

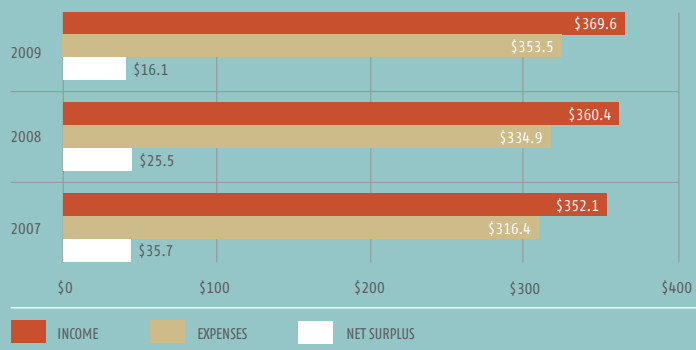
FINANCIAL OVERVIEW

FINANCIAL OVERVIEW

Sustaining our solid financial performance is a critical part of our aim to make Wellington an affordable and internationally competitive city.

The following few pages provide an overview of our financial performance for the year to 30 June 2009. They provide an explanation of our financial statements and notes on pages 83 to 166, so they can be more easily understood by readers with a non-financial background.

THE COUNCIL'S INCOME AND EXPENSES – THREE YEAR TRENDS (\$M)



OVERALL PERFORMANCE

We recorded a net surplus of \$16.1 million for the year, compared to a budgeted surplus of \$19.9 million.

The net surplus is calculated using the following formula:

- total income minus total expenses.

The majority of this surplus is made up of funding received from third parties for capital projects – such as the NZ Transport Agency who part fund our roading upgrade programme, and from Housing New Zealand for the upgrade of our social housing portfolio.

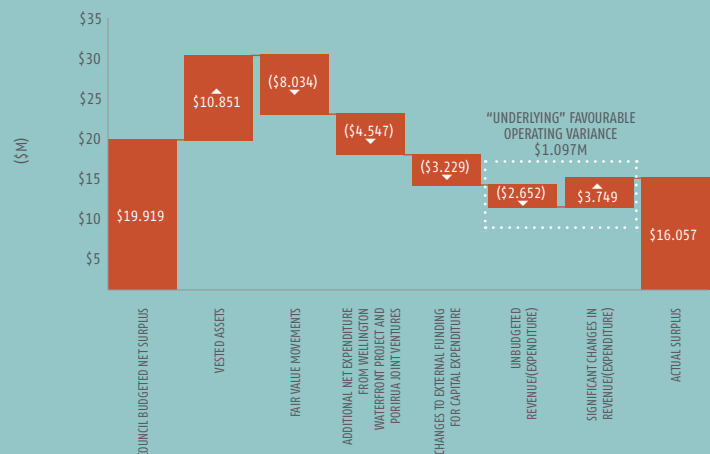
This funding is received for specific projects and cannot be used to offset rates.

The difference in budgeted and actual surplus resulted from a number of factors.

The primary reasons for the difference are:

- Vested assets* (\$10.85m): we received assets such as roading, drainage, water and wastewater infrastructure that were constructed by developers.
- Fair value movements* (\$8.03m): this reflects changes in the value of our investment properties, loans to related parties and interest rate swaps. Although these are non-cash in nature we are required to recognise them within income and expenses.
- Additional net expenditure* (\$4.54m): additional expenditure was recorded for the Wellington Waterfront Project and Porirua Joint Ventures.
- Changes to external funding for capital expenditure* (\$3.22m): this is primarily due to receiving less funding from Housing NZ than budgeted for the upgrade of our housing stock as a result of project timing.
- Unbudgeted revenue/ (expenditure)* (\$2.65m): this variance is predominately made up of movements in insurance costs and provisions.
- Significant changes in revenue / (expenditure)* \$3.74m: this variance reflects that we recorded net savings on programmes and projects for the year.

