### Explanation of Net Surplus

For the year ended 30 June 2010

The Council has recorded a net surplus for the year of $30.330m compared to a budgeted surplus of $24.528m. The underlying financial performance outlined below shows a surplus for the year of $1.498m after the exclusion of fair value movements and other unbudgeted items that cannot be used to fund operating expenditure.

### ADDITIONAL EXPENDITURE NOT FUNDED UNDER SECTION 100 OF LOCAL GOVERNMENT ACT 2002

Certain depreciation changes are not funded through rates as they are either fully or partially funded by external parties.

### COUNCIL UNDERLYING NET SURPLUS

The underlying financial performance outlined above shows an underlying surplus of $1.498m versus the budgeted surplus for the year after the exclusion of fair value movements and other items that cannot be used to fund operating expenditure. There were two items which have had a significant impact on the underlying result for the year.

1. The first item was the increase in the Council’s provision for non-weather tight homes. The social, economic and health costs of non-weather tight homes are affecting a number of home owners and their families across the country and have had an effect on our financial results for the year. The Council is actively working with the Crown to address non-weather tight homes with the introduction of the Government’s financial assistance package.

2. The second item was the receipt of two years of dividends from Wellington International Airport Limited. Total dividends received in the year were $15.4 million compared with a budget of $5.3 million which served to significantly reduce the impact of the increase in the provision for non-weather tight homes on the reported result.

We also continued to manage our costs within budgeted levels and make savings in areas such as interest costs, despite increasing financial pressures.

### NET SURPLUS FOR THE GROUP

The Group has recorded total comprehensive income of $20.526m for the year. This includes the Council’s share of reserve movements for Wellington International Airport Limited. For further explanation of the Council’s net surplus please refer to Note 32: Major budget variations.

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