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Committee	Council
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Financial report for the year ended 30 June 2010

1. Purpose

- To inform the Council of Greater Wellington's (GWRC) preliminary financial results for the year ended 30 June 2010 and to provide an explanation of major variances to budget by Group

- To outline some of the achievements for the year

- To inform the Council of the WRC Holdings Group's financial performance for the year ended 30 June 2010 and to provide explanations of variances to budget

- To provide an interim position in terms of achievement against the published performance targets in the Council's 2009/10 Annual Plan.

2. Consideration by Committee

The matters raised in this report were considered by the Finance, Audit and Risk Committee at its meeting on 5 August (Report 10.396 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

3. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

4. Background

GWRC prepares monthly financial statements for review. A more detailed review of GWRC's financial results is undertaken each quarter by the Chief Executive and the Chief Financial Officer, with each Group.

As a result of those reviews, a summary of GWRC's performance for the year ended 30 June 2010 is presented to the Council.

The detailed reviews by Group were be sent to Councillors under separate cover.

The WRC Holdings Group monthly financial statements are prepared and reviewed by management and the Boards of Directors of the individual companies within the Group. Therefore, only summary financial statements are presented for consideration by the Council.

The financial results are preliminary and are unaudited. The auditors commence their audit in mid August.

5. The year in review

- Major milestones have been met, with the Regional Policy Statement being approved by Council in May
- Te Upoko Taiao – Natural Resource Plan Committee being established in late 2009, and the review of our Regional Plans commences
- The construction of Beacon Hill completed
- A high level of public and media scrutiny throughout the year with regard to our enforcement actions, particularly in the Wairarapa and also Waiu Street
- Successfully developed the eMission programme
- Celebrated the 10th year of the Take Care programme
- Waiwhetu Stream clean up and flood improvements works were substantially completed
- Biodiversity Enhancement projects were boosted by the Ministry of Social Development's Community Max Scheme which provided employment for 15 staff for six months
- Aerial possum operation for Hutt river catchment
- BioWorks performed strongly and produced a better than budgeted result
- Wellington Regional Erosion Control Initiative plans were completed for ten properties in the Whareama Catchment, representing the first plans for this ten year programme
- Resource consent and Notice of Requirement applications were submitted to HCC and GW for the proposed Hutt / Boulcott stopbank construction
- The region’s broadband project was significantly progressed
- Consultation on the proposed Regional Land Transport Strategy 2010-2040 completed

- New Regional Road Safety Plan and Travel Demand Management Plan adopted

- Our Region successfully transitioned to a quarterly insert in community newspapers

- Upgraded our Metlink and Greater Wellington websites with Silverstripe contents system

- Successful annual Ara Tahi Hui held

- Plantation forests harvested 73,000 tonnes, the highest ever, in addition there was an increase in the forestry valuation of $6.0 million

- The Wairarapa groundwater models have now been completed and are being used to test scenarios and thereby propose management zones and allocation options

- Launch of Emergency Management educational booklet, "It's Easy"

- Water supply totalled 52,939 million litres (ML), at an average of 145 ML per day, 2.4 % less than that for 2008/09 and represents the lowest annual total during the last decade

- The draft Regional Water strategy was progressed

- Innovation within water supply continues and for the first time the Wainuiomata Water Treatment Plant has been placed on standby mode over the winter months

- Te Marua mini hydro plant was commissioned

- A contract was awarded for the provision of a 300kW generator for Wainuiomata

- The new Parks Network Plan was sent for public consultation

- In June, GWRC purchased 284 hectares at Baring Head and this land has been added to the regional parks network

- Launch of Wairarapa Moana Wetland Park

- 1.2 million bus, rail and ferry services funded by Greater Wellington

- 35 million passenger boardings across all public transport modes in 2009/10, down 1.3% on 2008/09

- New Matangi trains in production with factory testing of Unit 1 almost complete

- Contract signed for a Real Time Information System and Pilot conducted on Route 14
- Asset Management and electronic purchasing projects rolled out across GWRC
- Warm Greater Wellington Scheme started April 2010, with 133 completed installations by 30 June 2010
- Significant increases in investment revenue and a lower cost of debt
- Refinanced debt portfolio at very good rates in a very difficult financing environment.

