

Wellington City Council and Group

Financial Statements

For the year ended 30 June 2009

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Statement of Compliance and Responsibility

Compliance

The Council and management of Wellington City Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in Schedule 10 of the Local Government Act 2002, have been complied with.

Responsibility

The Council and management accept responsibility for the preparation of the annual financial statements and judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2009 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and have been duly authorised for issue.

Kerry Prendergast
Mayor
26 August 2009

Garry Poole
Chief Executive
26 August 2009

Neil Cherry
Chief Financial Officer
26 August 2009

Statement of Comprehensive Financial Performance

For the year ended 30 June 2009

| | Note | Council | | Group | | |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2009 \$000 | Budget 2009 \$000 | Actual 2008 \$000 | Actual 2009 \$000 | Actual 2008 \$000 |
| INCOME | | | | | | |
| Revenue from rates | 1 | | 204,841 | 191,373 | 191,373 | |
| Revenue from operating activities | 2 | | 122,048 | 109,074 | 126,045 | |
| Revenue from investment property leases | | | 10,907 | 13,577 | 13,577 | |
| Other revenues and gains | 3 | | 4,515 | 39,166 | 38,960 | |
| Finance income | 4 | | 5,673 | 7,253 | 2,059 | |
| TOTAL INCOME | | - | 347,984 | 360,443 | - | 372,014 |
| EXPENSE | | | | | | |
| Finance expense | 4 | | 22,656 | 21,167 | 21,259 | |
| Expenditure on operating activities | 5 | | 235,832 | 250,146 | 265,712 | |
| Depreciation and amortisation | 6 | | 69,577 | 63,615 | 65,270 | |
| TOTAL EXPENSE | | - | 328,065 | 334,928 | - | 352,241 |
| TOTAL OPERATING SURPLUS | | - | 19,919 | 25,515 | - | 19,773 |
| Share of equity accounted surplus/(deficit) from associates | 38 | - | - | - | - | 15,093 |
| NET SURPLUS BEFORE TAXATION | | - | 19,919 | 25,515 | - | 34,866 |
| Income tax expense | 7 | - | - | - | - | - |
| NET SURPLUS FOR THE YEAR | | - | 19,919 | 25,515 | - | 34,866 |
| OTHER COMPREHENSIVE INCOME | | | | | | |
| Revaluations - net gain | 23 | | - | 192,083 | | 192,083 |
| Cash flow hedges: | | | | | | |
| Net gain | 24 | | - | (2,102) | | (2,102) |
| Reclassification to surplus | 24 | | - | (309) | | (309) |
| Share of other comprehensive income of associates: | | | | | | |
| Revaluation - net gain | 23 | | - | - | | 2,691 |
| Cash flow hedges - net movement | 24 | | - | - | | (24) |
| Income tax expense relating to components of other comprehensive income | | | | - | | - |
| TOTAL OTHER COMPREHENSIVE INCOME | | - | - | 189,672 | - | 192,339 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | - | 19,919 | 215,187 | - | 227,205 |

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

Explanation of Total Comprehensive Income

The accounting requirements for the presentation of the main financial statements have changed. Total comprehensive income is comprised of two parts:

1) Net surplus or deficit for the year, which is the result from operations, after equity accounting for any share of the surplus or deficit of associates, and the deduction of any tax expense.

The Council has recorded a net surplus for the year of \$XXX million, compared to a budget surplus of \$19.9 million.

The most significant contributing factor is the fair value adjustments relating to the revaluation movements of the Council's investment properties. These fair value gains are unbudgeted. The impact of these revaluations is an unbudgeted \$XXX million unrealised gain.

2) Other comprehensive income, which is the non-owner changes in equity, which used to be included in the Statement of Changes in Equity, but are now required to be included in a Statement of Comprehensive Financial Performance.

The Council has recorded other comprehensive income of \$XXX. The most significant factor is the fair value adjustments relating to the revaluation movements of the Council's land and buildings.

For further explanation of the surplus please refer to Note 30.

Statement of Changes in Equity

For the year ended 30 June 2009

| | Note | Council | | Group | |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2009 \$000 | Budget 2009 \$000 | Actual 2008 \$000 | Actual 2009 \$000 |
| EQUITY - Opening balances | | | | | |
| Accumulated funds and retained earnings | 22 | | 4,727,246 | 4,723,786 | 4,799,859 |
| Revaluation reserves | 23 | | 1,042,203 | 846,245 | 901,918 |
| Hedging reserve | 24 | | 5,468 | 5,468 | 5,468 |
| Restricted funds | 25 | | 22,874 | 22,374 | 24,971 |
| TOTAL EQUITY - Opening balance | | - | 5,797,791 | 5,597,873 | - 5,732,216 |
| CHANGES IN EQUITY | | | | | |
| Retained earnings | | | | | |
| Net surplus for the year | 22 | | 19,919 | 25,515 | 34,866 |
| Transfer to restricted funds | | | (1,464) | (954) | (1,397) |
| Transfer to revaluation reserves | | | | (173) | (173) |
| Transfer from restricted funds | | | 2,348 | 2,349 | 2,351 |
| Revaluation reserves | | | | | |
| Share of other comprehensive income | 23 | | - | 192,083 | 194,774 |
| Transfer from retained earnings | | | - | 173 | 173 |
| Hedging reserve | | | | | |
| Share of other comprehensive income | 24 | | - | (2,411) | (2,435) |
| Restricted Funds | | | | | |
| Transfer to retained earnings | 25 | | (2,348) | (2,349) | (2,351) |
| Transfer from retained earnings | | | 1,464 | 954 | 1,397 |
| Total comprehensive income | | - | 19,919 | 215,187 | - 227,205 |
| EQUITY - Closing balances | | | | | |
| Accumulated funds and retained earnings | 22 | | 4,748,049 | 4,750,523 | 4,835,506 |
| Revaluation reserves | 23 | | 1,042,203 | 1,038,501 | 1,096,865 |
| Hedging reserve | 24 | | 5,468 | 3,057 | 3,033 |
| Restricted funds | 25 | | 21,990 | 20,979 | 24,017 |
| TOTAL EQUITY - Closing balance | | - | 5,817,710 | 5,813,060 | - 5,959,421 |

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 30 June 2009

| | Note | Council | | Group | | |
|--|------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2009 \$000 | Budget 2009 \$000 | Actual 2008 \$000 | Actual 2009 \$000 | Actual 2008 \$000 |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 9 | | 1,883 | 2,307 | 5,304 | |
| Derivative financial instruments | 10 | | - | 173 | 173 | |
| Trade and other receivables | 11 | | 32,529 | 33,600 | 35,198 | |
| Inventories | 13 | | 1,005 | 960 | 1,870 | |
| Non-current assets classified as held for sale | 14 | | | 7,368 | 7,368 | |
| Total current assets | | - | 35,417 | 44,408 | - | 49,913 |
| Non-current assets | | | | | | |
| Derivative financial instruments | 10 | | 5,468 | 2,382 | 2,382 | |
| Other financial assets | 12 | | 15,611 | 2,123 | 2,480 | |
| Intangibles | 15 | | 8,815 | 4,289 | 4,606 | |
| Investment properties | 16 | | 215,282 | 220,368 | 220,368 | |
| Property, plant and equipment | 17 | | 5,924,407 | 5,854,426 | 5,883,089 | |
| Investment in subsidiaries | 37 | | 6,509 | 6,509 | - | |
| Investment in associates | 38 | | 19,558 | 19,558 | 142,887 | |
| Total non-current assets | | - | 6,195,650 | 6,109,655 | - | 6,255,812 |
| TOTAL ASSETS | | - | 6,231,067 | 6,154,063 | - | 6,305,725 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 18 | | 54,833 | 58,185 | 61,412 | |
| Borrowings | 19 | | 96,733 | 108,235 | 108,346 | |
| Employee benefit liabilities | 20 | | 6,528 | 7,358 | 8,157 | |
| Provision for other liabilities | 21 | | 4,811 | 2,981 | 2,498 | |
| Total current liabilities | | - | 162,905 | 176,759 | - | 180,413 |
| Non-current liabilities | | | | | | |
| Borrowings | 19 | | 233,046 | 143,319 | 144,294 | |
| Employee benefit liabilities | 20 | | 1,480 | 1,610 | 1,799 | |
| Provision for other liabilities | 21 | | 15,926 | 19,315 | 19,798 | |
| Total non-current liabilities | | - | 250,452 | 164,244 | - | 165,891 |
| TOTAL LIABILITIES | | - | 413,357 | 341,003 | - | 346,304 |
| EQUITY | | | | | | |
| Accumulated funds and retained earnings | 22 | | 4,748,049 | 4,750,523 | 4,835,506 | |
| Revaluation reserves | 23 | | 1,042,203 | 1,038,501 | 1,096,865 | |
| Hedging reserve | 24 | | 5,468 | 3,057 | 3,033 | |
| Restricted funds | 25 | | 21,990 | 20,979 | 24,017 | |
| TOTAL EQUITY | | - | 5,817,710 | 5,813,060 | - | 5,959,421 |
| TOTAL EQUITY AND LIABILITIES | | - | 6,231,067 | 6,154,063 | - | 6,305,725 |

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 30 June 2009

| | Note | Council | | Group | | | |
|---|----------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------|
| | | Actual 2009 \$000 | Budget 2009 \$000 | Actual 2008 \$000 | Actual 2009 \$000 | Actual 2008 \$000 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from rates - Council | | | 204,841 | 188,668 | 188,668 | | |
| Receipts from rates - Greater Wellington Regional Council | | | - | 36,257 | 36,257 | | |
| Receipts from activities and other income | | | 100,614 | 100,049 | 112,510 | | |
| Receipts from Government grants and subsidies | | | 25,949 | 15,185 | 22,177 | | |
| Receipts from investment property lease rentals | | | 10,907 | 12,720 | 12,720 | | |
| Cash paid to suppliers and employees | | | (211,054) | (215,179) | (235,161) | | |
| Rates passed to Greater Wellington Regional Council | | | - | (33,884) | (33,884) | | |
| Grants paid | | | (25,277) | (24,164) | (24,164) | | |
| Net GST (paid) / received | | | - | 435 | 536 | | |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | | - | 105,980 | 80,087 | - | 79,659 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Dividends received | | | 4,750 | 5,714 | 5,714 | | |
| Interest received | | | 100 | 491 | 941 | | |
| Decrease in bank investments | | | - | - | - | | |
| Loan repayments received | | | - | 211 | 211 | | |
| Proceeds from sale of investment properties | | | - | - | - | | |
| Proceeds from sale of property, plant and equipment | | | - | 1,100 | 1,100 | | |
| Increase in bank investments | | | - | - | (357) | | |
| Loan advances made | | | (5,000) | (1,692) | (1,692) | | |
| Purchase of investment properties | | | - | (75) | (75) | | |
| Purchase of intangibles | | | - | (1,093) | (1,400) | | |
| Purchase of property, plant and equipment | | | (139,453) | (95,650) | (96,353) | | |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | - | (139,603) | (90,994) | - | (91,911) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Decrease in borrowings | | | - | (1,261) | (1,390) | | |
| Increase in borrowings | | | 56,279 | 23,438 | 23,438 | | |
| Interest paid on borrowings | | | (22,656) | (20,075) | (20,166) | | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | | - | 33,623 | 2,102 | - | 1,882 |
| Net increase/(decrease) in cash and cash equivalents | | | - | - | (8,805) | - | (10,370) |
| Cash and cash equivalents at beginning of year | | | | 1,883 | 11,112 | | 15,674 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 9 | | - | 1,883 | 2,307 | - | 5,304 |

Wellington City Council acts as a collection agency for Greater Wellington Regional Council (GWRC) by including additional rates and levies in its own billing process. Once collected the monies are passed to GWRC.

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

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows - continued

The net surplus from the Statement of Comprehensive Financial Performance is reconciled to the net cash flows from operating activities in the Statement of Cash Flows as follows:

| Reconciliation of net surplus to net operating cash flows | Note | Council | | Group | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Net surplus for the period | | - | 25,515 | - | 34,866 |
| Add/(deduct) non-cash items: | | | | | |
| Vested assets | 3 | | (10,859) | | (10,859) |
| Fair value changes in investment properties | 3 | | (22,620) | | (22,620) |
| Bad debts written-off not previously provided for | 5 | | 514 | | 522 |
| Depreciation and amortisation | 6 | | 63,615 | | 65,270 |
| Other fair value changes | | | 6,308 | | 6,308 |
| Movement in provision for impairment of doubtful debts | | | 521 | | 521 |
| Non-cash movement in provisions | | | 3,676 | | 3,758 |
| Total non-cash items | | - | 41,155 | - | 42,900 |
| Add/(deduct) movement in working capital: ¹ | | | | | |
| Trade and other receivables | | | (1,857) | | (2,869) |
| Trade and other payables | | | 3,352 | | 2,802 |
| Employee benefit liabilities | | | (294) | | (312) |
| Provisions for other liabilities | | | (1,075) | | (1,212) |
| Total working capital movement | | - | 126 | - | (1,591) |
| Add/(deduct) investing and financing activities: | | | | | |
| Net gain on disposal of property, plant and equipment | | | (579) | | (579) |
| Gain on sale of investments | | | - | | - |
| Dividends received | | | (5,714) | | (70) |
| Interest received | | | (491) | | (941) |
| Interest paid on borrowings | | | 20,075 | | 20,167 |
| Share of equity accounted surplus from associates | | | | | (15,093) |
| Total investing and financing activities | | - | 13,291 | - | 3,484 |
| Net cash flow from operating activities | | - | 80,087 | - | 79,659 |

1. Excluding non-cash items

Notes forming part of the Financial Statements

For the year ended 30 June 2009

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Summary of Significant Accounting Policies

Reporting Entity

Wellington City Council is a territorial local authority governed by the Local Government Act 2002. For the purposes of financial reporting Wellington City Council is a public benefit entity.

The financial statements include the Council and Group. A Group structural diagram is included in Note 35. The Council includes the results and operations of Wellington City Council as a separate legal entity, the Council's interests in the joint ventures as disclosed in Note 36 and the Wellington Waterfront Project. The Group includes the Council, the subsidiaries disclosed in Note 37, and the Council's interest in the associates disclosed in Note 38.

All entities included within the Group are based in New Zealand.

Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Wellington City Council has chosen to early adopt the amendments to NZ IAS 1 – *Presentation of Financial Statements*. The revised standard introduces the Statement of Comprehensive Financial Performance and has changed the format and content of the Statement of Changes in Equity. It has only a presentational impact on the financial statements.

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

The reporting period for these financial statements is the year ended 30 June 2009. The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

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

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent 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 both current and future periods, it is reflected in the respective period to which it relates.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include landfill post closure costs and the retirement gratuities provision.

Basis of Consolidation

The Group includes joint ventures, subsidiaries and associates. A Group structural diagram is included in Note 35.

Joint ventures

Joint ventures are contractual arrangements with other parties to undertake a jointly controlled operation. The Council has several liability in respect of joint ventures' deficits and liabilities, and shares in any surpluses and assets. The Council's proportionate interest in the assets, liabilities, revenue and expenditure of the jointly controlled operations is included in the financial statements of the Council and Group on a line-by-line basis.

Subsidiaries

Subsidiaries are entities that are controlled by the Council. In the Council financial statements, the Council's investment in subsidiaries is carried at cost. In the Group financial statements, the Council's subsidiaries are accounted for using the purchase method, which involves the addition of corresponding assets, liabilities, revenue and expenditure on a line-by-line basis.

All significant transactions between Group entities, other than rates, are eliminated on consolidation. Rates are charged on an arm's length basis and are not eliminated to ensure that reported costs and revenues are consistent with the Council's Annual Plan.

Associates

Associates are entities in which the Council has significant influence, but not control, over their operating and financial policies. In the Council financial statements, the Council's investment in associates is carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, revenue and expenditure of associates is included on an equity accounting basis.

Revenue

Revenue is measured at the fair value of consideration received. Specific accounting policies for major categories of revenue are outlined below:

Rates

Rates are set annually by resolution from Council and relate to a particular financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when invoiced.

Operating Activities

Government grants

Government grants are initially recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Other government grants (e.g. New Zealand Transport Agency (NZTA) roading subsidies) are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled

Fines and penalties

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue fines) is recognised when infringement notices are issued or when fines/penalties are otherwise imposed.

Rendering of services

Revenue from the rendering of services (e.g. building consent fees) is recognised by reference to the stage of completion of the transaction at the end of the reporting period, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided.

Sale of goods

Sales of goods are recognised when products are sold to the customer and at the time and place all risks and rewards of ownership have transferred to the customer.

Investment Property Leases

Lease rentals (net of any incentives given) are recognised on a straight line basis over the term of the lease.

Finance Income

Interest

Interest income is recognised using the effective interest rate method.

Dividends

Dividends are recognised when the shareholders' rights to receive payment have been established.

Other Revenues and Gains

Development Contributions

Development contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue when the control of the asset is transferred to Council.

Donated Services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (e.g. Beach cleaning, Otari-Wilton's Bush guiding and planting, and the Volunteer Rural Fire Force). Due to the difficulty in determining the value of these donated services with sufficient reliability, donated services are not recognised in these financial statements.

Expenses

Specific accounting policies for major categories of expenditure are outlined below:

Operating Activities

Grants

Expenditure is classified as a grant if it results in a transfer of resources to another entity in return for compliance with certain conditions relating to the operating activities of that entity. Grants expenditure includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants are distinct from donations which are discretionary charitable gifts. Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

Finance Expense

Interest

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Depreciation and Amortisation

Depreciation (of property, plant and equipment) and amortisation (of intangible assets) are charged to the Statement of Comprehensive Financial Performance on a straight-line basis over the useful life of the associated assets.

Taxation

Income tax is charged in the Statement of Comprehensive Financial Performance in respect of the current year's results of council controlled trading organisations only. Income tax on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and to unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Good 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. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Financial Instruments

Financial instruments include financial assets (cash and cash equivalents, loans and receivables, available-for-sale financial assets, and investments in subsidiaries and associates), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised on the trade-date at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the Council. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all of the risks and rewards of ownership.

Financial instruments are classified into the categories outlined below based upon the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

Financial assets

Financial assets are classified as loans and receivables or available for sale financial assets.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, loans and deposits.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition.

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable.

Loans and deposits include loans to other entities (including loans to subsidiaries and associates), and bank deposits (with maturity greater than three months from the date of acquisition).

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Trade and other receivables issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for impairment in respect of these receivables.

Available for sale financial assets are either designated in this category by nature or, by default, if they cannot be classified in one of the other categories of financial assets. Available for sale financial assets are initially recorded at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. If there is no active market and no intention to sell the asset, the asset is measured at cost. Fair value is equal to Council's share of net assets of the entity. On disposal, the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Statement of Comprehensive Financial Performance.

Financial liabilities

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Statement of Comprehensive Financial Performance. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

On disposal of financial liabilities, gains or losses are recognised in the Statement of Comprehensive Financial Performance.

Derivatives

Derivative financial instruments include interest rate swaps used to hedge exposure to interest rate risk arising from financing activities. Derivatives are initially recognised at fair value based on quoted market prices, and subsequently remeasured at their fair value at the end of each reporting period. Derivatives that do not qualify for hedge accounting are classified as non-hedged (held for trading) and fair value gains or losses recognised within surplus or deficit.

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative qualifies as a hedge of variability in asset or liability cash flows (cash flow hedge), the effective part of any gain or loss on the derivative is recognised within other comprehensive income while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive income transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit.

Where a derivative qualifies as a hedge of variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss on the derivative is recognised within surplus or deficit.

As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

Inventories

Inventories consumed in the provision of services that are not supplied on a commercial basis (such as botanical supplies) are measured at the lower of cost and current replacement cost.

