Financial statements for the year ended 30 June 2008

Income statement
for the year ended 30 June 2008

	Notes	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Income						
Rates and levies		94,076	85,790	94,076	93,449	85,790
Grants and subsidies		53,633	51,090	53,633	81,670	51,090
Other gains		-	3,240	-	-	-
Other revenue		72,982	71,126	20,763	21,757	22,420
Total income	**1**	**220,691**	**211,246**	**168,472**	**196,876**	**159,300**
Expenses						
Employee benefits	2	46,640	44,365	28,509	30,593	28,809
Grants and subsidies		63,776	57,146	83,226	123,127	79,486
Depreciation and amortisation	3	16,324	15,393	9,436	10,466	9,476
Finance costs	4	13,320	13,063	4,415	4,975	4,760
Other losses	5	(296)	79	152	-	79
Other operating expenses	6	64,502	61,463	47,611	46,389	46,062
Total operating expenses		**204,266**	**191,509**	**173,349**	**215,550**	**168,672**
Surplus/(deficit) for the year before unrealised items and tax		**16,425**	**19,737**	**(4,877)**	**(18,674)**	**(9,372)**
Unrealised gains/(losses)	7	1,011	18,119	2,335	3,809	4,786
Surplus/(deficit) for the year after unrealised items and before tax		**17,436**	**37,856**	**(2,542)**	**(14,865)**	**(4,586)**
Tax expense	8	3,201	4,256	-	-	-
Surplus/(deficit) for the year		**14,235**	**33,600**	**(2,542)**	**(14,865)**	**(4,586)**
Attributed to:						
Minority interest		1,604	4,428	-	-	-
Equity holders of the parent		12,631	29,172	(2,542)	(14,865)	(4,586)
Surplus/(deficit) for the year		**14,235**	**33,600**	**(2,542)**	**(14,865)**	**(4,586)**

The accompanying notes and accounting policies should be read in conjunction with these financial statements

Income statement by activity
for the year ended 30 June 2008

Operating revenue

	Council 2008 Actual $000s	Council 2008 Budget $000s
Environment	10,322	10,383
Transport	90,568	118,540
Water supply	24,905	24,955
Land	9,753	10,979
Safety and flood protection	16,631	15,952
Parks	6,407	6,548
Community	11,854	13,059
Investments	4,975	7,923
Other	3,860	2,217
Total operating revenue	**179,275**	**210,556**
Less internal operating revenue	8,468	9,871
Total external operating revenue including unrealised gains	**170,807**	**200,685**

Operating expenditure

	Council 2008 Actual $000s	Council 2008 Budget $000s
Environment	10,516	10,552
Transport	99,125	137,009
Water supply	23,682	26,887
Land	9,557	10,953
Safety and flood protection	13,163	12,931
Parks	6,615	6,869
Community	10,361	11,389
Investments	5,309	6,796
Other	3,489	2,035
Total operating expenditure	**181,817**	**225,421**
Less internal operating expenditure	8,468	9,871
Total external operating expenditure	**173,349**	**215,550**
Operating surplus/(deficit)	**(2,542)**	**(14,865)**
Capital expenditure and transport investments	13,338	25,495
Proceeds from assets sales	183	(346)
Loan funding of capital expenditure	(11,670)	(38,565)
Rate, levy and subisdy-funded capital expenditure	**1,851**	**(13,416)**
Other loan funding	(4,226)	(4,612)
Debt repayment	2,398	9,234
Other investment movements	2,681	2,062
Operational reserve movements	3,369	(263)
Working capital movements	45	-
Non-cash items	(8,660)	(7,870)
Net funding required	**-**	**-**

Statement of changes in equity
for the year ended 30 June 2008

	Notes	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Equity – opening balance as at 1 July		750,238	661,694	602,058	566,464	559,956
Asset revaluation movements taken directly to equity		10,158	53,829	10,865	-	46,688
Asset revaluation movements taken directly to equity minority interests	19	-	1,946	-	-	-
Net income recognised directly in equity		10,158	55,775	10,865	-	46,688
Net surplus/(deficit) for the year		14,235	33,600	(2,542)	(14,865)	(4,586)
Total recognised income and expenses for the year		24,393	89,375	8,323	(14,865)	42,102
Attributable to:						
Equity holders of the parent		22,789	84,947	8,323	(14,865)	42,102
Minority interest	19	1,604	4,428	-	-	-
Total recognised income and expenses for the period		24,393	89,375	8,323	(14,865)	42,102
Dividend to minority interest		(1,102)	(831)	-	-	-
Balance as at 30 June	**19**	**773,529**	**750,238**	**610,381**	**551,599**	**602,058**

	Notes	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Assets						
Current assets						
Cash and cash equivalents	9	34,096	47,399	33,165	48,224	47,094
Trade and other receivables	10	29,826	37,326	23,965	14,153	32,604
Inventories	11	2,861	2,663	2,193	-	2,142
Income tax receivable	8	-	446	-	-	-
Derivative financial instruments	18	573	-	269	-	-
		67,356	87,834	59,592	62,377	81,840
Non-current assets						
Other financial assets	12	20,292	4,102	18,695	23,089	3,470
Property, plant and equipment	13	852,786	771,800	578,295	561,209	563,907
Intangible assets	14	1,257	1,428	277	-	409
Forestry investments	15	9,910	14,303	9,910	18,194	14,303
Investment properties	16	100,345	100,829	-	-	-
Investment in subsidiaries	17	-	-	35,140	-	34,542
Derivative financial instruments	18	3,159	4,874	1,276	-	1,908
Deferred tax asset	8	752	1,670	-	-	-
		988,501	899,006	643,593	602,492	618,539
Total assets		**1,055,857**	**986,840**	**703,185**	**664,869**	**700,379**

Balance sheet
as at 30 June 2008

	Notes	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Equity and liabilities						
Equity attributable to equity holders of the parent						
Retained earnings		438,319	428,638	362,086	345,854	367,578
Reserves		290,577	277,469	248,295	205,745	234,480
		728,896	706,107	610,381	551,599	602,058
Minority interest		44,633	44,131			
Total equity	**19**	**773,529**	**750,238**	**610,381**	**551,599**	**602,058**
Current liabilities						
Trade and other payables	**20**	37,146	36,373	23,883	19,154	29,421
Debt	**21**	227,232	79,935	54,300	2,767	35,934
Employee benefit liabilities	**22**	4,223	3,749	2,009	-	1,971
Provisions	**23**	415	543	-	-	-
		269,016	120,600	80,192	21,921	67,326
Non-current liabilities						
Debt	**21**	11,960	114,589	11,960	91,349	30,335
Employee-benefit liabilities	**22**	1,352	1,413	652	-	660
		13,312	116,002	12,612	91,349	30,995
Total liabilities		**282,328**	**236,602**	**92,804**	**113,270**	**98,321**
Total equity and liabilities		**1,055,857**	**986,840**	**703,185**	**664,869**	**700,379**

Fran Wilde
Chair
29 September 2008

David Benham
Chief Executive
29 September 2008

Barry Turfrey
Chief Financial Officer
29 September 2008

The accompanying notes and accounting policies should be read in conjunction with these financial statements

Cash flow statement
for the year ended 30 June 2008

	Notes	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Cash flows from operating activities						
Receipts from customers		50,195	49,084	-	-	-
Rates revenue received		66,108	61,093	66,108	69,989	61,093
Water supply levy received		23,460	22,776	23,460	23,460	22,776
Government subsidies received		63,814	40,909	63,814	81,670	40,909
Interest received		4,107	3,966	4,084	2,773	3,807
Dividends received		1,668	468	140	250	618
Fees, charges and other revenue		19,505	9,671	19,505	17,621	9,670
Payments to suppliers and employees		(193,401)	(169,393)	(164,411)	(198,893)	(141,674)
Interest paid		(13,154)	(14,251)	(4,069)	(4,703)	(4,334)
Income tax paid/(refund)		(2,265)	(1,041)	-	-	-
Net cash flows from operating activities	**24**	**20,037**	**3,282**	**8,631**	**(7,833)**	**(7,135)**
Cash flows from investing activities						
Sale of property, plant and equipment		1,183	326	183	346	282
Disposal of forestry investments		1,268	1,118	1,268	-	1,118
Purchase of property, plant and equipment		(67,877)	(39,281)	(13,016)	(24,518)	(10,266)
Purchase of intangible assets		(397)	(797)	(57)	-	(85)
Acquisition of investments		(16,262)	(65)	(15,521)	(1,928)	-
Net cash flows from investing activities		**(82,085)**	**(38,699)**	**(27,143)**	**(26,100)**	**(8,951)**

The accompanying notes and accounting policies should be read in conjunction with these financial statements

Cash flow statement
for the year ended 30 June 2008

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Cash flows from financing activities					
Loan funding	80,511	55,965	35,830	42,904	35,618
Debt repayment	(30,664)	(27,643)	(30,664)	(8,971)	(27,643)
Repayment of intercompany current account	-	-	(583)	-	(167)
Dividends paid to minority interests	(1,102)	(830)	-	-	-
Net cash flows from financing activities	**48,745**	**27,492**	**4,583**	**33,933**	**7,808**
Net increase/(decrease) in cash, cash equivalents and bank overdraft	(13,303)	(7,925)	(13,929)	-	(8,278)
Cash, cash equivalents and bank overdraft at the beginning of year	47,399	55,324	47,094	48,224	55,372
Cash, cash equivalents and bank overdrafts at the end of year	**34,096**	**47,399**	**33,165**	**48,224**	**47,094**

The GST (net) component of operating activities reflects the net GST paid and received with Inland Revenue. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of accounting policies

1. Reporting entity

The Greater Wellington Regional Council (Greater Wellington) is a regional local authority governed by the Local Government Act 2002. The Group consists of Greater Wellington and its subsidiaries as disclosed below.

Financial statements for Greater Wellington (the "Parent") and consolidated financial statements (for the "Group") are presented.

For the purposes of financial reporting, Greater Wellington is designated as a public benefit entity. The subsidiary companies comprise WRC Holdings, Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited, Greater Wellington Infrastructure Limited, Grow Wellington Limited and CentrePort Limited. All subsidiaries, except Grow Wellington Limited, are designated as profit-oriented entities. Grow Wellington Limited is designated as a public benefit entity.

2. Statement of compliance

The Group financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for public benefit entities.

The financial statements of Greater Wellington are for the year ended 30 June 2008. The financial statements were authorised for issue by Council on 29 September 2008.