6. Financial Performance

6.1 Operating Performance for the year

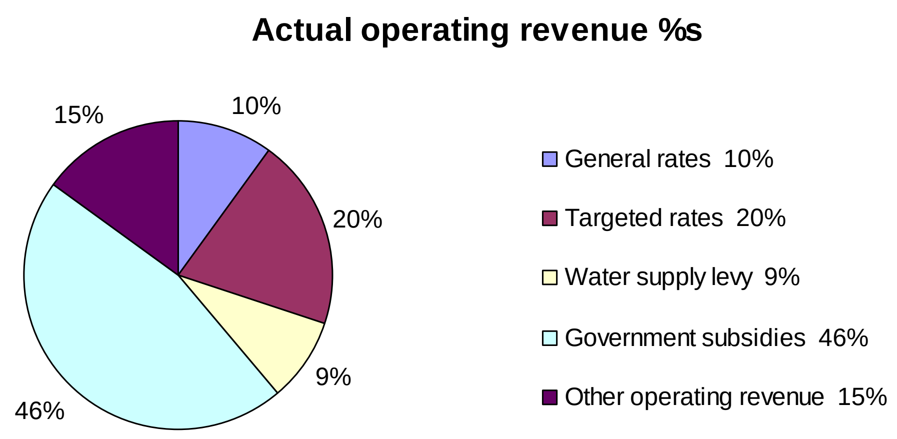
GWRC achieved an operating surplus of $8,514,000 (budget $2,236,000) for the year. This result excludes grants to fund public transport improvements, the purchase of property at Baring Head and revaluations. Including these amounts, GWRC's surplus was $2,971,000 (budget, a surplus of $1,105,000).

The WRC Holdings Group achieved a net surplus before tax of $10,378,000 (budget $7,758,000).

Further details on the performance for the year are discussed below.

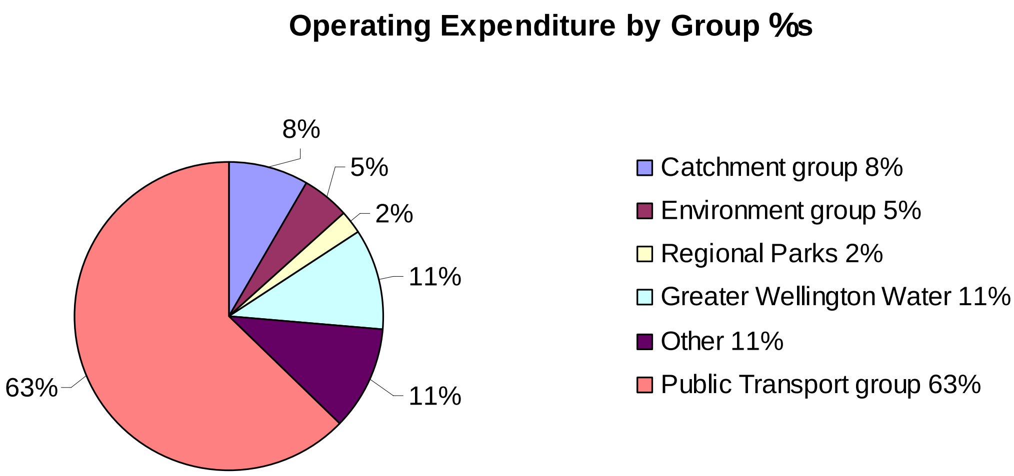
6.2 Operating revenue

The pie chart below shows that rates and levies accounted for just 39% of total revenue in 2009/10.



6.3 Operating expenditure

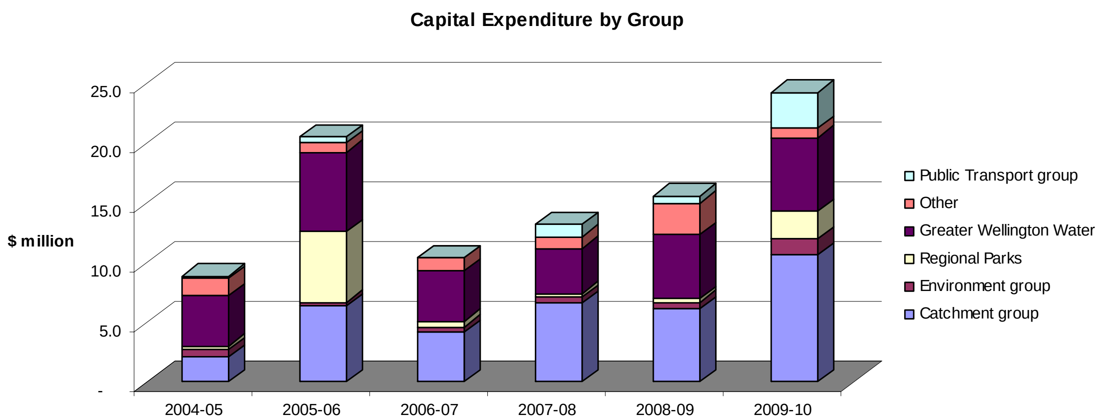
The pie chart below shows that public transport accounted for 63% of total expenditure in 2009/10.