Inventories held for resale on a commercial basis, such as swimwear, are recorded at the lower of cost (determined on a first-in first-out basis) and net realisable value. This valuation includes allowances for slow moving and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Investment properties

Investment properties are properties which are held primarily to earn rental income, for capital appreciation or for both. These include the Council's ground leases and land and buildings and the Wellington Waterfront Project's investment properties. Investment properties exclude those properties held for strategic purposes or to provide a social service, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by an independent registered valuer. The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Financial Performance. Investment properties are not depreciated.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Non-current assets classified as held for sale

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than through continuing use. A non-current asset is classified as held for sale where:

- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets,
- A plan to sell the asset is in place, and an active programme to locate a buyer and complete the plan has been initiated,
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a sale within one year from the date of classification or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset, and
- Actions required to complete the plan to sell the asset indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Statement of Comprehensive Financial Performance. Fair value is determined by market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Property, Plant and Equipment

Property, plant and equipment consists of operational assets, restricted assets and infrastructure assets.

Operational assets include land, the landfill post closure asset, buildings, the Civic Centre complex, the library collection, and plant and equipment.

Restricted assets include art and cultural assets, zoo animals, restricted buildings, parks and reserves and the town belt. These assets provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets include the fixed utility systems comprising the roading network, water, waste and drainage reticulation networks, and infrastructure land (including land under roads). Each asset type includes all items that are required for the network to function.

Vested assets are recognised within their respective asset classes as above. Vested assets are those assets where ownership and control is transferred to the Council from a third party (for example; infrastructure assets constructed by developers and transferred to the Council on completion of a sub-division).

Recognition

Expenditure is capitalised as property, plant and equipment 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.

Measurement

Property, plant and equipment is recognised initially at cost, unless acquired for nil or nominal cost (e.g. vested assets), in which case the asset is recognised at fair value at the date of transfer. The initial cost of property, plant and equipment includes the purchase consideration, or the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Borrowing costs are not capitalised. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Where there is no market related evidence for an asset, fair value is determined by optimised depreciated replacement cost.

Specific measurement policies for categories of property, plant and equipment are shown below:

Operational Assets

Plant and equipment and the Civic Centre complex are measured at historical cost.

Library collections are valued at depreciated replacement cost on a three-year cycle by the Council's library staff in accordance with guidelines released by the New Zealand Library Association and the National Library of New Zealand.

Land and buildings are valued at fair value on a three-year cycle by independent registered valuers.

Restricted Assets

Art and cultural assets (artworks, sculptures, and statues) are valued at historical cost. Zoo animals are stated at estimated replacement cost. All other restricted assets (buildings, parks and reserves and the town belt) were valued at fair value as at 30 June 2005 by independent registered valuers. Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at historical cost.

Infrastructure Assets

Infrastructure assets (roading network, water, waste and drainage reticulation assets) are valued at optimised depreciated replacement cost on a three-year basis by independent registered valuers. Infrastructure valuations are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land is valued at fair value on a three-year basis.

Land under roads, which represents the corridor of land directly under and adjacent to the Council's roading network, was valued as at 30 June 2005 at the average value of surrounding adjacent land discounted by 50% to reflect its restricted nature. Council elected to use the fair value of land under roads at 30 June 2005 as the deemed cost of the asset. Land under roads is no longer revalued. Subsequent additions have been recorded at historical cost.

The carrying values of revalued property, plant and equipment are reviewed at the end of each reporting period to ensure that those values are not materially different to fair value.

Revaluations

The result of any revaluation of the Council's property, plant and equipment is recognised within other comprehensive income and credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is included in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised within surplus or deficit will be recognised firstly, within surplus or deficit up to the amount previously expensed, and then secondly recognised within other comprehensive income and credited to the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of assets are not visible and must therefore be assumed. The risk is minimised by performing a combination of physical inspections and condition modelling assessments.

Further information in respect of the most recent valuations for each class is provided in Note 23.

There are a number of assumptions used when performing optimised depreciated replacement cost valuations over infrastructural assets:

- (To be added)
-

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported within surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive income.

Disposal

Realised gains and losses arising from the disposal of property, plant and equipment are recognised within surplus or deficit in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, and assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its estimated useful life. The estimated useful lives of the major classes of property, plant and equipment are as follows:

| | |
|----------------------|-----------------|
| Land | indefinite |
| Buildings | 10 to 100 years |
| Civic Centre complex | 10 to 100 years |

| | |
|---|-----------------|
| Plant and equipment | 3 to 100 years |
| Library collections | 3 to 10 years |
| Restricted assets (excluding buildings) | indefinite |
| Infrastructure assets | |
| Land (including land under roads) | indefinite |
| Rozading | |
| Formation/earthworks | indefinite |
| Pavement | 3 to 40 years |
| Traffic Islands | 80 years |
| Bridges and tunnels | 3 to 150 years |
| Drainage | 15 to 120 years |
| Retaining walls | 30 to 100 years |
| Pedestrian walkway | 15 to 40 years |
| Pedestrian furniture | 8 to 25 years |
| Barriers & lighting | 2 to 50 years |
| Cycle-way network | 15 to 40 years |
| Parking equipment | 8 to 10 years |
| Passenger transport facilities | 25 years |
| Traffic infrastructure | 5 to 10 years |
| Drainage, waste and water | |
| Pipework | 40 to 100 years |
| Fittings | 10 to 111 years |
| Water pump stations | 10 to 100 years |
| Water reservoirs | 80 years |
| Equipment | 25 years |
| Sewer pump stations | 20 to 100 years |
| Tunnels | 150 years |
| Treatment plants | 3 to 100 years |

The landfill post closure asset is depreciated over the life of the landfill based on the capacity of the landfill used in that year.

Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

Intangible Assets

Intangible assets comprise computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Financial Performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

| | |
|-------------------|--------------|
| Computer Software | 3 to 5 years |
|-------------------|--------------|

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Financial Performance in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Financial Performance.

Leases

Operating leases as lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Financial Performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Financial Performance as an integral part of the total lease payment.

Operating leases as lessor

The Group leases Investment Properties and a portion of Land and Buildings. Rental income is recognised on a straight line basis over the lease term

Finance leases

Finance leases transfer to the Group as lessee substantially all the risks and rewards incidental to the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments.

The finance charge is charged to the Statement of Comprehensive Financial Performance over the lease period and the capitalised values are amortised over the shorter of the lease term and its useful life

Employee Benefit Liabilities

A provision for employee benefits (holiday leave, long service leave, and retirement gratuities) is recognised as a liability when benefits are earned but not paid.

Holiday Leave

Holiday leave (annual leave, long service leave qualified for and time off in lieu) is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) & 16(4) of the Holidays Act 2003.

Long Service Leave and Retirement Gratuities

Long-service leave (not yet qualified for) and retirement gratuities have been calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. The present value of the estimated future cash flows has been calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index to 30 June 2009. The discount rate used is that used in the draft 2009/10 - 2018/19 Long Term Community Council Plan (LTCCP)

Other Contractual Entitlements

Other contractual entitlements include termination benefits. Termination benefits are recognised in the Statement of Comprehensive Financial Performance only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

Provisions

Provisions are recognised for future expenditure of uncertain timing or amount when there is a present obligation as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the expenditure expected to be required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Landfill Post Closure Costs

The Council, as operator of the Southern Landfill, has a legal obligation to apply for resource consents when the landfill or landfill stages reach the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises, which is when each stage of the landfill is commissioned and refuse begins to accumulate.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure including final cover application and vegetation;

incremental drainage control features; completing facilities for leachate collection and monitoring; completing facilities for water quality monitoring; completing facilities for monitoring and recovery of gas.

Amounts provided for landfill post closure are capitalised to the landfill asset where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

The Council has a 21.5% joint venture interest in the Spicer Valley landfill. The Council's provision for landfill post closure costs includes the Council's proportionate share of the Spicer Valley landfill provision for post closure costs.

The present value of the estimated future cash flows has been calculated using an inflation factor and discount rates for the Council and the Spicer Valley landfill. The inflation rate used is the annual Consumer Price Index to 30 June 2009. The discount rate used represents the Council's average cost of borrowing.

ACC Partnership programme

The Council belongs to the ACC Partnership Programme and therefore accepts the management and financial responsibility of work related illnesses and accidents of employees. Under the ACC Partnership Programme the Council is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance sheet date for which Council has responsibility under the terms of the Partnership Programme.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the contract holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. The Council measures the fair value of a financial guarantee by determining the probability of the guarantee being called by the holder. The probability factor is then applied to the principal and the outcome discounted to present value.

Financial guarantees are subsequently measured at the higher of the Council's best estimate of the obligation or the amount initially recognised less any amortisation.

Equity

Equity is the community's interest in the Council and 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 Council and the Group.

The components of equity are accumulated funds and retained earnings, revaluation reserves, a hedging reserve and restricted funds (special funds, reserve funds, trusts and bequests).

Restricted funds are those reserves that are subject to specific conditions of use, whether under statute or accepted as binding by the Council, and that may not be revised without reference to the Courts or third parties. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

Contingent Assets and Liabilities

Contingent liabilities and contingent assets are disclosed in the Notes forming part of the Financial Statements at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Statement of Cash Flows

Cash and cash equivalents for the purposes of the cash flow statement comprises bank balances, cash on hand and short term deposits with a maturity of three months or less. The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled-over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all non-financial income sources of the Council and the Group and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and financial income. Financing activities relate to activities that change the equity and debt capital structure of the Council and Group and financing costs.

Related Parties

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include members of the Group and key management personnel, who includes the Mayor and Councillors as directors of the governing body, the Chief Executive and all members of the Management Board.

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a director during the reporting period. Councillors, including the Mayor, are considered directors as they occupy the position of a member of the governing body of the Council reporting entity. The disclosures for the Group include the remuneration of the Mayor and those Councillors in their role as Trustees or Directors of entities within the Group. Directors' remuneration does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cellphones and laptops.

Budget Figures

The Annual Plan budget figures included in these financial statements are for the Council as a separate entity. The Annual Plan figures do not include budget information relating to the subsidiaries or associates. These figures are those approved by the Council at the beginning of the current financial year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. For completeness, additional expenditure approved by the Council is included in Notes 29, 30 and 31. The Annual Plan figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

Cost Allocation

The Council has derived the cost of service for each significant activity (as reported within the Statements of Service Performance) using the following cost allocation methodology: Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These indirect costs are allocated as overheads across all activities.

Comparatives

To ensure consistency with the current year, certain comparative information has been restated or reclassified where appropriate. This has occurred:

- where classifications have changed between periods,
- where comparative amounts have been restated to comply with the new standards and interpretations, and
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council include:

NZ IAS 23 *Borrowing Costs (revised 2007)* replaces NZ IAS 23 *Borrowing Costs (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The application of the standard has been delayed for Public Benefit Entities due to issues identified in the application for this sector. The revised standard requires the capitalisation of all borrowing costs if they are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs also need to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense.

NZ IAS 27 *Consolidated and Separate Financial Statements (amended)* is effective for reporting periods beginning on or after 1 January 2009. The main changes the revised NZ IAS 27 relate to are changes in the accounting for non-controlling interest and the loss of control of a subsidiary. These include transactions with non-controlling interest while retaining control, loss of control and guidance on “linkage” and attribution of losses.

NZ IFRS 4 - *Insurance Contracts – Amendments* is effective for periods beginning on or after 1 January 2009. The amendment to NZ IFRS 4 removes the partial exemption for qualifying entities, now requiring full compliance for qualifying entities. The scope of NZ IFRS 4 has also been changed slightly from ‘an entity which undertakes insurance or reinsurance activities’ to ‘an entity which issues insurance contracts’ to align with the scope set out in paragraph 2.

NZ IFRS 8 - *Operating Segments* is effective for periods beginning on or after: 1 January 2009

This applies to entities:

- whose debt or equity instruments are traded in a public market
- who file, or are in the process of filing, financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; or
- who do not qualify for differential reporting concessions.

This standard contains an exemption for Public Benefit Entities (PBEs). This standard outlines a new way of determining segments – focus on information provided to the “chief operating decision maker”. It also sets out requirements for related disclosures about products and services, geographical areas and major customers.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted as they are not applicable to Wellington City Council

NZ IFRS 3 *Business Combinations (revised 2008)* and the amended NZ IAS 27 *Consolidated and Separate Financial Statements* are effective for reporting periods beginning on or after 1 July 2009

NZ IFRS 1 *First time Adoption of New Zealand Equivalents to International Financial Reporting Standards (restructured 2008)* is effective for reporting periods beginning on or after 1 July 2009.

NZ IFRS 1 and NZ IAS 27 *Amendments to Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate* are effective for periods beginning on or after 1 January 2009.

NZ IFRS 2 – *Amendments to Share Based Payments* is effective for periods beginning on or after 1 January 2009.

NZ IAS 1 – *Amendment to Puttable Financial Instruments and Obligations arising on Liquidation* is effective for periods beginning on or after 1 January 2009

NZ IFRIC 15 – *Agreements for the construction of Real Estate* is effective for periods beginning on or after 1 January 2009.

NZ IFRIC 16 – *Hedges of a net investment in a foreign operation* is effective for periods beginning on or after 1 October 2008.

NZ IFRIC 17 – *Distributions of Non-cash Assets to Owners* is effective for periods beginning on or after: 1 July 2009.

Note 1: Revenue from rates

| | Council | | Group | |
|---|---------------|----------------|---------------|----------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| General rates | | | | |
| Base sector | | 45,490 | | 45,490 |
| Commercial, industrial and business sector | | 58,371 | | 58,371 |
| Targeted rates | | | | |
| Base sector | | 6,152 | | 6,152 |
| Commercial, industrial and business sector | | 1,834 | | 1,834 |
| Sewerage | | 30,228 | | 30,228 |
| Stormwater | | 11,723 | | 11,723 |
| Water (including water by meter) | | 27,247 | | 27,247 |
| Downtown | | 9,150 | | 9,150 |
| Indoor Community Sports Centre | | 1,144 | | 1,144 |
| Marsden Village | | 12 | | 12 |
| Tawa driveways | | 22 | | 22 |
| Total revenue from rates for Wellington City Council | - | 191,373 | - | 191,373 |
| Total rates billed | | 227,630 | - | 227,630 |
| less Greater Wellington Regional Council component | | (36,257) | - | (36,257) |
| Total revenue from rates for Wellington City Council | - | 191,373 | - | 191,373 |

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$XXXXX (2008: \$10.483m).

Rates remissions

Revenue from rates and levies is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). The Council committed itself at the start of the year to certain remissions, which for the year ended 30 June 2009 totalled \$XXXXX (2008: \$0.133m).

| | Council | | Group | |
|---|---------------|----------------|---------------|----------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Total revenue from rates | - | 191,506 | - | 191,506 |
| less Council policy remissions | | | | |
| Rural open space | | 63 | | 63 |
| Land used principally for games or sport | | 70 | | 70 |
| Special circumstances | - | - | - | - |
| Total remissions | - | 133 | - | 133 |
| Total revenue from rates (net of remissions) | - | 191,373 | - | 191,373 |

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties are non-rateable. This includes schools, churches, public gardens and certain land vested in the Crown. This land is non-rateable in respect of general rates but, where applicable, is rateable in respect of sewerage and water. Non-rateable land does not constitute a remission under the Council's Rates Remission and Postponement Policies.

Note 2: Revenue from operating activities

| | Council | | Group | |
|--|----------|----------------|----------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 |
| Government grants and subsidies | | 15,185 | | 17,747 |
| Fines and penalties | | 11,806 | | 11,807 |
| Rendering of services | | 75,857 | | 80,330 |
| Sale of goods | | 4,776 | | 13,896 |
| Other grants and subsidies | | 1,449 | | 2,265 |
| Total revenue from operating activities | - | 109,074 | - | 126,045 |

Government grants and subsidies

For Council, the principal grants and subsidies are from:

- 1) the New Zealand Transport Agency (NZTA), formerly Land Transport NZ, who subsidise part of the Council's costs in maintaining the local roading infrastructure. These subsidies from NZTA are reimbursements for costs already incurred and no unfulfilled conditions or other contingencies are attached.
- 2) Housing New Zealand, for the upgrade of Council's social housing stock. The grant received in this reporting period is part of a 10 year programme and there are no unfulfilled conditions or other contingencies as the payments to Council are programmed to align with the work performed.

For the Group, the principal subsidy is from Greater Wellington Regional Council to Wellington Cable Car Limited for the maintenance of the overhead wire trolley system.

Revenue from rendering of services is detailed into various Council activities in the following table:

| Rendering of services | Council | | Group | |
|--|----------|---------------|----------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 |
| Animal control | | 887 | | 887 |
| Berths and boat sheds | | 508 | | 508 |
| Building consents and licensing services | | 10,119 | | 10,119 |
| Chipsealing revenue and traffic development levy | | 785 | | 785 |
| Community programmes and facilities hire | | 971 | | 971 |
| Community housing | | 17,153 | | 17,153 |
| Convention and conference centre | | 5,570 | | 5,570 |
| Drainage operations and water projects | | 1,603 | | 1,603 |
| Encroachments and reserve land contributions | | 1,359 | | 1,359 |
| Green spaces | | 1,261 | | 1,261 |
| Landfills | | 5,989 | | 5,989 |
| Lease revenue from property, plant and equipment | | 4,488 | | 4,488 |
| Libraries | | 1,133 | | 1,133 |
| Parking fees and permits | | 12,515 | | 12,515 |
| Road infrastructure projects | | 1,812 | | 1,812 |
| Services to Wellington Regional Council | | 638 | | 638 |
| Subsidiary/Group rendering of services | | - | | 4,473 |
| Swimming pools | | 5,254 | | 5,254 |
| Other | | 3,811 | | 3,811 |
| Total rendering of services | - | 75,857 | - | 80,330 |

Note 3: Other revenues and gains

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Other revenues | | | | |
| Development contributions | | 890 | | 890 |
| Petrol tax | | 1,102 | | 1,102 |
| Restricted funds | | 190 | | 190 |
| Vested assets | | 10,859 | | 10,859 |
| Other | | 1,493 | | 1,493 |
| Gains | | | | |
| Fair value gain on investment property revaluation | | 22,620 | | 22,620 |
| Gain on disposal of investment properties | | - | | - |
| Gain on disposal of property, plant and equipment | | 846 | | 846 |
| Gain on release of provisions | | 1,166 | | 960 |
| Total other revenues and gains | - | 39,166 | - | 38,960 |

Fair value gains on investment property revaluation arise from the annual revaluation of investment properties. All changes in the fair value of investment properties must be recognised in the Statement of Comprehensive Financial Performance.

Note 4: Finance income and expense

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Finance income | | | | |
| Amortisation of Wellington Regional Stadium Trust loan | | 739 | | 739 |
| Cash flow hedge gains reclassified from hedging reserve | | 309 | | 309 |
| Dividend from investment in associates | | 5,644 | | - |
| Dividend from investment in subsidiary | | - | | - |
| Dividend from other financial assets | | 70 | | 70 |
| Fair value hedge gains | | - | | - |
| Interest revenue on loans and receivables | | 491 | | 941 |
| Total finance income | - | 7,253 | - | 2,059 |
| <i>Less</i> | | | | |
| Finance expense | | | | |
| Fair value adjustments on derivatives at fair value through the Statement of Comprehensive Financial Performance | | 851 | | 851 |
| Fair value hedge adjustments to bank borrowings | | - | | - |
| Interest expense on borrowings | | 19,007 | | 19,099 |
| Interest expense on finance leases | | - | | - |
| Rediscounting of interest on provisions | | 1,309 | | 1,309 |
| Total finance expense | - | 21,167 | - | 21,259 |
| Net finance cost | - | 13,914 | - | 19,200 |

Re-discounting of interest on provisions is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date). Refer to Note 21 for further information.