Accounting judgments and estimations

The preparation of financial statements in conformity with NZ GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, when the revision affects only that period. If the revision affects current and future periods, it is reflected in those periods.

Judgements made by management in the application of NZ GAAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 26.

3. Accounting policies

(a) Basis of preparation

The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, forestry assets, derivative financial instruments and certain infrastructural assets that have been measured at fair value.

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

The accounting policies have been applied consistently by Group entities.

(b) Basis of consolidation

The consolidated financial statements include Greater Wellington and its subsidiaries. Subsidiaries are those entities controlled directly or indirectly by the parent. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method. A list of subsidiaries appears in Note 17 to the financial statements.

The minority interest represents Manawatu-Wanganui Regional Council's 23.1% share of CentrePort Limited.

Greater Wellington's investment in subsidiaries is held at cost in Greater Wellington's own "parent entity" accounts.

Associates are entities in which the group has significant influence but not control over their operations. Greater Wellington's share of the assets, liabilities, revenue and expenditure are included in the financial statements of the Group on an equity accounting basis.

All significant inter-company transactions are eliminated on consolidation.

(c) Revenue recognition

Revenue is recognised when billed or earned on an accrual basis.

(i) Rates and levies

Rates and levies are a statutory annual charge and recognised in the year the assessments are issued.

(ii) Government grants and subsidies

Greater Wellington receives government grants from Land Transport New Zealand, which subsidises part of Greater Wellington's costs in the provision of public transport subsidies to external transport operators and for capital purchases of rail rolling stock within Greater Wellington's subsidiaries and transport network upgrades owned by Ontrack. The grants and subsidies are recognised as revenue when eligibility has been established by the grantor.

Other grants and contributions from territorial local authorities are recognised in the Income Statement when eligibility has been established by the grantor.

(iii) Sale of goods

Revenue on the sale of goods is recognised when all risks are transferred to the buyer and there is no longer control or managerial involvement with the goods.

(iv) Rendering of services

Revenue from services rendered is recognised by reference to the stage of completion of the service.

(v) Dividends

Revenue from dividends is recognised on an accrual basis (net of imputation credits) once the shareholder's right to receive payment is established.

(vi) Interest

Interest is accrued using the effective interest rate method. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(vii) Other revenue

Other income is also recognised on an accrual basis. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Group are recognised as revenue when control over the asset is obtained.

(d) Borrowing costs

Borrowing costs directly attributable to capital construction are capitalised as part of the costs of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(e) Property, plant and equipment

Property, plant and equipment consists of operational and infrastructure assets. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

The initial cost of property, plant and equipment includes the purchase consideration and those cost that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

Property, plant and equipment are categorised into the following classes:

- Port buildings, wharves and paving
- Operational port freehold land
- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets
- Rail rolling stock
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Capital work in progress
- Regional water supply infrastructural assets
- Regional water supply administrative buildings
- Regional water supply minor equipment
- Regional water supply motor vehicles
- Regional water supply capital work in progress

All property, plant and equipment are initially recorded at cost.

Valuations

Valuations for regional water supply, parks and forests, flood protection and transport infrastructural assets are carried out or reviewed by independent qualified valuers. They are carried out at regular intervals.

Flood protection

The flood protection infrastructure assets were revalued at 30 June 2007 using optimised depreciated replacement cost (ODRC) methodology in accordance with the guidelines published by the National Asset Management Steering (NAMS) Group. The valuations were carried out by a team of qualified and experienced flood protection engineers from within the Flood Protection department.

The asset valuation was reviewed by John Vessey, Principal Engineering Economist, Opus International Consultants. He concluded that the 2007 valuation of Greater Wellington’s flood protection assets is deemed acceptable and appropriate for financial reporting purposes.

Western flood protection land was revalued as at 30 June 2007 by Martin Veale ANZIV, SPINZ & Brian Whitaker ANZIV, SPINZ, using a derived value rate per hectare, based on sales data of rural and reserve land from recognised valuation sources, which reflects fair value.

Baker & Associates revalued Wairarapa flood protection land as at 30 June 2007. Land valuation was completed by FT Rutherford BBS (VPM) ANZIV, using comparison to market sales of comparable type land in similar locations to each parcel, which reflects fair value.

Parks and forests

The parks and forests infrastructure assets were revalued at 30 June 2008. Land and improvements have been valued using the market value methodology by Fergus Rutherford, registered valuer. Roads, fences, tracks and other park infrastructure have been valued using ODRC methodology in accordance with the guidelines published by the National Asset Management Steering Group, by Graham Laws, Parks and Forests Asset Management Advisor. Fergus Rutherford of Baker & Associates Ltd reviewed the valuation methodology and rates.

Plantation forestry bridges were revalued by Kate Zwartz, Senior Engineer for the Engineering Consultancy Group.

Public transport

Public transport infrastructural assets well valued by Duffill Watts Ltd. Land was valued at market value and other assets at depreciated replacement cost.

Regional water supply

Regional water supply wholesale water assets were revalued by Nigel Fenwick MNZPI and Rob Slater MNZPI of Knight Frank at 30 June 2004 using ODRC methodology.

Water catchment land was revalued by GH Smith ANZIV, SNZPI at 30 June 2004, using the market value methodology.

Other land and buildings were revalued by Martin Veale ANZIV, SNZPI of Telfer Young at 30 June 2004, using the market value methodology.

Greater Wellington Regional Council Group (including CentrePort Limited)

Operational port freehold land is stated at valuation determined every three years by an independent registered valuer. Colliers International valued the land at 30 June 2007 at fair value. The basis of valuation is fair value, which is determined with reference to the assets highest and best use as determined by the valuer.

Any increase in the value on revaluation is taken directly to the asset revaluation reserve. However, if it offsets a previous decrease in value for the same asset recognised in the Income Statement, then it is recognised in the Income Statement. A decrease in the value on revaluation is recognised in the Income Statement where it exceeds the increase of that asset previously recognised in the asset revaluation reserve.

The remaining property, plant and equipment are recorded at cost, less accumulated depreciation and impairment. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All property, plant and equipment, except land, are depreciated.

(f) Depreciation

Depreciation is provided on a straight-line basis on all tangible property, plant and equipment, other than land and capital works in progress, at rates which will write off assets, less their estimated residual value over their remaining useful lives.

The useful lives of major classes of assets have been estimated as follows:

• Port, wharves and paving	10 to 50 years
• Operational port freehold land	indefinite
• Operational land and buildings	10 to indefinite
• Operational plant and equipment	2 to 20 years
• Operational vehicles	3 to 10 years
• Flood protection infrastructural assets	15 to indefinite
• Transport infrastructural assets	5 to 50 years
• Rail rolling stock	15 to 35 years
• Navigational aids infrastructural assets	5 to 50 years
• Parks and forests infrastructural assets	10 to 100 years
• Regional water supply infrastructural assets	3 to 150 years
• Regional water supply administrative buildings	10 to 50 years
• Regional water supply minor equipment	3 to 15 years
• Regional water supply vehicles	5 to 10 years

Capital work in progress is not depreciated.

Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and to check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

(g) Intangible assets

Software is carried at cost, less any accumulated amortisation and impairment losses. It is amortised over the useful life of the asset as follows:

Software	1 to 5 years

(h) Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. There are two classes of investment property:

1. Developed investment properties
2. Land available for development

The Regional Council Centre (RCC) is treated as an investment property within the WRC Holdings Group and as property, plant and equipment within the Greater Wellington Group accounts. Gains or losses arising from changes in fair value of investment properties are included in the income statement in the period in which they arise.

(i) Impairment

All assets are reviewed annually to determine if there is any indication of impairment.

An impairment loss is recognised when its carrying amount exceeds its recoverable amount. Losses resulting from impairment are accounted for in the Income Statement, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

(i) Recoverable amount

The recoverable amount of an asset is the greater of the net selling price and value in use.

(ii) Value in use

Value in use for Greater Wellington assets is calculated as being the depreciated replacement cost of the asset. For Greater Wellington's subsidiaries it is calculated as being the estimated future cash flows, which are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Forestry investments

Forestry investments are stated at fair value, less point-of-sale costs. They are independently revalued to an estimate of market valuation based on net present value. The net gain or loss arising from changes in forestry valuation is included in the Income Statement.

(k) Financial instruments

The Group classifies its financial assets and liabilities according to the purpose for which they were acquired.

Financial assets and liabilities are only offset when there is a legally enforceable right to offset them and there is an intention to settle on a net basis.

(i) Financial assets

The Group's financial assets are categorised as follows:

- *Financial assets at fair value accounted through the Income Statement*
  Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on remeasurement are recognised in the Income Statement.

- *Financial assets at fair value accounted through equity*
  Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition these assets are measured at their fair value. Any gains and losses are recognised directly to equity, except for impairment losses which are recognised in the Income Statement.

  Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when it can be reliably estimated. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market, no intention to sell the asset and fair value can not be reliably measured, the item is measured at cost.

  Fair value is equal to Greater Wellington's share of the net assets of the entity. Upon sale, the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Income Statement.

- *Loans and receivables*
  These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised costs using the effective interest method. Gains and losses when the asset is impaired or sold are accounted for in the Income Statement.

- *Held to maturity investments*
  These are assets with fixed or determinable payments with fixed maturities that the Group has the intention and ability to hold to maturity. After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the Income Statement.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

(ii) Financial liabilities

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value, less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Income Statement as is any gain or loss when the liability is settled. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

(l) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to interest rate and foreign exchange risks arising from its operational, financing and investment activities. In accordance with its treasury policies, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments which do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the Income Statement.

The fair value of an interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at balance date, based on current interest rates. The fair value of forward exchange contracts is their quoted market price at the balance date.

(m) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(n) Inventories

Inventories are valued at the lower of cost or net realisable value on a first-in first-out basis.

The value of harvested timber is its fair value, less estimated point-of-sale costs at the date of harvest. Any change in value at the date of harvest is recognised in the Income Statement.

(o) Income tax

Income tax in the Income Statement for the year comprises current and deferred tax. Income tax is usually recognised in the Income Statement except to the extent that it relates to items recognised directly in equity. In this case that amount is recognised in equity.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(p) Foreign currency

In the event that the Group has any material foreign currency risk, it will be managed by derivative instruments to hedge the currency risk.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on their translation are recognised in the Income Statement.

(q) Employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date. Employee benefits include salaries, annual leave and long service leave. Where the benefits are expected to be paid for within 12 months of balance date, the provision is the estimated amount expected to be paid by the Group. The provision for other employee benefits is stated at the present value of the future cash outflows expected to be incurred. Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Income Statement as incurred.