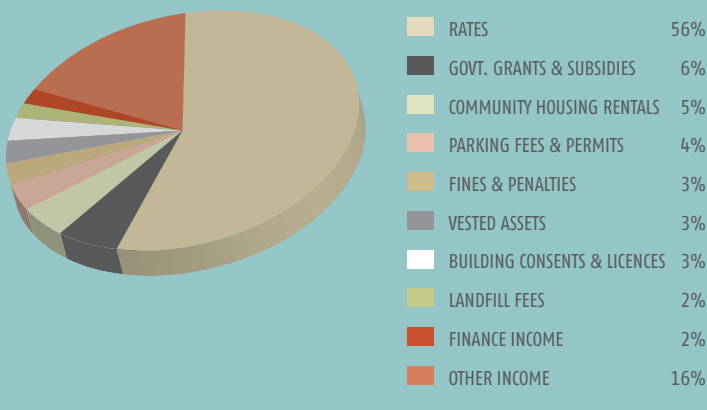
By separating out these components we are able to show the underlying financial performance of the Council – a favourable operating variance of \$1.097m. These are outlined in the graph below. (For a full explanation of the surplus go to page 86).



We source our income from a variety of places ...

The following graph shows the various sources of the Council's \$369.6 million income during 2008/09. The largest contribution to revenue was provided by rates. While rates continues to be the main source of funding, the Council also received income from a number of other sources including from government grants and subsidies and user charges. The breakdown is as follows:

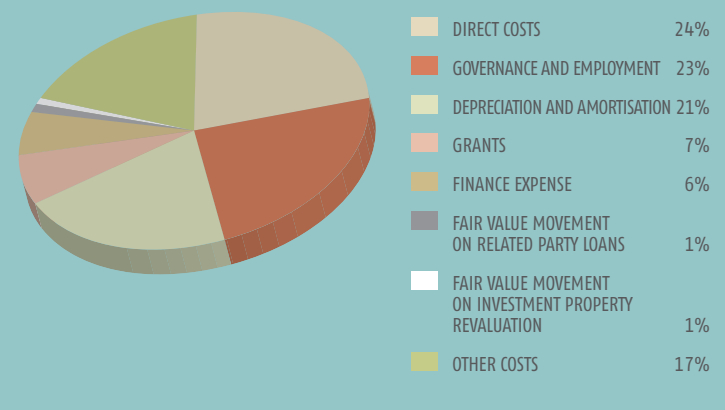
INCOME BY CATEGORY



... and we spend it on services for the city.

The following graph shows the allocation of our \$353.5 million of expenditure by 'type'. The Council's expenditure is guided by the priorities identified in our annual plan. The majority of the expenditure in 2008/09 was directly related to providing the necessary infrastructure and utilities needed to run Wellington. Depreciation, governance and employment costs and direct costs are the most significant contributors, together accounting for 68% of the Council's total expenditure.

EXPENSES BY TYPE



EXPENSES BY SERVICE/ACTIVITY

The charts below provide a breakdown of the cost of 'services' for each of our activities. Each chart shows the total cost per Wellington resident – the total expenditure of the Council is a reflection of the number of residents the Council serves rather than the number of ratepayers within Wellington.¹

For each resident of Wellington it costs on average approximately \$1,836 each year to keep the city running. We cover these costs predominantly through rates and user charges.

Urban Development – preserving Wellington as a compact, vibrant, and attractive city now and into the future.

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Building control and facilitation	11,487	\$59.67	\$0.16
Development control and facilitation	5,405	\$28.08	\$0.08
Earthquake risk mitigation	502	\$2.61	\$0.01
Public spaces development	14,206	\$73.80	\$0.20
Urban planning & policy	2,359	\$12.25	\$0.03
Total Urban Development	33,959	\$176.41	\$0.48

Transport – delivering an efficient and safe transport system that connects people and places.

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Car parking	10,559	\$54.85	\$0.15
Transport networks	34,976	\$181.69	\$0.50
Transport planning & policy	499	\$2.59	\$0.01
Total Transport	46,034	\$239.13	\$0.66

Economic Development – promoting the city's competitive advantages to enhance quality of life.