Note 5: Expenditure on operating activities

| | Note | Council | | Group | |
|---|------|---------------|---------------|----------------|----------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Auditor's remuneration: | | | | | |
| Audit services - Audit New Zealand - Financial Statements | | | 275 | | 326 |
| Audit services - Audit New Zealand - LTCCP | | | - | | - |
| Other services - Audit New Zealand | | | 7 | | 7 |
| Audit services - Other Auditors | | | - | | 61 |
| Impairment and Fair value movements | | | | | |
| Bad debts written off not previously provided for | | | 514 | | 522 |
| Increase in provision for impairment of trade and other receivables | 11 | | 521 | | 521 |
| Impairment loss from property, plant and equipment | 17 | | - | | - |
| Fair value movement on loan to related party - associate | | | 6,487 | | 6,487 |
| Fair value movement on loan to related party - other organisations | | | 869 | | 869 |
| Governance and employment | | | | | |
| Councillor remuneration as directors/trustees | 38 | | 1,246 | | 1,315 |
| Directors/trustees of subsidiaries - remuneration | | | - | | 562 |
| Other elected members' remuneration (Community Boards) | | | | | - |
| Employee benefits expense | | | | | |
| - Remuneration | | | 71,603 | | 82,784 |
| - Defined benefit contributions (including Kiwisaver) | | | 335 | | 357 |
| - Termination benefits | | | 507 | | 507 |
| Other personnel costs | | | 3,424 | | 3,864 |
| Insurance | | | | | |
| Insurance premiums | | | 5,491 | | 5,840 |
| Self insurance costs | 26 | | 531 | | 531 |
| General | | | | | |
| Advertising, printing and publications | | | 2,981 | | 3,757 |
| Building occupancy | | | 19,383 | | 20,366 |
| Consultants and legal fees | | | 10,088 | | 10,264 |
| Contractors | | | 3,463 | | 4,313 |
| Direct costs | | | 83,651 | | 96,199 |
| Donations for charitable purposes | | | 5 | | 5 |
| Grants - general | | | 8,981 | | 9,136 |
| Grants to subsidiaries | 38 | | 14,880 | | - |
| Grants to associates | 38 | | 180 | | 180 |
| Information and communication technology | | | 5,245 | | 5,742 |
| Loss on disposal of intangibles | | | 151 | | 151 |
| Loss on disposal of property, plant and equipment | | | 116 | | 116 |
| Operating lease - minimum lease payments | | | 1,691 | | 2,129 |
| Reassessment of other provisions | | | 1,510 | | 1,510 |
| Other general costs | | | 6,011 | | 7,291 |
| Total expenditure on operating activities | | | - | 250,146 | - |
| | | | | | 265,712 |

Auditor's remuneration

During the period Audit New Zealand provided other services to Council, namely assurance services relating to the Clifton Terrace Carpark managed by the Council on behalf of the New Zealand Transport Agency (formerly Transit New Zealand).

Note 5: Expenditure on operating activities - continued

Impairments and fair value adjustments

The fair value movement on loans to related parties – associate, is in relation to the \$15.4 million loan to the Wellington Regional Stadium Trust. The fair value adjustment reflects the expected repayments and the interest free nature of the loan. Over the remaining life of the loan it will be amortised back up to the full value.

The fair value movement on loans to related parties – other organisations, is in relation to a \$1.6m drawdown of the \$8m loan facility to the Karori Wildlife Sanctuary Trust. The fair value adjustment reflects the expected repayments and the interest free nature of the loan. Over the remaining life of the loan it will be amortised back up to the full value.

Governance and employment

Other elected members are Tawa and Makara/Ohairu Community board members.

General

Direct costs are costs directly attributable to the provision of Council services, including contracts, maintenance, management fees, materials and services.

Operating lease minimum lease payments are for non-cancellable agreements for the use of assets such as computers, photo-copiers and buildings.

Note 6: Depreciation and amortisation

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Depreciation | | | | |
| Buildings | | 10,321 | | 10,985 |
| Civic Centre complex | | 2,791 | | 2,791 |
| Restricted buildings | | 683 | | 683 |
| Drainage, waste and water infrastructure | | 23,434 | | 23,434 |
| Landfill post closure | | 97 | | 97 |
| Library collections | | 1,877 | | 1,877 |
| Plant and equipment | | 7,131 | | 7,985 |
| Roading infrastructure | | 15,913 | | 15,913 |
| Total depreciation | - | 62,247 | - | 63,765 |
| Amortisation | | | | |
| Computer Software | | 1,368 | | 1,505 |
| Total amortisation | - | 1,368 | - | 1,505 |
| Total depreciation and amortisation | - | 63,615 | - | 65,270 |

Note 7: Income tax expense

| | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Current tax expense | | | | |
| Current year | - | - | - | - |
| Prior period adjustment | - | - | - | - |
| Total current tax expense | - | - | - | - |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | | 57 | | 203 |
| Change in unrecognised temporary differences | | - | | (29) |
| Recognition of previously unrecognised tax losses | | (57) | | (174) |
| Total deferred tax expense | - | - | - | - |

Reconciliation of tax on the surplus and tax expense

| Council | 2009 % | 2009 \$000 | 2008 % | 2008 \$000 |
|---|-----------|---------------|-----------|---------------|
| Surplus for the period | | - | | 25,515 |
| Prima facie income tax based on domestic tax rate | 30.00% | | 33.00% | 8,420 |
| Effect of non-deductible expenses and tax exempt income | | | | (8,417) |
| Effect of tax losses utilised | | | | 22 |
| Current years loss for which no deferred tax asset was recognised | | | | 0 |
| Change in unrecognised temporary differences | | | | 0 |
| Prior period adjustment | | | | (25) |
| | | - | | - |

| Group | 2009 % | 2009 \$000 | 2008 % | 2008 \$000 |
|---|-----------|---------------|-----------|---------------|
| Surplus for the period | | - | | 34,866 |
| Prima facie income tax based on domestic tax rate | 30.00% | | 33.00% | 11,506 |
| Effect of non-deductible expenses and tax exempt income | | | | (7,620) |
| Effect of tax losses utilised | | | | (152) |
| Current years loss for which no deferred tax asset was recognised | | | | |
| Change in unrecognised temporary differences | | | | (29) |
| Prior period adjustment | | | | (22) |
| Share of income tax of equity accounted associates | | | | (3,683) |
| | | - | | - |

Note 7: Income tax expense - continued**Income Tax recognised directly in equity**

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2008: \$Nil)

Imputation Credits

| | Group | |
|---|---------------|---------------|
| | 2009 \$000 | 2008 \$000 |
| Imputation credits as at 1 July 2008 | | 10 |
| New Zealand tax payments | | 8 |
| Imputation credits attached to dividends received | | - |
| Other credits | | - |
| New Zealand tax refunds received | | (3) |
| Imputation credits attached to dividends paid | | - |
| Other debits | | - |
| Imputation credits as at 30 June 2009 | - | 15 |

No amounts have been shown for the Council as, under section OB1 of the Income Tax Act 2007, local authorities are not permitted to maintain an imputation credit account.

Note 8: Deferred tax assets and liabilities**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

| | Council | | Group | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Deductible temporary differences | | - | | 247 |
| Tax losses | | 5,618 | | 5,618 |
| | - | 5,618 | - | 5,865 |

Under current income tax legislation, the tax losses and deductible temporary differences referred to above do not expire.

The unrecognised deferred tax asset in respect of the above items for the Council is \$XXXX (2008: \$1.685m) and for the Group \$XXXX (2008: \$1.759m).

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

In 2009 \$XXXX (2008: \$0.169m) previously unrecognised tax losses, with a tax effect of \$XXXX (2008: \$0.056m) were recognised by the group by way of a loss transfer arrangement.

As at 30 June 2009 the Group had an unrecognised deferred tax liability of \$Nil (2008: \$Nil)

Note 8: Deferred tax assets and liabilities - continued**Movement in unrecognised deferred tax assets and liabilities during the year**

| | Temporary Differences | | Tax | Total |
|---|-----------------------|---------------------|-----------------|-------|
| | Taxable \$000 | Deductible \$000 | Losses \$000 | |
| Council | | | | |
| Balance as at 1 July 2007 | | | 1,737 | 1,737 |
| Additions/(reductions) during the year | | | 33 | 33 |
| Recognised during the year | | | (88) | (88) |
| Reduction due to tax rate change for tax years beginning on or after 1 April 2008 | | | 3 | 3 |
| Balance as at 30 June 2008 | - | - | 1,685 | 1,685 |
| Additions/(reductions) during the year | | | | |
| Recognised during the year | | | | |
| Reduction due to tax rate change for tax years beginning on or after 1 April 2008 | | | | |
| Balance as at 30 June 2009 | - | - | - | - |

Group

| | | | |
|---|------|-------|-------|
| Balance as at 1 July 2007 | 125 | 1,824 | 1,949 |
| Additions/(reductions) during the year | (52) | 29 | (23) |
| Recognised during the year | - | (181) | (181) |
| Reduction due to tax rate change for tax years beginning on or after 1 April 2008 | 1 | 13 | 14 |
| Balance as at 30 June 2008 | - | 74 | 1,685 |
| Additions/(reductions) during the year | | | |
| Recognised during the year | | | |
| Reduction due to tax rate change for tax years beginning on or after 1 April 2008 | | | |
| Balance as at 30 June 2009 | - | - | - |

The Taxation (Kiwisaver and Company Tax Rate Amendments) Act 2007 containing the provisions for the reduction of the company income tax rate from 33% to 30% for tax years beginning on or after 1 April 2008 was given Royal assent on May 2007.

Note 9: Cash and cash equivalents

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Bank balances | | 779 | | 1,875 |
| Cash on hand | | 28 | | 45 |
| Short term deposits | | 1,500 | | 3,384 |
| Total cash and cash equivalents | - | 2,307 | - | 5,304 |

Bank balances that are interest bearing earn interest based on current floating bank deposit rates.

Short term deposits are made with a registered bank for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the applicable short term deposit rates.

Note 10: Derivative financial instruments

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Current asset portion | | | | |
| Interest rate swaps - cash flow hedges | | 93 | - | 93 |
| Interest rate collar - cash flow hedges | | 80 | - | 80 |
| Interest rate swaps - fair value hedges | | - | | - |
| Total current asset portion | - | 173 | - | 173 |
| Non-current asset portion | | | | |
| Interest rate swaps - cash flow hedges | | 1,649 | - | 1,649 |
| Interest rate swaps - non-hedged | | 731 | - | 731 |
| Interest rate swaptions - non-hedged | | 2 | - | 2 |
| Interest rate swaps - fair value hedges | | - | | - |
| Total non-current asset portion | - | 2,382 | - | 2,382 |
| Total derivative financial instrument assets | - | 2,555 | - | 2,555 |
| Current liability portion | | | | |
| Interest rate swaps - cash flow hedges | | - | - | - |
| Interest rate swaps - fair value hedges | | - | | - |
| Total current liability portion | - | - | - | - |
| Non-current liability portion | | | | |
| Interest rate swaps - cash flow hedges | | - | - | - |
| Interest rate swaps - non-hedged | | - | - | - |
| Interest rate swaptions - non-hedged | | - | - | - |
| Interest rate swaps - fair value hedges | | - | | - |
| Total non-current liability portion | - | - | - | - |
| Total derivative financial instrument liabilities | - | - | - | - |

The intention of holding non-hedged derivative instruments is the same as for the cash flow hedges, namely the mitigation of interest rate risk. While not hedges for accounting purposes they are for the purposes of treasury management.

For further information on the interest rate swaps please refer to Note 28: Financial Instruments

Note 11: Trade and other receivables

| | Note | Council | | Group | |
|--|-----------|---------------|---------------|---------------|---------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Trade receivables | | | 19,445 | | 20,717 |
| Less provision for impairment of trade receivables | | | (7,530) | | (7,556) |
| Trade receivables from related parties | 39 | - | 11,915 | - | 13,161 |
| - Subsidiaries | | | 63 | | - |
| - Associates | | | 2 | | 2 |
| | | - | 65 | - | 2 |
| Net trade receivables | | - | 11,980 | - | 13,163 |
| Accrued income | | | 5,468 | | 5,526 |
| GST receivable | | | 1,889 | | 1,871 |
| Rates receivable | | | 7,970 | | 7,970 |
| Sundry receivables | | | 2,094 | | 2,371 |
| Prepayments | | | 4,199 | | 4,297 |
| Total trade and other receivables | | - | 33,600 | - | 35,198 |

Trade receivables, rates receivables and sundry receivables are non-interest bearing and receipt is generally on 30 day terms.

The movement in the provision for impairment of trade and other receivables is analysed as follows:

| Provision for impairment of trade and other receivables | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | 7,619 | | 7,650 |
| Additional or increased provision made | | 521 | | 521 |
| Release of provision | | (51) | | (51) |
| Amount of provision utilised | | (559) | | (564) |
| Provision for impairment of trade and other receivables - closing balance | - | 7,530 | - | 7,556 |
| Represented by: | | | | |
| Provision for impairment of trade receivables -fines | | 7,159 | | 7,159 |
| Provision for impairment of trade receivables -debtors | | 371 | | 397 |
| Provision for impairment of trade and other receivables - closing balance | - | 7,530 | - | 7,556 |

Further information on the collectability of trade and other receivables is contained in Note 28: Financial Instruments.

Note 12: Other financial assets

| Non-current | Note | Council | | Group | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Loans and deposits | | | | | |
| Bank deposits - term | | | - | | 357 |
| Loans to related parties - associates | 39 | | 773 | | 773 |
| Loans to related parties - other organisations | | | 823 | | 823 |
| Available-for-sale financial assets | | | | | |
| Equity investment - Civic Assurance | | | 527 | | 527 |
| Total other financial assets | | - | 2,123 | - | 2,480 |

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to New Zealand local government. Council holds an 8.2% shareholding in this entity. There is no intention to dispose of this investment and as there is no active market in which to determine fair value, the above equity investment is recognised at cost.

Note 13: Inventories

| | Council | | Group | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Consumables | | 810 | | 1,434 |
| Inventories held for re-sale | | 150 | | 436 |
| Total inventories | - | 960 | - | 1,870 |

Consumables are assets in the form of materials or supplies which will be consumed in conjunction with the delivery of services. Consumables within the Council predominately comprise nursery plants, printing products and drainage and waste consumables. Consumables within the Group are mainly Wellington Cable Car Limited inventories.

Inventories held for resale within the Council mainly comprise inventories at the Wellington Botanic Gardens and the Council swimming pools. The Group includes inventories at Wellington Museums Trust, Wellington Zoo and the St. James Theatre.

Note 14: Non-current assets classified as held for sale

| | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | 609 | | 729 |
| Disposals | | (124) | | (244) |
| Transfers from property plant and Equipment | | - | | - |
| Transfers to investment property | | (485) | | (485) |
| Transfers from investment property | | 7,368 | | 7,368 |
| Non-current assets classified as held for sale - closing balance | - | 7,368 | - | 7,368 |

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at the time of reclassification.

Explanation of significant movements will be more fully disclosed once finalised.....

Note 15: Intangibles

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Computer Software | | | | |
| Cost - opening balance | | 24,163 | | 24,921 |
| Accumulated amortisation | | (21,997) | | (22,632) |
| Computer Software opening balance | - | 2,166 | - | 2,289 |
| Acquired by direct purchase | | 1,568 | | 1,899 |
| Amortisation | | (1,368) | | (1,505) |
| Net disposals | | - | | - |
| Transfer from property, plant and equipment | | 44 | | 44 |
| Total computer software - closing balance | - | 2,410 | - | 2,727 |
| Cost | - | 23,684 | - | 24,773 |
| Accumulated amortisation | - | (21,274) | - | (22,046) |
| Total computer software - closing balance | - | 2,410 | - | 2,727 |
| Work in progress | | | | |
| Computer software | | 1,879 | | 1,879 |
| Total work in progress | - | 1,879 | - | 1,879 |
| Total intangibles | - | 4,289 | - | 4,606 |

Disposals and transfers are reported net of accumulated amortisation

Note 16: Investment properties

| | Note | Council | | Group | |
|--|------|---------------|----------------|---------------|----------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | | 204,711 | | 204,711 |
| Additions by acquisition | | | - | | - |
| Additions by subsequent expenditure | | | 75 | | 75 |
| Disposals | | | - | | - |
| Fair value gains taken to income | 3 | | 22,620 | | 22,620 |
| Transfer from non-current assets classified as held for sale | 14 | | 485 | | 485 |
| Transfer to non-current assets classified as held for sale | 14 | | (7,368) | | (7,368) |
| Transfer to property plant and equipment | 17 | | (155) | | (155) |
| Investment properties - closing balance | | - | 220,368 | - | 220,368 |

Wellington City Council's investment properties were valued as at 30 June 2009 by WD Bunt (ANZIV, SNZPI), registered valuer, Director of Valuations & Advisory Services of DTZ Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2009 by Paul Butchers (BBS, SNZPI), registered valuer, Director of CB Richard Ellis Limited.

The Council's total investment properties comprise ground leases of \$XXXXXm (2008: \$161.542m) and land and buildings of \$XXXXXm (2008: \$58.826m) held for investment purposes. Ground leases are parcels of land owned by the Council in the central city or on the waterfront, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 year perpetually renewable terms. The land and buildings held for investment purposes are properties which are not held for operational purposes and are leased to external parties.

| Revenues and expenses | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Revenue from investment properties | | 13,577 | | 13,577 |
| Direct operating expenses of investment properties | | | | |
| - From investment properties that generated income | | 667 | | 667 |
| - From investment properties that did not generate income | | 94 | | 94 |
| Contractual obligations for capital expenditure | | - | | - |

The direct operating expenses relating to investment properties form part of the direct expenses in Note 5.

| Fair value of investment properties valued by independent registered valuers | Council | | Group | |
|---|---------------|----------------|---------------|----------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| William Bunt - DTZ Limited | | 167,867 | | 167,867 |
| Paul Butcher - CB Richard Ellis | | 52,501 | | 52,501 |
| Total fair value of investment properties valued by independent registered valuers | - | 220,368 | - | 220,368 |

Note 17: Property, plant and equipment

| | Council | | Group | |
|--|---------------|----------------|---------------|----------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Operational assets | | | | |
| Land | | | | |
| Land - at cost - opening balance | | - | | 3,091 |
| Land - at valuation - opening balance | | 151,285 | | 151,285 |
| Total land - opening balance | - | 151,285 | - | 154,376 |
| Additions | | 238 | | 238 |
| Transfer to non-current assets classified as held for sale | - | - | - | - |
| Total land - closing balance | - | 151,523 | - | 154,614 |
| Land - at cost - closing balance | | 238 | | 3,329 |
| Land - at valuation - closing balance | | 151,285 | | 151,285 |
| Total land - closing balance | - | 151,523 | - | 154,614 |
| Buildings | | | | |
| Buildings - at cost - opening balance | | 6,086 | | 28,578 |
| Buildings - at valuation - opening balance | | 328,507 | | 328,507 |
| Total cost/valuation | - | 334,593 | - | 357,085 |
| Accumulated depreciation | | (10,253) | | (16,073) |
| Total buildings - opening balance | - | 324,340 | - | 341,012 |
| Additions | | 28,739 | | 29,037 |
| Disposals ¹ | | (165) | | (165) |
| Transfer between asset classes | | 1,013 | | 1,013 |
| Depreciation expense | | (10,321) | | (10,985) |
| Total buildings - closing balance | - | 343,606 | - | 359,912 |
| Buildings - at cost - closing balance | | 34,749 | | 57,095 |
| Buildings - at valuation - closing balance | | 328,507 | | 328,507 |
| Total cost/valuation | - | 363,256 | - | 385,602 |
| Accumulated depreciation | | (19,650) | | (25,690) |
| Total buildings - closing balance | - | 343,606 | - | 359,912 |
| Landfill post closure costs | | | | |
| Landfill post closure - at cost - opening balance | | 2,717 | | 2,717 |
| Accumulated depreciation | | (977) | | (977) |
| Landfill post closure costs - opening balance | - | 1,740 | - | 1,740 |
| Movement in post closure costs | | (308) | | (308) |
| Depreciation expense | | (97) | | (97) |
| Total landfill post closure costs - closing balance | - | 1,335 | - | 1,335 |
| Landfill post closure - at cost - closing balance | | 2,409 | | 2,409 |
| Accumulated depreciation | | (1,074) | | (1,074) |
| Total landfill post closure costs - closing balance | - | 1,335 | - | 1,335 |

Disposals and transfers are reported net of accumulated depreciation.

