Utility Services Division

Annual Review

for

Greater Wellington Water and
Plantation Forestry

For the Year Ended 30 June 2005

Contents

Divisional Manager's Report

A Review of the 2004/5 Year

GW Water

Once again a pretty successful year for the water operation which on the surface seemed uneventful but obviously a lot was going on behind the scenes. The 2005/06 year will be the nineth year the levy has either gone down or not changed. Debt is down by $28M since June 1997 and the Self-Insurance fund has reached $8.1M. Expenditure excluding depreciation is still below 1997 levels which reflect many innovative approaches to improve efficiency and of course reducing debt.

As an additional benefit we have, over the last few years, taken to marketing the use of various assets owned by Utility Services Division in order to receive a secondary source of income. At present, the annual income from utilisation of all these assets is $123,000. Of this, the largest item is $80,000 for lease of a communications duct. In addition, a one-off payment of $500,000 was received in 2001/02 from Hutt City Council for lifetime rights to use the pipeline tunnel through the Wainuiomata hill. Two other communications companies have been provided with information on the communications duct between Thorndon and Waterloo, but so far neither has submitted a proposal. Part of the renewable energy work is based on utilisation of Council land, some of which is under control of Plantation Forestry. It is probable that this will provide additional income within about two years.

Highlights and issues

- Another satisfactory financial performance for the year to date driven by tight cost control across all departments and lower than anticipated summer water demand.
- It was pleasing to see that all the hard work put in by a number of staff came to fruition when Wainuiomata Water Treatment Plant received the first A1 grading in the country from the new MoH Drinking Water Assessors Unit.
- Capital expenditure for the year was $4.103M. This was a disappointing outcome compared to the budget of $5.312M. To a large extent the problem is a timing issue with delays to three major projects, the SH2 to SH58 pipeline deviation and the relocations of both the Karori and Point Howard Pumping Stations. Work began on the Karori Pumping Station in mid June and a contract for the SH2 – SH58 pipeline deviation was let on 26 July 2005. All three projects will be completed within the next financial year.
- The contract to manage the Kaituna Water Treatment Plant, on behalf of the Masterton District Council, was finally signed in late March.
- Following extensive discussions, staff from both Capacity and Greater Wellington Water, are now nearly in agreement as to the desired technical outcome for integration of our telemetry systems.
- Investigations into supplying water to an increasing population, has been completed with no major difficulty in supplying a future population of 450,000 being confirmed.
- Agreement has been reached with the four city councils to produce a Wellington Water Management Plan and a draft has been discussed with Customers in July 2005.
- The CBD reservoir development with WCC and Capital Coast Health has made fairly slow progress but recently gained the support of the Capital Coast Health Board. This is subject to financial assistance from the Government. Development of agreements is underway.
- Significant progress was made in encouraging the public to store water at home.

Key Financial Results as at 30 June 2005

- Operating surplus – $873,000, which is $1,265,000 better than budget.
- Debt balance of $43.6M
- Self Insurance fund balance of $8.1M

Plantation Forestry

As mentioned elsewhere during the year issues continue to be challenging with difficult market conditions prevailing. We are always attempting to be ahead of the game or hopefully at least thereabouts.

Key Financial Results as at 30 June 2005:

- Operating deficit - $302,000, which is $264,000 behind budget.
- Debt balance of $13.0M, which is an increase of $678,000 since 30 June 2004.
- Positive cash contribution of $679,000 from solely forestry activities.

Utility Services Division - Annual Review

Greater Wellington Water Excluding Intragroup Revenues / Costs
As at 30 June 2005

