a great organisation that leads and delivers" and "We will have a great region to live, work and play".

Making Greater Wellington Greater is strong on developing the capacity of the organisation. It focuses on leadership skills and building a unified team of dedicated people who take pride in effectively connecting with our communities to advance sustainable outcomes.

Greater Wellington is a diverse organisation in terms of the services we deliver and the people we employ across the region. Providing points of commonality in such an operating environment is not easy, and a purpose of Making Greater Wellington Greater is to integrate and align our people, and to have some unifying context for our organisational development work.

I am personally committed to delivering the objectives set out in the Making Greater Wellington Greater programme. I believe it's important that everybody employed by Greater Wellington derives some sense of purpose and enjoyment from the work that they do, and a strong and vibrant organisational culture is a key part of this. An outcome of happy Greater Wellington people should be the delivery of good results for the communities we serve, which is ultimately what we are here to deliver.

Engaging with our communities

Much of what Greater Wellington achieves is a direct result of the support, commitment and involvement of the local authorities and people in our region. Together we have worked on environmental restoration programmes, river management, environmental policies, waste management, outdoor recreation, erosion control, emergency management and biodiversity initiatives. The completion of the Wellington Regional Strategy has shown how local government and the business community can work together for the region's betterment. At Greater Wellington we are committed to building strong, meaningful relationships and partnerships that help us deliver on the outcomes our community wants. This year we have developed a Community Engagement Strategy to help our working relationships.

A team effort

None of this important work could be delivered with out the efforts of Greater Wellington's staff. We have a great team here. Their skills, knowledge, experience, commitment and enthusiasm are key ingredients in making Greater Wellington and our region greater.

It is our privilege to be in a position to make a positive difference to this region.

Dave Benham

Chief Executive Officer

Executive management team

**Divisional Manager
Environment
Nigel Corry**

**Divisional Manager
Transport Policy and Strategy
Jane Davis**

**Divisional Manager
Catchment Management
Geoff Dick**

**Chief Financial Officer
Barry Turfrey**

**Divisional Manager
Public Transport
Wayne Hastie**

**Divisional Manager
Water Supply, Parks and Forests
Murray Kennedy**

**Divisional Manager
Corporate and Strategy
Jane Bradbury**

Facts about the Wellington region

- The region covers a land area of 813,005 hectares and a maritime area of 786,700 hectares. There are 497km of coastline
- The population of the region is 464,700 (Statistics NZ, estimated resident population, June 2006)
- Greater Wellington manages 320 kilometres of river channels and 280 kilometres of stopbanks. We are responsible for one of the largest flood protection schemes in New Zealand
- 34,127,115 million passenger journeys were made on the region's public transport system in the past year
- Greater Wellington collects, treats and delivers about 155 million litres of high quality water each day, on average, to the Wellington, Hutt, Upper Hutt and Porirua city councils
- Greater Wellington manages 50,000 hectares of regional parks and forests

Community outcomes for the Wellington region

Healthy environment

We have clean water, fresh air and healthy soils. Well-functioning and diverse ecosystems make up an environment that can support our needs. Resources are used efficiently. There is minimal waste and pollution.

Quality lifestyle

Living in the Wellington region is enjoyable and people feel safe. A variety of lifestyles can be pursued. Our art, sport, recreation and entertainment scenes are enjoyed by all community members – and attract visitors.

Sense of place

We have a deep sense of pride in the Wellington region. We value its unique characteristics – rural, urban and harbour landscapes, climate, central location and capital city.

Prosperous community

All members of our community prosper from a strong and growing economy. A thriving business sector attracts and retains a skilled and productive workforce.

Prepared community

We can cope with emergency events. Individuals and businesses are able to take responsibility for their own wellbeing. Effective emergency management systems are in place.

Connected community

Access is quick and easy – locally, nationally and internationally. Our communication networks, air and sea ports, roads and public transport systems enable us to link well with others, both within and outside the region.

Entrepreneurial and innovative region

Innovation and new endeavours are welcomed and encouraged. Ideas are exchanged across all sectors, resulting in a creative business culture. We have excellent education and research institutions, and benefit from being the seat of government.

Essential services

High-quality and secure infrastructure and services meet our everyday needs. These are developed and maintained to support the sustainable growth of the region, now and in the future.

Healthy community

Our physical and mental health is protected. Living and working environments are safe, and everyone has access to health care. Every opportunity is taken to recognise and provide for good health.

Strong and tolerant community

People are important. All members of our community are empowered to participate in decision making and contribute to society. We celebrate diversity and welcome newcomers, while recognising the special role of tangata whenua.

Community outcomes

The Wellington region has agreed 10 community outcomes, developed as part of the 2006-16 Long-term Council Community Plan process. These community outcomes describe the type of place we want the region to be.

Greater Wellington used to have 10 “Quality for Life” elements (Take 10) which were derived from our functional responsibilities. The new community outcomes are for the whole region to achieve, not just Greater Wellington. Greater Wellington is clearly not in a position to achieve all the outcomes that the community seeks. Its role in furthering outcomes will be different for each of the outcomes. For some outcomes, Greater Wellington will have a major role, for others it will only have a small role to play (or no role at all) and it will be up to other organisations or agencies to take the lead.

We will measure the progress that the regional community has made towards achieving the community outcomes every three years – after the term of our long-term council community plan has expired. This will be part of our 2008/09 Annual Report. In the interim, each year we will report on what Greater Wellington has achieved in furthering these outcomes.

Greater Wellington undertakes the following groups of activities – environment, transport, water supply, parks, safety and flood protection, land and community. Within each these groups are more specific activities. The way in which a group of activities contributes to the community outcomes is outlined in the introduction to the section on that group of activities, as is the way in which the activities within that group have affected the social, economic, environmental or cultural wellbeing of the community during the year. Progress against long-term and short-term targets is then described.

A summary of Greater Wellington’s contribution in the past year to each of the 10 outcomes is on pages 9 to 11.