Note 17: Property, plant and equipment - continued

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Civic Centre complex | | | | |
| Civic Centre complex - at cost - opening balance | | 159,125 | | 159,125 |
| Accumulated depreciation | | (39,577) | | (39,577) |
| Total Civic Centre complex - opening balance | - | 119,548 | - | 119,548 |
| Additions | | 1,771 | | 1,771 |
| Transfer between asset classes | | - | | - |
| Depreciation expense | | (2,791) | | (2,791) |
| Total Civic Centre complex- closing balance | - | 118,528 | - | 118,528 |
| Civic Centre complex - at cost - closing balance | | 160,896 | | 160,896 |
| Accumulated depreciation | | (42,368) | | (42,368) |
| Total Civic Centre complex- closing balance | - | 118,528 | - | 118,528 |
| Plant and equipment | | | | |
| Plant and equipment - at cost - opening balance | | 101,686 | | 117,389 |
| Accumulated depreciation | | (45,553) | | (54,471) |
| Total plant and equipment - opening balance | - | 56,133 | - | 62,918 |
| Additions | | 22,172 | | 23,130 |
| Disposals | | (810) | | (819) |
| Impairment losses | | - | | - |
| Transfer between asset classes | | (8,155) | | (8,155) |
| Transfer to intangibles | | (44) | | (44) |
| Transfer to non-current assets classified as held for sale | | - | | - |
| Depreciation expense | | (7,131) | | (7,985) |
| Total plant and equipment - closing balance | - | 62,165 | - | 69,045 |
| Plant and equipment - at cost | | 107,502 | | 124,561 |
| Accumulated depreciation | | (45,337) | | (55,516) |
| Total plant and equipment - closing balance | - | 62,165 | - | 69,045 |
| Library collections | | | | |
| Library collections - at cost - opening balance | | 4,271 | | 4,271 |
| Library collections - at valuation - opening balance | | 10,784 | | 10,784 |
| Total cost/valuation | - | 15,055 | - | 15,055 |
| Accumulated depreciation | | (4,021) | | (4,021) |
| Total library collections - opening balance | - | 11,034 | - | 11,034 |
| Additions | | 1,985 | | 1,985 |
| Transfer between asset classes | | - | | - |
| Revaluation movement | | 2,558 | | 2,558 |
| Depreciation expense | | (1,877) | | (1,877) |
| Total library collections - closing balance | - | 13,700 | - | 13,700 |
| Library collections - at cost - closing balance | | - | | - |
| Library collections - at valuation - closing balance | | 13,700 | | 13,700 |
| Accumulated depreciation | | - | | - |
| Total library collections - closing balance | - | 13,700 | - | 13,700 |
| Total operational assets | - | 690,857 | - | 717,134 |

Disposals and transfers are reported net of accumulated depreciation

Note 17: Property, plant and equipment - continued

| | Council | | Group | |
|--|---------------|------------------|---------------|------------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Infrastructure Assets | | | | |
| Drainage, waste and water | | | | |
| Drainage, waste and water - at cost - opening balance | | 63,472 | | 63,472 |
| Drainage, waste and water - at valuation - opening balance | | 951,313 | | 951,313 |
| Total cost/valuation | - | 1,014,785 | - | 1,014,785 |
| Accumulated depreciation | | (45,596) | | (45,596) |
| Total drainage, water and waste - opening balance | - | 969,189 | - | 969,189 |
| Additions | | 28,682 | | 28,682 |
| Transfer between asset classes | | 9,050 | | 9,050 |
| Revaluation movement | | 158,663 | | 158,663 |
| Depreciation expense | | (23,434) | | (23,434) |
| Total drainage, water and waste - closing balance | - | 1,142,150 | - | 1,142,150 |
| Drainage, waste and water - at cost - closing balance | | - | | - |
| Drainage, waste and water - at valuation - closing balance | | 1,142,150 | | 1,142,150 |
| Total cost/valuation | - | 1,142,150 | - | 1,142,150 |
| Accumulated depreciation | | - | | - |
| Total drainage, water and waste - closing balance | - | 1,142,150 | - | 1,142,150 |
| Roading | | | | |
| Roading - at cost - opening balance | | 61,234 | | 61,234 |
| Roading - at valuation - opening balance | | 640,702 | | 640,702 |
| Total cost/valuation | - | 701,936 | - | 701,936 |
| Accumulated depreciation | | (30,711) | | (30,711) |
| Total roading - opening balance | - | 671,225 | - | 671,225 |
| Additions | | 28,345 | | 28,345 |
| Transfer between asset classes | | (1,753) | | (1,753) |
| Revaluation movement | | 21,744 | | 21,744 |
| Depreciation expense | | (15,913) | | (15,913) |
| Total roading - closing balance | - | 703,648 | - | 703,648 |
| Roading - at cost - closing balance | - | - | - | - |
| Roading - at valuation - closing balance | | 703,648 | | 703,648 |
| Total cost/valuation | - | 703,648 | - | 703,648 |
| Accumulated depreciation | | - | | - |
| Total roading - closing balance | - | 703,648 | - | 703,648 |
| Infrastructure land | | | | |
| Infrastructure land - at cost - opening balance | | - | | - |
| Infrastructure land - at valuation - opening balance | | 28,258 | | 28,258 |
| Total infrastructure land - opening balance | - | 28,258 | - | 28,258 |
| Revaluation movement | | 9,450 | | 9,450 |
| Total infrastructure land - closing balance | - | 37,708 | - | 37,708 |
| Infrastructure land - at cost - closing balance | | - | | - |
| Infrastructure land - at valuation - closing balance | | 37,708 | | 37,708 |
| Total infrastructure land - closing balance | - | 37,708 | - | 37,708 |

Note 17: Property, plant and equipment - continued

| | Council | | Group | |
|---|---------------|------------------|---------------|------------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Land under roads | | | | |
| Land under roads - at cost - opening balance | | 2,933,808 | | 2,933,808 |
| Additions | | 1,727 | | 1,727 |
| Land under roads - closing balance | - | 2,935,535 | - | 2,935,535 |
| Total infrastructure assets | - | 4,819,041 | - | 4,819,041 |
| Restricted assets | | | | |
| Art and cultural assets | | | | |
| Art and cultural assets - at cost - opening balance | | 7,089 | | 9,422 |
| Additions | | 80 | | 80 |
| Transfer between asset classes | | - | | - |
| Art and cultural assets - closing balance | - | 7,169 | - | 9,502 |
| Restricted Buildings | | | | |
| Restricted buildings - at cost - opening balance | | 17,823 | | 17,823 |
| Accumulated depreciation | | (1,363) | | (1,363) |
| Total restricted buildings - opening balance | - | 16,460 | - | 16,460 |
| Additions | | 1,843 | | 1,843 |
| Depreciation Expense | | (683) | | (683) |
| Restricted buildings - closing balance | - | 17,620 | - | 17,620 |
| Restricted Buildings - at cost - closing balance | | 19,666 | | 19,666 |
| Accumulated depreciation | | (2,046) | | (2,046) |
| Total restricted buildings - closing balance | - | 17,620 | - | 17,620 |
| Parks and reserves | | | | |
| Parks and reserves - at cost - opening balance | | 200,746 | | 200,746 |
| Additions | | 1,671 | | 1,671 |
| Transfer to non-current assets intended for sale | | - | | - |
| Disposals | | (152) | | (152) |
| Parks and reserves - closing balance | - | 202,265 | - | 202,265 |
| Town Belt - at cost | | 88,103 | | 88,103 |
| Zoo animals - at cost | | 500 | | 500 |
| Total restricted assets | - | 315,657 | - | 317,990 |
| Work in progress | | | | |
| - Land | | 178 | | 178 |
| - Buildings | | 5,414 | | 5,414 |
| - Civic Centre complex | | 1,104 | | 1,104 |
| - Plant and equipment | | 12,265 | | 12,318 |
| - Library | | - | | - |
| - Roading | | 5,842 | | 5,842 |
| - Art and cultural | | 401 | | 401 |
| - Restricted buildings | | 3,667 | | 3,667 |
| Total work in progress | - | 28,871 | - | 28,924 |
| Total property, plant and equipment | - | 5,854,426 | - | 5,883,089 |

Note 17: Property, plant and equipment - continued

Revaluation of property, plant and equipment

The Council's land and buildings were valued as at 30 June 2009, and infrastructural land as at 30 June 2008 by WD Bunt (ANZIV, SNZPI), registered valuer, Director of Valuations & Advisory Services of DTZ Limited.

Library collections were valued as at 30 June 2008 by the Council's library staff. The revaluation was carried out in accordance with guidelines provided by the New Zealand Library Association and the National Library of New Zealand.

Drainage, waste and water infrastructure and the roading network were valued as at 30 June 2008 by J Vessey (MIPENZ), Partner of Opus International Consultants Limited.

The carrying values of revalued property, plant and equipment have been reviewed at the end of the reporting period to ensure that they are not significantly different to market value.

| Fair value of property, plant and equipment valued by independent registered valuers in the year ending 30 June 2009 | Council 2009 \$000 | Group 2009 \$000 |
|--|--------------------------|------------------------|
| John Vessey - Opus International William Bunt - DTZ limited | | |

Refer to Note 23 for revaluation reserves and explanation of revaluation movements.

Finance leases

The net carrying amount of plant and equipment assets held under finance leases is \$XXX, XXX (2008: Nil)

Service Concession Arrangement

The Clearwater Sewerage Treatment Plant (Moa Point) is owned by Council and operated by United Water International (UWI) under a design, build, operate contract. The plant and building asset is included in the Drainage, Waste and Water asset class above.

United Water is required to fund all repairs and return the Clearwater Sewerage Plant to Council in 2019 with a future life expectancy of at least 25 years. In accordance with section 100 of the Local Government Act 2002, Council does not fund the plant's depreciation expenditure.

As asset owner, Council incurs all associated operating expenses, namely management fees, depreciation and finance costs. United Water International's monthly management fee is determined in accordance with annually adjusted tariffs.

The contract terminates either on the expiry of the 21 year term or on the occurrence of a contract default event by either party. The contract's right of renewal resides with Council.

Note 18: Trade and other payables

| | Note | Council | | Group | |
|---|-----------|---------------|---------------|---------------|---------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Trade payables | | | 36,877 | | 38,918 |
| Trade payables owing to related parties | 38 | | | | |
| - Subsidiaries | | | 853 | | - |
| - Associates | | | 415 | | 415 |
| Interest payable | | | 1,700 | | 1,700 |
| Sundry payables | | | 8,349 | | 9,167 |
| Income received in advance | | | 9,323 | | 10,544 |
| Rates received in advance | | | 668 | | 668 |
| Total trade and other payables | | - | 58,185 | - | 61,412 |

Trade payables are non-interest bearing and are normally settled on terms varying between 7 days and 20th of the month following the invoice date.

Income received in advance primarily consists of lease revenue from investment properties and building and inspection fees. The revenues are recognised as the obligations to provide the services are met.

Note 19: Borrowings

| | Council | | Group | |
|----------------------------|---------------|----------------|---------------|----------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Current | | | | |
| Bank loans | | 140 | | 251 |
| Debentures | | 95 | | 95 |
| Debt securities | | 5,000 | | 5,000 |
| Short term bank facilities | | 103,000 | | 103,000 |
| Finance leases | | - | | - |
| Total current | - | 108,235 | - | 108,346 |
| Non-current | | | | |
| Bank loans | | 1,217 | | 2,192 |
| Debentures | | 102 | | 102 |
| Debt securities | | 142,000 | | 142,000 |
| Finance leases | | - | | - |
| Total non-current | - | 143,319 | - | 144,294 |
| Total borrowings | - | 251,554 | - | 252,640 |

Note 19: Borrowings - continued

Bank loans

Loans for the Council relate to the wastewater treatment plant joint venture with Porirua City Council, and comprise several individual loans totalling \$XXXXm (2008:\$1.357m) with maturities from 2008 to 2023. The average interest rate applicable is 8.76%

Loans for the Group include a loan for the Wellington Museums Trust of \$XXXXm (2008: \$0.199m) maturing July 2010 currently at 10.73% and a loan for the St James Theatre Charitable Trust of \$XXXXm (2008: \$0.846m) maturing May 2015 at 7.13%.

Debentures

These are several individual loans with maturities from August 2008 to June 2010. They have interest rates ranging from 3.50% to 5.00% and payments are structured to be made six-monthly on either a table mortgage or interest only basis.

Debt securities

The Group has issued \$XXXm (2008: \$147m) of floating rate notes with maturities from 30 June 2009 to 31 July 2017. Interest is payable quarterly in arrears. The interest rates vary from 8.75% to 9.05% and are subject to quarterly reset dates.

The Group has issued \$XXXm (2008:Nil) of fixed rate bonds with maturities from 16 October 2009 to 16 October 2012. Interest is payable quarterly in arrears

Short term bank facilities and other lines of credit

\$XXXm (2008: \$165m) worth of committed bank facilities are available on a short term basis of less than one year. Interest is payable in arrears at wholesale market rates. A further \$5m (2008: \$5m) is available as uncommitted facilities with interest payable in arrears at wholesale market rates. Of these facilities, a total of \$XXXm has been drawn at the end of the reporting period (2008: \$103m). The Group has additional short term bank facilities of \$0.3m (2008 \$0.3m)

Bank overdraft

An overdraft facility of \$1.5m (2008: \$1.5m) is available to Council. This facility was undrawn as at 30 June 2009 (2008: undrawn). The Group has additional overdraft facilities of \$2.07m (2008: \$2.07m).

Security

Council borrowings are secured by way of a Debenture Trust Deed over Council rates revenue.

Note 19: Borrowings - continued

The following table shows the total borrowing facilities available to the Council and Group, and the utilisation of these facilities during the year.

| Borrowing and overdraft facilities | Council | | Group | |
|---|----------------|----------------|--------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 |
| Borrowing and overdraft facilities available | | | | |
| Bank overdraft | | 1,500 | | 3,570 |
| Bank loans - term | | 1,357 | | 2,443 |
| Debentures | | 197 | | 197 |
| Debt securities | | 147,000 | | 147,000 |
| Short-term bank facilities and other credit lines - committed | | 165,000 | | 165,300 |
| Short-term bank facilities and other credit lines - uncommitted | | 5,000 | | 5,000 |
| Finance leases | | - | | - |
| Total borrowing and overdraft facilities available | - | 320,054 | - | 323,510 |
| Borrowing and overdraft facilities utilised | | | | |
| Bank loans - term | | 1,357 | | 2,443 |
| Debentures | | 197 | | 197 |
| Debt securities | | 147,000 | | 147,000 |
| Short-term bank facilities and other credit lines - committed | | 98,000 | | 98,000 |
| Short-term bank facilities and other credit lines - uncommitted | | 5,000 | | 5,000 |
| Finance leases | | - | | - |
| Total borrowing and overdraft facilities utilised | - | 251,554 | - | 252,640 |
| Borrowing and overdraft facilities unutilised | | | | |
| Bank overdraft | | 1,500 | | 3,570 |
| Short-term bank facilities and other credit lines - committed | | 67,000 | | 67,300 |
| Short-term bank facilities and other credit lines - uncommitted | | - | | - |
| Total borrowing and overdraft facilities unutilised | - | 68,500 | - | 70,870 |

Note 19: Borrowings - continued**Finance lease liabilities**

The Group has entered into finance leases for various items of plant and equipment, in particular computer equipment. The net carrying amount of the leased items within property, class and equipment is shown in Note 17.

The finance leases can be renewed at the Group's option, with rentals set by reference to current market rates for items of equivalent age and condition. The Group does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Group by any of the finance leasing arrangements.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The finance lease liabilities are analysed as follows:

| Analysis of finance lease liabilities | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Future minimum lease payments | | | | |
| Not later than one year | | - | | - |
| Later than one year and not later than five years | | - | | - |
| Later than five years | | - | | - |
| Total future minimum lease payments | - | - | - | - |
| Future finance charges | | - | | - |
| Present value of future minimum lease payments | - | - | - | - |
| Present value of future minimum lease payments | | | | |
| Not later than one year | | - | | - |
| Later than one year and not later than five years | | - | | - |
| Later than five years | | - | | - |
| Total present value of future minimum lease payments | | - | | - |

Note 20: Employee benefit liabilities

| | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Current | | | | |
| Short-term benefits | | | | |
| Payroll accruals | | 1,841 | | 1,957 |
| Holiday leave | | 5,314 | | 5,864 |
| Long service leave provision | | 38 | | 38 |
| Total short-term benefits | - | 7,193 | - | 7,859 |
| Termination benefits | | | | |
| Other contractual entitlements | | 165 | | 298 |
| Total termination benefits | - | 165 | - | 298 |
| Total current | - | 7,358 | - | 8,157 |
| Non-current | | | | |
| Long-term benefits | | | | |
| Long service leave provision | | 38 | | 102 |
| Retirement gratuities provision | | 1,572 | | 1,697 |
| Total long-term benefits | - | 1,610 | - | 1,799 |
| Total employee benefit liabilities | - | 8,968 | - | 9,956 |

Movements in the above employee benefit provisions are analysed as follows:

| Long service leave provision | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | 109 | | 111 |
| Additional or increased provision made | | - | | 64 |
| Release of provision | | (9) | | (9) |
| Rediscounting of interest | | 8 | | 8 |
| Amount utilised | | (32) | | (34) |
| Long Service leave - closing balance | - | 76 | - | 140 |

Background

The Council's long service leave provision is a contractual entitlement for a reducing number of employees who after 20 years service will be granted a one-off entitlement of additional leave. This entitlement has not been offered to new employees since 1991. All long service leave will be granted and the provision extinguished by 2011.

Estimation

The gross long service leave provision (inflation adjusted at 3.00 %) as at 30 June 2009, before discounting, is \$XXXm (2008: \$0.088m). The discount rate used is 6.75 which is the rate used in the draft 2009/10 – 2018/19 LTCCP.

Note 20: Employee benefit liabilities - continued

| Retirement gratuities provision | Council | | Group | |
|--|----------|--------------|----------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 |
| Opening balance | | 1,408 | | 1,463 |
| Additional or increased provision made | | 91 | | 176 |
| Release of provision | | - | | - |
| Rediscounting of interest | | 101 | | 101 |
| Amount utilised | | (28) | | (43) |
| Retirement gratuities - closing balance | - | 1,572 | - | 1,697 |

Background

The Council's retirement gratuities provision is a contractual entitlement for a reducing number of employees who having qualified with 10 years service will on retirement be entitled to a payment based on years of service and current salary. This entitlement has not been offered to new employees since 1991. Based on the age of participants the provision may not be extinguished until 2037, assuming retirement at age 65.

Estimation

The gross retirement gratuities provision (inflation adjusted at 3.00%) as at 30 June 2009, before discounting, is \$XXXm (2008: \$3.1m). The discount rate used is 6.75 which is the rate used in the LTCCP 2009/10 – 2018/19.

| Other contractual entitlements | Council | | Group | |
|---|----------|------------|----------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 |
| Opening balance | | 658 | | 860 |
| Additional or increased provision made | | 165 | | 165 |
| Release of provision | | (424) | | (424) |
| Amount utilised | | (234) | | (303) |
| Total other contractual entitlements | - | 165 | - | 298 |

Note 21: Provision for other liabilities

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Current | | | | |
| ACC Partnership programme | | 37 | | 37 |
| Landfill post closure costs | | 1,664 | | 1,664 |
| Other provisions | | 1,280 | | 797 |
| Total current | - | 2,981 | - | 2,498 |
| Non-current | | | | |
| Landfill post closure costs | | 15,250 | | 15,250 |
| Other provisions | | 4,065 | | 4,548 |
| Total non-current | - | 19,315 | - | 19,798 |
| Total provision for other liabilities | - | 22,296 | - | 22,296 |

Movements in the above provisions for other liabilities are analysed as follows:

| ACC Partnership programme | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Central estimates of the present value of future payments | | 32 | | 32 |
| Risk margin | | 5 | | 5 |
| Total liability | - | 37 | - | 37 |
| Opening balance | | 22 | | 22 |
| Additional provisions for risks incurred in current year | | 90 | | 90 |
| Release of provisions relating to reassessment of risks in previous periods | | - | | - |
| Total claim expenditure for current year | - | 90 | - | 90 |
| Amounts utilised | | (75) | | (75) |
| Total liability | - | 37 | - | 37 |
| Increase/(Decrease) in provision for claims liability | - | 15 | - | 15 |

Background

The Council is a member of the Accident Compensation Corporation (ACC) partnership programme. The Council acts as an agent on behalf of ACC managing claims for its employees and providing entitlements under the Accident Insurance Act 1998 in relation to work-related personal injuries and illnesses.