	Actual June 00 $'000	Actual June 01 $'000	Actual June 02 $'000	Actual June 03 $'000	Actual June 04 $'000	Actual 30 Jun 05 $'000	Forecast 30 Jun 05 $'000	Budget 30 Jun 05 $'000	Budget 30 Jun 06 $'000
OPERATING REVENUE									
Bulk Water Levy	24,210	23,241	22,777	22,777	22,776	22,776	22,776	22,776	22,776
Internal Revenue	716	687	744	374	264	257	246	205	243
Other	1,280	1,324	916	853	804	1,241	1041	799	1033
Total Operating Revenue	**26,206**	**25,252**	**24,437**	**24,004**	**23,844**	**24,274**	**24,063**	**23,780**	**24,052**
OPERATING EXPENDITURE									
Base Personnel Costs	3,890	3,890	3,661	3,592	3,697	4,003	4,000	3,987	4,278
Capex Project Resource Cost Credit	(320)	(259)	(185)	(151)	(198)	(183)	(150)	(290)	(259)
Power	1,853	1,665	1,642	1,866	2,019	2,045	2,030	2,202	2,357
Chemicals	1,452	1,383	1,590	1,627	1,593	1,545	1,500	1,922	1,783
Rates	246	222	202	1,051	1,283	1,262	1,310	1,380	1,557
Insurance	297	320	339	632	733	752	720	765	720
Other Materials, Supplies & Services	1,335	1,383	887	880	792	867	933	1,068	962
Contractors & Consultants	1,666	1,687	1,438	1,316	1,038	1,256	1,114	1,371	1,671
Travel & Transport	163	172	167	155	165	188	169	169	174
Internal Contractors	692	716	699	671	529	582	572	564	664
Movement in Doubtful Debt Provision	5	-	(1)	(1)	(1)	(1)	(1)	-	-
Loss / (Gain) on Sale of Assets	(67)	(14)	(44)	190	1,016	155	155	64	(33)
Direct Expenditure	**11,212**	**11,165**	**10,397**	**11,828**	**12,667**	**12,471**	**12,352**	**13,202**	**13,874**
Financial Costs	5,399	4,943	4,497	3,794	3,674	3,295	3,200	3,567	3,178
Depreciation	5,009	5,117	5,320	5,347	5,352	6,563	6,616	6,331	6,707
Corporate Overhead	731	766	767	816	892	878	878	878	914
Corporate Rent	320	320	318	218	226	194	194	194	196
Indirect Expenditure	**11,459**	**11,146**	**10,901**	**10,174**	**10,144**	**10,930**	**10,888**	**10,970**	**10,995**
Total Operating Expenditure	**22,671**	**22,311**	**21,298**	**22,003**	**22,811**	**23,401**	**23,240**	**24,172**	**24,869**
Surplus before Abnormals	**3,534**	**2,941**	**3,139**	**2,001**	**1,033**	**873**	**824**	**(392)**	**(817)**
Abnormal Items									
Distribution Stock Write Up	-	132	-	-	-	-	-	-	-
Petone De-fluoridation	-	205	-	-	-	-	-	-	-
Wainui Pipeline Easement	-	-	500	-	-	-	-	-	-
Infrastructure Asset W/o - 1999/2002	-	-	(307)	-	-	-	-	-	-
Surplus after Abnormals	**3,534**	**3,278**	**3,332**	**2,001**	**1,033**	**873**	**824**	**(392)**	**(817)**
Operating Surplus(Deficit)	**3,534**	**3,278**	**3,332**	**2,001**	**1,033**	**873**	**824**	**(392)**	**(817)**
Add Back Depreciation	5,009	5,117	5,320	5,347	5,352	6,563	6,616	6,331	6,707
Book (Gain)/Loss on Sale of Assets	(67)	(14)	263	190	1,016	155	155	64	(33)
Funds from Operations	**8,477**	**8,381**	**8,916**	**7,537**	**7,402**	**7,591**	**7,595**	**6,003**	**5,857**
Asset Disposals	81	31	58	46	19	39	45	100	94
New Loans	2,810	1,481	2,080	2,351	3,902	4,103	3,954	5,312	5,937
Transfer from Reserves	825	2,500	1,435	145	690	-	-	-	-
TOTAL FUNDS RECEIVED	**12,193**	**12,393**	**12,489**	**10,079**	**12,013**	**11,733**	**11,594**	**11,415**	**11,888**
less:									
Asset Acquisitions	429	246	187	272	144	163	248	462	506
Capital Projects	3,654	3,998	3,515	2,365	3,902	4,103	3,954	5,312	5,937
Investment Additions	634	712	655	828	1,718	1,253	1,233	1,221	1,331
Loan/Debenture Repayments	6,400	6,415	7,040	6,571	6,249	6,214	6,159	4,420	4,114
Reserve Interest Received	-	-	-	-	-	-	-	-	-
Transfer to Reserves	1,076	1,022	1,092	43	-	-	-	-	-
TOTAL FUNDS APPLIED	**12,193**	**12,393**	**12,489**	**10,079**	**12,013**	**11,733**	**11,594**	**11,415**	**11,888**
NET FUNDS SURPLUS (DEFICIT)	**0**	**0**	**0**	**(0)**	**0**	**0**	**0**	**(0)**	**(0)**

Plantation Forestry

Financial Performance & Cash Contribution Analysis by Activity
For the Year Ended 30 June 2005