Outcomes

Healthy environment

Contribution in year-ending 30 June 2007

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- Supported the covenanting of one wetland. A total of 32 wetlands in the region are now legally protected
- Committed to protect 189 hectares of predominantly lowland forest. 190 native forest areas are now legally protected as a result of Greater Wellington's support
- Improved the control and monitoring systems for our water supply operations, resulting in less chemicals being used for water treatment
- Improved the health of the ecosystems on Greater Wellington land
- Achieved a 19% reduction in reported pollution incidents
- Reviewed the Regional Policy Statement in consultation with a wide range of stakeholders
- Completed a draft Stormwater Plan of Action in conjunction with city and district councils
- Undertook pest control in 78 key native ecosystem sites
- Completed riparian planting and fencing programmes along 3.7km of stream banks
- Completed the annual report cards showing the state of region's key resources – namely groundwater, rainfall and river flows, harbours, estuaries and beaches, rivers and lakes, recreational water quality, soil health and air quality
- Involved more than a 100 businesses in environment and waste-management programmes through Take Charge (our business education programme), and the Get Sustainable Challenge and EnviroSmart programmes

Quality lifestyle

- Achieved a 90% satisfaction rate from the 51% of the regional population who visited at least one regional park
- Rebuilt the Orange Hut in the Akatarawa Forest with community assistance after fire damage
- Progressed the governance structure for Whitireia Park and the Wairarapa Wetlands Park
- Continued to review our park management plans

Sense of place

- Ran the Regional Outdoors Programme – with 49 events attracting 10,800 people
- Restored a historic barn in Queen Elizabeth Park
- Involved 26 schools and more than 2,800 students in Take Action, our environment education programme for schools
- Supported 31 community groups undertake environmental-restoration projects across the region through Take Care, our community environment education programme

Prosperous community

- Processed more than 600 resource consents and reviewed our Resource Management Charging Policy
- Established, with all local authorities in the region, a Regional Economic Development Agency
- Carried out possum and ferret Tb vector control operations on 230,250 hectares of land and completed 170,800 hectares of feral animal surveys
- Planted 355 hectares of erosion-prone land using sustainable land management practices
- Completed a draft Wellington Harbour Safety Management System, together with CentrePort Ltd, and in accordance with the NZ Port and Harbour Marine Safety Code

Prepared community

- Installed a new emergency connection to Upper Hutt City's water reticulation system and began work on a second emergency supply point at Pukerua Bay
- Constructed \$3.8 million of new flood defences and completed \$4.4 million of flood protection maintenance work
- Installed new communications and information-management systems in the Wellington Civil Defence Emergency Management (CDEM) Group's emergency operations centre
- Participated in seven major civil defence exercises, two of which were "all-of-nation" exercises
- Completed the Wellington Region CDEM Group Welfare Plan and the CDEM Group Public Information and Media Management Plan
- Achieved Milestone One of the Communities for Climate Protection – NZ Programme

Connected community

- Signed a 10-year rail operating contract and a 5+5 year trolley bus contract
- Progressed the procurement of the new Electric Multiple Units
- Launched new carriages on the Wairarapa Line
- Introduced new Metlink fare zone boundaries and fares
- Achieved total passenger boardings of 34.1 million
- Reached agreement with Land Transport New Zealand over funding from the Wellington Transport Package
- Obtained extension to free loan from the Crown for rail rolling stock
- Completed the Regional Land Transport Strategy
- Completed a road-pricing study
- Developed and implemented a Travel Plan programme, which assists schools and workplaces to develop travel their own plans

Entrepreneurial and innovative region

- The Wellington Regional Strategy was confirmed, including a governance model
- Greater Wellington became the “keeper” of the Wellington Regional Strategy and established a Wellington Regional Strategy standing committee

Essential services

- Carried out investigations of options for a new water source

Healthy community

- All water supplied complied fully with the NZ Drinking Water Standards
- Received an A1 grading for the Te Marua Water Treatment Plant – the highest grade possible

Strong and tolerant community

- Completed our 2007/08 Annual Plan and amended the Council's 2006-16 Ten-Year Plan to incorporate the Wellington Regional Strategy, after consultation with the community
- Completed a representation review on the Council's electoral arrangements
- Continued to operate Ara Tahi, Greater Wellington's inter-iwi representative group. Ara Tahi met six times during the year and held four technical workshops.
- Supported an iwi, Rangitane o Wairarapa, to be effectively involved in a project to include sites of significance on a national archaeological database
- Publicly notified all meetings and made order papers for committee meetings available to Councillors, appointed members and the public in accordance with statutory requirements and the Council's standing orders
- Reviewed the Council's Local Governance Statement that sets out how the public can engage with the Council

Financial overview – Council

Operating results

Greater Wellington’s net operating deficit for the 2006/07 year before unrealised gains and losses was \$9.372 million compared with a budgeted surplus of \$57.873 million. Significant components of this deficit were:

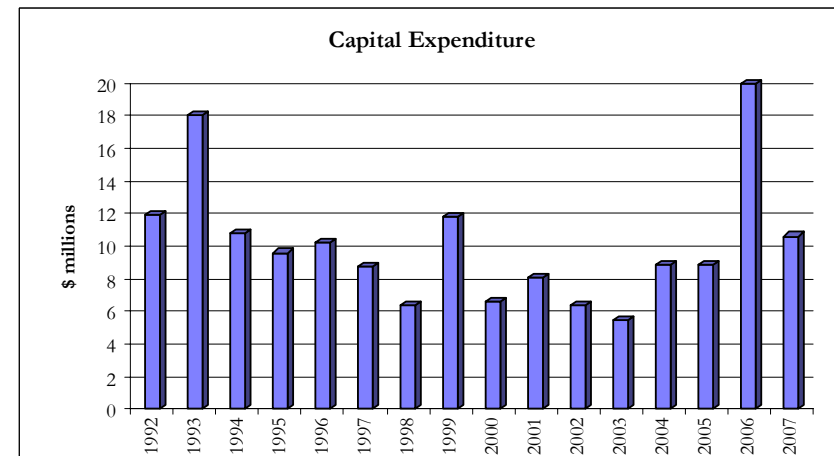
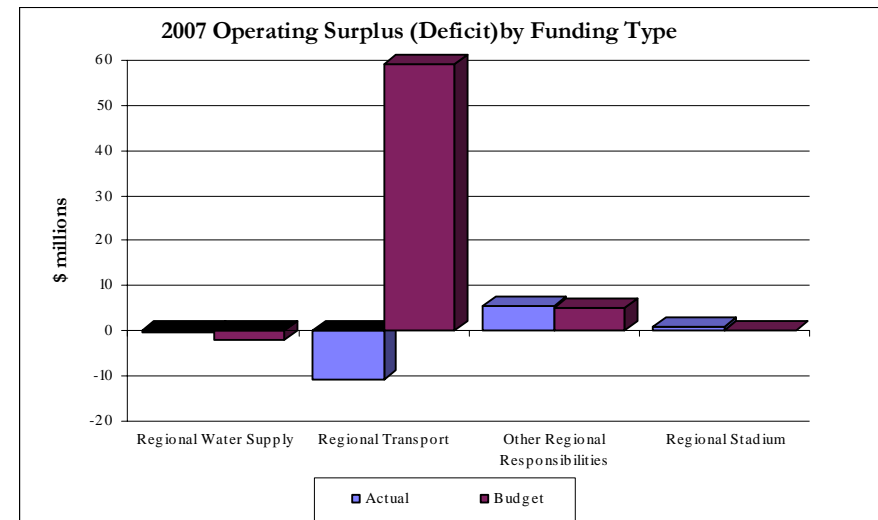
- Income from grants and subsidies was down on budget by \$51.687 million due to the delay in signing the contract for the supply of new Electric Multiple Units. These payments would have been funded 90% by the Crown by way of grants
- Greater Wellington’s investment in rail rolling stock will be owned by Greater Wellington Rail Limited (GWRL). The purchase of the Wairarapa carriages by GWRL was to be funded per the budget by an increase in their share capital. However, GWRL is now funded by way of a capital grant from Greater Wellington. This has increased expenditure by \$19.8 million and resulted in the deficit before unrealised gains of \$9.372 million in Greater Wellington
- Increased costs of diesel and electricity continued to place pressure on the public transport budget

Capital expenditure

Capital expenditure for the year was \$10.748 million compared with the budget of \$20.237 million, a variance of \$9.489 million.

Capital expenditure in Water was below budget due to savings in budgeted projects and deferral of some projects. There were savings in the treatment plant, Wainuiomata Dam and strengthening the lake towers at Stuart Macaskill Lakes. The pipeline on Silverstream Bridge was deferred.

Capital expenditure in Safety and Flood Protection was below budget due to a number of projects being delayed while land issues were being resolved. This involved the following projects – Chrsytalls extended stopbank, South Waitohu and Whirinaki Crescent stopbank.



Major items of note were:

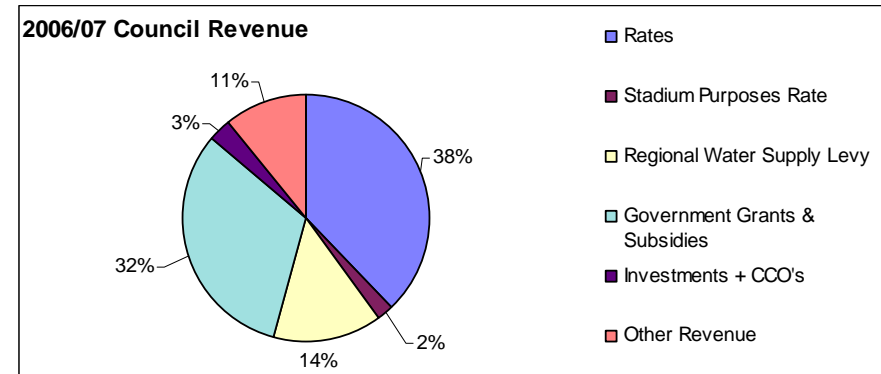
- \$4.2 million of improvements to the Water network
- \$4.2 million of flood protection improvements

Greater Wellington was budgeted to invest \$82.9 million transport infrastructure. However, this was delayed as the contract for the supply of Electric Multiple Units was not signed by year-end. As these units will be owned by GWRL, they are not classified as capital expenditure in Greater Wellington.

Financial performance

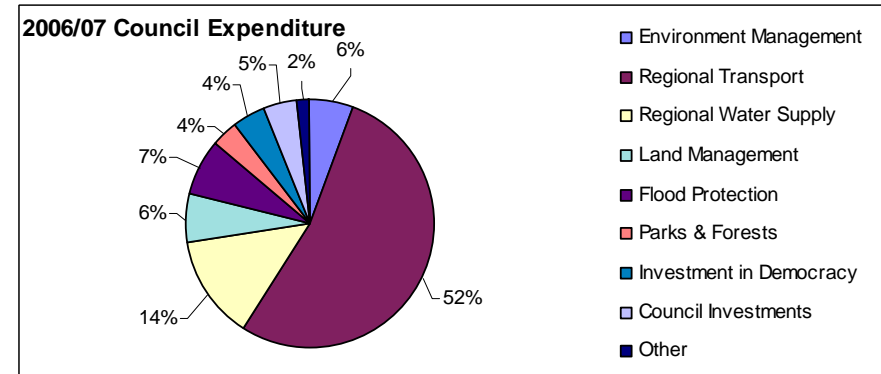
Revenue

The adjacent graph illustrates Greater Wellington’s revenue sources. Rates make up just 38% of our revenue total, with grant revenue making up the next largest share. Central government grants to assist the funding of public transport make up the majority of this.