Estimation

This provision represents an estimate of the claims outstanding at the end of the reporting period date together with an estimate of the claims incurred but not yet reported.

Note 21: Provisions for other liabilities - continued

| Landfill post closure costs | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | 16,718 | | 16,718 |
| Additional or increased provision made | | - | | - |
| Release of provision | | (216) | | (216) |
| Re-discounting of interest | | 1,200 | | 1,200 |
| Amount utilised | | (788) | | (788) |
| Landfill post closure costs - closing balance | - | 16,914 | - | 16,914 |

Background

The Council currently operates the Southern Landfill (Stage 3). The Council has responsibility for closure of its landfills and to provide ongoing maintenance and monitoring of the landfills after they are closed.

As part of the closure of landfills, or landfill stages, the Council's responsibilities include; final cover application and vegetation; incremental drainage control features; and completing facilities for: leachate collection and monitoring; water quality monitoring; and for monitoring and recovery of gas.

The post closure responsibilities include treatment and monitoring of leachate; ground water and surface monitoring; gas monitoring and recovery; implementation of remedial measures such as needed for cover and control systems; and ongoing site maintenance for drainage systems, final cover and vegetation. The Council is currently monitoring gas, leachate and water for closed landfills identified as potential risks.

The management of the landfill will influence the timing of recognition of some liabilities – for example, the Southern Landfill operates in stages. A liability relating to any future stages will only be created when the stage is commissioned and when refuse begins to accumulate in this stage.

Estimations

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cashflows are discounted using a discount rate of 7.90%. The gross provision (inflation adjusted at 4.00%), before discounting, is \$XXXXm as at 30 June 2009 (2008: \$34.077). This represents the Council's projection of the amount required to settle the obligation at the estimated time of the cash outflow.

Stage 3 of the Southern Landfill has an estimated remaining capacity of XXXXXXXXm³ (2008: 1,248,021m³) and an estimated remaining life of 10 years (2008: 11 years). These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council has a 21.5% joint venture interest in the Spicer Valley Landfill. The Council's provision includes the Council's proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of XXXXXXXXm³ (2008: 661,240m³) and an estimated remaining life of 4 years (2008: 5 years).

Note 21: Provisions for other liabilities - continued

| Other provisions | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | 3,997 | | 4,134 |
| Additional or increased provision made | | 1,510 | | 1,510 |
| Amount utilised | | (162) | | (299) |
| Other provisions - closing balance | - | 5,345 | - | 5,345 |

Other provisions are recognised for amounts provided in relation to potential costs arising from legal claims, and other obligations for future expenditure of uncertain amount or timing.

Note 22: Accumulated funds and retained earnings

| | Note | Council | | Group | |
|--|------|---------------|------------------|---------------|------------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Accumulated funds | | | 1,269,134 | | 1,293,162 |
| Retained earnings | | | | | |
| Opening balance | | | 3,454,652 | | 3,506,697 |
| Net surplus/(deficit) | | | 25,515 | | 34,866 |
| Transfers to revaluation reserves | 23 | | (173) | | (173) |
| Transfers from restricted funds | 25 | | 2,349 | | 2,351 |
| Transfers to restricted funds | 25 | | (954) | | (1,397) |
| Retained earnings - closing balance | | - | 3,481,389 | - | 3,542,344 |
| Total accumulated funds and retained earnings | | - | 4,750,523 | - | 4,835,506 |

Note 23: Revaluation reserves

| | Council | | Group | |
|---|---------------|------------------|---------------|------------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Land - opening balance | | 96,208 | | 96,208 |
| Land - closing balance | - | 96,208 | - | 96,208 |
| Buildings - opening balance | | 161,996 | | 161,996 |
| Revaluations movement taken directly to equity | | (159) | | (159) |
| Buildings - closing balance | - | 161,837 | - | 161,837 |
| Library collections - opening balance | | 2,355 | | 2,355 |
| Revaluations movement taken directly to equity | | 2,558 | | 2,558 |
| Library collections - closing balance | - | 4,913 | - | 4,913 |
| Drainage, waste and water - opening balance | | 254,521 | | 254,521 |
| Revaluations movement taken directly to equity | | 158,663 | | 158,663 |
| Transfer from retained earnings | | - | | - |
| Drainage, waste and water - closing balance | - | 413,184 | - | 413,184 |
| Infrastructure land - opening balance | | 4,645 | | 4,645 |
| Revaluations movement taken directly to equity | | 9,277 | | 9,277 |
| Transfer from retained earnings | | 173 | | 173 |
| Infrastructure land - closing balance | - | 14,095 | - | 14,095 |
| Roading - opening balance | | 326,520 | | 326,520 |
| Revaluations movement taken directly to equity | | 21,744 | | 21,744 |
| Roading - closing balance | - | 348,264 | - | 348,264 |
| Associates' revaluation reserves - opening balance | | - | | 55,673 |
| Revaluations movement taken directly to equity | | - | | 2,691 |
| Transfer from retained earnings | | - | | - |
| Associates' revaluation reserves - closing balance | - | - | - | 58,364 |
| Total revaluation reserves | - | 1,038,501 | - | 1,096,865 |
| These revaluation reserves are represented by: | | | | |
| Opening balance | | 846,245 | | 901,918 |
| Revaluations movement taken directly to equity | - | 192,083 | - | 194,774 |
| Transfer from retained earnings | - | 173 | - | 173 |
| Total revaluation reserves - closing balance | - | 1,038,501 | - | 1,096,865 |

The revaluation reserve is used to record accumulated increases and decreases in the fair value of land, buildings, the library collection, and drainage, waste, water and roading assets.

Note 24: Hedging reserve

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Opening balance | | 5,468 | | 5,468 |
| Cash flow hedge net gain taken directly to Other | | | | |
| Comprehensive income | | (2,102) | | (2,126) |
| Cash flow hedge gains reclassified to finance income | | (309) | | (309) |
| Hedging reserve - closing balance | - | 3,057 | - | 3,033 |

The hedging reserve shows accumulated fair value changes for interest rate swaps which satisfy the criteria for hedge accounting and have operated as effective hedges during the period.

Note 25: Restricted funds

| | Note | Council | | Group | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Special reserves and funds | 26 | | 1,379 | | 1,379 |
| Council created reserves and funds | 26 | | 16,141 | | 16,141 |
| Trusts and bequests | 27 | | 3,459 | | 3,459 |
| Subsidiaries' restricted funds | | | | | |
| Opening balance | | | - | | 2,597 |
| Additional funds received | | | - | | 441 |
| Funds utilised | | | - | | - |
| Subsidiaries' restricted funds - closing balance | | - | - | - | 3,038 |
| Total restricted funds | | - | 20,979 | - | 24,017 |
| These funds are represented by: | | | | | |
| Opening balance | | | 22,374 | | 24,971 |
| Transfers from retained earnings | | | 954 | | 1,397 |
| Transfers to retained earnings | | | (2,349) | | (2,351) |
| Restricted funds - closing balance | | - | 20,979 | - | 24,017 |

These funds are a mixture of special purpose reserves and funds, including council created reserves and trusts and bequests. More detailed information on the Council reserves and funds is disclosed in Notes 26 and 27.

The restricted funds of the subsidiaries relate to the Wellington Museums Trust and the Wellington Zoo Trust as follows:

The Wellington Museums Trust has three reserves; a Capital Reserve, a Colonial Cottage Museum Collection reserve and a City and Sea Collection reserve.

The Wellington Zoo Trust has a number of trust and bequest donations made, which are held as restricted funds until utilised.

Note 26: Special and council created reserves and funds

| Special reserves and funds | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Reserve purchase and development fund | | | | |
| Opening balance | | 2,312 | | 2,312 |
| Additional funds received | | 48 | | 48 |
| Funds utilised | | (1,075) | | (1,075) |
| Reserve purchase & development fund - closing balance | - | 1,285 | - | 1,285 |
| Early Settlers Memorial Park reserve | | | | |
| Opening balance | | 114 | | 114 |
| Funds utilised | | (20) | | (20) |
| Early Settlers Memorial Park reserve - closing balance | - | 94 | - | 94 |
| Total special reserves and funds - closing balance | - | 1,379 | - | 1,379 |

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas especially in residential subdivision development areas. In 2008/09 funds utilised included the purchase of

Early Settlers Memorial Park reserve

This reserve is used to upgrade and maintain the Bolton Street Cemetery and surrounding park and walkways.

| Council created reserves and funds | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Self insurance reserve | | | | |
| Opening balance | | 11,929 | - | 11,929 |
| Additional funds received | | 500 | - | 500 |
| Funds utilised | | (531) | - | (531) |
| Self insurance reserve - closing balance | - | 11,898 | - | 11,898 |
| Subdivision development reserve | | 4,119 | - | 4,119 |
| Other reserves | | 124 | - | 124 |
| Total council created reserves and funds - closing balance | - | 16,141 | - | 16,141 |

Self-insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the uninsured portion of insurance claims. Additions to the reserve of \$500,000 (2008:\$500,000) are funded through rates as identified in the Annual Plan.

Note 27: Trusts and bequests

| Council | Opening Balance 2009 \$000 | Additional Funds 2009 \$000 | Funds Utilised 2009 \$000 | Closing Balance 2009 \$000 |
|----------------------------------|---|--|--|---|
| A Graham Trust | 6 | | | |
| A W Newton Bequest | 231 | | | |
| Charles Plimmer Bequest | 1,146 | | | |
| E A McMillan Estate | 6 | | | |
| E Pengelly Bequest | 9 | | | |
| F L Irvine Smith Memorial | 5 | | | |
| Greek NZ Memorial Association | 5 | | | |
| J R Hancock Bequest | 1,862 | | | |
| Kidsarus 2 Donation | 2 | | | |
| Kirkcaldie and Stains Donation | 17 | | | |
| Lewis Glover Bequest | 27 | | | |
| QEII Memorial Book Fund | 40 | | | |
| Schola Cantorum Trust | 4 | | | |
| Stanley Banks Trust | 78 | | | |
| Terawhiti Grant | 10 | | | |
| W G Morrison Estate | 11 | | | |
| Total trusts and bequests | 3,459 | - | - | - |

Analysis of movements in trusts and bequests

- Trusts and bequests receiving additional funds during the year were those where interest has been applied in accordance with the original terms and conditions.
- Trusts and bequests funds utilised during the year were:
 - Stanley Banks trust – educational grants to children of WWII service personnel - \$.....
 - J R Hancock bequest – City Art Gallery extension - \$.....
 - Charles Plimmer bequest – upgrade of Central Park - \$.....
 - A W Newton bequest – grants for art, adult education or athletics - \$.....

Other than those specific trusts and bequests discussed above, the others are generally provided for library, educational or environmental purposes.

Note 28: Financial instruments

The Group's financial instruments are categorised as follows:

| Council - 2009 | Loans and Receivables | Available for Sale | Financial Assets at FV through Profit or loss | Financial Liabilities at FV through Profit or loss | Derivatives Designated as Cash Flow Hedges | Derivatives Designated as Fair Value Hedges | Total |
|------------------------------------|------------------------------|---------------------------|--|---|---|--|--------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | | | | |
| Cash and cash equivalents | | | | | | | - |
| Derivative financial instruments | | | | | | | - |
| Trade and other receivables | | | | | | | - |
| Other financial assets | | | | | | | - |
| Total financial assets | - | - | - | - | - | - | - |
| Financial liabilities | | | | | | | |
| Derivative financial instruments | | | | | | | |
| Trade and other payables | | | | | | | - |
| Borrowings | | | | | | | - |
| Total financial liabilities | - | - | - | - | - | - | - |

| Council - 2008 | Loans and Receivables | Available for Sale | Financial Assets at FV through Profit or loss | Financial Liabilities at FV through Profit or loss | Derivatives Designated as Cash Flow Hedges | Derivatives Designated as Fair Value Hedges | Total |
|------------------------------------|------------------------------|---------------------------|--|---|---|--|----------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 2,307 | - | - | - | - | - | 2,307 |
| Derivative financial instruments | - | - | 733 | - | 1,822 | - | 2,555 |
| Trade and other receivables | 29,401 | - | - | - | - | - | 29,401 |
| Other financial assets | 1,596 | 527 | - | - | - | - | 2,123 |
| Total financial assets | 33,304 | 527 | 733 | - | 1,822 | - | 36,386 |
| Financial liabilities | | | | | | | |
| Trade and other payables | - | - | - | 48,194 | - | - | 48,194 |
| Borrowings | - | - | - | 251,554 | - | - | 251,554 |
| Total financial liabilities | - | - | - | 299,748 | - | - | 299,748 |

Note 28: Financial instruments - continued

| Group - 2009 | Loans and Receivables | Available for Sale | Financial Assets at FV through Profit or loss | Financial Liabilities at FV through Profit or loss | Derivatives Designated as Cash Flow Hedges | Derivatives Designated as Fair Value Hedges | Total |
|------------------------------------|--------------------------------------|-----------------------------------|--|---|---|--|--------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | | | | |
| Cash and cash equivalents | | | | | | | - |
| Derivative financial instruments | | | | | | | - |
| Trade and other receivables | | | | | | | - |
| Other financial assets | | | | | | | - |
| Total financial assets | - | - | - | - | - | - | - |
| Financial liabilities | | | | | | | |
| Derivative financial instruments | | | | | | | |
| Trade and other payables | | | | | | | - |
| Borrowings | | | | | | | - |
| Total financial liabilities | - | - | - | - | - | - | - |

| Group - 2008 | Loans and Receivables | Available for Sale | Financial Assets at FV through Profit or loss | Financial Liabilities at FV through Profit or loss | Derivatives Designated as Cash Flow Hedges | Derivatives Designated as Fair Value Hedges | Total |
|------------------------------------|--------------------------------------|-----------------------------------|--|---|---|--|----------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 5,304 | - | - | - | - | - | 5,304 |
| Derivative financial instruments | - | - | 733 | - | 1,822 | - | 2,555 |
| Trade and other receivables | 30,901 | - | - | - | - | - | 30,901 |
| Other financial assets | 1,596 | 527 | - | - | - | - | 2,123 |
| Total financial assets | 37,801 | 527 | 733 | - | 1,822 | - | 40,883 |
| Financial liabilities | | | | | | | |
| Trade and other payables | - | - | - | 50,200 | - | - | 50,200 |
| Borrowings | - | - | - | 252,640 | - | - | 252,640 |
| Total financial liabilities | - | - | - | 302,840 | - | - | 302,840 |

Note 28: Financial instruments - continued**Financial risk management**

As part of its normal operations, the Group is exposed to credit risk, liquidity risk and market risk. The Group's exposure to these risks and the action that the Group has taken to minimise the impact of these risks is outlined below:

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of off-balance sheet guarantees to community groups (refer Note 34).

The Group's maximum exposure to credit risk at the end of the reporting period is:

| | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Financial assets with credit risk | | | | |
| Cash and cash equivalents | | 2,307 | | 5,304 |
| Derivative financial instruments | | | | |
| - Interest rate swaps - amounts receivable | | 2,555 | | 2,555 |
| Trade and other receivables | | | | |
| - Trade receivables | | 11,980 | | 13,163 |
| - Other receivables | | 17,421 | | 17,738 |
| Other financial assets | | | | |
| - Loans to related parties - associates | | 773 | | 773 |
| - Loans to related parties - other organisations | | 823 | | 823 |
| Total financial assets with credit risk | - | 35,859 | - | 40,356 |

Note 28: Financial instruments - continued

The ageing profile of trade, loan and other receivables at the reporting date is as follows:

| Council | 2009 | | 2008 | |
|---|------------|------------|---------------|----------------|
| | Gross | Impairment | Gross | Impairment |
| | Receivable | | Receivable | |
| | \$000 | \$000 | \$000 | \$000 |
| Trade, loans and other receivables | | | | |
| Not past due | | | 19,037 | (90) |
| Past due 0-3 months | | | 5,619 | (440) |
| Past due 3-6 months | | | 2,447 | (689) |
| Past due more than 6 months | | | 11,424 | (6,311) |
| Total trade, loans and other receivables | - | - | 38,527 | (7,530) |

| Group | 2009 | | 2008 | |
|---|------------|------------|------------|------------|
| | Gross | Impairment | Gross | Impairment |
| | Receivable | | Receivable | |
| | \$000 | \$000 | \$000 | \$000 |
| Trade, loans and other receivables | | | | |
| Not past due | | | 20,282 | (90) |
| Past due 0-3 months | | | 5,763 | (440) |
| Past due 3-6 months | | | 2,473 | (689) |
| Past due more than 6 months | | | 11,535 | (6,337) |

The concentration of receivables past due more than 6 months primarily relates to fines receivable. Due to their nature, the collection pattern for fines receivable is longer than that for trade.

Note 28: Financial instruments - continued**Liquidity risk**

Liquidity risk is the risk arising from unmatched cash flows and maturities. To provide flexibility in the management of the Group's liquidity, the Group has committed short term bank advance facilities available (for details refer to Note 19: Borrowings).

The Group's strong liquidity management means that it is cost effective to maintain negative working capital. On a cash flow basis, the Council maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Treasury Management Policy and Guidelines.

The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis. Contractual cash flows for financial liabilities comprise the nominal amount and interest payment.

| Council | 2009 | | | | | |
|---|--|---------------------------------------|----------------------|--------------------|--------------------|----------------------------|
| | Statement of Financial Position \$000 | Total Contractual Cash Flows \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | More than 5 years \$000 |
| Trade and other payables | | | | | | |
| Bank loans | | | | | | |
| Debentures | | | | | | |
| Debt securities | | | | | | |
| Short term bank facilities | | | | | | |
| Finance leases | | | | | | |
| Total financial liabilities settled on a gross basis | - | - | - | - | - | - |

| Council | 2008 | | | | | |
|---|--|---------------------------------------|----------------------|--------------------|--------------------|----------------------------|
| | Statement of Financial Position \$000 | Total Contractual Cash Flows \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | More than 5 years \$000 |
| Trade and other payables | 48,194 | 48,194 | 48,194 | - | - | - |
| Bank loans | 1,357 | 1,950 | 257 | 156 | 704 | 833 |
| Debentures | 197 | 221 | 103 | 28 | 39 | 51 |
| Debt securities | 147,000 | 210,835 | 18,049 | 12,604 | 106,060 | 74,122 |
| Short term bank facilities | 103,000 | 104,069 | 104,069 | - | - | - |
| Total financial liabilities settled on a gross basis | 299,748 | 365,269 | 170,672 | 12,788 | 106,803 | 75,006 |

Note 28: Financial instruments - continued

| Group | 2009 | | | | | |
|---|---|---|-------------------------|--------------------|--------------------|-------------------------------|
| | Statement of Financial Position \$000 | Total Contractual Cash Flows \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | More than 5 years \$000 |
| Trade and other payables | | | | | | |
| Bank loans | | | | | | |
| Debentures | | | | | | |
| Debt securities | | | | | | |
| Short term bank facilities | | | | | | |
| Finance leases | | | | | | |
| Total financial liabilities settled on a gross basis | - | - | - | - | - | - |

| Group | 2008 | | | | | |
|---|---|---|-------------------------|--------------------|--------------------|-------------------------------|
| | Statement of Financial Position \$000 | Total Contractual Cash Flows \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | More than 5 years \$000 |
| Trade and other payables | 50,200 | 50,200 | 50,200 | - | - | - |
| Bank loans | 2,443 | 3,468 | 455 | 362 | 904 | 1,747 |
| Debentures | 197 | 221 | 103 | 28 | 39 | 51 |
| Debt securities | 147,000 | 210,835 | 18,049 | 12,604 | 106,060 | 74,122 |
| Short term bank facilities | 103,000 | 104,069 | 104,069 | - | - | - |
| Total financial liabilities settled on a gross basis | 302,840 | 368,793 | 172,876 | 12,994 | 107,003 | 75,920 |

Market Risk

The group enters into derivative arrangements in the ordinary course of business to manage interest rate risks. A Finance and Treasury Committee, headed by senior management personnel, provides oversight for risk management and derivative activities and ensures any activities are in line with the Treasury Management Policy which is formally approved by Council as part of the Council's Long Term Council Community Plan (LTCCP).