Greater Wellington belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

(r) Provisions

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

(s) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

(t) Leases

The Group leases office space, office equipment vehicles, land, buildings and wharves.

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

(u) Overhead allocation and internal transactions

Greater Wellington allocates overhead from support service functions on a variety of different bases that are largely determined by usage. The treasury operation of Greater Wellington is treated as an internal banking activity. Any surplus generated is credited directly to the Income Statement.

Individual significant activity operating revenue and operating expenditure is stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in the Group's financial statements.

The "Investment in Democracy" costs have not been allocated to significant activities, except where there is a major separate community of benefit other than the whole region, ie, regional water supply and regional transport.

(v) Equity

Equity is the community's interest in the Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the Group.

The components of equity are accumulated funds and retained earnings, revaluation reserves and restricted funds.

(w) Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Group and the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure.

(x) Budget figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Greater Wellington for the preparation of these financial statements.

(y) Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements.

(z) Standards, amendments and interpretations that are not yet effective and have not been early adopted

Greater Wellington has not elected to adopt the following in advance of their effective dates:

- NZ IAS 23 (Revised) Borrowing Costs effective for on or after 1 January 2009.

  The Group currently capitalises directly attributable borrowing costs. However, the revision to NZ IAS 23 requires borrowing costs to be added to "qualifying assets" even when not directly attributed to the asset. This would include Greater Wellington's long-term constructed assets. This change will result in some currently expensed non-attributed interest being moved from the income statement to the balance sheet. The impact to the income statement is unlikely to be material in any given year.

- NZ IAS 40 Investment Properties Costs effective for on or after 1 July 2009.

  Application of this amendment would increase the pre-tax group operating surplus by $5.3 million.

  Other standards issued are not considered to have a material impact on Greater Wellington.

Note 1

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Operating income					
General rates	22,015	22,525	22,015	21,803	22,525
Targeted rates	48,186	40,060	48,186	48,186	40,060
Rates penalties	451	461	451	-	461
Remission of rates penalties	(36)	(32)	(36)	-	(32)
Regional rates	70,616	63,014	70,616	69,989	63,014
Regional water supply levy	23,460	22,776	23,460	23,460	22,776
Total rates and levies	**94,076**	**85,790**	**94,076**	**93,449**	**85,790**
Government grants and subsidies	53,633	51,090	53,633	81,670	51,090
Other income:					
Sale of goods	5,011	5,040	5,011	5,596	5,040
Logging revenue	5,324	5,962	5,324	6,347	5,962
Subsidiaries revenue	41,165	39,375	-	-	-
Rendering of services	660	675	660	8	675
Animal Health Board	3,245	4,688	3,245	3,922	4,688
Rental income	896	827	896	793	827
Rents from investment properties	12,187	10,285	-	-	-
Management fees	-	-	360	250	249
Dividends received	12	-	76	251	543
Subvention revenue	-	-	1,031	705	629
Interest received	4,167	3,966	4,160	3,885	3,807
Equity accounted earnings from associates	315	308	-	-	-
	72,982	71,126	20,763	21,757	22,420
Other gains:					
Reversal of impairment of property plant and equipment	-	3,240	-	-	-
Total operating income	**220,691**	**211,246**	**168,472**	**196,876**	**159,300**

Note 2

Employee benefits

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Employee benefits expense	43,980	41,833	26,362	28,240	26,771
Post-employment benefit expense	1,815	1,681	1,302	1,495	1,187
Councillor remuneration	845	851	845	858	851
	46,640	44,365	28,509	30,593	28,809

Note 3

Depreciation and amortisation

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Depreciation				
Port wharves and pavings	2,111	2,098	-	-
Land and buildings	1,019	935	72	70
Plant and equipment	3,090	3,476	637	945
Rail rolling stock	998	-	-	-
Motor vehicles	798	775	798	775
Flood protection at valuation	237	199	237	199
Flood protection at cost	514	474	514	474
Transport facilities	366	336	366	336
Navigational aids	23	32	23	32
Parks and forests	405	404	405	404
Regional water supply asset depreciation				
Infrastructure assets	5,969	5,874	5,969	5,874
Administration buildings	1	1	1	1
Minor equipment	42	123	42	123
Motor vehicles	183	161	183	161
Total regional water supply depreciation	6,195	6,159	6,195	6,159
Total depreciation	**15,756**	**14,888**	**9,247**	**9,394**
Amortisation				
Software	568	505	189	82
Total amortisation	**568**	**505**	**189**	**82**
Total depreciation and amortisation	**16,324**	**15,393**	**9,436**	**9,476**

Note 4

Finance costs

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Interest expense					
Interest on bank borrowings	13,320	13,063	4,415	4,975	4,760
Finance costs	**13,320**	**13,063**	**4,415**	**4,975**	**4,760**

Note 5

Other losses

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Loss on disposal of property, plant and equipment	(296)	79	152	-	79
	(296)	79	152	-	79

Note 6

Other operating expenses

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Auditor's remuneration:					
Fees to principal auditor for financial statement audit	199	161	140	121	133
Fees to principal auditor for NZ IFRS transition	-	94	-	-	55
Fees to principal auditor for audit of community plan and other services	12	40	12	-	40
Fees to other auditor for financial statement audit	72	75	-	-	-
Fees to other auditor for IFRS, tax and other services	131	182	-	-	-
Impairment:					
Bad debts written off/(back)	279	224	-	-	-
Change in provision for impairment of trade receivables	(19)	(40)	(19)	-	(40)
Insurance:					
Insurance	1,402	1,314	1,140	1,324	1,184
General:					
Asset write-offs/(written back)	174	149	174	-	149
Directors fees	525	315	-	-	-
LGNZ subscriptions	82	68	82	68	68
Operating lease rentals	-	-	1,630	1,474	1,199
Energy costs	4,681	5,847	2,538	3,019	3,436
Maintenance	19,740	17,422	14,837	18,040	14,434
Consultancy	27,545	27,747	26,200	22,343	25,404
Other operating expenses	9,679	7,865	877	-	-
	64,502	61,463	47,611	46,389	46,062

Audit-related fees for assurance services were for a probity review regarding the purchase of new trains.

Note 7

Unrealised gains/(losses)

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2008 Budget $000s	Council 2007 Actual $000s
Unrealised increase/(decrease) in forestry investment	(3,125)	529	(3,125)	3,029	529
Unrealised increase/(decrease) in value of Stadium advance	271	251	271	780	251
Unrealised increase/(decrease) in value of bonds	32	-	32	-	-
Unrealised increase/(decrease) in value of loans	5,521	2,444	5,521	-	2,444
Unrealised increase/(decrease) in investment properties (developed property)	219	6,585	-	-	-
Unrealised increase/(decrease) in investment properties (undeveloped land)	(764)	4,634	-	-	-
Unrealised increase/(decrease) in financial instruments					
Interest rate swaps	(2,125)	4,760	(703)	-	1,562
Interest rate collars	-	(11)	-	-	-
Interest rate caps	(55)	19	-	-	-
Foreign exchange contracts	1,037	(1,092)	339	-	-
	(1,143)	3,676	(364)	-	1,562
	1,011	18,119	2,335	3,809	4,786

Note 8

Taxation

For Greater Wellington, the net income subject to tax consists of its assessable income net of related expenses derived from the Greater Wellington Group of companies, including the CentrePort Group and New Zealand Local Government Insurance Corporation. All other income currently derived by Greater Wellington is exempt from income tax.

	Group 2008 $000s	Group 2007 $000s	Council 2008 $000s	Council 2007 $000s
(a) Income tax recognised in profit or loss				
Tax expense/(benefit) comprises:				
Current tax expense/(benefit)	1,379	1,063	(529)	(642)
Adjustments recognised in the current period in relation to the current tax of prior periods	(109)	(14)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,013	2,686	529	642
Deferred tax expense arising from the write-down, or reversal of previous write-down, of a deferred tax asset	1,062	302	-	-
Impact of tax rate change	(144)	219	-	-
Total tax expense/(benefit)	**3,201**	**4,256**	**-**	**-**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Group 2008 $000s	Group 2007 $000s	Council 2008 $000s	Council 2007 $000s
(Profit)/loss from operations	(17,436)	(37,856)	2,542	4,586
Income tax expense/(benefit) calculated at 33%	5,754	12,492	(839)	(1,513)
(Profit)/loss not subject to taxation	(3,503)	1,248	356	1,049
Non-deductible expenses	506	4	-	-
Non-assessable income	24	(9,999)	-	-
Unused tax losses and timing differences not recognised as deferred tax assets	1,547	900	529	598
Tax effect of imputation credits	(633)	(594)	(46)	(134)
Temporary differences	(241)	-	-	-
Impact of tax rate change	(144)	219	-	-
	3,310	4,270	-	-
(Over)/under provision of income tax in previous period	(109)	(14)	-	-
Total tax expense/(benefit)	**3,201**	**4,256**	**-**	**-**

Note 8 (continued)

The tax rate used in the above reconciliation is the company tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. Though for the current period there has been no change in the company tax rate when compared with the previous reporting period, from 1 July 2008 the company will be subject to tax at the recently enacted rate of 30%.

(b) Subvention payments

The financial statements accrue a subvention payment from Pringle House Limited for the utilisation of $1,031,302 losses of Greater Wellington's tax. A subvention payment of $628,634 was made by Pringle House Limited to Greater Wellington in relation to the amount accrued in the 2007 year.