Operating Expenditure

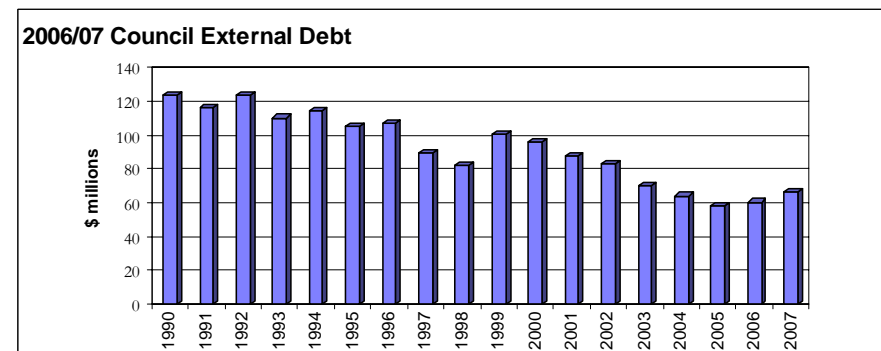
This graph shows where our operational expenditure occurs. In the coming years the proportion of both revenue and expenditure on regional transport is increasing.



Debt

Greater Wellington’s debt position increased by \$5.9 million to \$66.3 million during the year. This includes gains and losses on the debt as required by International Financial Reporting Standards (IFRS). The increase is largely due to the purchase of rail rolling stock.

Since 1990, Council debt has reduced from \$123 million to \$66 million.



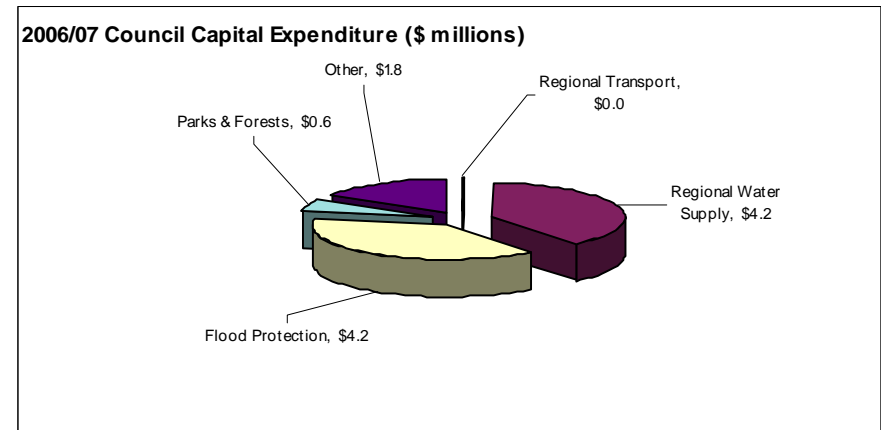
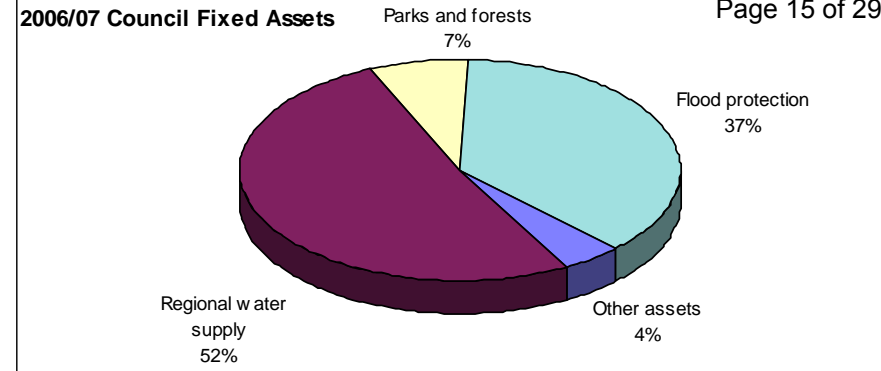
Asset management

Greater Wellington looks after many important community assets. Our asset base consists of regional water supply, regional parks and forests, flood protection and increasingly public transport.

Continued management and investment in these assets is essential. Greater Wellington maintains and updates detailed asset management plans to ensure we look after these assets on behalf of the community.

This graph shows the breakdown of our assets at the end the year. In the coming years, the required investment in public transport will significantly add to the assets we manage for the Wellington region.

This graph shows where the \$10.8 million in capital expenditure was spent during the year ending 30 June 2007. As noted previously, \$82.9 million of public transport capital expenditure was delayed.



Financial overview – Council (cont)

Council and Group Surplus

Calculation of Council underlying surplus:

	Council 2007 Actual \$000	Council 2007 Budget \$000
Surplus (deficit) before unrealised items and tax	(9,372)	57,873
(Surplus) deficit arising from purchase of rail rolling stock	9,495	(59,689)
Underlying surplus (deficit)	<u>123</u>	<u>(1,816)</u>

The main reason for Greater Wellington's deficit of \$9.372 million is due to the way GWRL is funded for the Wairarapa carriages.

Greater Wellington receives 60% of the funding for the Wairarapa carriages from Land Transport New Zealand. This amount is recorded in Greater Wellington's income statement.

The remaining 40% is funded by debt which is accounted for in Greater Wellington's balance sheet. Greater Wellington pays out 100% of the funds required by GWRL by way of grant. This expense is accounted for in Greater Wellington's income statement, effectively resulting in a "loss" of 40%. The "loss" up to 30 June 2007 amounted to \$ 9.495 million. From a cash perspective there is no loss to Greater Wellington as 100% in cash is received and a 100% is paid out as grant expenditure.

The amount of this grant expensed to GWRL in 2007 was \$19.809 million.

On consolidation of Greater Wellington and GWRL this transaction is eliminated resulting in an additional surplus of \$19.809 million to the Group.