Note 28: Financial instruments - continued**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk from its interest-earning financial assets and interest-bearing liabilities. The Group is risk averse and seeks to minimise exposure arising from its treasury activities. It does not undertake unnecessary investment or borrowing activity, nor is any speculation permitted in the activity it undertakes.

The Group manages its interest rate risk by maintaining the ratio of borrowing between fixed and floating interest rates and by maintaining pre-set portions of its borrowings in a range of maturity profiles. The effective interest rates and contractual repricing or maturity periods (whichever is earlier) of financial instruments are as follows:

| Weighted effective interest rates | Council | | Group | |
|---|-----------|-----------|-----------|-----------|
| | 2009 % | 2008 % | 2009 % | 2008 % |
| Cash and Cash Equivalents | | 8.50 | | 6.89 |
| Bank deposits - term | | - | | 8.75 |
| Loans to related parties | | 0.00 | | 0.00 |
| Short term bank facilities | | 8.80 | | 8.80 |
| Bank loans | | 8.67 | | 8.34 |
| Debentures | | 4.24 | | 4.24 |
| Debt securities | | 8.87 | | 8.87 |
| Derivative financial instruments - hedged | | 6.85 | | 6.85 |
| Derivative financial instruments - non-hedged | | 7.35 | | 7.35 |
| Finance leases | | - | | - |

Loans to related parties, namely being the loan to the Wellington Regional Stadium Trust, and the partial drawdown of the loan to the Karori Wildlife Sanctuary Trust, are both on interest free terms.

Note 28: Financial instruments - continued

| Council | 2009 | | | | |
|--|----------------|----------------------|--------------------|--------------------|-------------------|
| | Total \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | 5+ Years \$000 |
| Fixed rate instruments | | | | | |
| Loans to related parties - associates | | | | | |
| Loans to related parties - other organisations | | | | | |
| Debentures | | | | | |
| Debt securities | | | | | |
| Finance leases | | | | | |
| Total fixed rate instruments | - | - | - | - | - |
| Variable rate instruments and related derivatives | | | | | |
| Cash and cash equivalents | | | | | |
| Bank loans | | | | | |
| Short term bank facilities | | | | | |
| Debt securities | | | | | |
| Effect of derivative financial instruments - hedged | | | | | |
| Effect of derivative financial instruments - non-hedged | | | | | |
| Total variable rate instruments and related derivatives | - | - | - | - | - |
| Total | - | - | - | - | - |

| Council | 2008 | | | | |
|--|------------------|----------------------|--------------------|--------------------|-------------------|
| | Total \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | 5+ Years \$000 |
| Fixed rate instruments | | | | | |
| Loans to related parties - associates | 773 | - | - | - | 773 |
| Loans to related parties - other organisations | 823 | | | 198 | 625 |
| Debentures | (197) | (95) | (24) | (29) | (49) |
| Total fixed rate instruments | 1,399 | (95) | (24) | 169 | 1,349 |
| Variable rate instruments and related derivatives | | | | | |
| Cash and cash equivalents | 2,307 | 2,307 | - | - | - |
| Bank loans | (1,357) | (140) | (50) | (400) | (767) |
| Short term bank facilities | (103,000) | (103,000) | - | - | - |
| Debt securities | (147,000) | (147,000) | - | - | - |
| Effect of derivative financial instruments - hedged | - | 52,000 | (10,000) | (27,000) | (15,000) |
| Effect of derivative financial instruments - non-hedged | - | 81,000 | (15,000) | (58,000) | (8,000) |
| Total variable rate instruments and related derivatives | (249,050) | (114,833) | (25,050) | (85,400) | (23,767) |
| Total | (247,651) | (114,928) | (25,074) | (85,231) | (22,418) |

Note 28: Financial instruments - continued

| Group | 2009 | | | | |
|--|----------------|----------------------|--------------------|--------------------|-------------------|
| | Total \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | 5+ Years \$000 |
| Fixed rate instruments | | | | | |
| Loans to related parties - associates | | | | | |
| Loans to related parties - other organisations | | | | | |
| Debentures | | | | | |
| Debt securities | | | | | |
| Finance leases | | | | | |
| Total fixed rate instruments | - | - | - | - | - |
| Variable rate instruments and related derivatives | | | | | |
| Cash and cash equivalents | | | | | |
| Bank deposits - term | | | | | |
| Bank loans | | | | | |
| Short term bank facilities | | | | | |
| Debt securities | | | | | |
| Effect of derivative financial instruments - hedged | | | | | |
| Effect of derivative financial instruments - non-hedged | | | | | |
| Total variable rate instruments and related derivatives | - | - | - | - | - |
| Total | - | - | - | - | - |

| Group | 2008 | | | | |
|--|------------------|----------------------|--------------------|--------------------|-------------------|
| | Total \$000 | 0-12 Months \$000 | 1-2 Years \$000 | 2-5 Years \$000 | 5+ Years \$000 |
| Fixed rate instruments | | | | | |
| Loans to related parties - associates | 773 | - | - | - | 773 |
| Loans to related parties - other organisations | 823 | | | 198 | 625 |
| Debentures | (197) | (95) | (24) | (29) | (49) |
| Total fixed rate instruments | 1,399 | (95) | (24) | 169 | 1,349 |
| Variable rate instruments and related derivatives | | | | | |
| Cash and cash equivalents | 5,304 | 5,304 | - | - | - |
| Bank deposits - term | 357 | - | 357 | - | - |
| Bank loans | (2,443) | (1,097) | (179) | (400) | (767) |
| Short term bank facilities | (103,000) | (103,000) | - | - | - |
| Debt securities | (147,000) | (147,000) | - | - | - |
| Effect of derivative financial instruments - hedged | - | 52,000 | (10,000) | (27,000) | (15,000) |
| Effect of derivative financial instruments - non-hedged | - | 81,000 | (15,000) | (58,000) | (8,000) |
| Total variable rate instruments and related derivatives | (246,782) | (112,793) | (24,822) | (85,400) | (23,767) |
| Total | (245,383) | (112,888) | (24,846) | (85,231) | (22,418) |

Note 28: Financial instruments - continued

Hedging

The Group has a policy of ensuring that between 50% and 95% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps denominated in New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next 8 years and have fixed interest rates ranging from 5.95% to 6.69% and floating interest rates ranging from 4.97% to 7.54%. The Group classifies interest rate swaps that qualify for hedge accounting as either cash flow hedges or fair value hedges. At 30 June 2009, the Group had cash flow hedges with a notional contract amount of \$XXXm (2008 \$107m) and fair value hedges with a notional contract amount of \$XXXm (2008 \$0m)

The Group has interest rate swaps and swaptions that do not qualify for hedge accounting. The notional contract value of these is \$XXm (2008: \$36m). The movement in the fair value of these interest rate swaps and swaptions which do not meet the criteria for hedge accounting is taken directly to the Statement of Comprehensive Financial Performance. The interest rate range for the interest rate swaps is 6.31% to 6.92% and for the swaptions is 8.50% to 8.60%.

The net fair value of the interest rate swaps and swaptions at 30 June 2009, \$XXXX (2008: \$2.555m) was comprised of assets of \$XXXm (2008: \$2.555m) and liabilities of \$XXXm (2008: \$nil).

Equity Management

The Group's equity includes accumulated funds and retained earnings, revaluation reserves, a hedging reserve and restricted funds which comprise special funds, reserve funds and trusts and bequests.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Fair Value

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms length transaction. The fair values of all financial instruments equate to the carrying amount recognised in the Statement of Financial Position.

Note 28: Financial instruments - continued**Sensitivity Analysis**

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on the surplus.

At 30 June 2009 it is estimated that a general decrease of one percentage point in interest rates would increase the group's surplus before income tax by approximately \$XXm. Interest rate swaps have been included in this calculation.

The tables below illustrate the potential surplus and deficit impact for reasonably possible movements, with all other variables held constant, based on Council's and the Group's financial instrument exposures at the end of the reporting period.

| Council/Group | | 2009 | | 2008 | |
|--|------|----------------|----------------|----------------|----------------|
| | | \$000 | | \$000 | |
| Interest Rate Risk | Note | +1% Deficit | -1% Surplus | +1% Surplus | -1% Deficit |
| Financial Assets | | | | | |
| Cash and cash equivalents - Council | a | | | 23 | (23) |
| Bank deposits - term | | | | | |
| Cash and cash equivalents - Group | a | | | 53 | (53) |
| Derivatives - Interest rate swaps | b | | | 2,268 | (2,247) |
| Financial Liabilities | | | | | |
| Bank loans | c | | | (136) | 136 |
| Short term bank facilities | d | | | (1,030) | 1,030 |
| Debt securities | e | | | (1,470) | 1,470 |
| Derivatives - Interest rate swaps | | | | | |
| Total Sensitivity to interest rate risk | | - | - | (292) | 313 |

a. Cash and cash equivalents

Council - Cash and cash equivalents includes \$XXXm on short term deposit (2008: \$1.500m). The balance of Council funds is in different accounts with interest payable on the aggregation of all accounts. A movement in interest rates of plus or minus 1% has an effect on interest income of \$XXXm (2008: \$0.023m).

Group - A movement in interest rates of plus or minus 1% has an effect on interest income of \$XXXm (2008: \$0.053m).

b. Derivatives - Interest rate swaps

Derivatives include Interest rate swaps with a fair value totalling \$XXXm (2008: \$2.555m). The fair value is the benefit from the life to maturity of swaps, and not the amount payable within the year. A movement in interest rates of plus 1% has an effect on increasing the unrealised value of the interest rate swaps of \$XXXm. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the interest rate swaps by \$XXXm

c. Bank loans

Bank loans total \$XXXm (2008: \$1.357m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$XXXm (2008: \$0.136m).

d. Short term bank facilities

Short term bank facilities are at floating rates and total \$XXXm (2008: \$103m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$XXXm (2008: \$1.030m).

e. Debt securities

Debt securities are at floating rates and total \$XXXm (2008: \$147m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$XXXm (2008: \$1.470m).

Note 29: Analysis of operating surplus by strategy

This analysis by strategy is a summary of the "what it cost" information within the Statements of Service Performance. Refer to pages XX to XX for more detailed information in respect of Council strategies and activities.

Operating Revenue and Expenditure

| Council | Actual Revenue | | Budget | | Actual Net | | Budget Net | | Variance |
|-----------------------------------|----------------|---|--------|---|------------|---|------------|---|----------|
| | 2009 | | 2009 | | 2009 | | 2009 | | 2009 |
| | \$000 | | \$000 | | \$000 | | \$000 | | \$000 |
| Strategy | | | | | | | | | |
| Urban development | | | | | | | | | |
| Transport | | | | | | | | | |
| Economic development | | | | | | | | | |
| Environment | | | | | | | | | |
| Cultural well-being | | | | | | | | | |
| Social and recreation | | | | | | | | | |
| Governance | | | | | | | | | |
| Total strategy | - | - | - | - | - | - | - | - | - |
| Council | | | | | | | | | |
| Total strategy and Council | - | - | - | - | - | - | - | - | - |

Major operating revenue and expenditure budget variances are explained within Note 30.

| Council | Actual Revenue | | Budget | | Actual Net | | Budget Net | | Variance |
|-----------------------------------|----------------|----------------|----------------|----------------|---------------|--------------|---------------|--|----------|
| | 2008 | | 2008 | | 2008 | | 2008 | | 2008 |
| | \$000 | | \$000 | | \$000 | | \$000 | | \$000 |
| Strategy | | | | | | | | | |
| Urban development | 26,160 | 9,395 | 28,786 | 22,439 | (2,626) | (13,044) | 10,418 | | |
| Transport | 33,075 | 27,654 | 44,295 | 43,580 | (11,220) | (15,926) | 4,706 | | |
| Economic development | 6,108 | 5,151 | 21,691 | 20,520 | (15,583) | (15,369) | (214) | | |
| Environment | 19,515 | 12,623 | 114,044 | 114,299 | (94,529) | (101,676) | 7,147 | | |
| Cultural well-being | 1,258 | 1,099 | 13,972 | 13,244 | (12,714) | (12,145) | (569) | | |
| Social and recreation | 32,917 | 31,935 | 82,878 | 81,361 | (49,961) | (49,426) | (535) | | |
| Governance | 1,088 | 1,028 | 14,391 | 13,780 | (13,303) | (12,752) | (551) | | |
| Total strategy | 120,121 | 88,885 | 320,057 | 309,223 | (199,936) | (220,338) | 20,402 | | |
| Council | 240,322 | 227,277 | 14,871 | 2,979 | 225,451 | 224,298 | 1,153 | | |
| Total strategy and Council | 360,443 | 316,162 | 334,928 | 312,202 | 25,515 | 3,960 | 21,555 | | |

Note 30: Major budget variations

| Statement of Comprehensive Financial Performance | Council 2009 \$000 |
|--|--------------------------|
| Council actual net surplus | - |
| Fair value adjustments | |
| Fair value gain on revaluation of investment properties | |
| Cash flow hedge gain reclassified from other comprehensive income | |
| Interest rate swap movements | |
| Fair value adjustment on loans | |
| Total fair value adjustments | - |
| Underlying Council actual net surplus | - |
| Council budget net surplus | - |
| Favourable Variance - Actual v Budgeted Net Surplus | - |
| EXPLANATION OF UNDERLYING VARIANCE | |
| Vested assets (non-cash in nature) | |
| Gain on disposal of property, plant and equipment | |
| Bequests, special and reserve funds revenue received | |
| Loss on disposal of assets | |
| Insurance costs (net of recoveries) funded through self insurance reserve | |
| Restatement of Provisions | |
| Additional net expenditure from Wellington Waterfront Project and Porirua Joint Ventures | |
| Additional dividend from Wellington International Airport Limited | |
| Reduction in rates revenue | |
| Reduction in Development Contributions revenue | |
| Other net variances | |
| TOTAL FACTORS CONTRIBUTING TO THE UNDERLYING FAVOURABLE VARIANCE | - |

Other net variances relate to other increased costs in programmes, projects and organisational costs

Statement of Changes in Equity

Total equity is \$XXXm above that budgeted due to the following:

- The actual net surplus being \$XXm above budget
- Timing differences in relation to the opening balance (as the 2008/09 Annual Plan was finalised before the 2007/08 Annual Report). This relates primarily to investment property revaluations of \$XXm
- The increase of revaluations on property plant and equipment being \$XXXm above budget.

Statement of Financial Position

Significant movements are as follows:

- Total non-current assets are \$XXm above budgeted. This relates primarily to the net asset revaluation movements for 2007/08 and 2008/09.
- Total non-current liabilities are \$XXm below budgeted. This primarily relates to lower than expected borrowings.

Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows.

Note 31: Analysis of capital expenditure by strategy

This note reports capital expenditure performance against the approved budget contained within the Annual Plan by Strategy. The note reflects Wellington City Council capital expenditure only.

| Council | Actual | Budget | Variance | Actual | Budget | Variance |
|---|--------|--------|----------|---------------|----------------|--------------|
| | Capex | Capex | Net | Capex | Capex | Net |
| | 2009 | 2009 | 2009 | 2008 | 2008 | 2008 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Strategy | | | | | | |
| Urban Development | | | | 16,381 | 16,880 | 499 |
| Transport | | | | 27,208 | 26,773 | (435) |
| Economic Development | | | | 3,047 | 2,994 | (53) |
| Environment | | | | 31,037 | 31,148 | 111 |
| Cultural Well-being | | | | 465 | 475 | 10 |
| Social and Recreation | | | | 14,330 | 14,074 | (256) |
| Governance | | | | 58 | 58 | - |
| Total strategy | - | - | - | 92,526 | 92,402 | (124) |
| Council | | | | 7,021 | 7,360 | 339 |
| Additional budget | | | | - | 1,045 | 1,045 |
| Total strategy and Council | - | - | - | 99,547 | 100,807 | 1,261 |
| less non-council funding | | | | (1,267) | - | 1,267 |
| Total adjusted Capital Expenditure | - | - | - | 98,280 | 100,807 | 2,529 |

Capital expenditure project budgets carried forward

Capital expenditure projects in the following Strategy areas approved for 2008/09 or later as indicated below:

| Council | Carry Forward To | | | 2009 | 2008 |
|--|------------------|-------|-------|-------|---------------|
| | 2010 | 2011 | 2012 | | |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Strategy | | | | | |
| Urban development | - | - | - | - | 2,816 |
| Transport | - | - | - | - | 4,777 |
| Economic development | - | - | - | - | 135 |
| Environment | - | - | - | - | 4,745 |
| Cultural well-being | - | - | - | - | 836 |
| Social and recreation | - | - | - | - | 7,463 |
| Governance | - | - | - | - | 22 |
| Total strategy | - | - | - | - | 20,795 |
| Council | - | - | - | - | 6,990 |
| Total capital expenditure project budgets carried forward | - | - | - | - | 27,785 |

Amounts committed for future expenditure at end of the reporting period from within these capital expenditure budget carry forwards have been included within capital commitments in Note 33.

Note 32: Capital expenditure performance

This note reports on the capital expenditure performance on an overall basis against that budgeted in the Annual Plan 2008/09. This note reflects Wellington City Council capital expenditure only.

| Capital Expenditure | Council 2009 \$000 |
|---|-----------------------------------|
| Capital expenditure budget for 2008/09 | |
| Capital expenditure budget for carried forward from 2007/08 | |
| Capital expenditure budget for carried forward from 2006/07 | |
| Plus 2008/09 Council approved additional budget | |
| Total capital expenditure budget after amendments | - |
| Less: | |
| Actual capital expenditure incurred in 2008/09 | |
| Capital expenditure carried forward to 2009/10 | |
| Capital expenditure carried forward to 2010/11 | |
| Capital expenditure carried forward to 2011/12 | - |
| Forecast capital expenditure | - |
| Less additional capital expenditure funded from external sources: | |
| | - |
| Adjusted actual capital expenditure for 2008/09 | - |
| Capital expenditure savings against total approved budget (after amendments) | - |

Additional budget was approved by Council in 2008/09 for.....

Actual capital expenditure consists of all expenditure in 2008/09; including expenditure against 2007/08 carry forwards and any additional Council approved expenditure.

Significant acquisitions and replacements of assets

In accordance with the provisions of Section 15(f) Part 3 Schedule 10 of the Local Government Act 2002, information in respect of significant acquisitions and replacements of assets is reported within the Statements of Service Performance.