	Group 2008 $000s	Group 2007 $000s	Council 2008 $000s	Council 2007 $000s
(c) Income tax recognised directly in equity				
The following current and deferred amounts were charged/(credited) directly to equity during the period:				
Current tax:	-	-	-	-
Deferred tax:				
Adjustments to opening retained earnings associated with changes in accounting policies for financial instruments	-	-	-	-
Other – change in deferred tax recognised	-	-	-	-
	-	**-**	**-**	**-**
(d) Current tax assets and liabilities				
Current tax assets:				
Subvention receivable	-	-	1,031	629
Tax refund receivable	-	446	-	-
Other	-	-	-	-
	-	**446**	**1,031**	**629**
Current tax payables:				
Income tax payable attributable to:				
Parent entity	**-**	**-**	**-**	**-**
Other	235	-	-	-
	235	**-**	**-**	**-**

Note 8 (continued)

	Group 2008 $000s	Group 2007 $000s	Council 2008 $000s	Council 2007 $000s
(e) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses	-	-	-	-
Temporary differences	6,854	6,537	-	-
	6,854	**6,537**	**-**	**-**
Deferred tax liabilities comprise:				
Temporary differences	6,102	4,867	-	-
	6,102	**4,867**	**-**	**-**

Taxable and deductible temporary differences arise from the following:

	2008 Opening balance $000s	2008 Charged to income $000s	2008 Charged to equity $000s	2008 Change in tax rate $000s	2008 Closing balance $000s	2007 Opening balance $000s	2007 Charged to income $000s	2007 Charged to equity $000s	2007 Change in tax rate $000s	2007 Closing balance $000s
Group										
Investment properties	(3,742)	(1,957)	-	177	(5,522)	(3,010)	(1,107)	-	375	(3,742)
Property, plant and equipment	5,473	140	-	(67)	5,546	6,686	(725)	-	(488)	5,473
Trade and other payables	1,002	182	-	(16)	1,168	1,108	(6)	-	(100)	1,002
Other financial liabilities	(1,125)	487	-	58	(580)	(281)	(844)	-	-	(1,125)
Other	62	86	-	(8)	140	72	(4)	-	(6)	62
Total	**1,670**	**(1,062)**	**-**	**144**	**752**	**4,575**	**(2,686)**	**-**	**(219)**	**1,670**
Council										
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Note 8 (continued)

	Group 2008 $000s	Group 2007 $000s	Council 2008 $000s	Council 2007 $000s
Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses	4,061	2,894	2,506	2,200
Temporary differences	-	-	-	-
	4,061	**2,894**	**2,506**	**2,200**

Tax losses not recognised

Greater Wellington has tax losses of $8.353 million (2007 $6.667 million) available to be carried forward and to be offset against taxable income in the future that have not been recognised. The tax effect of these losses at 30% is 2.506 million (2007 2.000 million).

WRC Holdings Limited has unrecognised tax losses of $0.875 million (2007 $0.766 million) available to be carried forward and offset against taxable income in the future. The tax effect of these losses at 30% is $0.262 million (2007 $0.230 million).

Port Investments Limited has unrecognised tax losses of $4.193 million (2007 $1.337 million) available to be carried forward and offset against taxable income in the future. The tax effect of these losses at 30% is $1.258 million (2007 $0.401 million).

Greater Wellington Rail Limited has unrecognised tax losses of $0.105 million (2007: nil) available to be carried forward and offset against taxable income in the future. The tax effect of these losses at 30% is $0.031 million (2007: nil).

Grow Wellington Limited has unrecognised tax losses of $0.014 million (2007: nil) available to be carried forward and offset against taxable income in the future. The tax effect of these losses at 30% is $0.004 million (2007: nil).

The ability to carry forward tax losses is contingent upon continuing to meet the requirements of the Income Tax Act 2007.

Note 8 (continued)

	Group 2008 $000s	Group 2007 $000s	Council 2008 $000s	Council 2007 $000s
(f) Imputation credit account balances				
Balance at beginning of the period	9,447	9,067	-	-
Attached to dividends received	1,596	102	-	-
Taxation paid	1,231	473	-	-
Attached to dividends paid	(1,527)	(195)	-	-
Balance at end of the period	**10,747**	**9,447**	**-**	**-**

Imputation credits available directly and indirectly to shareholders of the parent company, through:

	Group 2008 $000s	Group 2007 $000s
Parent company	-	-
Subsidiaries	10,747	9,447
	10,747	**9,447**

Note 9

Cash and cash equivalents	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Cash	937	1,339	6	1,034
Bank deposits	18,000	33,000	18,000	33,000
Water supply contingency investment	12,741	10,976	12,741	10,976
Major flood recovery fund	2,479	2,084	2,479	2,084
Bank overdraft	(61)	-	(61)	-
	34,096	47,399	33,165	47,094

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying terms of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents are the stated values.

As at 30 June 2008 bank deposits have an interest rate of 8.73% (2007 8.10%) and have various maturity dates. They are available for day-to-day cash management.

As at 30 June 2008 the weighted average interest rate on the water supply contingency investment is 8.65% (2007 8.34%) and is recorded at fair value.

As at 30 June 2008 the weighted average interest rate on the major flood recovery fund is 8.65% (2007 8.34%) and is recorded at fair value.

Note 10

Trade and other receivables

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Rates outstanding	12,240	7,732	12,240	7,732
Trade customers	10,865	10,132	3,741	4,487
Accrued revenue	6,618	19,370	6,618	19,370
Subvention receivable	-	-	1,031	629
Dividends receivable	-	-	64	543
Interest receivable	833	465	833	465
Prepayments	148	637	102	259
	30,704	38,336	24,629	33,485
Less provision for impairment of receivables	(878)	(1,010)	(664)	(881)
	29,826	37,326	23,965	32,604

Trade customers are non-interest bearing and are generally on 30-90 day terms, therefore the carrying value of debtors and other receivables approximates fair value.

Provision for impairment of receivables

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Opening balance	(1,010)	(969)	(881)	(969)
Movement	132	(41)	217	88
Closing balance	**(878)**	**(1,010)**	**(664)**	**(881)**

Note 10 (continued)

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

	2008 Gross $000s	2008 Impairment $000s	2008 Net $000s	2007 Gross $000s	2007 Impairment $000s	2007 Net $000s
Council						
Not past due	24,432	576	23,856	33,313	774	32,539
Past due 31-60 days	16	-	16	27	-	27
Past due 61-90 days	72	-	72	21	-	21
Past due > 90 days	109	88	21	124	107	17
	24,629	**664**	**23,965**	**33,485**	**881**	**32,604**
Group						
Not past due	27,424	576	26,848	37,945	903	37,042
Past due 31-60 days	749	-	749	66	-	66
Past due 61-90 days	290	-	290	47	-	47
Past due > 90 days	2,241	302	1,939	278	107	171
	30,704	**878**	**29,826**	**38,336**	**1,010**	**37,326**

The impairment provision has been determined based on an analysis of previous periods.

Note 11

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Inventories				
Harbours	5	5	5	5
Depots	140	125	140	125
Water supply	1,657	1,590	1,657	1,590
Wairarapa	391	422	391	422
Port maintenance	668	521	-	-
	2,861	2,663	2,193	2,142

In 2008, inventories recognised as cost of sales amounted to $0 (2007: $0).

Note 12

Other financial assets

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Stadium advance	3,661	3,390	3,661	3,390
Local Government Insurance Corporation Limited shares	80	80	80	80
Other investments	16,551	632	14,954	-
	20,292	4,102	18,695	3,470

Greater Wellington holds 21,000 fully paid-up shares in Airtel Ltd, which were acquired at no cost in 2001 as a result of the Wairarapa Radio Telephone Users Association's decision to form a limited liability company and issue shares to users. Greater Wellington was previously a member of the association.

Greater Wellington advanced $25 million to the Wellington Regional Stadium Trust in August 1998. The advance is on an interest free basis with limited rights of recourse. The obligations of Greater Wellington to fund the Trust are defined under a funding deed dated 30 January 1998. Under the terms of this deed, any interest charged on the limited-recourse loan is accrued and added to the loan. At 30 June 2008 Greater Wellington expects that the advance will be fully repaid. The advance is not repayable until all non-settlor debts of the Trust are extinguished and is subject to the Trust's financial ability to repay debt at that time. The fair value has been determined using a future repayment timetable discounted at a rate of 8%.

Bank bonds are not exchange traded and the fair value has been determined by reference to interest rate rulings at balance date.

There are no impairment provisions for other financial assets.

Note 13

Property, plant and equipment

	Cost/ revaluation 1 July 2007 $000s	Accumulated depreciation and impairment 1 July 2007 $000s	Carrying amount 1 July 2007 $000s	Additions $000s	Disposals $000s	Revaluations $000s	Impairment losses $000s	Reversal of impairment losses $000s	Other transfers $000s	Cost/ revaluation 30 June 2008 $000s	Accumulated depreciation and impairment 30 June 2008 $000s	Carrying amount 30 June 2008 $000s
Council operational assets												
Land and buildings	9,571	(1,162)	8,409	-	(144)	-	-	-	(5,371)	4,056	(1,200)	2,856
Plant and equipment	8,495	(6,508)	1,987	279	(116)	-	-	-	768	9,426	(7,019)	2,407
Motor vehicles	5,449	(3,411)	2,038	807	(822)	-	-	-	16	5,450	(3,434)	2,016
	23,515	**(11,081)**	**12,434**	**1,086**	**(1,082)**	**-**	**-**	**-**	**(4,587)**	**18,932**	**(11,653)**	**7,279**
Council infrastructural assets												
Flood protection at valuation	205,957	(2)	205,955	515	-	-	-	-	7,846	214,318	(235)	214,083
Flood protection at cost	7,575	(4,530)	3,045	-	-	-	-	-	46	7,621	(5,045)	2,576
Transport infrastructure	12,054	(4,673)	7,381	-	-	(649)	-	-	(3,986)	7,419	-	7,419
Navigational aids	1,725	(1,088)	637	-	(20)	-	-	-	21	1,726	(1,099)	627
Parks and forests	41,072	(1,571)	39,501	-	(239)	11,514	-	-	3,225	55,572	-	55,572
Capital work in progress	4,134	-	4,134	8,188	(9,861)	-	-	-	-	2,461	-	2,461
	272,517	**(11,864)**	**260,653**	**8,703**	**(10,120)**	**10,865**	**-**	**-**	**7,152**	**289,117**	**(6,379)**	**282,738**
Regional water supply assets												
Infrastructure assets	306,190	(18,138)	288,052	12	-	-	-	-	3,232	309,434	(24,002)	285,432
Administration buildings	465	(3)	462	-	-	-	-	-	-	465	(3)	462
Minor equipment	777	(430)	347	17	(10)	-	-	-	-	784	(463)	321
Motor vehicles	1,313	(698)	615	60	(159)	-	-	-	-	1,214	(724)	490
Capital work in progress	1,344	-	1,344	3,823	(3,594)	-	-	-	-	1,573	-	1,573
Total regional water supply	**310,089**	**(19,269)**	**290,820**	**3,912**	**(3,763)**	**-**	**-**	**-**	**3,232**	**313,470**	**(25,192)**	**288,278**
Total council property, plant and equipment	**606,121**	**(42,214)**	**563,907**	**13,701**	**(14,965)**	**10,865**	**-**	**-**	**5,797**	**621,519**	**(43,224)**	**578,295**

Note 13 (continued)