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Business support	630	\$3.27	\$0.01
City promotions, events and attractions	21,620	\$112.31	\$0.31
Total Economic Development	22,250	\$115.58	\$0.32

Environment – protecting and enhancing Wellington's environment.

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Environmental conservation attractions	4,260	\$22.13	\$0.06
Gardens & beaches	12,075	\$62.73	\$0.17
Green open spaces	14,014	\$72.80	\$0.20
Quarry	148	\$0.77	\$0.00
Waste & energy conservation	8,007	\$41.59	\$0.11
Wastewater & stormwater	49,425	\$256.75	\$0.70
Water Network	32,797	\$170.37	\$0.47
Total Environment	120,726	\$627.14	\$1.71

We group our activities around seven strategies. They guide the delivery of our services. Combined with our financial management they ensure we are providing Wellingtonians value for money.

The strategies and our work towards them are discussed in the Our Work in Detail section of this report. They cover:

Cultural Wellbeing – reflecting and helping shape Wellington's unique cultural identity.

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Arts partnerships	2,620	\$13.61	\$0.04
Community arts & cultural support	3,741	\$19.43	\$0.05
Galleries & museum	6,376	\$33.12	\$0.09
Heritage	1,226	\$6.37	\$0.02
Total Cultural Wellbeing	13,963	\$72.53	\$0.20

Social and Recreation – sustaining safe, resilient, and healthy communities.

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Community housing	16,140	\$83.84 ²	\$0.23
Community support	8,515	\$44.23	\$0.12
Libraries	21,543	\$111.91	\$0.31
Public health & safety	11,341	\$58.91	\$0.16
Recreation facilities and programmes	26,349	\$136.88	\$0.38
Total Social and Recreation	83,888	\$435.77	\$1.20

Engagement / Governance – delivering trust and confidence in decision-making

	TOTAL COST (\$'000)	COST PER RESIDENT	COST PER RESIDENT PER DAY
Information, consultation & decision making	13,304	\$69.11	\$0.19
Maori engagement	116	\$0.60	<\$0.01
Total Engagement/Governance	13,420	\$69.71	\$0.19

¹ Estimated city population to be 192,500 by Statistics NZ Census 2006.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

We calculate our net worth to be \$5.9 billion.

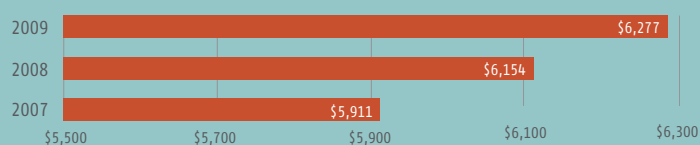
The Statement of Financial Position (see page 88) shows what we own (our assets), what we owe (our liabilities) and our net worth (represented by net assets / equity).

	ACTUAL 2007 \$M	ACTUAL 2008 \$M	ACTUAL 2009 \$M
Total assets	5,911	6,154	6,277
less total liabilities	313	341	370
Net assets / equity at end of year	5,598	5,813	5,907

The major components of our assets include:

- Property, Plant and Equipment (including land, buildings, drainage, waste and water assets) – \$5,965.5 million
- Other assets (including investment properties and investments in subsidiaries and associates) \$311.5 million.

OUR ASSETS – THREE YEAR TREND (\$M)



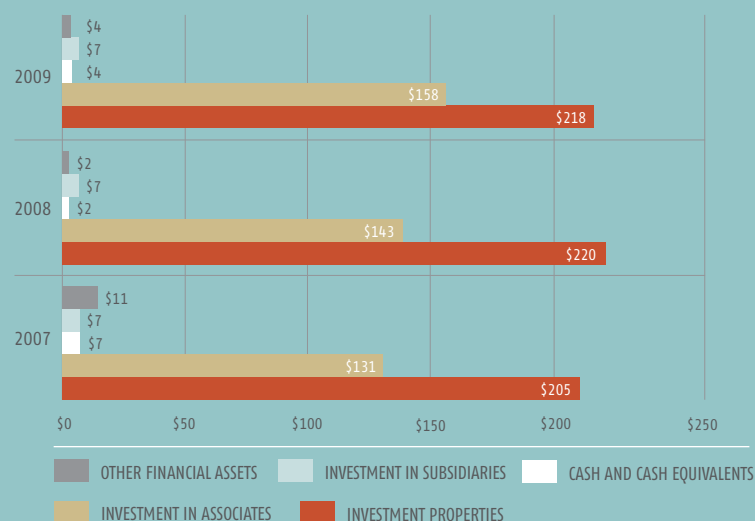
Further information in respect of key Statement of Financial Position balances is outlined below.