7. Financial Summary - Council

Greater Wellington Regional Council Summary income statement	For the year ended 30 June 2010 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Regional rates	76,628	79,089	79,093	(4)
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,512	84,780	83,448	1,332
Total operating revenue	**184,600**	**187,329**	**186,001**	**1,328**
Operational expenditure	(176,471)	(178,815)	(183,765)	4,950
Operating surplus/(deficit) before transport improvement grants	**8,129**	**8,514**	**2,236**	**6,278**
Operating (deficit) from transport improvements	(16,005)	(6,045)	(8,027)	1,982
Operating surplus/(deficit) before unrealised items	**(7,876)**	**2,469**	**(5,791)**	**8,260**
Non-operational movements	7,561	502	6,896	(6,394)
Operating surplus/(deficit)	**(315)**	**2,971**	**1,105**	**1,866**

Greater Wellington Regional Council Summary income statement	For the year ended 30 June 2010			
	Last Year $(000)'s	Actual $(000)'s	Budget $(000)'s	Variance $(000)'s
Operational Groups				
Catchment Management	3,179	3,337	3,200	137
Environmental Management	(273)	(214)	(412)	198
Forestry	(2,035)	(992)	(678)	(314)
Parks and Forests	(509)	(108)	191	(299)
Public Transport	2,892	754	(896)	1,650
Total rates funded operational surplus / (deficit)	**3,254**	**2,777**	**1,405**	**1,372**
Corporate				
Strategy & Community Engagement	190	995	(53)	1,048
Finance and Support	1,406	982	(163)	1,145
Other corporate activities	103	60	(37)	97
Investment Management	11,601	11,182	8,709	2,473
Business unit rates contribution	(8,309)	(6,980)	(6,980)	-
Total rates funded operating surplus / (deficit)	**8,245**	**9,016**	**2,881**	**6,135**
Water	(116)	(502)	(645)	143
Total rates & levy funded operating surplus / (deficit)	**8,129**	**8,514**	**2,236**	**6,278**
Non-operational movements				
Revaluation of debt and stadium advance	7,260	(6,729)	(570)	(6,159)
Revaluation of forestry	182	6,010	1,903	4,107
Forestry cost of goods sold	(1,106)	(1,125)	(655)	(470)
Grants for Baring Head Purchase	-	1,100	-	1,100
EMU investment - GW Rail	1,225	1,246	6,218	(4,972)
Public Transport - capex / investment	(16,005)	(6,045)	(8,027)	1,982
Total Council surplus / (deficit)	**(315)**	**2,971**	**1,105**	**2,966**



Greater Wellington Regional Council	For the year ended 30 June 2010			
Capital expenditure by Group	Last Year	Actual	Budget	Variance
	$(000)'s	$(000)'s	$(000)'s	$(000)'s
Operational Groups				
Catchment Management	6,086	10,659	9,863	(796)
Environmental Management	572	1,259	1,285	26
Forestry	363	184	310	126
Parks and Forests	323	2,234	723	(1,511)
Public Transport	617	2,950	9,414	6,464
Operational Groups capital expenditure	**7,961**	**17,286**	**21,595**	**4,309**
Corporate				
Strategy & Community Engagement	53	(17)	-	17
Finance and Support	2,215	799	1,815	1,016
Other corporate activities	26	-	19	19
Investment Management	(68)	-	400	400
Total rates funded capital expenditure	**10,187**	**18,068**	**23,829**	**5,761**
Water	5,438	6,190	7,951	1,761
Total rates & levy funded capital expenditure	**15,625**	**24,258**	**31,780**	**7,522**

7.1 Catchment management

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	25,499	25,104	23,575	1,529
Operating expenditure	22,320	21,767	20,375	(1,392)
Operating surplus / (deficit)	3,179	3,337	3,200	137
Net capital expenditure	6,086	10,659	9,863	(796)

7.1.1 A favourable operating variance of $137,000, comprising higher revenue of $1,529,000, offset by increased operating costs of $1,392,000.