Property, plant and equipment	Cost/ revaluation 1 July 2007 $000s	Accumulated depreciation and impairment 1 July 2007 $000s	Carrying amount 1 July 2007 $000s	Additions $000s	Disposals $000s	Revaluations $000s	Impairment losses $000s	Reversal of impairment losses $000s	Other transfers $000s	Cost/ revaluation 30 June 2008 $000s	Accumulated depreciation and impairment 30 June 2008 $000s	Carrying amount 30 June 2008 $000s
Subsidiary assets												
Land and buildings	57,348	(7,341)	50,007	36,011	(66)	760	-	-	-	94,053	(8,251)	85,802
Plant and equipment	46,368	(15,936)	30,432	6,504	(4,417)	-	-	-	-	48,455	(14,900)	33,555
Rail rolling stock	19,809	-	19,809	14,441	-	-	-	-	-	34,250	(998)	33,252
Port wharves and paving	52,735	(23,854)	28,881	16,350	(82)	-	-	-	2,420	71,423	(25,885)	45,538
Port freehold land	78,764	-	78,764	-	-	-	-	-	(2,420)	76,344	-	76,344
Total subsidiary assets	**255,024**	**(47,131)**	**207,893**	**73,306**	**(4,565)**	**760**	**-**	**-**	**-**	**324,525**	**(50,034)**	**274,491**
Total group property, plant and equipment	**861,145**	**(89,345)**	**771,800**	**87,007**	**(19,530)**	**11,625**	**-**	**-**	**5,797**	**946,044**	**(93,258)**	**852,786**

Note 13 (continued)

Property, plant and equipment	Cost/ revaluation 1 July 2006 $000s	Accumulated depreciation and impairment 1 July 2006 $000s	Carrying amount 1 July 2006 $000s	Additions $000s	Disposals $000s	Revaluations $000s	Impairment losses $000s	Reversal of impairment losses $000s	Other transfers $000s	Cost/ revaluation 30 June 2007 $000s	Accumulated depreciation and impairment 30 June 2007 $000s	Carrying amount 30 June 2007 $000s
Council operational assets												
Land and buildings	9,479	(1,093)	8,386	65	(1)	-	-	-	28	9,571	(1,162)	8,409
Plant and equipment	8,093	(6,081)	2,012	671	(285)	-	-	-	16	8,495	(6,508)	1,987
Motor vehicles	5,247	(3,087)	2,160	700	(555)	-	-	-	57	5,449	(3,411)	2,038
	22,819	**(10,261)**	**12,558**	**1,436**	**(841)**	**-**	**-**	**-**	**101**	**23,515**	**(11,081)**	**12,434**
Council infrastructural assets												
Flood protection at valuation	156,507	(768)	155,739	-	(187)	46,688	-	-	2,949	205,957	(2)	205,955
Flood protection at cost	6,938	(4,052)	2,886	-	-	-	-	-	637	7,575	(4,530)	3,045
Transport facilities	11,958	(4,337)	7,621	-	-	-	-	-	96	12,054	(4,673)	7,381
Navigational aids	1,737	(1,072)	665	4	(16)	-	-	-	-	1,725	(1,088)	637
Parks and forests	40,366	(1,178)	39,188	551	(45)	-	-	-	200	41,072	(1,571)	39,501
Capital work in progress	4,645	-	4,645	2,831	-	-	-	-	(3,342)	4,134	-	4,134
	222,151	**(11,407)**	**210,744**	**3,386**	**(248)**	**46,688**	**-**	**-**	**540**	**272,517**	**(11,864)**	**260,653**
Regional water supply assets												
Infrastructure assets	302,700	(12,330)	290,370	-	-	-	-	-	3,490	306,190	(18,138)	288,052
Administration buildings	465	(2)	463	-	-	-	-	-	-	465	(3)	462
Minor equipment	1,062	(561)	501	48	(341)	-	-	-	8	777	(430)	347
Motor vehicles	1,109	(690)	419	340	(155)	-	-	-	19	1,313	(698)	615
Capital work in progress	1,171	-	1,171	3,868	-	-	-	-	(3,695)	1,344	-	1,344
Total regional water supply	**306,507**	**(13,583)**	**292,924**	**4,256**	**(496)**	**-**	**-**	**-**	**(178)**	**310,089**	**(19,269)**	**290,820**
Total council property, plant and equipment	**551,477**	**(35,251)**	**516,226**	**9,078**	**(1,585)**	**46,688**	**-**	**-**	**463**	**606,121**	**(42,214)**	**563,907**

Note 13 (continued)

Property, plant and equipment	Cost/ revaluation 1 July 2006 $000s	Accumulated depreciation and impairment 1 July 2006 $000s	Carrying amount 1 July 2006 $000s	Additions $000s	Disposals $000s	Revaluations $000s	Impairment losses $000s	Reversal of impairment losses $000s	Other transfers $000s	Cost/ revaluation 30 June 2007 $000s	Accumulated depreciation and impairment 30 June 2007 $000s	Carrying amount 30 June 2007 $000s
Subsidiary assets												
Land and buildings	35,914	(6,661)	29,253	17,902	(105)	-	-	3,240	397	57,348	(7,341)	50,007
Plant and equipment	43,023	(14,223)	28,800	4,186	(841)	-	-	-	-	46,368	(15,936)	30,432
Rail rolling stock	-	-	-	19,809	-	-	-	-	-	19,809	-	19,809
Port wharves and paving	49,439	(21,791)	27,648	3,378	(82)	-	-	-	-	52,735	(23,854)	28,881
Port freehold land	56,729	-	56,729	2,420	-	9,087	-	-	10,528	78,764	-	78,764
Total subsidiary assets	**185,105**	**(42,675)**	**142,430**	**47,695**	**(1,028)**	**9,087**	**-**	**3,240**	**10,925**	**255,024**	**(47,131)**	**207,893**
Total group property, plant and equipment	**736,582**	**(77,926)**	**658,656**	**56,773**	**(2,613)**	**55,775**	**-**	**3,240**	**11,388**	**861,145**	**(89,345)**	**771,800**

Note 14

Intangible assets

	Group software $000s	Council software $000s
Carrying amount		
Balance at 1 July 2007	1,428	409
Additions	397	57
Disposals	-	-
Amortisation recognised during period	(568)	(189)
Net carrying amount at 30 June 2008	1,257	277
Balance at 1 July 2006	1,444	714
Additions	797	85
Disposals	(211)	(211)
Amortisation recognised during period	(505)	(82)
Other changes	(97)	(97)
Net carrying amount at 30 June 2007	1,428	409
Balance at 30 June 2008		
Gross carrying amount	5,921	2,069
Accumulated amortisation and impairment	(4,664)	(1,792)
Net carrying amount at 30 June 2008	1,257	277
Balance at 30 June 2007		
Gross carrying amount	5,905	2,218
Accumulated amortisation and impairment	(4,477)	(1,809)
Net carrying amount at 30 June 2007	1,428	409

Note 15

Forestry investments

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Balance at 1 July	14,303	14,892	14,303	14,892
Forestry sold	(1,268)	(1,118)	(1,268)	(1,118)
Change in fair value, less estimated point of sale costs	(3,125)	529	(3,125)	529
Balance at 30 June	9,910	14,303	9,910	14,303

Plantation forestry activity, including planting, silviculture and harvesting, is undertaken on 5,700 hectares of predominantly pinus radiata plantings. Approximately 85,000 tonnes are harvested annually.

Plantation forests are independently valued annually to estimate of market valuation based on net present value using a pre-tax discount rate of 9.0%. The valuation is based on the existing tree crop only and does not include cash flows associated with future replanting. No allowance is made for inflation and no real price increases are assumed. A land-in land-out formula is applied to exclude the value of land, bridges, roads and fences.

Loans have been taken out which are contractually bound to be repaid from the proceeds of harvest in relation to these forestry assets via a registered interest under Section 5 of the Forestry Encouragement Act 1962.

Greater Wellington is exposed to financial risks arising from changes in log prices. Greater Wellington is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future.

Note 16

Investment properties

Valuation

Investment properties are revalued every year. Investment properties were valued on 30 June 2008 by independent registered valuers. Colliers International valued the CentrePort investment properties. The properties are valued at fair value. The properties are valued in accordance NZ Property Institute Practise Standard 3 – valuations for financial reporting purposes at fair value arrived at using comparable market rental information. The CentrePort valuation assumes the completion of the Harbour Quays Development plan as approved by the CentrePort Board and certain costs to complete the infrastructure development for its intended use have been identified to the inspection date of 30 June 2008.

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Developed investment properties				
Carrying amount at 1 July 2007	62,830	65,701	-	-
Additions to investment property	61	65	-	-
Fair value adjustments	(764)	6,585	-	-
Transfer (to)/from operational port land	-	(9,521)	-	-
	62,127	62,830	-	-
Land available for development				
Carrying amount at 1 July 2007	37,999	35,511	-	-
Fair value adjustments	219	4,634	-	-
Transfer (to)/from operational port land	-	(2,146)	-	-
	38,218	37,999	-	-
Total investment properties	**100,345**	**100,829**	**-**	**-**

The Group's investment properties comprise CentrePort's developed and undeveloped investment properties.

Note 17

Investment in subsidiaries

The Greater Wellington Regional Council has the following subsidiary relationships:

	Relationship	Equity held 2008	Equity held 2007	Parent
WRC Holdings	Subsidiary	100%	100%	Greater Wellington
Pringle House Limited	Subsidiary	100%	100%	WRC Holdings
Port Investment Limited	Subsidiary	100%	100%	WRC Holdings
CentrePort Limited	Subsidiary	76.9%	76.9%	Port Investment Limited
Greater Wellington Rail Limited	Subsidiary	100%	100%	WRC Holdings
Greater Wellington Infrastructure Limited	Subsidiary	100%	100%	WRC Holdings
Greater Wellington Transport Limited	Subsidiary	100%	100%	WRC Holdings
Grow Wellington Limited – formerly registered as Regional EDA Limited	Subsidiary	100%	100%	Greater Wellington

All the companies mentioned above were incorporated in New Zealand and have a balance date of 30 June.
All significant intra-group transactions have been eliminated on consolidation. Please see Note 27 on related party transactions for details.