BREAKDOWN OF OUR INVESTMENTS

The Council's investments have increased by \$15.9 million to \$390.1 million as at 30 June 2009.

This asset category comprises investment properties, investments in associates and subsidiaries, cash and cash equivalents and other financial assets¹.

INVESTMENT POSITION – THREE YEAR TREND (\$M)



There were a number of key investment highlights during the year:

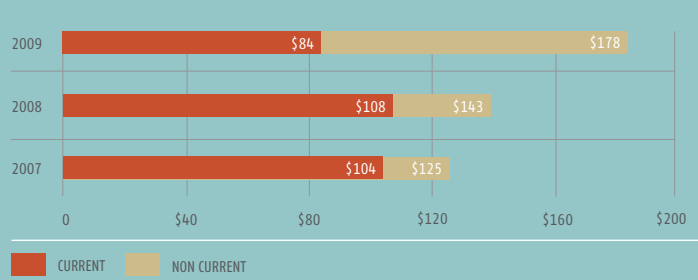
- the Council received \$7.6m in dividends during 2009
- investments increased by 4% during 2009
- 100% of the Wellington City Council investment properties are tenanted at 30 June 2009.

REVIEWING OUR LIABILITIES – WHAT WE OWE

The Council's gross borrowings have increased by \$11.3 million to \$262.9 million as at 30 June 2009.

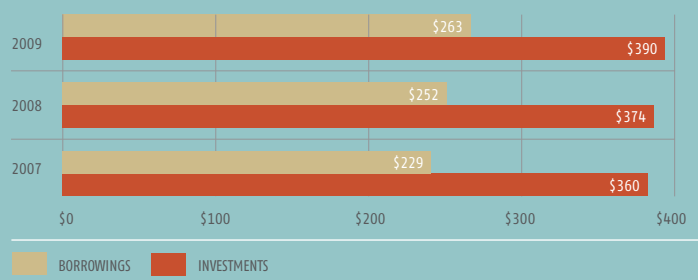
The increase in the Council's level of borrowings reflects the utilisation of funds to complete the 2008/09 capital expenditure programme. The Council borrows to fund the purchase of new assets that Councillors have approved through the Annual Plan process. A number of bank facilities were refinanced to longer term facilities during the year instead of short term bank borrowing.

BORROWINGS POSITION – THREE YEAR TREND (\$M)



The Council continues to maintain a strong investment position when compared to the level of borrowings.

INVESTMENTS VS. BORROWINGS – THREE YEAR TREND (\$M)



¹ Note that in the council line within the financial statements the investments in associates are shown at cost (\$19.5 million). The figures above represent the full value of the Council's investments and so include the Council's share of the associate's equity.

STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity shows what the community owns minus what the community owes.

Equity is represented by the Council's net worth, that is 'what we own' (total assets of \$6.3 billion) minus 'what we owe' (total liabilities of \$0.4 billion). Equity, as at 30 June 2009, was \$5.9 billion – an increase of \$122.8 million since last year. This equates to \$0.03m per resident.

	2007 \$M	2008 \$M	2009 \$M
Accumulated funds and retained earnings	4,724	4,751	4,770
Revaluation reserves	846	1,039	1,118
Hedging reserve	5	3	1
Restricted funds	22	21	18
Total Equity	5,597	5,814	5,907

GROUP HIGHLIGHTS

The Group covers the Council and its interests in associate and subsidiary entities, including the Wellington International Airport Limited and Council Controlled Organisations such as St James Theatre Trust and Capacity. Refer to Note 35 of the financial statements for the full Group structure diagram.