- Operating revenue was higher than budget due mainly to:
  - Land Afforestation grants scheme, $793,000.
  - Internal revenue of $460,000 towards the Waiwhetu clean-up project
  - Internal revenue for the completion of the Hutt Catchment aerial operation, $96,000

- Operating expenditure was higher than budget due mainly to:
  - Land Afforestation grants scheme, $733,000.
  - $568,000 of costs for the Waiwhetu clean-up project
- Overall capital expenditure was $796,000 ahead of budget mainly due to the Mills Street purchase $495,000 not budgeted for in 2009/10, and Waiwhetu flood improvements being ahead of budget.

7.2 Environmental management

Financial Summary	**For the year ended 30 June 2010**			
	Last Year	**Actual**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**
Operating revenue	13,288	13,596	13,293	303
Operating expenditure	13,561	13,810	13,705	(105)
Operating surplus / (deficit)	(273)	(214)	(412)	198
Net capital expenditure	572	1,259	1,285	26

7.2.1 Overall, a favourable operating variance of $198,000, comprising higher revenue of $303,000 and higher expenditure of $105,000.

- Operating revenue was ahead of budget due to additional revenue from Environsmart, EECA and EMission carried forward from 2008/09 and the timing of other revenue compared to budget
- Operating expenditure was higher than budget mainly due to internal charges for the Waiwhetu clean up
- Capital expenditure was in line with budget with the Beacon Hill building and fit-out mostly complete by year end.

7.3 Forestry

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	5,456	6,373	7,586	(1,213)
Operating expenditure	7,491	7,365	8,264	899
Operating surplus / (deficit)	(2,035)	(992)	(678)	(314)
Cost of goods sold	1,106	1,125	655	(470)
Operating surplus / (deficit) before valuation	(3,141)	(2,117)	(1,333)	(784)
Forestry valuation	182	6,010	1,903	4,107
Operating surplus / (deficit)	(2,959)	3,893	570	3,323
Net capital expenditure	363	184	310	126

7.3.1 Overall, the operating deficit was $2,117,000, an unfavourable variance compared with budget of $784,000. However, plantation forests harvested 73,000 tonnes of logs, the highest harvest achieved. This is despite the lower harvested volumes for the first six months.

- Operating revenue was $1,213,000 lower than budget due to:
  - The budget included $1,000,000 of revenue from the emissions trading scheme which did not come into effect
  - Lower harvested volumes in the first six months, especially in the Wairarapa, resulted in net logging revenue being $200,000 below budget.
- Operating expenditure was lower than budget by $899,000 due to lower expenditure on contractors as a result of low volumes harvested in the first six months of the year.
- Capital expenditure was $126,000 below budget due to less expenditure than expected on access roads.
- The cost of goods sold at $1,125,000 was $470,000 higher than budget due to the higher log prices. Forestry was revalued (as per normal) as at 30 June 2010. This resulted in an increase in the value of the forests of $6,010,000. The increase is due to higher log prices than in 2009 and an increase in the median age of the trees. Older trees are closer to harvesting and therefore have a higher value.

7.4 Parks & forests

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	6,547	6,574	6,507	67
Operating expenditure	7,056	6,682	6,316	(366)
Operating surplus / (deficit)	(509)	(108)	191	(299)
Grants for Baring Head purchase	-	1,100	-	1,100
Operating surplus / (deficit)	(509)	992	191	801
Baring Head purchase		1,775	-	(1,775)
Net capital expenditure	323	459	723	264

7.4.1
- An unfavourable operating variance before grants for the Baring Head land purchase of $299,000, due mainly to:
  - Staff costs were $221,000 under budget due to vacancies and the transfer of planning staff to the Strategy and Community Engagement Group
  - Contractors and consultants were $204,000 under budget due to the timing of work and utilising internal Biosecurity resources for the Hutt Catchment aerial operations
  - Internal expenditure was $182,000 ahead of budget due to the timing of the completion of the Hutt Catchment aerial operation noted above
  - Depreciation $457,000 unfavourable due to the budget being based on assets valued prior to the revaluation of parks assets in 2009.
- The $1,775,000 for the Baring Head purchase was unbudgeted, with $675,000 funded from GWRC, the rest from third parties.