Note 32: Capital expenditure project performance - continued

Capital Expenditure Projects

The following analysis shows the actual expenditure on capital expenditure projects against that budgeted. Projects are classified according to the Strategic area. Detailed commentaries on each Strategic area, activity and the outcomes that they contribute towards are contained in the Strategic area section of the Statement of Service Performance. Only those projects with budgets over \$500,000, as reported in the Annual Plan, have been included in the table below.

| | | | WCC | | | |
|-----------------------------|---|----------|---------------------------------|--|----------------------------|---------------------|
| | | | Actual Expenditure ¹ | Proposed Budget Carry Forward ² | Total Forecast Expenditure | Budget ³ |
| | Project | Activity | 2009 \$000 | 2009 \$000 | 2009 \$000 | 2009 \$000 |
| Urban Development | | | | | | |
| | Northern Growth Management Framework implementation | CX447_CF | 1.1.1 | | | |
| | Wellington Waterfront development | CX131 | 1.5.1 | | | |
| | Wellington Waterfront development | CX131_CF | 1.5.1 | | | |
| | Central city golden mile | CX406 | 1.5.2 | | | |
| | Central city golden mile | CX406_CF | 1.5.2 | | | |
| | Central city squares and parks | CX409 | 1.5.2 | | | |
| | Central city squares and parks | CX409_CF | 1.5.2 | | | |
| | Chest Hospital | CX452_CF | 1.5.3 | | | |
| Transport | | | | | | |
| | Port and ferry access upgrade | CX493 | 2.2.2 | | | |
| | Wall, bridge and tunnel renewals | CX086 | 2.4.1 | | | |
| | Thin asphalt road surface renewals | CX088 | 2.4.1 | | | |
| | Reseals renewals | CX089 | 2.4.1 | | | |
| | Preseal preparation renewals | CX090 | 2.4.1 | | | |
| | Shape and camber corrections | CX092 | 2.4.1 | | | |
| | Road corridor sea wall renewal | CX098 | 2.4.1 | | | |
| | Tunnels and bridges improvements AP | CX165 | 2.4.1 | | | |
| | Kerb and Channel Renewal AP | CX253 | 2.4.1 | | | |
| | Vehicle network new roads | CX311 | 2.4.1 | | | |
| | Vehicle network new roads | CX311_CF | 2.4.1 | | | |
| | Wall and embankment improvements | CX350 | 2.4.1 | | | |
| | Bus Priority Planning | CX492 | 2.4.3 | | | |
| | Pedestrian network footpath renewals | CX094 | 2.4.4 | | | |
| | Footpath extensions | CX099 | 2.4.4 | | | |
| | Traffic and street signs renewals | CX095 | 2.4.5 | | | |
| | Area based road safety initiatives | CX445 | 2.5.1 | | | |
| Economic Development | | | | | | |
| | Events centre upgrades | CX481_CF | 3.1.2 | | | |

1. Actual capital expenditure consists of all expenditure in 2008/09 including expenditure against 2007/08 budget carry forwards.
2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.
3. Budgets comprise 2008/09 Annual Plan budgets plus budgets carried forward into 2008/09 from the previous financial period.

Note 32: Capital expenditure project performance - continued

| | | | WCC | | | |
|--|----------|-------|--|---|---|------------------------------|
| | | | Actual Expenditure 1 2009 \$000 | Proposed Budget Carry Forward 2 2009 \$000 | Total Forecast Expenditure 2009 \$000 | Budget 3 2009 \$000 |
| Project | Activity | | | | | |
| Environment | | | | | | |
| Coastal upgrades | CX290 | 4.2.2 | | | | |
| Coastal upgrades | CX290_CF | 4.2.2 | | | | |
| Town belts and reserves upgrades | CX437 | 4.2.3 | | | | |
| Southern landfill improvemnt AP | CX084 | 4.5.4 | | | | |
| Water reticulation renewals | CX126 | 4.5.5 | | | | |
| Water reservoir/pump station renewals | CX127 | 4.5.5 | | | | |
| Water reticulation upgrades | CX326 | 4.5.5 | | | | |
| Water pump station/reservoir upgrades | CX336 | 4.5.5 | | | | |
| Water pump station/reservoir upgrades | CX336_CF | 4.5.5 | | | | |
| Water network maintenance renewals | CX430 | 4.5.5 | | | | |
| Stormwater network renewals | CX151 | 4.6.2 | | | | |
| Sewage pollution elimination - pump station upgrades | CX333 | 4.6.3 | | | | |
| Sewage pollution elimination - sewerage network renewals | CX334 | 4.6.3 | | | | |
| Zoo upgrades | CX340 | 4.8.1 | | | | |
| Cultural Wellbeing | | | | | | |
| Art Gallery | CX500_CF | 5.4.1 | | | | |
| Social and Recreation | | | | | | |
| Renew - Housing AP | CX371 | 6.1.1 | | | | |
| Aquatic Facility Upgrades AP | CX055 | 6.4.1 | | | | |
| Aquatic Facility Upgrades AP | CX055_CF | 6.4.1 | | | | |
| Aquatic Facility Renewals AP | CX056 | 6.4.1 | | | | |
| Hydrotherapy services | CX485 | 6.4.1 | | | | |
| SportsfieldsRenewls_Upgrds AP | CX345 | 6.4.2 | | | | |
| Newtown Park Redevelopment | CX489 | 6.4.2 | | | | |
| Newtown Park Redevelopment | CX489_CF | 6.4.2 | | | | |
| Indoor Community Sport Centre | CX499 | 6.4.3 | | | | |
| Newlands Community Facility | CX457_CF | 6.4.6 | | | | |
| Upgrade Library materials AP | CX077 | 6.4.8 | | | | |
| Public Convenience Upgrades | CX366 | 6.5.2 | | | | |
| Public Convenience Upgrades | CX366_CF | 6.5.2 | | | | |
| Total capital expenditure projects > \$500,000 | | | | | | |
| Total capital expenditure projects < \$500,000 | | | | | | |
| Total capital expenditure projects | | | | | | |

1. Actual capital expenditure consists of all expenditure in 2008/09 including expenditure against 2007/08 budget carry forwards.
2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.
3. Budgets comprise 2008/09 Annual Plan budgets plus budgets carried forward into 2008/09 from the previous financial period.

Significant variances are explained by activity in the appropriate Strategy section within the Statements of Service Performance.

Note 33: Commitments

| Capital commitments | Council | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Approved and contracted - property, plant and equipment | | 71,079 | | 71,256 |
| Approved and contracted - share of associates | | - | | 4,079 |
| Total capital commitments | - | 71,079 | - | 75,335 |

The capital commitments above often span more than one financial year and includes the capital expenditure carried forward from Note 31, which forms only part of the total commitments shown.

Operating leases – Group as lessee

The Group leases certain items of plant, equipment, land and buildings under various non-cancellable operating lease agreements.

The lease terms are between XX and XX years and the majority of the lease agreements are renewable at the end of the lease period at market rates.

The amount of minimum payments for non-cancellable operating leases is recognised as an expense in Note 5.

The future expenditure committed by these leases is analysed as follows:

| Non-cancellable operating lease commitments - as lessee | Council | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Plant and equipment | | | | |
| Not later than one year | | 686 | | 1,042 |
| Later than one year and not later than five years | | 1,327 | | 2,078 |
| Later than five years | | 8 | | 66 |
| Land and buildings | | | | |
| Not later than one year | | 923 | | 1,042 |
| Later than one year and not later than five years | | 1,567 | | 1,705 |
| Later than five years | | 4,799 | | 4,799 |
| Total non-cancellable operating lease commitments - as lessee | - | 9,310 | - | 10,732 |

Note 33: Commitments - continued**Operating leases – Group as lessor**

The Group has also entered into commercial property leases of its investment property portfolio and other land and buildings.

The land and buildings held for investment purposes are properties which are not held for operational purposes and are leased to external parties.

The investment property leases are principally ground leases. Ground leases are parcels of land owned by the Council in the central city or on the waterfront, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 year perpetually renewable terms.

The land and buildings not held for investment purposes are principally used for operational purposes, but with portions leased to external parties on commercial terms.

The committed revenues expected from these lease portfolios are analysed as follows:

| Non-cancellable operating lease commitments - as lessor | Council | | Group | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Investment properties | | | | |
| Not later than one year | | 13,614 | | 13,614 |
| Later than one year and not later than five years | | 32,467 | | 32,467 |
| Later than five years | | 62,790 | | 62,790 |
| Land and buildings | | | | |
| Not later than one year | | 2,154 | | 581 |
| Later than one year and not later than five years | | 4,017 | | 1,585 |
| Later than five years | | 547 | | 547 |
| Total non-cancellable operating lease commitments - as lessor | - | 115,589 | - | 111,584 |

Note 34: Contingencies

| Contingent liabilities | Council | | Group | |
|---|----------|--------------|----------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 |
| Financial guarantees to community groups | | 1,406 | | 1,406 |
| Share of associates' contingent liabilities | | - | | 56 |
| Share of joint ventures' contingent liabilities | | - | | - |
| Other legal proceedings | | 1,584 | | 1,584 |
| Total contingent liabilities | - | 2,990 | - | 3,046 |

The financial guarantees to community groups above are analysed below:

| Outstanding debt subject to Council guarantees | Council | | Group | |
|---|--------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$000 | \$000 | \$000 | \$000 |
| Karori Wildlife Sanctuary Trust | 1,208 | 1,308 | 1,208 | 1,308 |
| Wellington Museums Trust | 198 | 280 | 198 | 280 |
| Total outstanding debt subject to Council guarantees | 1,406 | 1,588 | 1,406 | 1,588 |

Karori Wildlife Sanctuary Trust

The Council has provided a guarantee over a bank term loan facility to a maximum limit of \$1.55m plus any outstanding interest and enforcement costs.

Wellington Museums Trust

The Council has provided a guarantee over a bank term loan facility to a maximum limit of \$0.75m plus one year's interest on the principal amount and enforcement costs.

The above financial guarantees have not been recognised as liabilities as the Council and Group consider it is not probable at 30 June 2009 that any expenditure will be incurred to settle them.

Other Legal Proceedings

Other legal proceedings are claims against the Council and Group as a result of past events which remain uncertain at the end of the reporting period. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid.

Other legal proceedings include a number of claims which are currently being contested, for which the majority is covered by insurance. The actual exposure to Council, after insurance, is anticipated to be less than \$XXXm.

There are a number of other claims which are currently being contested for varying amounts which make up the remainder of the balance and are currently in dispute. A major portion of the Council's exposure for these claims is an insured risk.

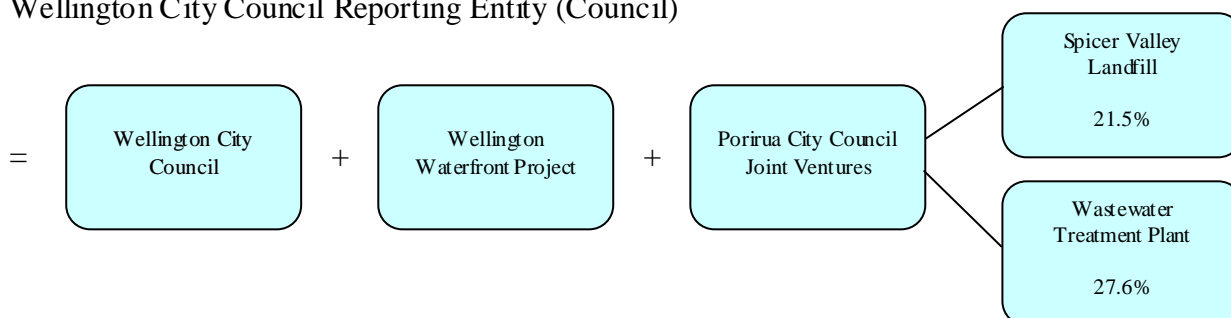
Unquantified contingent liabilities

The Council and Group may have a potential liability for settlement of claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006. A provision has been recognised for accounting purposes for potential settlement of known claims. The Council and Group also might have an unquantified net contingent liability in relation to potential future claims which are not yet advised nor recognised as a potential liability.

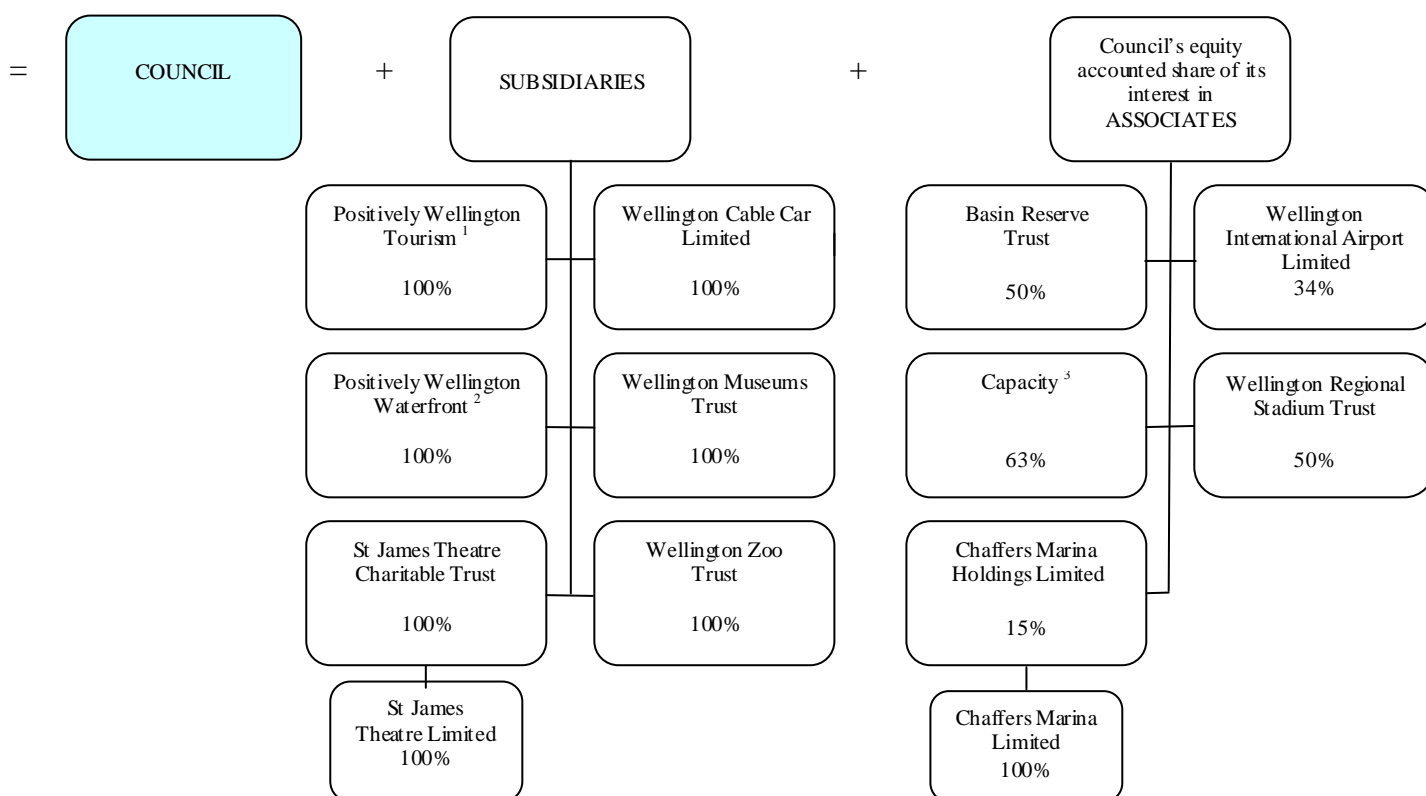
There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant. The possibility of any outflow in settlement in these cases is assessed as remote.

Note 35: Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



1. The legal name of the subsidiary is the Partnership Wellington Trust Inc.
2. The legal name of the subsidiary is Wellington Waterfront Limited.
3. The legal name of the associate is Wellington Water Management Limited.

Percentages represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group.

Note 36: Joint ventures

The Council has significant interests in the following joint ventures:

| Joint venture | Interest 2009 | Interest 2008 | Nature of business |
|---|------------------|------------------|--|
| Wastewater treatment plant – Porirua City Council | 27.6% | 27.6% | Owns and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs. |
| Spicer Valley Landfill – Porirua City Council | 21.5% | 21.5% | Owns and operates a sanitary landfill that provides services to Wellington City's northern suburbs. |

The end of the reporting period for the joint ventures is 30 June. Included in the financial statements are the following items that represent the Council's and Group's interest in the assets and liabilities of the joint ventures.

| Share of Net Assets | 2009 \$000 | 2008 \$000 |
|-----------------------------------|---------------|---------------|
| Assets | | |
| Current | | |
| Inventory | | 23 |
| Trade and other receivables | | 2,518 |
| Non Current | | |
| Property, plant and equipment | | 14,504 |
| Share of total assets | - | 17,045 |
| Liabilities | | |
| Current | | |
| Borrowings | | 140 |
| Payables and accruals | | 125 |
| Non Current | | |
| Borrowings | | 1,217 |
| Provisions for other liabilities | | 319 |
| Share of total liabilities | - | 1,801 |
| Share of net assets | - | 15,244 |

The Council's and Group's share of the joint ventures' current year net surplus and revaluation movements (after elimination) included in the financial statements are shown below.

| Share of Net Surplus and Revaluation Movements | 2009 \$000 | 2008 \$000 |
|---|---------------|---------------|
| Operating revenue | | 702 |
| Operating expenditure | | 446 |
| Share of net surplus | - | 256 |
| Share of current year revaluation movement | - | 5,362 |

The Council's and Group's share of the joint ventures' capital commitments is \$Nil (2008: Nil) and contingent liabilities is \$Nil (2008: Nil).

Note 37: Investment in Subsidiaries

The following entities are subsidiaries of Council:

| Subsidiary | Interest 2009 | Interest 2008 | Nature of business |
|--|------------------|------------------|---|
| Positively Wellington Tourism (Partnership Wellington Trust Inc.) | 100% | 100% | Creates economic and social benefit by marketing the city with the private sector as a visitor destination. |
| Positively Wellington Waterfront (Wellington Waterfront Limited) | 100% | 100% | Manages the Wellington Waterfront Project. |
| St James Theatre Charitable Trust | 100% | 100% | Owns and operates the St James Theatre and Opera House to promote them as artistic venues and to promote the performing arts. |
| - St James Theatre Limited | 100% | 100% | Performing arts venue. |
| Wellington Cable Car Limited | 100% | 100% | Owns and manages the trolley bus overhead wiring system and the cable car. |
| Wellington Museums Trust | 100% | 100% | Administers the Cable Car Museum, Capital E, the City Gallery, the Colonial Cottage Museum and the Museum of Wellington City and Sea. |
| Wellington Zoo Trust | 100% | 100% | Manages and guides the future direction of the Wellington Zoo. |

The end of the reporting period for all subsidiaries is 30 June. Full copies of their financial statements can be obtained directly from their offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the Report on Council Controlled Organisations (page XX).

The cost of the Council's investment in subsidiaries is reflected in the Council financial statements as follows:

| Investment in subsidiaries | 2009 \$000 | 2008 \$000 |
|---|---------------|---------------|
| St James Theatre Charitable Trust | | 2,700 |
| Wellington Cable Car Limited | | 3,809 |
| Total investment in subsidiaries | - | 6,509 |

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to subsidiaries. The Council has only made equity investments in respect of the St James Theatre Charitable Trust and the Wellington Cable Car Limited. Nominal settlement amounts (i.e. \$100) made in respect of Trusts, for which Council is the settlor, have not been recognised due to their materiality.

Information on inter-company transactions is included in the Note 39: Related Parties disclosures.

Note 38: Investment in Associates

The Council has a significant interest in the following associates:

| Associate | Interest 2009 | Interest 2008 | Nature of business |
|---|------------------|------------------|--|
| Basin Reserve Trust | 50% | 50% | Manage, operate and maintain the Basin Reserve |
| Capacity (Wellington Water Management Limited) | 63% | 63% | Jointly manage water services for Wellington and Lower Hutt cities. |
| Chaffers Marina Holdings Limited | 14.7% | 14.7% | Holding company for Chaffers Marina Limited. |
| - Chaffers Marina Limited | 100% | 100% | Owns and manages the marina. |
| Wellington International Airport Limited | 34% | 34% | Owns and manages Wellington International Airport facilities and services. |
| Wellington Regional Stadium Trust | 50% | 50% | Owns and manages the Westpac Stadium. |

Full copies of the associates' separately prepared financial statements can be obtained directly from their offices.