	Council 2008 Actual $000s	Council 2007 Actual $000s
WRC Holdings Limited shares	35,140	34,542
Grow Wellington Limited shares	-	-
	35,140	**34,542**

Note 18

Derivative financial instruments

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Current				
Foreign exchange contracts	161	-	157	-
Interest rate swaps	412	-	112	-
Total current	573	-	269	-
Non-current				
Foreign exchange contracts	183	-	183	-
Interest rate swaps	2,976	4,874	1,093	1,908
Total non-current	3,159	4,874	1,276	1,908
Total	**3,732**	**4,874**	**1,545**	**1,908**

For more information on interest rate swaps and foreign exchange contracts, please refer to Note 26 financial instruments. The fair values of the derivative financial instruments have been determined using a discounted cash flow valuation technique based on market prices.

Note 19

Equity

Reconciliation of movement in retained earnings and reserves

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Asset revaluation reserve				
Balance at beginning of year	269,376	208,922	226,387	179,840
Revaluation gains/(losses)	10,158	53,100	10,865	46,688
Transfer of revaluation reserve to retained earnings on disposal of property, plant and equipment	(61)	(141)	(61)	(141)
Transfer from operational port land	-	7,495	-	-
Transfer to retained earnings	-	-	-	-
Balance at end of year	**279,473**	**269,376**	**237,191**	**226,387**
Operational reserves				
Balance at beginning of year	8,093	7,045	8,093	7,045
Interest earned	494	2,871	494	2,871
Transfer to retained earnings	(1,722)	(2,243)	(1,722)	(2,243)
Transfer from retained earnings	4,239	420	4,239	420
Balance at end of year	11,104	8,093	11,104	8,093
Total reserves	**290,577**	**277,469**	**248,295**	**234,480**

Note 19 (continued)

Equity (continued)

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Retained earnings				
Balance at beginning of year	428,638	407,138	367,578	373,071
Net surplus for the year	12,631	29,172	(2,542)	(4,586)
Discount on acquisition	-	730	-	-
Transferred from operational reserves	1,722	2,243	1,722	2,243
Transferred to operational reserves	(4,239)	(420)	(4,239)	(420)
Interest earned on operational reserves	(494)	(2,871)	(494)	(2,871)
Transfer from asset revaluation reserve	61	141	61	141
Transfer from operational port land	-	(7,495)	-	-
Realised asset revaluation on disposal	-	-	-	-
Balance at end of year	**438,319**	**428,638**	**362,086**	**367,578**
Minority interest				
Balance at beginning of year	44,131	38,589		
Dividends paid	(1,102)	(831)		
Asset revaluation gains taken directly to equity	-	1,945		
Net surplus for the year	1,604	4,428		
Balance at end of year	**44,633**	**44,131**		

Note 20

Trade and other payables

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Trade payables	35,656	35,750	21,714	17,175
Amounts due to related parties	-	-	1,067	1,442
Income received in advance	499	445	346	445
Amounts due to Greater Wellington Rail Limited	-	-	-	10,181
Taxation payable	235	-	-	-
Accrued interest payable	756	178	756	178
Trade and other payables	37,146	36,373	23,883	29,421

Creditors and other payables are non-interest bearing and normally settled on 30-day terms, therefore the carrying value approximates their fair value.

Note 21

Debt

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Current liabilities				
Commercial paper	47,259	29,369	47,259	29,369
Committed lines	178,332	48,000	5,400	4,000
Uncommitted lines	600	-	600	-
Forestry encouragement loans	1,041	2,566	1,041	2,565
	227,232	79,935	54,300	35,934
Non-current liabilities				
Committed lines	-	90,014	-	5,760
Forestry encouragement loans	4,361	3,803	4,361	3,803
Crown loan	7,599	1,787	7,599	1,787
Stadium loan	-	18,985	-	18,985
	11,960	114,589	11,960	30,335
Total financial Liabilities	**239,192**	**194,524**	**66,260**	**66,269**

Terms and conditions

Greater Wellington has no overdraft facility. At 30 June 2007 Greater Wellington had $1 million overdraft facility with the National Bank at a rate of 10.46%. As at 30 June 2008 Greater Wellington had undrawn credit lines of $89,600,000 (2007: $50,260,000), which mature in 2010.
The commercial paper is issued for 90 days and the interest rate is based on the 90-day bank bill rate plus a margin for the credit risk.

As at 30 June 2008, Greater Wellington's external debt has a weighted average interest rate (after the effect of derivatives) of 6.15% (2007 7.13%) and is recorded at amortised cost. The Crown loans are based on discounted cash flows with a discount rate of 8% (2007 8%). The amount due at maturity is $15,190,876.

CentrePort Limited has an unsecured three-year bank loan facility of $170 million with renewal dates in 2008, 2009 and 2010. The facility can be repaid or drawn down until expiry. The interest rates on this facility as at 30 June 2008 ranged from 8.23% to 9.16% (2007 7.70% to 8.61%). No collateral was required on lending but CentrePort Limited has a negative pledge and therefore restrictions on the quantum of borrowing made.

WRC Holdings Limited has a bank loan facility of $44 million (drawn to $44 million) which is secured by a debenture over uncalled capital in the company. The interest rate charged on the facility as at 30 June 2008 was 8.37% (2007 8.07%).

Note 22

Employee benefits

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Annual leave	4,923	4,502	2,009	1,971
Long service leave	466	463	466	463
Retirement gratuities	144	162	144	162
Lieu leave	42	35	42	35
Total employee benefit liabilities	5,575	5,162	2,661	2,631
Comprising:				
Current	4,223	3,749	2,009	1,971
Non-current	1,352	1,413	652	660
Total employee benefit liabilities	5,575	5,162	2,661	2,631

Note 23

Provisions

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Carrying amount at 1 July	543	415	-	-
Additions including increases	287	1,353	-	-
Provisions used during the year	(415)	(415)	-	-
Provisions reversed during the year	-	(810)	-	-
Carrying amount at 30 June	415	543	-	-
Current provisions	415	543	-	-
Non-current provisions	-	-	-	-
	415	**543**	**-**	**-**

Provision for dividend

An amount is provided for a dividend payment at the end of the year. A dividend has been declared but not yet paid.

Note 24

Reconciliation of operating surplus with cash flow from operating activities

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Operating surplus/(deficit)	14,235	33,600	(2,542)	(4,586)
Add/(less) non-cash items				
Depreciation and amortisation	16,324	15,393	9,436	9,476
Impairment of property, plant and equipment	(448)	(3,240)	-	-
Sale of fixed assets	161	108	152	79
Assets written off/(written back)	174	149	174	149
Equity accounted earnings from associate companies	35	(38)	-	-
Change in value of future tax benefit	918	2,907	-	-
Changes in fair value of forestry investments	3,125	(529)	3,125	(529)
Changes in fair value of investment property	(855)	(11,219)	-	-
Changes in fair value of derivative financial instruments	1,143	(3,675)	364	(1,561)
Changes in fair value of stadium advance	(271)	(251)	(271)	(251)
Changes in fair value of bonds	(32)	-	(32)	-
Changes in fair value of stadium loan	(5,521)	(2,444)	(5,521)	(2,444)
Bad debts	194	224	-	-
Movement in provision for impairment of doubtful debts	104	52	19	40
Add/(less) movements in working capital				
Accounts receivable	8,315	(32,022)	(1,540)	(20,465)
Inventory	(198)	(301)	(51)	(196)
Tax refund due	682	826	-	-
Accounts payable	(1,040)	21,974	4,989	13,063
Employee provisions	410	381	30	225
WRC Holdings Group current account	-	-	(725)	(370)
Add/(less) items classified as investing or financing activities				
Accounts payable related to fixed assets	(17,947)	(19,039)	(264)	(358)
(Gains)/losses on disposal of property, plant and equipment	183	-	183	-
WRC activities relating to financing	-	-	759	167
Forestry encouragement loan interest compounded	346	426	346	426
Net cash flow from operating activities	**20,037**	**3,282**	**8,631**	**(7,135)**

Note 25

Contingencies

Contingent liabilities

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Legal proceedings and obligations	1,530	871	1,530	871
Uncalled shares in Wellington Coldstore Limited	750	-	-	-
Uncalled capital – WRC Holdings Limited				
50,000,000 $1 shares uncalled and unpaid	-	-	50,000	50,000
22,170,000 $1 shares, called and paid to 2.7 cents per share	-	-	21,571	-
	2,280	**871**	**73,101**	**50,871**

Greater Wellington has responsibility for 13 contaminated sites in the region. None are considered high risk and any clean-up costs are considered to be negligible. There may also be other contaminated sites which Greater Wellington is unaware of.

Some of Greater Wellington's legal proceedings and obligations may arise where a resource consent has been granted and where the consent holder does not comply with the conditions. The risk to Greater Wellington is that we may need to defend enforcement action by complainants. Greater Wellington budgets for a certain level of legal costs and technical expertise each year.

Note 26

Financial instruments

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group had exposure to currency risk on purchases of assets and services denominated in foreign currencies during the period but not at balance date.

Greater Wellington manages currency risk by ensuring that where possible asset purchases are denominated in New Zealand dollars. Any foreign currency risks arising from contractual commitments and liabilities are managed by entering into forward foreign exchange contracts to hedge the foreign currency risk exposure. This means that Greater Wellington is able to fix the New Zealand dollar amount payable prior to delivery of goods and services from overseas. CentrePort Limited enters into forward exchange contracts to hedge foreign currency risk on major asset purchases.

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Forward foreign exchange contracts				
Less than one year	10,878	4,746	2,094	-
One to two years	2,070	430	2,070	-
Two to five years	1,322	-	1,322	-
Greater than five years	-	-	-	-
	14,270	**5,176**	**5,486**	**-**

Note 26 (continued)

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Greater Wellington and the Group have exposure to fair value interest rate risks as a result of investments, external debt and cash balances.

To minimise the risk on external debt, management monitors the levels of interest rates on an ongoing basis and uses forward rate and swap agreements and interest rate collars (options) to manage interest rate exposures for future periods. At 30 June 2008 the Group had entered into the following interest rate swaps and interest rate collar agreements:

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Interest rate swap agreements				
Less than one year	34,000	5,000	29,000	5,000
One to two years	25,000	34,000	5,000	29,000
Two to five years	105,000	40,000	20,000	20,000
Greater than five years	15,000	75,000	15,000	25,000

The notional principal amounts of the outstanding interest rate swap contracts for Greater Wellington were $69,000,000 (2007 $79,000,000) and for the Group $179,000,000 (2007 $154,000,000). At 30 June 2008, the fixed interest rates of swaps vary from 6.02% to 8.33% (2007 5.95% to 8.35%).