7.5 Public transport

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	82,351	83,289	84,392	(1,103)
Operating expenditure	79,459	82,535	85,288	2,753
Operating surplus / (deficit)	2,892	754	(896)	1,650
Net capital expenditure	14	18	97	79

7.5.1 A favourable operating variance of $1,650,000, comprising lower expenditure of $2,753,000 which has reduced revenue by $1,103,000.

- Operating expenditure was lower than budget due to:
  - Rail operations $2,160,000 over budget due to a significant decline in patronage and increase in costs
  - The higher exchange rate and lower oil prices have resulted in decreased payments to the diesel bus operators of $4,240,000
  - Fully funded SuperGold card expenditure was $820,000 over budget
  - Operational expenditure on the real time project was below budget due to the delay in the start-up of the project, a saving of $507,000.

7.6 Public transport improvement projects

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	54,985	78,286	145,940	(67,654)
Operating expenditure	70,990	84,331	153,967	69,636
Operating surplus / (deficit)	(16,005)	(6,045)	(8,027)	1,982
External debt revaluation gains /(loss)	4,601	(1,146)	-	(1,146)
Operating surplus / (deficit)	(11,404)	(7,191)	(8,027)	836
Net capital expenditure	603	2,531	8,967	6,436

7.6.1 Overall a favourable operating variance of $1,982,000, comprising lower expenditure of $69,636,000 and as a result, lower revenue of $67,654,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $46,561,000 below budget due to the revision of the expected payment dates. The project remains on budget with the new trains still scheduled to begin to be delivered during 2010.
  - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, was under budget by $21,370,000 due to the timing on the Waikanae double tracking and electrification project.
  - The Ganz Mavag pilot refurbishment was $831,000 below budget due to the delayed start of the project.
- Capital expenditure was $6,436,000 below budget due to:
  - A number of projects have been reclassified as improvement projects from capital expenditure, as the underlying assets will not be owned by Greater Wellington, $3,211,000.
  - The real time information project commenced later than anticipated, and the contract was less than originally budgeted, $3,257,000.

7.7 Strategy & Community Engagement

Financial Summary	**For the year ended 30 June 2010**			
	Last Year	**Actual**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**
Operating revenue	9,454	9,533	9,558	(25)
Operating expenditure	9,264	8,538	9,611	1,073
Operating surplus / (deficit)	190	995	(53)	1,048
Net capital expenditure	53	(17)	-	17

7.7.1 Overall a favourable operating variance of $1,048,000, with lower operating revenue $25,000 and lower operating costs of $1,073,000.

- Operating expenditure was lower than budget due to:
  - Timing of expenditure on the internet and intranet upgrades, $264,000

- Savings in Wellington Regional Strategy expenditure $279,000 comprising lower office and committee costs $137,000 and lower grant drawn by Grow Wellington of $144,000

- Savings in Transport Strategy development projects including $45,000 on the Wairarapa corridor study; $145,000 Hutt Corridor Study; $145,000 on the planned update of the Regional Land Transport Programme and $126,000 saving on the transport model development.

7.8 Finance and Support

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	13,555	13,429	13,090	339
Operating expenditure	12,149	12,447	13,253	806
Operating surplus / (deficit)	1,406	982	(163)	1,145
Net capital expenditure	2,215	799	1,815	1,016

7.8.1 A favourable operating variance of $1,145,000 due to lower operating expenditure of $806,000 and increased revenue of $339,000.

- Operating expenditure was lower than budget due to:
  - Staff vacancies resulting in lower personnel costs of $164,000
  - Materials and supplies were $230,000 below budget, which is offset by increased contractors and consultants of $172,000
  - Lower depreciation due to the reduced PC renewal costs in 2008/09 and the asset management project not completed until the end of the year, $456,000
  - Finance costs were $62,000 below budget as a result of the lower capital expenditure in 2008/09
- Operating revenue was higher than budget due to additional rates on new properties and rates penalties
- Capital expenditure was $1,016,000 below budget due to the timing of the telecommunications upgrade project and lower final costs for completion of the SAP asset management project.

7.9 Investment management

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	7,870	7,789	5,791	1,998
Operating expenditure	3,731	3,393	2,918	475
Operating surplus / (deficit)	11,601	11,182	8,709	2,473
Net capital expenditure	(68)	-	400	400

7.9.1 Investment revenue was $1,998,000 ahead of budget due to:

- Higher money market income of $463,000 on our liquid deposits. Both of these were due to higher interest rates than budgeted
- Higher income of $482,000 on a $25 million interest rate swap due to favourable interest rates
- Higher dividends from the WRC Holdings Group as a result of lower finance costs in the Group.