Highlights for the consolidated Group for the period are as follows:

	2007 \$M	2008 \$M	2009 \$M
Net surplus	36	35	16
Total assets	6,051	6,306	6,443
Total liabilities	319	346	375
Total equity	5,732	5,960	6,068

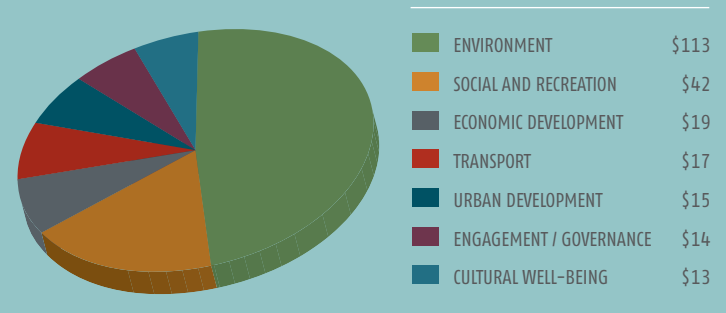
The Group has recorded total comprehensive income of \$108.2m – this includes the Council's share of revaluation movements for Wellington International Airport Limited.

LOOKING FORWARD

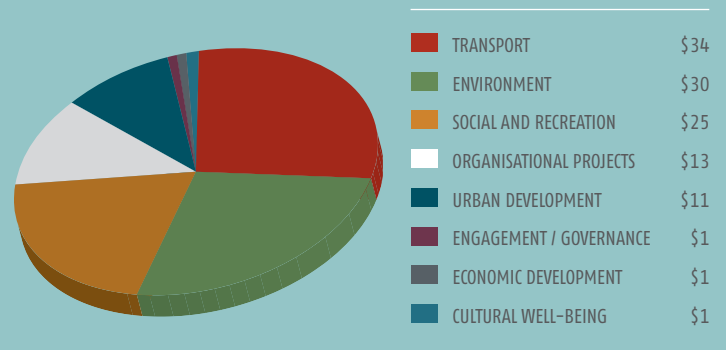
The Council's financial results for the year ended 30 June 2009 reflect the delivery of high quality, cost-effective services and products to the residents of Wellington.

The Long Term Council Community Plan 2009–19 sets out the Council's planned operating and capital expenditure programmes for 2009/10 (and forecasts for subsequent years). The following graphs highlight the Council's spending plans for the 2009/10 financial year.

FORECAST NET OPERATING EXPENDITURE BY STRATEGIC AREA 2009/10 - (\$M)



FORECAST CAPITAL EXPENDITURE BY STRATEGIC AREA 2009/10 - (\$M)



GLOSSARY OF FINANCIAL TERMS

Amortisation / Depreciation – an expense charged each year to reflect the estimated cost of using our assets over their lives. Amortisation relates to 'intangible' assets such as software (as distinct from physical assets, which are covered by the term depreciation).

Associates – are entities that the Council owns a share of but does not control. Our share of the associates' surplus /deficit and net assets is recorded in the Group financial statements. The Council's associates are Basin Reserve Trust (50%), Capacity (63%), Chaffers Marina Holding Ltd (15%), Wellington International Airport Limited (34%) and Wellington Regional Stadium Trust (50%).

Cash and Cash Equivalents – includes cash as well as deposits which mature in less than 3 months.

Fair Value – essentially reflects the market value of assets or liabilities.

Investment Properties – these are properties that are primarily held by the Council to earn rental income.

Ringfenced funds – funds that can only be used for a specific purpose.

Subsidiaries – are entities that the Council owns. The income, expenses, assets and liabilities of the subsidiaries are recorded in the Group financial statements. The subsidiaries, which are all 100% owned, are Positively Wellington Tourism, Positively Wellington Waterfront Limited, St James Theatre, Wellington Cable Car Limited, Wellington Museum's Trust and Wellington Zoo Trust.

Vested assets – assets that are created by others and passed into Council ownership i.e roads built by a developer as part of a subdivision.



NEIL CHERRY CHIEF FINANCIAL OFFICER