Note 26 (continued)

Financial instruments

Cash flow interest rate risk

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

Generally, Greater Wellington raises long-term borrowings at short-term rates and swaps them back into fixed rates using interest rate swaps to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Greater Wellington borrowed at fixed rates directly. Under the interest rate swaps, Greater Wellington agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial instruments which expose the Group to credit risk are principally bank balances, receivables and investments. The Group monitors credit risk on an ongoing basis.

Bank balances and short-term investments are held with New Zealand-registered banks in accordance with Greater Wellington's Treasury Management Policy. No collateral is held by Greater Wellington in respect of bank balances or investments. CentrePort Limited performs credit evaluations on all customers requiring credit and generally does not require collateral.

Concentration of credit risk

Greater Wellington derives the majority of its income from rates, the regional water supply levy and transport subsidies. Regional water supply levies are collected from the four Wellington metropolitan cities and rates are collected for Greater Wellington by the territorial authorities in the region on an agency basis. Funding for public transport is received from Land Transport New Zealand.

Liquidity risk

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

Greater Wellington minimises liquidity risk principally by maintaining liquid financial investments, undrawn committed lines and overdraft facilities with its relationship banks, in accordance with the Treasury Management Policy. CentrePort Limited reduces its exposure to liquidity risk through a bank overdraft and a New Zealand dollar commercial bill facility.

Note 26 (continued)

Financial instruments categories

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

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Financial assets				
Fair value through profit and loss				
Derivative financial instrument assets	3,732	4,874	1,545	1,908
Held to maturity				
Local Government Insurance Corporation shares	80	80	80	80
Bank bonds	14,954	-	14,954	-
Loans and receivables				
Cash and cash equivalents	34,157	47,399	33,226	47,094
Trade and other receivables	29,826	47,753	23,965	32,604
Stadium advance	3,661	3,390	3,661	3,390
	86,410	103,496	77,431	85,076
Financial liabilities – at amortised cost				
Trade and other payables	37,146	36,273	23,883	29,421
Borrowings				
Bank overdraft	61	-	61	-
Crown loans	7,599	1,787	7,599	1,787
Commercial paper	47,259	29,369	47,259	29,369
Committed and uncommitted lines	178,932	138,014	6,000	9,760
Forestry encouragement loans	5,402	6,369	5,402	6,369
Stadium loan	-	18,985	-	18,985
	276,399	230,797	90,204	95,691

Note 26 (continued)

Financial instruments risks

Greater Wellington's maximum credit exposure for each class of financial instrument is as follows.

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Cash at bank and term deposits	34,157	47,401	33,226	47,094
Trade and other receivables	29,543	37,326	23,965	32,604
Bank bonds	14,954	-	14,954	-
Stadium advance	3,661	3,390	3,661	3,390
Derivative financial instrument assets	3,732	4,874	1,545	1,908
Total credit risk	86,047	92,991	77,351	84,996

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to Standard and Poor's credit rating or to historical information about counterparty default rates.

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Counterparties with credit ratings				
Cash at bank and term deposits				
AA	34,157	47,399	33,226	47,094
Bank bonds				
AA	14,954	-	14,954	-
Derivative financial instruments				
AA	3,732	4,874	1,545	1,908

Debtors and other receivables mainly arise from Greater Wellington's statutory functions. Greater Wellington rates are being collected by the local city and district councils. The risk of default on statutory charges is minimal.

Note 26 (continued)

Contractual maturity analysis of financial liabilities

The table below analyses Greater Wellington's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual date. Future interest payments on floating rate debt is based on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	2008 Carrying amount $000s	2008 Contractual cash flows $000s	2008 Less than 1 year $000s	2008 1-2 years $000s	2008 2-5 years $000s	2008 More than 5 years $000s	2007 Carrying amount $000s	2007 Contractual cash flows $000s	2007 Less than 1 year $000s	2007 1-2 years $000s	2007 2-5 years $000s	2007 More than 5 years $000s
Council												
Trade and other payables	23,883	23,883	23,883	-	-	-	29,421	29,421	29,421	-	-	-
Bank overdraft	61	61	61	-	-	-	-	-	-	-	-	-
Commercial paper	47,259	48,300	48,300	-	-	-	29,369	30,000	30,000	-	-	-
Lines of credit	6,000	6,001	6,001	-	-	-	9,760	9,770	9,770	-	-	-
Forestry encouragement loans	5,402	6,877	1,365	1,001	1,624	2,887	6,368	8,393	2,947	1,025	-	4,421
Crown loans	7,599	15,191	-	-	-	15,191	1,787	3,857	-	-	-	3,857
Stadium loan	-	-	-	-	-	-	18,985	26,218	2,622	2,622	10,487	10,487
Total	90,204	100,313	79,610	1,001	1,624	18,078	95,690	107,659	74,760	3,647	10,487	18,765
Group												
Trade and other payables	37,146	73,727	73,027	700	-	-	36,373	71,478	70,723	755	-	-
Bank overdraft	61	61	61	-	-	-	-	-	-	-	-	-
Commercial paper	47,259	48,300	48,300	-	-	-	29,369	30,000	30,000	-	-	-
Lines of credit	6,000	6,001	6,001	-	-	-	9,760	9,770	9,770	-	-	-
Forestry encouragement loans	5,402	6,877	1,365	1,001	1,624	2,887	6,368	8,393	2,947	1,025	-	4,421
Crown loans	7,599	15,191	-	-	-	15,191	1,787	3,857	-	-	-	3,857
Stadium loan	-	-	-	-	-	-	18,985	26,218	2,622	2,622	10,487	10,487
WRCH Group loans	172,932	203,359	13,835	86,635	102,889	-	128,254	157,374	10,260	39,060	108,054	-
FX contracts	-	-	-	-	-	-	443	443	426	17	-	-
Total	276,399	353,516	142,589	88,336	104,513	18,078	231,339	307,533	126,748	43,479	118,541	18,765

Note 26 (continued)

The table below analyses Greater Wellingtons derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2008 Liability carrying amount $000s	2008 Asset carrying amount $000s	2008 Contractual cash flows $000s	2008 Less than 6 months $000s	2008 Between 6 months and 1 year $000s	2008 More than 1 year $000s	2007 Liability carrying amount $000s	2007 Asset carrying amount $000s	2007 Contractual cash flows $000s	2007 Less than 6 months $000s	2007 Between 6 months and 1 year $000s	2007 More than 1 year $000s
Council and Group												
Forward foreign exchange contract	-	594	-	-	-	-	443	-	-	-	-	-
Outflow	-	-	14,270	9,778	1,100	3,392	-	-	5,176	3,458	1,289	429

Note 26 (continued)

Sensitivity analysis

The tables below illustrate the potential profit and (loss) impact for reasonably possible market movements, with all other variables held constant, based on Greater Wellington's financial instrument exposures at balance date

	Notes	2008 -100bps profit $000s	2008 +100bps profit $000s	2007 -100bps profit $000s	2007 +100bps profit $000s
Council					
Interest rate risk					
Financial assets					
Cash at bank and term deposits	1	(332)	332	(471)	471
Bank bonds	2	313	(305)	-	-
Derivatives	3a	(1,097)	1,025	(1,433)	1,328
Financial liabilities					
Borrowings					
Bank overdraft	4	6	(6)	-	-
Commercial paper	5	464	(461)	288	(287)
Committed and uncommitted lines	6	60	(60)	97	(97)
Total sensitivity to interest rates		(586)	525	(1,519)	1,415

100bps is a 1% movement in the interest rate.

	Notes	2008 -10% profit $000s	2008 +10% profit $000s	2007 -10% profit $000s	2007 +10% profit $000s
Foreign exchange risk					
Financial assets					
Derivatives	3b	(530)	647	-	-
Total sensitivity to foreign exchange risk		(530)	647	-	-

Note 26 (continued)

Explanation of sensitivity analysis – Council

1) Cash and cash equivalents

Cash and cash equivalents include deposits which are on a 90-day investment totalling $33,226,000 (2007 $47,094,000). A movement in interest rates of plus or minus 1.0% has an effect on interest income of $332,000 (2007 $471,000).

2) Bank bonds

There are $14,954,000 invested in bonds and notes. A movement in interest rates of plus or minus 1% has an effect of $313,000 and $305,000 respectively. There were no investments in bonds at 30 June 2007.

3) Derivatives

a) Interest rate swaps

Derivative financial assets include interest rate swaps which have a fair value totalling $1,544,000 (2007 $1,908,000). A movement in interest rates of plus 1% results in a net gain of $525,000 (2007 $1,415,000). A movement in interest rates of minus 1% results in a net loss of $586,000 (2007 $1,519,000).

b) Foreign exchange contracts

Derivative financial assets include forward foreign exchange contracts with a total fair value of $438,000 (2007 $nil). A movement of foreign exchange rates of plus or minus 10% has an impact of ($530,000)/$647,000 (2007 $nil) based on a current valuation using an exchange rate plus or minus 10%.

4) Commercial paper

Commercial paper totalling $47,259,000 (2007 $29,369,000) are on 90-day borrowings. A movement in interest rates of minus 1% has an effect on interest expenses of $464,000 (2007 $288,000). A 1% upward movement of interest rates has an effect of $461,000 (2007 $464,000).

5) Committed and uncommitted lines

Money market borrowing under committed and uncommitted lines totalled $6,000,000 (2007 $9,760,000). A movement of plus or minus 1% in market interest rates has an effect of $60,000 (2007 $98,000).

Note 26 (continued)

Group
Interest rate risk

	Notes	2008 -100bps profit $000s	2008 +100bps profit $000s	2007 -100bps profit $000s	2007 +100bps profit $000s
Financial assets					
Cash at bank and term deposits	1	(340)	340	(474)	474
Bank bonds	2	313	(305)	-	-
Derivatives	3a	(2,247)	2,175	(2,053)	1,948
Financial liabilities					
Borrowings		-	-	-	-
Bank overdraft	4	6	(6)	-	-
Commercial paper	5	464	(461)	288	(287)
Committed and uncommitted lines	6	1,730	(1,730)	1,280	(1,280)

Foreign exchange risk

	Notes	2008 - 100bps profit $000s	2008 +10% profit $000s	2007 -10% profit $000s	2007 +10% profit $000s
Financial assets					
Derivatives	3b	(1,506)	1,446	486	(594)
Total sensitivity to foreign exchange risk		(1,506)	1,446	486	(594)

Note 26 (continued)

Explanation of sensitivity analysis – Group

1) Cash and cash equivalents
Cash and cash equivalents include deposits which are on a 90-day investment totalling $34,157,000 (2007 $47,401,000). A movement in interest rates of plus or minus 1% has an effect on interest income of $340,000 (2007 $474,000).