7.9.2 Operating expenditure was $475,000 below budget due to:

- Lower external finance costs of $761,000, partly offset by lower internal interest income. Both are due to lower borrowing resulting from lower capital expenditure.

7.9.3 Capital expenditure to 30 June 2010.

- Work did not start on the Masterton building in 2009/10.

7.10 Water

Financial Summary	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Operating revenue	28,079	27,708	28,332	(624)
Operating expenditure	28,195	28,210	28,977	767
Operating surplus / (deficit)	(116)	(502)	(645)	143
Net capital expenditure	5,438	6,190	7,951	1,761

7.10.1 Overall a favourable operating variance of $143,000 compared to budget, due to:

- Operating revenue was $624,000 below budget primarily as a result of lower internal revenue due to less time charged to capital projects.

- Operating expenditure was $767,000 lower than budget due to:

  - Personnel costs are $602,000 below budget, due to staff vacancies, $132,000 and $470,000 being charged to capital expenditure projects over and above the budgets.

  - Better pricing for materials and supplies including chemicals, power and rates, $585,000. Power savings are being made due to an agreement with the energy supplier over peak load management and chemical prices have reduced back to 2008 levels after the dramatic increases during 2009.

  - Increased insurance costs of $195,000 were offset by lower contributions to the water contingency reserve.

  - Contractors and consultants were $59,000 over budget primarily due to the unbudgeted repairs to the Plimmerton water main, $150,000.

  - Finance costs were $174,000 below budget, due to the actual opening debt position being lower than budgeted.

  - Depreciation was $524,000 over budget due to the water asset revaluation being brought forward to 1 July 2009.

- Capital expenditure was $1,761,000 below budget due to timing and deferral of some projects including the hydro generation at Wainuiomata, $1,100,000; investigation of Upper Hutt aquifer, $100,000; Telemetry systems development, $100,000.

8. Non operational movements

At year end a number of non operational or unrealised items need accounting for. These have been separated out in the report so that usual operations can be clearly reviewed against their budgets. These adjustments are detailed below.

8.1.1 Revaluation of Debt and the Stadium advance, an unrealised expense of $6,729,000

All of Greater Wellington's debt, interest rate swaps, Stadium advance and any foreign exchange contracts must be valued at market value at year end, as required by the international accounting standards. This is despite the fact that Greater Wellington holds these financial instruments to maturity and as such would not incur any financial loss on them.

Greater Wellington has a mixture of debt maturities, interest rates (fixed versus floating) and interest rate swaps. This ensures that Greater Wellington is in accordance with its treasury policy and prudent treasury management. Last year Greater Wellington had an unrealised gain on its financial instruments of $7,260,000. This year, mainly because of the lower interest rates this has changed to the unrealised expense of $6,729,000. The details are noted below.

Interest rate swaps (Derivatives), a $3,769,000 decrease

The value of the interest rate swaps portfolio has declined significantly due to the recent fall in interest rates, driven primarily by the slow economic recovery and sovereign debt problems in Europe. As the Reserve Bank of New Zealand increases interest rates from the current levels of 3% to 5%, the swaps will increase in value.

Stadium Advance, a $316,000 increase

The increase relates to a $25 million advance to the Stadium Trust to finance the construction of the Stadium. For accounting purposes we are required to assume a repayment date which will commence in 2025. The advance is recorded in the balance sheet at its discounted present value, each year the value increases as the first repayment of the advance nears.

Fixed rate bonds, a $1,339,000 decrease

Greater Wellington has borrowed $75,000,000 of fixed rate bonds at interest rates which were at market price at the time. If Greater Wellington were to raise this debt today it could be done at lower interest rates, creating the unrealised expense.

Investments $713,000 decrease

Greater Wellington invested $16,000,000 into fixed rate bonds at yields of around 8.5%. Last year there was a $1,100,000 gain, since then some of the bonds have matured and the remainder are closer to maturity producing a decrease in their value.

8.1.2 Revaluation of forestry $6,010,000 increase.

The valuation this year has increased dramatically due to the higher log prices and the increase in the average age of the trees.

8.1.3 Forestry cost of goods sold a cost of $1,125,000

Forestry cost of goods sold is a non cash adjustment to reflect the costs associated with the trees that are being harvested. The adjustment is based on the value of the trees harvested.