Reconciliation of Council deficit to Group surplus:

	Group 2007 Actual \$000
Council deficit before unrealised gains	(9,372)
Elimination of GWRL inter-company transactions for rail rolling stock	19,809
Group unrealised gains	18,119
Other group operating surplus net of eliminations	<u>9,300</u>
Consolidated group surplus	<u>37,856</u>

The Group unrealised gains mainly relate to revaluation gains on CentrePort investment properties of \$11.2 million and gains from interest rate hedges of \$4.9 million which under NZ IFRS are required to be accounted for in the income statement.

INCOME STATEMENT
For the year ended 30 June 2007

	Group		2007 Actual \$000	Council 2007 Budget \$000	2006 Actual \$000
	2007 Actual \$000	2006 Actual \$000			
Income					
Rates and levies	85,790	81,058	85,790	84,726	81,058
Grants and subsidies	51,090	37,321	51,090	102,777	37,321
Other gains	3,240	3,431	-	-	-
Other revenue	71,126	66,402	22,420	21,692	20,860
Total income	211,246	188,212	159,300	209,195	139,239
Expenses					
Employee benefits	44,365	41,213	28,809	29,037	26,180
Grants and subsidies	57,146	53,320	79,486	55,461	53,320
Depreciation and amortisation	15,393	14,364	9,476	9,569	9,321
Finance costs - net	13,063	10,404	4,760	5,674	4,574
Other losses	79	303	79	-	303
Other operating expenses	61,463	56,287	46,062	51,581	41,553
Total operating expenses	191,509	175,891	168,672	151,322	135,251
Surplus (deficit) for the year before unrealised items and tax	19,737	12,321	(9,372)	57,873	3,988
Unrealised gains / (losses)	18,119	10,683	4,786	4,405	(483)
Surplus (deficit) for the year after unrealised items and before tax	37,856	23,004	(4,586)	62,278	3,505
Tax expense	4,256	4,728	-	-	-
Surplus (deficit) for the year	33,600	18,276	(4,586)	62,278	3,505
Attributed to:					
Minority interest	4,428	3,569	-	-	-
Equity holders of the parent	29,172	14,707	(4,586)	62,278	3,505
Surplus (deficit) for the year	33,600	18,276	(4,586)	62,278	3,505

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2007

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	Group		Council		
	2007 Actual \$000	2006 Actual \$000	2007 Actual \$000	2007 Budget \$000	2006 Actual \$000
Equity - opening balance as at 1 July	661,694	644,390	559,956	547,874	556,592
Asset revaluation movements taken directly to equity	53,829	(141)	46,688	25,748	(141)
Asset revaluation movements taken directly to equity minority interests	1,946	-	-	-	-
Net income recognised directly in equity	<u>55,775</u>	<u>(141)</u>	<u>46,688</u>	<u>25,748</u>	<u>(141)</u>
Net surplus/(deficit) for the year	33,600	18,276	(4,586)	62,278	3,505
Total recognised income and expenses for the year	<u>89,375</u>	<u>18,135</u>	<u>42,102</u>	<u>88,026</u>	<u>3,364</u>
Attributable to:					
Equity holders of the parent	84,947	14,566	42,102	88,026	3,364
Minority interest	<u>4,428</u>	<u>3,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recognised income and expenses for the period	<u>89,375</u>	<u>18,135</u>	<u>42,102</u>	<u>88,026</u>	<u>3,364</u>
Dividend to minority interest	(831)	(831)	-	-	-
Balance as at 30 June	<u>750,238</u>	<u>661,694</u>	<u>602,058</u>	<u>635,900</u>	<u>559,956</u>

BALANCE SHEET
as at 30 June 2007

	Group		Council		2006 Actual \$000
	2007 Actual \$000	2006 Actual \$000	2007 Actual \$000	2007 Budget \$000	
ASSETS					
Current assets					
Cash and cash equivalents	47,399	55,324	47,094	59,686	55,372
Trade and other receivables	37,326	15,487	32,604	16,880	12,177
Inventories	2,663	2,361	2,142	-	1,946
Income tax receivable	446	1,271	-	-	-
	<u>87,834</u>	<u>74,443</u>	<u>81,840</u>	<u>76,566</u>	<u>69,495</u>
Non-current assets					
Other financial assets	4,102	3,813	3,470	9,832	3,219
Property, plant and equipment	771,800	658,656	563,907	553,419	516,226
Intangible assets	1,428	1,444	409	-	714
Forestry investments	14,303	14,892	14,303	19,389	14,892
Investment properties	100,829	101,212	-	-	-
Investment in subsidiaries	-	-	34,542	89,365	34,542
Derived financial instruments	4,874	1,198	1,908	-	346
Deferred tax asset	1,670	4,575	-	-	-
	<u>899,006</u>	<u>785,790</u>	<u>618,539</u>	<u>672,005</u>	<u>569,939</u>
TOTAL ASSETS	<u>986,840</u>	<u>860,233</u>	<u>700,379</u>	<u>748,571</u>	<u>639,434</u>

BALANCE SHEET
as at 30 June 2007

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	Group		Council		2006 Actual \$000
	2007 Actual \$000	2006 Actual \$000	2007 Actual \$000	2007 Budget \$000	
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Retained earnings	428,638	407,138	367,578	430,339	373,071
Reserves	277,469	215,967	234,480	205,561	186,885
	<u>706,107</u>	<u>623,105</u>	<u>602,058</u>	<u>635,900</u>	<u>559,956</u>
Minority interest	44,131	38,589			
Total equity	<u>750,238</u>	<u>661,694</u>	<u>602,058</u>	<u>635,900</u>	<u>559,956</u>
Current liabilities					
Trade and other payables	36,373	25,122	29,421	19,230	16,760
Debt	79,935	45,655	35,934	2,482	1,655
Employee benefit liabilities	3,749	3,365	1,971	-	1,647
Provisions	543	415	-	-	-
	<u>120,600</u>	<u>74,557</u>	<u>67,326</u>	<u>21,712</u>	<u>20,062</u>
Non-current liabilities					
Debt	114,589	122,565	30,335	90,959	58,657
Employee benefit liabilities	1,413	1,417	660	-	759
	<u>116,002</u>	<u>123,982</u>	<u>30,995</u>	<u>90,959</u>	<u>59,416</u>
TOTAL LIABILITIES	<u>236,602</u>	<u>198,539</u>	<u>98,321</u>	<u>112,671</u>	<u>79,478</u>
TOTAL EQUITY AND LIABILITIES	<u>986,840</u>	<u>860,233</u>	<u>700,379</u>	<u>748,571</u>	<u>639,434</u>