	2003/04 Actual ($000's)	YTD 2004/05 Mar Actual ($000's)	Qtr 4 2004/05 Actual ($000's)	2004/05 Actual ($000's)	2004/05 Forecast ($000's)	2004/05 Budget ($000's)	2005/06 Budget ($000's)
Gross Harvest Revenue	3,750	2,828	1,048	3,876	3,900	4,783	4,080
Harvest Costs	(2,486)	(1,997)	(704)	(2,701)	(2,700)	(3,227)	(2,771)
Net Return from Harvesting	**1,264**	**831**	**344**	**1,175**	**1,200**	**1,556**	**1,309**
Roading Maintenance	(71)	(37)	(22)	(59)	(90)	(110)	(110)
Contribution after Roading Costs	**1,193**	**794**	**322**	**1,116**	**1,110**	**1,446**	**1,199**
Miscellaneous Other Revenue	27	15	2	17	17	3	3
Financial Costs	(854)	(667)	(215)	(882)	(880)	(915)	(978)
Other Operating Costs	(535)	(410)	(143)	(553)	(615)	(572)	(589)
Operating Surplus / (Deficit)	**(169)**	**(268)**	**(34)**	**(302)**	**(368)**	**(38)**	**(365)**
Depreciation	61	46	15	61	61	66	68
Loss / (Gain) on Sale	(11)	-	-	-	-	-	(4)
Capital Expenditure:							
New Roading Construction	(135)	(178)	(99)	(277)	(246)	(209)	(218)
Vehicle Replacement	(16)	-	-	-	-	-	(20)
Other Items (Reserve Interest)	-	(2)	2	-	(3)	(3)	(3)
Silviculture Costs (Capitalised)	(184)	(106)	(54)	(160)	(202)	(196)	(279)
Cash Deficit (ex-dividend)	**(454)**	**(508)**	**(170)**	**(678)**	**(758)**	**(380)**	**(821)**
Adjusted Debt Balance	**12,321**	**12,829**	**170**	**12,999**	**13,079**	**12,701**	**13,820**

Notes:-

- Actual debt balance at 30 June 2004 = $12,321k. (Excludes waived 2003/04 annual dividend of $150.0k).
- Actual debt balance at 31 March 2005 = $12,829k. (Excludes waived 2004/05 YTD dividend of $112.5k).
- Actual debt balance at 30 June 2005 = $12,999k. (Excludes waived 2004/05 YTD dividend of $150.0k).

- Forecast debt balance at 30 June 2005 = $13,079k. (Excludes waived 2004/05 dividend of $150.0k).

- Budgeted debt balance at 30 June 2005 = $12,701k. (Excludes budgeted 2004/05 annual dividend of $150.0k).
- Budgeted debt balance at 30 June 2006 = $13,820k. (Excludes budgeted 2005/06 annual dividend of $150.0k).

Cash Contribution From Forestry Activities Only:

	2003/04 Actual ($000's)	YTD 2004/05 Mar Actual ($000's)	Qtr 4 2004/05 Actual ($000's)	2004/05 Actual ($000's)	2004/05 Forecast ($000's)	2004/05 Budget ($000's)	2005/06 Budget ($000's)
Gross Harvest Revenue	3,750	2,828	1,048	3,876	3,900	4,783	4,080
Harvest Costs	(2,486)	(1,997)	(704)	(2,701)	(2,700)	(3,227)	(2,771)
Net Return from Harvesting	**1,264**	**831**	**344**	**1,175**	**1,200**	**1,556**	**1,309**
Roading Maintenance	(71)	(37)	(22)	(59)	(90)	(110)	(110)
Contribution after Roading Costs	**1,193**	**794**	**322**	**1,116**	**1,110**	**1,446**	**1,199**
New Roading Construction (Capex)	(135)	(178)	(99)	(277)	(246)	(209)	(218)
Silviculture Costs (Capitalised)	(184)	(106)	(54)	(160)	(202)	(196)	(279)
Total Cash Contribution	**874**	**510**	**169**	**679**	**662**	**1,041**	**702**

Forecast Review

Explanation of Forecast vs Actual 2004/05 Year-end Surplus / (Deficit) Variances

As at 30 June 2005

Water Supply	Operating Surplus / (Deficit) Actual June 2005 $000's	Forecast March 2005 $000's	Forecast Variance $000's	Variance Explanation
Engineering Consultancy	(2.2)	2.9	(5.1)	* Slightly less than anticipated total revenue for the full year, although subsequently identified that $3.7k of Forestry related cost recoveries were inadvertently omitted. This error will be corrected in the 2005/06 accounts.
Laboratory Services	2.1	29.8	(27.7)	* Forecast variance generated by combination of higher personnel costs and increased scientific consultant outsourcing charges.
Operations	621.6	807.0	(185.4)	* Reparation of the March'05 flood damage to the Orongorongo River intake, adversely impacted the final accounts by $114k. * Chemical and power costs for the full year were $45k and $15k higher than forecast.
Strategy & Asset	531.4	278.2	253.2	* Greater than anticipated cost recoveries from various external third parties worth $212k. * Final annual rates bill was $50k better than forecast.
Support Services	(279.6)	(293.7)	14.1	* Always trying hard to positively contribute to the collective "pot" and beat expectations!!
Total Water Supply	**873.3**	**824.2**	**49.1**	

Plantation Forestry	Operating Surplus / (Deficit) Actual June 2005 $000's	Forecast March 2005 $000's	Forecast Variance $000's	Variance Explanation
	(301.8)	**(368.1)**	**66.3**	* Slightly improved market conditions and a marginally lower $ US / NZ exchange rate have combined to produce a better than forecast out turn for the full financial year.