8.1.4 Baring Head purchase

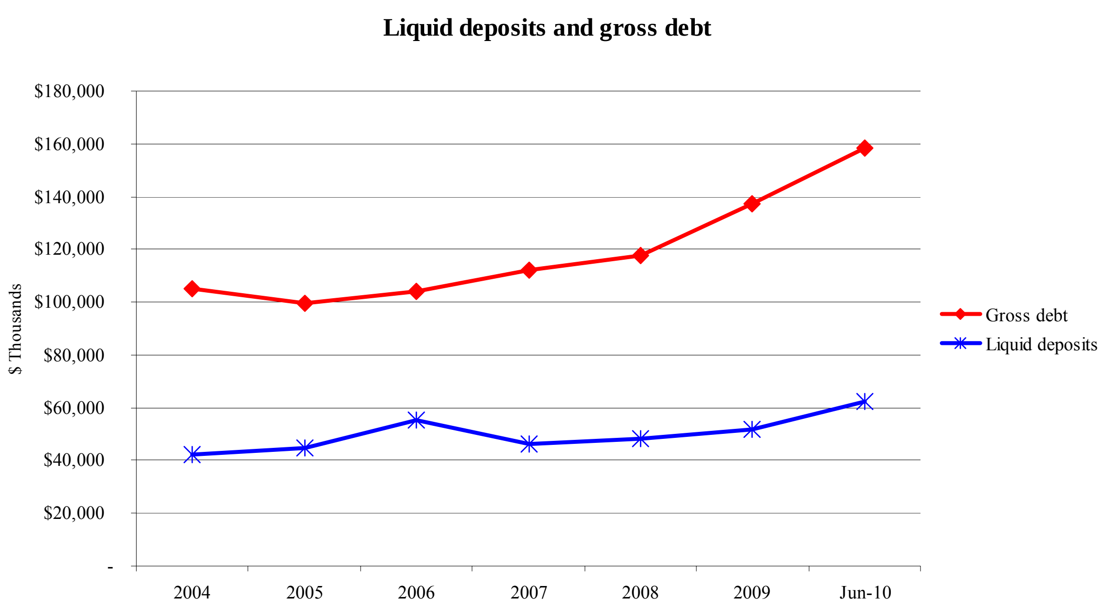
A number of parties contributed to the Baring Head land purchase. These contributions need to be treated as revenue for accounting purposes and include a $900,000 direct grant and a $200,000 loan. As the loan is interest free and is only repayable in certain circumstances then the loan is valued at zero producing a gain of $200,000.

9. Finance costs

	For the year ended 30 June 2010			
	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Finance Costs	4,540	4,683	5,444	761

Finance costs were $4,683,000 compared to the budget of $5,444,000, a favourable variance of $761,000. The favourable variance is due to lower borrowings resulting from lower capital expenditure, actual opening debt being below budget and lower interest rates than budgeted.

Debt



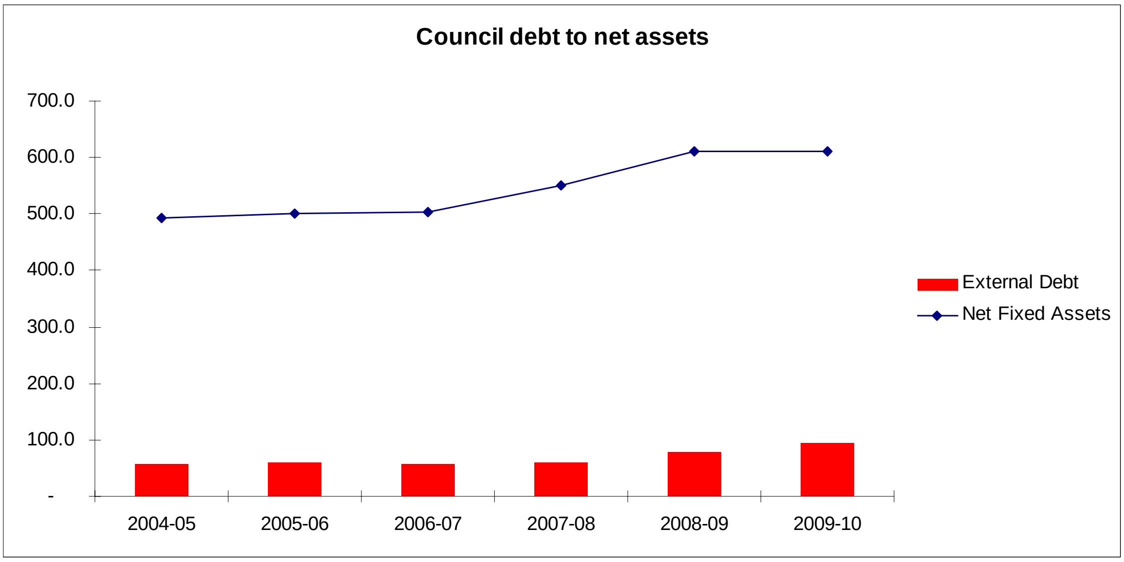
The above graph represents Greater Wellington and WRC Holdings' combined debt position and cash deposits.