2) Bank bonds
There are $14,954,000 invested in bonds and notes. A movement in interest rates of plus or minus 1% has an effect of $313,000 and $305,000 respectively. There were no investments in bonds at 30 June 2007.

3) Derivatives

a) Interest rate swaps
Derivative financial assets include interest rate swaps which have a fair value totalling $2,836,000 (2007 $4,874,000). A movement in interest rates of plus 1% results in a net gain of $2,175,000 (2007 $1,848,000). A movement in interest rates of minus 1% results in a net loss of $2,247,000 (2007 $2,035,000).

b) Foreign exchange contracts
Derivative financial assets include forward foreign exchange contracts with a total fair value of $438,000 (2007 -$443,000). A movement of foreign exchange rates of plus or minus 10% has an impact of $1,446,000 and $1,506,000 respectively (2007 $594,000 and $486,000 respectively) based on a current valuation using an exchange rate plus or minus 10%.

4) Commercial paper
Commercial paper totalling $47,259,000 (2007 $29,369,000) is on 90-day borrowings. A movement in interest rates of plus or minus 1% has an effect on interest expenses of $464,000 and -$461,000 respectively (2007 $288,000 and -$287,000).

5) Committed and uncommitted lines
Money market borrowing under committed and uncommitted lines totalled $178,932,000 (2007 $138,014,000). A movement of plus or minus 1% in market interest rates has an effect of on interest expense of $1,730,000 (2007 $1,280,000).

Note 27

Related parties

Identity of related parties

The Group has related-party relationships with its subsidiaries (see Note 17), Councillors, directors and executive management team. During the year, key management personnel, as part of normal customer relationships, were involved in minor transactions with Greater Wellington, such as rates payments. Council committees include key members from many local and central government entities. Greater Wellington enters into transactions with these entities on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect Greater Wellington would have adopted if dealing with that entity at arm's length in the same circumstances are not disclosed.

Greater Wellington owns 100% of the shares in WRC Holdings Limited and indirectly 76.9% of the shares of CentrePort Limited. Councillors Shields, McDavitt, Buchanan, Wilde, Burke, Glensor and Long are, or were, directors of WRC Holdings Limited, Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited during the financial year.

Greater Wellington owns 100% of the shares in Grow Wellington Limited. Grow Wellington Limited formerly changed its name from Regional EDA Limited on 25 February 2008. The directors of Grow Wellington Limited are B Albiston, M Bain, V Beck, G Coughlan, J Lumsden, M McCaw, J McFadzean and L Pham.

Chief Executive D Benham is a director of New Zealand Water and Waste Association.

Chair F Wilde was Chair of Wellington Waterfront Limited (resigned 29 August 2007) and is married to the Chief Executive of Landcorp Farming Limited.

Councillor I Buchanan is a director of Local Government Superannuation Trustees Limited.

Councillor F Long owns 50% of the Sign Factory.

Note 27 (continued)

All transactions with related parties have been carried out on normal commercial terms. Significant transactions during the year ended 30 June 2008 included:

Transactions with related parties	Council 2008 Actual $000s	Council 2007 Actual $000s
CentrePort Wellington Group		
Income from use of navigational facilities and consents charges	698	752
Expense for rental and services	(94)	(49)
Wellington Waterfront Ltd licence purchases from CentrePort	(5)	(6)
Wellington Waterfront Ltd licence fees to CentrePort	138	138
WRC Holdings Group (excluding CentrePort)		
Income from management services provided	361	249
Income from subvention payment	1,031	629
Income from dividends	64	313
Expense for rent of the Regional Council Centre	(1,630)	(1,199)
Expense for interest on inter company current account	(49)	(146)
Grow Wellington Limited		
Grants	4,209	-
Sign Factory		
Expense for services	(2)	-
NZ Local Government Insurance Corporation Limited		
Income from dividends	11	-
Wellington Waterfront Ltd		
Resource consent fees	(1)	(3)
NZ Water and Waste Association		
Expense for services	(9)	-
Local Government Superannuation Trustees Limited		
Employee contributions to superannuation scheme	(429)	-
Landcorp Farming		
Expense for services	(61)	-

No provision has been required nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2007: $0).

Note 27 (continued)

Key management personnel

Key management personnel include the Councillors, Chief Executive and members of the Executive Management Team (EMT) – for details of EMT see the Chief Executive's report.

	Council 2008 Actual $000s	Council 2007 Actual $000s
Short-term employee benefits	2,414	2,303
Post-employee benefits	171	176
Other long-term benefits	-	-
Termination benefits	-	-

Note 28

Remuneration

Chief Executive remuneration

For the year ending 30 June 2008 the Chief Executive of the Greater Wellington Regional Council, appointed under section 42(1) of the Local Government Act 2002, received total remuneration of $342,113 (2007 $324,948). The Chief Executive was appointed on 5 September 2005.

	Council 2008 Actual	Council 2007 Actual
Councillor remuneration		
Councillor J Aitken	63,985	55,547
Councillor S Baber	60,256	48,513
Councillor I Buchanan	92,039	142,801
Councillor G Evans	15,200	64,948
Councillor P Glensor	70,462	49,676
Councillor S Greig	47,791	44,744
Councillor R Kirton	67,125	66,107
Councillor C Laidlaw	68,237	74,694
Councillor R Long	22,453	66,647
Councillor T McDavitt	23,409	70,005
Councillor M Sheilds	15,118	46,202
Councillor C Turver	26,387	76,189
Chair F Wilde	114,084	44,744
Councillor N Wilson	32,334	-
Councillor J Burke	32,419	-
Councillor B Donaldson	35,276	-
Councillor P Lamason	38,064	-
Councillor P Bruce	32,419	-

Note 29

Capital commitments and operating leases

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Capital commitments				
Capital expenditure contracted for at balance date but not yet incurred	267,455	83,265	1,331	2,541

Operating lease commitments – lessee

Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Within one year	7,055	1,640	8,421	2,409
After one year but no more than five years	5,301	1,574	6,866	4,730
More than five years	2,098	172	2,098	172
	14,454	**3,386**	**17,385**	**7,311**

Operating lease commitments are for vehicles, computer equipment, forklift trucks and office equipment, as well as rental for space in the Regional Council Centre. This rental is paid to a subsidiary Pringle House Limited. These leases have an average life of between one and 10 years, with some renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

During the year $1,630,000 was recognised as an expense in the Income Statement (2007 $1,199,000). Contingent rent was not paid (2007: $0).

Note 29 (continued)

Transport operator commitments

Future minimum contract payments under non-cancellable operating transport contracts as at 30 June are as follows:

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Within one year	40,224	42,429	40,224	42,429
After one year but no more than five years	98,017	112,205	98,017	112,205
More than five years	58,401	80,541	58,401	80,541
	196,642	**235,175**	**196,642**	**235,175**

Operating lease commitments – lessor

The Group leases its investment properties under operating leases. The lease terms have non-cancellable terms from 1-4 years. The future aggregated minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Group 2008 Actual $000s	Group 2007 Actual $000s	Council 2008 Actual $000s	Council 2007 Actual $000s
Within one year	7,253	223	-	-
After one year but no more than five years	3,565	201	-	-
More than five years	3,491	-		
	14,309	**424**	**-**	**-**

No contingent rents have been recognised in the income statement during the period.

Note 30

Severance payments

There were three employees (2007 9) who received severance payments of $67,696 (2007 $236,947). Employee one received $11,667, employee two received $25,200 and employee three received $30,829.

These disclosures have been made in accordance with Clause 19, Schedule 10 of the Local Government Act 2002.

Note 31

Major variances between actual and budget

	Notes	Council 2008 Actual $000s	Council 2008 Budget $000s	Variance $000s
Income statement				
Revenue				
Government grants and subsidies	1	53,633	81,670	(28,037)
Expenditure				
Grants and subsidies	1	83,226	123,127	(39,901)
Balance sheet				
Trade and other receivables	2	23,965	14,153	9,812
Forestry investments	3	9,910	18,194	(8,284)
Investment in subsidiaries	4	35,140	-	35,140
Property, plant and equipment	5	578,295	561,209	17,086
Debt				
Current debt	6	54,300	2,767	51,533
Term debt	6	11,960	91,349	(79,389)
Total debt	6	66,260	94,116	(27,856)

Explanations

1. Grants and subsidies

Greater Wellington receives grant revenue to fund various transport projects. Revenue is only received when expenditure is incurred.

- A number of upgrade projects, such as platforms, signalling and power supply, have been delayed due to the timing of the specifications of the new passenger trains and capacity issues of third parties, in particular:
  - Ontrack infrastructure upgrade projects, the Johnsonville Line, upgrading the signals and electrical systems, and the MacKays to Waikanae double tracking and electrification, $18,075,000
  - Heavy maintenance due to Toll's operational requirements and workshop availability, $946,000
  - Extra capacity rolling stock, $9,868,000. This is funded from interest free Crown loans
  - EMU-related expenditure $5,205,000
  - Station and carpark upgrades, $521,000

The expenditure noted above is prior to any reductions in grant income received from Land Transport New Zealand and the Crown. Due to the lower expenditure, revenue is under budget.

Note 31 (continued)

2. Trade and other receivables
The timing of the receipt of rates revenue compared with budget has resulted in an increase in receivables.

3. Forestry investments
Greater Wellington's forestry investments are valued each year. Lower market prices and high shipping costs have resulted in a reduction in the value of the forests of $3,125,000 from 2006/07.

4. Investment in subsidiaries
The change to NZ IFRS has resulted in Greater Wellington revaluing its investment in subsidiaries. This uplift in valuation has not been budgeted for.

5. Property, plant and equipment – capital expenditure
- A number of upgrades to the stations and platforms were delayed due to the finalisation of the specifications of the new Matangi EMUs, $4,994,000
- Property issues which have now been resolved have delayed the Beacon Hill facility upgrade, expenditure was $900,000 under budget
- Delays in the South Waitohu stopbank project resulting from land and flood mitigation issues, $444,000
- Chrystalls extended stopbank was $580,000 below budget, due to the reduced cost of land purchases
- The construction of an emergency water supply pumping station in Whitehead Road for the Karori zone has been postponed because capacity prefers an alternative approach, $209,000
- The proposed new Central Business District (CBD) reservoir has been delayed because of funding issues principally with the Capital and Coast District Health Board, $100,000

6. Debt
Current and term debt are lower than budget due to the lower level of capital expenditure compared to budget.

Note 32

Events occurring after balance date

There were no significant events after balance date.