Basin Reserve Trust

The Basin Reserve Trust was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. The end of the reporting period for the Trust is 30 June. The Trust was jointly created with Cricket Wellington Incorporated (CWI). Wellington City Council and CWI each appoint two of the four trustees. Wellington City Council has significant influence over the Trust through the appointment of trustees, and receives benefits from the complementary activities of the Trust. On this basis the Trust is an associate of the Council in accordance with NZ IAS 28: *Investments in Associates*. It is therefore appropriate to recognise the interest that Wellington City ratepayers have in the Trust within the Council's financial statements. As each party has equal power to appoint Trustees, Wellington City Council's ownership interest in the Trust has been accounted for at 50%.

Capacity

Capacity, the trading name for Wellington Water Management Limited, was jointly created with Hutt City Council on 9 July 2003. The end of the reporting period for the company is 30 June. Wellington City Council and Hutt City Council each own Class A and Class B shares in the company.

| | Wellington City Council | Hutt City Council | Shares on Issue |
|---|-------------------------|-------------------|-----------------|
| Class A shares (voting rights) | 150 | 150 | 300 |
| Class B shares (financial entitlements) | 188 | 112 | 300 |

The Class A shares represent voting rights and are split evenly between the two Councils. The Class B shares confer the level of contributions and ownership benefits of each council. Wellington City Council holds 188 Class B shares, and Hutt City Council holds 112. The company is considered to be jointly controlled because of the equal sharing of voting rights conferred through the Class A shares and is therefore an associate of both Wellington City Council and Hutt City Council in accordance with NZ IAS 28: *Investments in Associates*. Each Council will equity account for their respective ownership interest as determined by the proportionate value of Class A and Class B shares held. Wellington City Council's ownership interest in the company is 63%.

Chaffers Marina

The end of the reporting period for Chaffers Marina Holdings Limited and Chaffers Marina Limited is 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2009 Council held a 16.9% interest in Chaffers Marina Holdings Limited (2008: 16.9%). Of this 2.2% (2008: 2.2%) was subject to sale and purchase agreements where share ownership passes from Council when the terms of each agreement are fulfilled. Amounts owing under these sale and purchase agreements have been recognised as receivables. Council's interest in Chaffers Marina Holdings Limited of 14.7% (2008: 14.7%) has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

Note 38: Investment in Associates - continued**Wellington International Airport Limited**

The end of the reporting period for Wellington International Airport Limited is 31 March. The ultimate majority owner, Infratil Limited, has determined a different end of reporting period to Council which is legislatively required to use 30 June. The Council owns 34% of the company, with the remaining 66% owned by NZ Airports Limited (which is wholly owned by Infratil Limited).

Wellington Regional Stadium Trust

Wellington Regional Stadium Trust was jointly created with Greater Wellington Regional Council. The end of the reporting period for the Trust is of 30 June. Wellington City Council has significant influence over the Wellington Regional Stadium Trust through the appointment of Trustees and receives benefits from the complementary activities of the Trust. On this basis the Trust is an associate of the Council in accordance with NZ IAS 28: *Investments in Associates*. It is therefore appropriate to recognise the interest that Wellington City ratepayers have in the Trust within the Council's financial statements. As each Council has equal power to appoint Trustees, Wellington City Council's ownership interest in the Trust has been accounted for at 50%.

Summary of Financial Position and Performance of Associates

Council's share of the assets, liabilities, revenues and surpluses or deficits of the associates is as follows:

| Associates | Assets 2009 \$000 | Liabilities 2009 \$000 | Revenues 2009 \$000 | Surplus/(Deficit) 2009 \$000 |
|--|----------------------------------|---------------------------------------|------------------------------------|---|
| Basin Reserve Trust | | | | |
| Capacity | | | | |
| Chaffers Marina Holdings Limited | | | | |
| Wellington International Airport Limited | | | | |
| Wellington Regional Stadium Trust | | | | |

| Associates | Assets 2008 \$000 | Liabilities 2008 \$000 | Revenues 2008 \$000 | Surplus/(Deficit) 2008 \$000 |
|--|----------------------------------|---------------------------------------|------------------------------------|---|
| Basin Reserve Trust | 1,011 | 110 | 651 | 349 |
| Capacity | 684 | 505 | 3,389 | (56) |
| Chaffers Marina Holdings Limited | 812 | 23 | 107 | 8 |
| Wellington International Airport Limited | 210,452 | 100,130 | 30,266 | 5,632 |
| Wellington Regional Stadium Trust | 52,168 | 21,138 | 8,277 | 9,160 |

Investment in associates

The cost of the Council's investment in associates is reflected in the Council financial statements as follows:

| Investment in associates | Council | |
|--|-----------------------|-----------------------|
| | 2009 \$000 | 2008 \$000 |
| Capacity | | 376 |
| Chaffers Marina Holdings Limited | | 1,407 |
| Wellington International Airport Limited | | 17,775 |
| Total investment in associates | - | 19,558 |

The investment in associates in the Council financial statements represents the cost of the investment to the Council.

Note 38: Investment in Associates - continued

The investment in associates in the Group financial statements represents the Council's share of the net assets of the associate. This is reflected in the Group financial statements as follows:

| Investment in associates | Group | |
|---|-----------------------|-----------------------|
| | 2009 \$000 | 2008 \$000 |
| Basin Reserve Trust | | |
| Opening balance | | 551 |
| Equity accounted earnings of associate | | 349 |
| Closing Balance - Investment in Basin Reserve Trust | - | 900 |
| Capacity | | |
| Opening balance | | 236 |
| Equity accounted earnings of associate | | (56) |
| Closing Balance - Investment in Capacity | - | 180 |
| Chaffers Marina Holdings Limited | | |
| Opening balance | | 999 |
| Equity accounted earnings of associate | | 8 |
| Closing Balance - Investment in Chaffers Marina Holdings Limited | - | 1,007 |
| Wellington International Airport Limited | | |
| Opening balance | | 107,667 |
| Dividends | | (5,644) |
| Equity accounted earnings of associate | | 5,632 |
| Share of revaluation of property, plant and equipment | | 2,691 |
| Share of hedging reserve | | (24) |
| Closing Balance - Investment in Wellington International Airport Limited | - | 110,322 |
| Wellington Regional Stadium Trust | | |
| Opening balance | | 21,318 |
| Equity accounted earnings of associate | | 9,160 |
| Closing Balance - Investment in Wellington Regional Stadium Trust | - | 30,478 |
| Total investment in associates | - | 142,887 |

Note 38: Investment in Associates - continued

The Council's share of the results of the Basin Reserve Trust, Capacity, Chaffers Marina Holdings Limited, Wellington International Airport Limited and the Wellington Regional Stadium Trust is as follows:

| Share of associates' surplus | Group | |
|--|---------------|---------------|
| | 2009 \$000 | 2008 \$000 |
| Basin Reserve Trust | | |
| Share of net surplus before tax | | 349 |
| Tax (expense)/credit | | - |
| Share of associate's surplus - Basin Reserve Trust | - | 349 |
| Capacity | | |
| Share of net surplus/(deficit) before tax | | (53) |
| Tax (expense)/credit | | (3) |
| Share of associate's deficit - Capacity | - | (56) |
| Chaffers Marina Holdings Limited | | |
| Share of net deficit before tax | | 8 |
| Tax (expense)/credit | | - |
| Share of associate's deficit - Chaffers Marina Holdings Limited | - | 8 |
| Wellington International Airport Limited | | |
| Share of net surplus before tax | | 6,022 |
| Tax (expense)/credit | | (390) |
| Share of associate's surplus - Wellington International Airport Limited | - | 5,632 |
| Wellington Regional Stadium Trust | | |
| Share of net surplus before tax | | 9,160 |
| Tax (expense)/credit | | - |
| Share of associate's surplus - Wellington Regional Stadium Trust | - | 9,160 |
| Total share of associates' surplus | - | 15,093 |

Wellington Regional Stadium Trust

The majority of the Wellington Regional Stadium surplus in 2007/08 was from fair value gains on loans from Wellington City Council and Greater Wellington Regional Council. The loans are interest free and the expected repayment period has been extended resulting in a fair value gain for the Stadium and an offsetting loss for Council.

Note 39 : Related party disclosures

Identity of related parties

In this section, Council discloses the remuneration and related party transactions of key management personnel, which comprises the Directors (Councillors and the Mayor), the Chief Executive and all members of the Council's Management Board. All members of the Group are also considered to be related parties of Wellington City Council, including its joint ventures, subsidiaries and associates.

| Key management personnel | Council | |
|--|------------|------------------|
| | 2009 \$ | 2008 \$ |
| Short-term employee benefits | | 4,018,922 |
| Post employment benefits | | 4,056 |
| Termination benefits | | 127,602 |
| Total key management personnel benefits | - | 4,150,580 |

Directors' Remuneration

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a director during the reporting period. The Mayor and Councillors are considered directors as they occupy the position of a member of the governing body of the Council reporting entity. The disclosures for the Group include the remuneration of the Mayor and the appropriate Councillors in their role as Trustees or Directors of entities within the Group.

The following people held office as, either or both, elected members of the Council's governing body, and trustees or directors of entities comprising the Group during the reporting period. The aggregate remuneration paid to the Councillors and the Mayor during the year from 1 July 2008 to 30 June 2009 totalled \$XXXXXXX (2008: \$1,424,695) and is disaggregated and classified as follows:

| Council Member | Monetary Remuneration | | | Non Monetary Remuneration | Council Remuneration | Director/ Trustee Fees | Total Remuneration | |
|------------------------|---|-------------------------------|---------|---------------------------|----------------------|------------------------|--------------------|------------------|
| | Salary | Resource Consent Hearing fees | Mileage | | | | 2009 | 2008 |
| | \$ | \$ | \$ | | | | \$ | \$ |
| Present Council | | | | | | | | |
| Ahipene-Mercer, Ray | | | | | | | | 113,717 |
| Best, Ngaire | | | | | | | | 62,378 |
| Cook, Stephanie | | | | | | | | 87,165 |
| Coughlan, Jo | | | | | | | | 55,613 |
| Foster, Andy | | | | | | | | 99,477 |
| Gill, Leonie | | | | | | | | 84,717 |
| Goulden, Rob | | | | | | | | 69,174 |
| McKinnon, Ian | | | | | | | | 105,100 |
| Morrison, John | | | | | | | | 96,952 |
| Pannett, Iona | | | | | | | | 47,984 |
| Pepperell, Bryan | | | | | | | | 72,186 |
| Prendergast, Kerry | | | | | | | | 186,678 |
| Ritchie, Helene | | | | | | | | 71,943 |
| Wade-Brown, Celia | | | | | | | | 99,549 |
| Wain, Hayley | | | | | | | | 83,187 |
| Prior Council | | | | | | | | |
| Armstrong, Robert | | | | | | | | 33,921 |
| Ruben, Jack | | | | | | | | 20,823 |
| Shaw, Alick | | | | | | | | 34,131 |
| Totals | - | - | - | - | - | - | - | 1,424,695 |
| | Total monetary remuneration | | | | - | - | - | 1,379,695 |
| | Total non- monetary remuneration | | | | - | - | - | 45,000 |

Note 38 : Related party disclosures - continued

Salary

With the enactment of the Local Government Act 2002, the Remuneration Authority is now responsible for setting the remuneration levels for elected members. The Council monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2008/09 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Non-salary: Resource consent hearings payments and Councillor mileage claims

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those Councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of \$85 per hour for the Chair and \$68 per hour for other members of the Committee. The level of fees received by Councillors who have sat on resource consent hearings for the 2008/09 financial year is included under the heading Monetary Remuneration.

Councillors are also able to claim an allowance for mileage. This allowance is also set by the Remuneration Authority and is paid to Councillors when using their personal vehicle to travel from their normal place of residence to official Council meetings, noting that Councillors' homes vary considerably in distance from the Civic Centre. The mileage allowance paid to individual Councillors is also included under the heading Monetary Remuneration.

Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration in relation to car parking space provided. The Councillors have shared office and working space available for use, and access to cellphones and computers. A vehicle supplied to Mayor Kerry Prendergast is additional to her remuneration package and is provided for use on Council business only. Professional Indemnity and Trustee Liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

Director/Trustee Fees

The above Director/Trustee remuneration was paid to the following Council members in their capacity as Council appointees to the following organisations:

| Elected Member | Position | Director/Trustee Fees | | Organisation |
|--|----------|-----------------------|------------------|--|
| | | Subsidiaries \$ | Associates \$ | |
| Ahipene-Mercer, Ray | Director | | | Positively Wellington Waterfront |
| Coughlan, Jo | Trustee | | | Positively Wellington Tourism |
| Foster, Andy | Director | | | Capacity |
| McKinnon, Ian | Trustee | | | St. James Theatre Charitable Trust |
| Morrison, John | Trustee | | | Wellington Regional Stadium Trust |
| Prendergast, Kerry | Director | | | Wellington International Airport Limited |
| Wade-Brown, Celia | Trustee | | | Wellington Zoo Trust |
| Wain, Hayley | Trustee | | | Wellington Museums Trust |
| Total director and trustee fees | | 0 | 0 | |

Note 38 : Related party disclosures - continued

Material related party transactions – key personnel

During the year key management personnel, as part of normal local authority relationships, were involved in transactions of a minor and routine nature with the Council on normal commercial terms (such as payment of rates and purchases of rubbish bags). In addition, during the year the Council:

- purchased services of

Except for these transactions no key management personnel have entered into related party transactions with the Group.

Material related party transactions – other organisations

Council has influence in the governance, funding and operations of two entities that are not part of the group, to the extent that it is considered appropriate to disclose the nature of the transactions as being between related parties. These entities are the Karori Wildlife Sanctuary Trust and the Carter Observatory Trust.

Karori Wildlife Sanctuary Trust – Council appoints two of the 12 trustees including a Councillor. Operational funding of \$1.396m was made during the year to 30 June 2009 and of the originally approved \$8m loan a further \$1.692m was drawn down at 30 June 2009. A supplementary increase to the loan of \$XXXm was also approved in the period but no drawdown has been made against this as at year end. The loan is on interest free terms.

Carter Observatory Trust – Council appoints one Board member, a Councillor. During the year, Council took over the management of the Observatory under the terms of a Management Agreement. The Council appointed a new Director of Carter Observatory to assist in the anticipated transition of the governance of the Observatory from the Carter Board to the Council-owned Wellington Museum's Trust, pending the repeal of the 1938 Carter Act. Council provided funding of \$0.353m.

Chief Executive's Remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the Local Government Act 2002. The total cost to the Council (including fringe benefit tax), of the remuneration package due for the year ended 30 June 2009 was \$XXX,XXX (2008: \$374,068).

Under the terms of his contract, the Chief Executive of the Council chooses how he wishes to take his package (salary only or a combination of salary and benefits). Effective from 3 March 2009, the breakdown of the Chief Executive's remuneration package is:

| Remuneration of the Chief Executive | Council | |
|--|------------|----------------|
| | 2009 \$ | 2008 \$ |
| Short-term employee benefits | | |
| Salary | | 360,918 |
| Motor vehicle | | 23,338 |
| Carpark | | 3,000 |
| Total remuneration of the Chief Executive | - | 387,256 |

Note 38 : Related party disclosures - continued**Intra group transactions and balances**

During the year the Council has entered into several transactions with its joint venture partner. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

| Intra group transactions and balances - Joint ventures | 2009 \$000 | 2008 \$000 |
|---|-----------------------|-----------------------|
| Revenue received by Council from the Joint venture | | |
| Distribution from Landfill operations | | 410 |
| Expenditure incurred by Council to fund the operation and management of: | | |
| Porirua - Waste water treatment plant | | 1,242 |

Note 38 : Related party disclosures - continued

During the year the Council has entered into several transactions with its subsidiaries. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

| Intra group transactions and balances - Subsidiaries | 2009 \$000 | 2008 \$000 |
|--|---------------|---------------|
| Dividend received from: | | |
| Wellington Cable Car Limited | | - |
| Revenue for services provided by Council to: | | |
| Positively Wellington Tourism | | 212 |
| Positively Wellington Waterfront | | 2 |
| Wellington Cable Car Limited | | 58 |
| Wellington Museums Trust | | 1,634 |
| Wellington Zoo Trust | | 498 |
| | - | 2,404 |
| Repayment of loan | | |
| Positively Wellington Business | | 211 |
| Expenditure incurred by Council to fund operations and management of: | | |
| Positively Wellington Tourism | | 4,316 |
| Positively Wellington Waterfront | | 1,650 |
| St James Theatre Charitable Trust | | 154 |
| Wellington Museums Trust | | 6,072 |
| Wellington Zoo Trust | | 2,688 |
| | - | 14,880 |
| Expenditure for services provided to Council by: | | |
| Positively Wellington Tourism | | 51 |
| Wellington Cable Car Limited | | 220 |
| Wellington Museums Trust | | 14 |
| Wellington Zoo Trust | | 93 |
| | - | 378 |
| Current receivables owing to Council from: | | |
| Positively Wellington Tourism | | - |
| Wellington Cable Car Limited | | 5 |
| Wellington Museums Trust | | 42 |
| Wellington Zoo Trust | | 16 |
| | - | 63 |
| Current payables owed by Council to: | | |
| Positively Wellington Waterfront | | 464 |
| Wellington Cable Car Limited | | 167 |
| Wellington Museums Trust | | 79 |
| Wellington Zoo Trust | | 143 |
| | - | 853 |

Repayment of Loan:

The loan was repaid by Positively Wellington Business in full in June 2008 as part of the wind up of the Trust.

Current receivables and payables:

The receivables and payables balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

Note 38 : Related party disclosures - continued

During the year the Council has entered into several transactions with its associates. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

| Intra group transactions and balances - Associates | 2009 \$000 | 2008 \$000 |
|---|---------------|---------------|
| Dividend received from: | | |
| Wellington International Airport Limited | | 5,644 |
| Revenue for services provided by Council to: | | |
| Basin Reserve Trust | | 2 |
| Capacity | | 132 |
| Wellington International Airport Limited | | 43 |
| Wellington Regional Stadium Trust | | 124 |
| | - | 301 |
| Expenditure incurred by Council to fund the operation and management of: | | |
| Basin Reserve Trust | | 180 |
| Expenditure for services provided to Council from: | | |
| Basin Reserve Trust | | 6 |
| Capacity | | 4,065 |
| Wellington International Airport Limited | | 53 |
| Wellington Regional Stadium Trust | | 273 |
| | - | 4,397 |
| Current receivables owing to Council from: | | |
| Capacity | | 2 |
| Wellington Regional Stadium Trust | | - |
| | - | 2 |
| Current payables owed by Council to: | | |
| Capacity | | 415 |
| Limited-recourse funding loan | | |
| Wellington Regional Stadium Trust - nominal value - \$15,000,000 | | 765 |
| Advance | | |
| Wellington Regional Stadium Trust - nominal value - \$394,893 | | 8 |

Current receivables and payables:

The receivables and payables balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

Limited-recourse funding loan:

The loan is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished. The fair value of the loan at 30 June 200 is \$XXXXXXX.

Advance:

This amount represents interest on the membership underwrite at a rate of the 90 day Bank Bill Bid Rate plus 75 basis points reset monthly. On maturity of the underwrite, this unpaid interest was converted to an advance repayable after all other advances made by the Council and Greater Wellington Regional Council. The fair value of the advance at 30 June 2009 is \$XXXX.

Note 40 : Severances**Severance Payments**

In accordance with Schedule 10, section 19 of the Local Government Act 2002, the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made.

Severance payments include any consideration (monetary and non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with Council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions.

For the year ending 30 June 2009 the Council made severance payments to XX employees (2008: 14) totalling \$XXX,XXX (2008:\$107,524).

The individual value of each of these severance payments is: \$.....

Note 41: Events after the end of the reporting period

There are no events after the end of the reporting period that require adjustment to the financial statements prepared on pages XXX to XXX or the notes to the financial statements.