CASH FLOW STATEMENT
For the year ended 30 June 2007

	Group			Council	
	2007	2006	2007	2007	2006
	Actual	Actual	Actual	Budget	Actual
	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities					
Receipts from customers	49,084	46,093	-	-	-
Rates revenue received	61,093	59,426	61,093	61,950	59,426
Water supply levy received	22,776	22,776	22,776	22,776	22,776
Government subsidies received	40,909	37,321	40,909	102,777	37,321
Interest received	3,966	4,656	3,807	3,460	4,355
Dividends received	468	373	618	463	651
Fees, charges and other revenue	9,671	17,612	9,670	16,913	17,612
Payments to suppliers and employees	(169,393)	(149,002)	(141,674)	(133,885)	(120,545)
Interest paid	(14,251)	(8,981)	(4,334)	(5,348)	(4,167)
Income tax paid (refund)	(1,041)	(1,200)	-	-	-
Net cash flows from operating activities	3,282	29,074	(7,135)	69,106	17,429
Cash flows from investing activities					
Sale of property, plant and equipment	326	1,186	282	390	411
Repayment of advance from associate company	-	200	-	-	-
Disposal of forestry investments	1,118	-	1,118	-	-
Purchase of property, plant and equipment	(39,281)	(47,325)	(10,266)	(20,237)	(19,843)
Purchase of intangible assets	(797)	(691)	(85)	-	(224)
Acquisition of forestry investments	-	(206)	-	-	(206)
Acquisition of investments	(65)	(8,744)	-	(81,242)	-
Net cash flows from investing activities	(38,699)	(55,580)	(8,951)	(101,089)	(19,862)
Cash flows from financing activities					
Loan funding	55,965	34,929	35,618	38,053	11,000
Debt repayment	(27,643)	(9,465)	(27,643)	(6,070)	(9,465)
Repayment of inter-company current account	-	-	(167)	-	(352)
Dividends paid to minority interests	(830)	(830)	-	-	-
Net cash flows from financing activities	27,492	24,634	7,808	31,983	1,183
Net increase/(decrease) in cash, cash equivalents and bank overdraft	(7,925)	(1,872)	(8,278)	-	(1,250)
Cash, cash equivalents and bank overdraft at the beginning of year	55,324	57,196	55,372	59,686	56,622
Cash, cash equivalents and bank overdrafts at the end of year	47,399	55,324	47,094	59,686	55,372

Explanation of transition to IFRS - reconciliation of operating surplus for 2005/06

In thousands of NZ Dollars

Attachment 2 to Report 07.675

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		GROUP Effect of transition to IFRSs				COUNCIL Effect of transition to IFRSs		
	Note	Previous GAAP	to IFRSs	IFRSs	Note	Previous GAAP	to IFRSs	IFRSs
Rates and levies		81,058	-	81,058		81,058	-	81,058
Grants and subsidies		37,321	-	37,321		37,321	-	37,321
Other gains/(losses)	j,o	-	3,431	3,431		-	-	-
Other revenue	o	66,663	(261)	66,402		20,860	-	20,860
Total income		185,042	3,170	188,212		139,239	-	139,239
Personnel cost		41,213	-	41,213		26,180	-	26,180
Grants and subsidies		53,320	-	53,320		53,320	-	53,320
Interest	o	10,404	(10,404)	-		4,574	(4,574)	-
Depreciation and amortisation		14,364	-	14,364		9,321	-	9,321
Finance costs - net	o	-	10,404	10,404		-	4,574	4,574
Share of profit of associate		-	-	-		-	-	-
Other (gains)/losses	o	-	303	303		-	303	303
Other operating expenses	e,f,o	56,975	(688)	56,287		39,964	1,589	41,553
Total operating expenditure		176,276	(385)	175,891		133,359	1,892	135,251
Surplus/(deficit) before tax		8,766	3,555	12,321		5,880	(1,892)	3,988
Income tax expense	d	1,149	3,579	4,728		-	-	-
Surplus (deficit) after tax		7,617	(24)	7,593		5,880	(1,892)	3,988
Unrealised increase / (decrease) in the value of investments	e,f,g,h,l,m	10,825	(142)	10,683		-	(483)	(483)
Surplus (deficit) for the year		18,442	(166)	18,276		5,880	(2,375)	3,505
Attributable to:								
Minority interest		3,539	30	3,569		-	-	-
Greater Wellington Regional Council		14,903	(196)	14,707		5,880	(2,375)	3,505
		18,442	(166)	18,276		5,880	(2,375)	3,505