Greater Wellington's debt, including WRC Holdings, was $156.1 million at 30 June 2010, compared with $137.2 million on 30 June 2009.

The $156.1 million excludes the $11.0 million written down in respect of the Government loans. The write down is due to the interest free nature of these loans. With the write down included, Greater Wellington's debt, including WRC Holdings, as at 30 June 2010 was $145.1 million. This debt excludes CentrePort.

It should be noted that Greater Wellington currently has $61.6 million on deposit. This is $10 million more than March and is due to funds raised in June for the 2010/11 year.

GWRC debt (excluding WRC Holdings) ratio is low at around 15% of net assets.



9.1 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of $18,985,000, which had been borrowed from the ANZ at a fixed interest rate of 8.55% until 2018.

The Stadium debt was repaid to the ANZ in late June 2007, including a break cost of $419,000, and was initially refinanced using Greater Wellington's commercial paper programme.

The debt is currently funded at 6.21% until February 2012.

From February 2012 until early 2018 an interest rate swap is in place, should it be required, to fix the base borrowing rate at 5.75% plus the lender's margin. It is likely significant savings will result from this debt restructure. Current estimates are in the order of $1.5 million.

The current balance of this loan at 30 June 2010 is $15,033,794.

10. Annual plan performance targets

Group managers have reported their expectation that all significant annual plan performance targets were achieved by 30 June 2010.

11. WRC Holdings

The following table summarises WRC Holdings group of companies (the Group) operating results for the year ended 30 June 2010.

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Last Year $000	Actual $000	Budget $000	Variance $000
Total Revenue	60,877	71,942	67,485	4,457
Operating Expenses	41,927	48,647	48,126	(521)
Earnings Before Interest & Tax (EBIT)	18,950	**23,295**	**19,359**	**3,936**
Less:				
Finance costs	8,481	10,422	11,601	1,179
Revaluation (loss)	(11,046)	(2,496)		(2,496)
Net Surplus Before (Deficit) Tax	**(576)**	**10,378**	**7,758**	**2,620**

Notes:
(1) Includes a summary consolidation of CentrePort Ltd's results before providing for minority interests.
2) Excludes any revaluations from CentrePort

The Group achieved a surplus before tax for the period of $10,378,000, compared with the budget of $7,759,000, providing a favourable position to the budget of $2,619,000, or $5,115,000 before revaluations.

CentrePort’s revenue is $4,448,000 favourable, due to increased volume throughput for the port compared to budget. Operating costs were higher than budget by $661,000, but these are offset by lower finance costs of $763,000.

Port Investments is contributing $416,000 favourably to interest expense, due to its lower funding costs on the $44,000,000 debt, with the balance of the variance resulting from a better performance from Pringle House due to lower operating expenditure.

The revaluation loss excluding CentrePort’s comprises:

	$ 000
Pringle House devaluation	(1,702)
Revaluation loss interest rate swaps	(794)
	(2,496)

12. Compliance with Treasury Management Policy

A new Treasury Management Policy came into effect on 1 July 2009. There was a one year's grace period to comply with the new policy. Greater Wellington is now in compliance, after refinancing in May and June coupled with an interest rate swap (refer Attachment 3).

13. Communication

No communications are necessary at this time.

14. Recommendations

That the Council:

1. ***Receives** the report.*

2. ***Notes** the content of the report.*

Report prepared by:	Report approved by:
Chris Gray	Barry Turfrey
Manager, Finance & Support	Chief Financial Officer

Attachment 1: Funding Impact Statement
Attachment 2: Balance Sheet
Attachment 3: Compliance with Treasury Management Policy