Group 2005 Accounts

Group 2006 Accounts

Reconciliation of equity 2004/05 and 2005/06

In thousands of NZ dollars

Attachment 2 to Report 07.675
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New Classification	Note	Group 2005 Accounts			Group 2006 Accounts		
		Previous GAAP 30-Jun-05	transition to IFRSs 30-Jun-05	IFRSs 30-Jun-05	Previous GAAP 30-Jun-06	transition to IFRSs 30-Jun-06	IFRSs 30-Jun-06
Cash		3,279	-	3,279	161	-	161
Cash Investment	a	-	44,000	44,000	-	44,000	44,000
Sinking Fund investment	b	-	380	380	-	-	-
Water contingency reserve	c	-	8,109	8,109	-	9,472	9,472
Flood protection reserve	c	-	1,428	1,428	-	1,741	1,741
Cash and Cash Equivalents	a,b,c	3,279	53,917	57,196	161	55,213	55,374
Trade and other receivables		18,410	-	18,410	15,486	1	15,487
Inventories		2,124	-	2,124	2,361	-	2,361
Investments	a,b	44,380	(44,380)	-	44,000	(44,000)	-
Income tax receivable		477	-	477	1,271	-	1,271
Total current assets		68,670	9,537	78,207	63,279	11,214	74,493
Deferred tax asset	d	2,320	6,577	8,897	677	3,898	4,575
Other financial assets	c,e,f,g	52,348	(48,061)	4,287	51,779	(47,966)	3,813
Investment in subsidiary	e	-	-	-	-	-	-
Forestry investments	f	-	17,849	17,849	-	14,892	14,892
Investment property	h	59,753	1,532	61,285	98,522	2,690	101,212
Derived financial instruments	i	-	-	-	-	1,198	1,198
Property, plant & equipment	j,k	643,495	(1,283)	642,212	659,921	(1,265)	658,656
Intangible assets	k	-	1,437	1,437	-	1,444	1,444
Total non current assets		757,916	(21,949)	735,967	810,899	(25,109)	785,790
Total assets		826,586	(12,412)	814,174	874,178	(13,895)	860,283
Bank overdraft		-	-	-	50	-	50
Trade and other payables		21,016	-	21,016	25,122	-	25,122
Employee benefit liabilities	l	3,696	150	3,846	3,874	150	4,024
Other current liabilities		-	-	-	-	-	-
Provisions		416	-	416	415	-	415
Loans and borrowings		1,092	-	1,092	45,655	-	45,655
Current liabilities		26,220	150	26,370	75,116	150	75,266
Loans and borrowings	m	140,885	1,099	141,984	122,192	373	122,565
Provisions		839	-	839	758	-	758
Derived financial instruments	i	-	591	591	-	-	-
Non current liabilities		141,724	1,690	143,414	122,950	373	123,323
Total liabilities		167,944	1,840	169,784	198,066	523	198,589
Retained earnings		274,032	112,075	386,107	292,101	115,037	407,138
Other reserves	n	350,412	(350,412)	(0)	347,106	(347,106)	-
Specific reserves	n	-	10,210	10,210	-	7,045	7,045
Minority interests		34,198	1,654	35,852	36,905	1,684	38,589
Revaluation reserves	j, n	-	212,221	212,221	-	208,922	208,922
Total equity		658,642	(14,252)	644,390	676,112	(14,418)	661,694

Council 2005 Accounts

Council 2006 Accounts

Reconciliation of equity 2004/05 and 2005/06

In thousands of NZ dollars

Attachment 2 to Report 07.675
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New Classification	Note	Previous	transition to	Previous	transition	IFRSs	
		GAAP	IFRSs	GAAP	to IFRSs	IFRSs	
		30-Jun-05	30-Jun-05	30-Jun-06	30-Jun-06	30-Jun-06	
Cash		2,705	-	2,705	159	-	159
Cash Investment	a	-	44,000	44,000	-	44,000	44,000
Sinking Fund investment	b	-	380	380	-	-	-
Water contingency reserve	c	-	8,109	8,109	-	9,472	9,472
Flood protection reserve	c	-	1,428	1,428	-	1,741	1,741
Cash and Cash Equivalents	a,b,c	2,705	53,917	56,622	159	55,213	55,372
Trade and other receivables		15,079	-	15,079	12,177	-	12,177
Inventories		1,799	-	1,799	1,946	-	1,946
Investments	a,b	44,380	(44,380)	-	44,000	(44,000)	-
Income tax receivable		-	-	-	-	-	-
Total current assets		63,963	9,537	73,500	58,282	11,213	69,495
Deferred tax asset	d	-	-	-	-	-	-
Other financial assets	c,e,f,g	60,121	(57,134)	2,987	62,534	(59,315)	3,219
Investment in subsidiary	e	-	34,541	34,541	-	34,542	34,542
Forestry investments	f	-	17,849	17,849	-	14,892	14,892
Investment property	h	-	-	-	-	-	-
Derived financial instruments	i	-	-	-	-	346	346
Property, plant & equipment	j,k	506,055	(786)	505,269	516,940	(714)	516,226
Intangible assets	k	-	786	786	-	714	714
Total non current assets		566,176	(4,744)	561,432	579,474	(9,535)	569,939
Total assets		630,139	4,793	634,932	637,756	1,678	639,434
Bank overdraft		-	-	-	-	-	-
Trade and other payables		14,729	-	14,729	14,948	-	14,948
Employee benefit liabilities	l	1,575	-	1,575	1,647	-	1,647
Other current liabilities		2,086	-	2,086	1,812	-	1,812
Provisions		-	-	-	-	-	-
Loans and borrowings		1,092	-	1,092	1,655	-	1,655
Current liabilities		19,482	0	19,482	20,062	0	20,062
Loans and borrowings	m	56,905	1,099	58,004	58,284	373	58,657
Provisions		839	-	839	758	1	759
Derived financial instruments	i	-	15	15	-	-	-
Non current liabilities		57,744	1,114	58,858	59,042	374	59,416
Total liabilities		77,226	1,114	78,340	79,104	374	79,478
Retained earnings		232,459	133,942	366,401	241,504	131,567	373,071
Other reserves	n	320,454	(320,454)	(0)	317,148	(317,148)	-
Specific reserves	n	-	10,210	10,210	-	7,045	7,045
Minority interests		-	-	-	-	-	-
Revaluation reserves	j, n	-	179,981	179,981	-	179,840	179,840
Total equity		552,913	3,679	556,592	558,652	1,304	559,956

Explanation of transition to IFRSs
Notes to the reconciliation of equity

As a result of adopting NZ IFRS there have been changes to Greater Wellington's accounting policies. Changes that have had a significant effect on the prospective financial information are:

Note a	Term deposits have been re-classified from current investments to cash and cash equivalents in accordance with NZ IAS 1 Presentation of Financial Statements; refer to note (9). The value of this investment was \$44 million in 2006 and 2005. There has been no change in the value due to the transition to IFRS.
Note b	Sinking fund investments have been re-classified from current investments to cash and cash equivalents in accordance with NZ IAS 1 Presentation of Financial Statements; refer to note (9). The value of this investment was \$0.38 million in 2005. There has been no change in the value due to the transition to IFRS.
Note c	Water and flood contingency reserves have been re-classified from non-current investments to cash and cash equivalents in accordance with NZ IAS 1 Presentation of Financial Statements; refer to note (9). The value of these reserves were \$11,213 million in 2006 and \$9.537 million in 2005. There has been no change in the value due to the transition to IFRS.
Note d	<p>Under superseded policies, the Group adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.</p> <p>Under NZ IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.</p>
Note e	Equity investments are recognised and measured in accordance with NZ IAS 27 and 28, as set out in accounting policy (3(b)). They are held at cost and tested for impairment annually. Previously they were held at the lower of cost and net asset backing. As a result of this the investments in subsidiaries in the Council accounts have been increased to the \$34.5 million being the cost of the investment in WRC Holdings Limited, recognizing that the value of CentrePort Limited, which was funded by loan, is greater than the cost of this investment.
Note f	Forestry assets have been re-classified from financial investment to forestry investment. They and are now recorded on the balance sheet at fair value in accordance with NZ IAS 41, as set out in accounting policy (3 (j)). Previously they were held at cost with the fair value disclosed in the notes. This change in policy has resulted in a write-up of the opening book value of forestry investments by \$1.418 million which was taken directly to retained earnings. Under previous polices sericulture expenditure was capitalized, this is now expensed.
Note g	Other financial assets are accounted for at amortised cost using the effective interest rate method in accordance with IAS 39. Previously they were shown at the lower of cost or net realisable value (where there was a market). This change in policy has resulted in a write-down in the opening book value of the advance to Wellington Regional Stadium Trust by \$21.861 million in 2006 and \$22.093 million in 2005. The 2005 amount was taken directly to retained earnings and the movement between 2005 and 2006 is taken through the 2006 income statement. There has been no change in the value of other items in this category. As the repayment of the stadium advance gets nearer, a higher projected value is recorded.

Note h	Investment properties are now measured at fair value not net current value under NZ IFRS. Disposal costs as measured using net current value are added back under NZ IFRS. This change also impacted the deferred tax calculations as noted in note 2 to Report 07.675 Attachment 2 Page 26 of 29
Note i	Derivative financial instruments are now recognised at fair value in accordance with NZ IAS 39, as set out in accounting policy (3(1)) and note 18. This change in policy has resulted in a group financial liability of \$0.591 million in 2005 which was taken directly to retained earnings. The change in value to a group financial asset of \$1.198 million in 2006 is taken through the 2006 income statement.
Note j	Property, plant and equipment are now accounted for in accordance with NZ IAS 16, as set out in accounting policy (3(e)). For the Water infrastructural assets a previous revalued amount has been deemed their cost. To reflect the correct revaluation reserve balance, a transfer of \$138 million was made to retained earnings. With the exception of transferring out of Intangible assets (see note j) there was no other change in the total value of the fixed asset balances. The increase in the value of the Regional Council Centre is recognized in the income statement as a reversal of an earlier impairment in value in the group accounts.
Note k	Software has been re-classified from property, plant and equipment to intangible assets in accordance with NZ IAS 38, as set out in policy (3(g)). The value of the group intangible assets is \$4.330 million in 2006 and \$4.480 million in 2005. There has been no change in the value due to the transition to IFRS.
Note l	The Group currently provides sick leave to all its employees in accordance with the Holidays Act 2003. Generally every employee is entitled to certain number of days of sick leave per year and if not fully utilised in that year, the unutilised leave is able to be accumulated for use in subsequent years. Under NZ IFRS, the Group has provided for sick leave earned that is expected to be taken in future years. The group total increased the liability by \$0.150 million in 2005 which was taken directly to retained earnings in accordance with NZ IFRS 1.
Note m	Reserves are now disclosed separately as required by NZ IAS 1 Presentation of financial statements. In the past these were disclosed showing a total balance for reserves. Apart from the changes detailed above there have been no other changes to the balance of reserves.
Note n	Long term financial liabilities are accounted for at amortised cost using the effective interest rate method in accordance with IAS 39. Long term loans have increased by \$1.099 million in 2005 and \$0.373 million in 2006. The 2005 amount was taken directly to retained earnings and the movement between 2005 and 2006 is taken through the 2006 income statement.
Note o	A number of Income statement items have been disclosed differently under IFRS, these totals have not changed

Additional disclosures

This 2006/07 Summary Annual Report has been extracted from the full 2006/07 Annual Report dated 27 September 2007. The Annual Report has been audited by Audit New Zealand and an unqualified opinion was obtained on 27 September 2007.

This summary cannot be expected to provide as complete and understanding as provided by the Annual Report on the financial and service performance, financial position and cashflow of Greater Wellington.

This Summary Annual Report was authorised for issue on 27 September 2007 by the Chairman, Chief Executive and the Chief Financial Officer of Greater Wellington. This Summary Annual Report fully complies with Financial Reporting Standard 43.

The full financial statements have been prepared in accordance with New Zealand generally accepted accounting principles. The full 2006/07 financial statements were the first to be prepared under New Zealand International Financial Reporting Standards (NZIFRS) and they fully comply with NZIFRS. There have been no changes in the accounting policies apart from those changes required by NZIFRS. These changes are included in this Summary Annual Report.

Greater Wellington is a public benefit entity.

For a printed copy of the 2006/07 Annual Report or Annual Report Summary, email publications@gw.govt.nz or phone 0800 496 734. For the online versions, see www.gw.govt.nz.