Operations

- Another satisfactory financial performance for the year driven by tight cost control across all Operation departments, and lower than anticipated summer water demand.

- Wainuiomata Water Treatment Plant received the first A1 grading in the country, under the new MoH Drinking Water Assessors Unit.

- Following extensive discussions, staff from both Capacity and Greater Wellington Water are now in agreement as to the desired technical outcome for integration of our telemetry systems.

Strategy and Asset

- Preliminary investigations into supplying water to an increasing population were completed by June 2005, with initial indications confirming no major difficulty in supplying a future population of 450,000.

- Agreement has been reached with the four city councils to produce a Wellington Water Management Plan, with the first draft discussed with the customers at a meeting in July 2005.

Engineering Consultancy

- Greater than budgeted year to date activity on project briefs for both external clients and other internal GW customers has been outweighed by significantly reduced activity on GWW project work.

- A pleasing financial outcome for the financial year, given the labour resource constraints endured throughout the period.

Laboratory

- Laboratory finances reflect greater stability driven by enhanced revenue streams, from both internal and external clients.

- The wait and see approach adopted for planned capital expenditure ensured that the best possible choices were made at the best possible prices, prior to 30 June 2005.

Plantation Forestry

- Actual financial performance for the year fell significantly short of budgeted expectations, primarily because of ongoing depressed market conditions, the need to harvest windthrown trees and the strength of the $NZ.

- The imperative to monitor every discretionary dollar spent and increase harvest volume throughput, in order to minimise the forecast deficit and debt balance will remain in force for the 2005/06 financial year.

Social and Environmental Matters - Water

Purpose

To summarise the major social and environmental aspects and impacts arising from Greater Wellington's water supply operation, topics covered are listed under 'Major Aspects' (below), the scope of reporting is consistent with our performance indicators and management systems. Together with our financial results, this section highlights our contribution to achieving a sustainable region. Key indicators are reported half yearly (see tables), other matters by exception.

Major Aspects

The main **social good** from our role is a safe, reliable public water supply in sufficient quantity for our customers (and at reasonable cost). In support of this outcome, we aim to comply with the *Drinking Water Standards for New Zealand* (DWSNZ) target 'A' grades for our treatment plants (where customer requirements allow) and manage our assets to ensure there is sufficient supply capacity to meet customer demand. We use a quality management system to bring rigour to our handling of these key business aspects.

We keep up-to-date with water industry developments and co-operate and share knowledge with others in related fields, including water supply, utilities management, public health and emergency management. We work to keep our customers and the public informed about the aspects of our work that affect them. We provide free educational opportunities focusing on water supply. We aim to maintain high safety standards for our staff and visitors.

Our work has a direct **environmental impact**: primarily from our management and use of water sources and catchment areas; use of chemicals and power; management of waste, and from other consented activities in relation to construction and maintenance projects. We can also influence water use behaviour in the community through water conservation education and marketing. We aim to obtain and comply with all appropriate resource consents and waste permits and avoid or minimise detrimental environmental impacts. We operate an environmental management system to support that goal.

Results - 'Social'

Water Supply

	Result – year	Comment
Security of supply	No issues	All customer demand met for the quarter and for the year to 30 June 2005. Reservoir level and Thorndon pressure targets substantially met (see below)
Source levels/flows	No issues	Apart from a handful of days in late summer, source volumes were sufficient to meet demand without being supplemented from the Stuart Macaskill Lakes
Water treated	Within normal range	55,385 ML for the year, 0.8% more than for 2003/04.
Water supplied to customers	Within normal range	55,552 ML for the year, 1.1% more than for 2003/04 and 1.7% more than the median supply volume for the period 1995/96 to 2003/04.
Distribution efficiency	100.2%	The difference between treated and supplied volume has been less than the margin of error for our meters (+/- 1.0%) since June 2000
Average daily supply	Within normal range	152 ML/day
Maximum day supply	203 ML/day	Maximum day 1995/96 to 2003/4 was 214 ML

Reservoir levels and Thorndon pressure

Our target of keeping customer reservoirs at least 60% full for at least 98% of the time (where customer requirements allow) was met for 532 of 540 reservoir-months: 98.5% achievement. Our target of keeping customer reservoirs at least 70% full for at least 90% of the time (where customer requirements allow) was met for 522 of 540 reservoir-months: 96.7% achievement.

Our target of keeping pressure at Thorndon between 80 metres and 100 metres for 98% of the time each month was achieved. Our target for keeping pressure at Thorndon above 85 metres for 90% of the time each month was achieved for 7 of 12 months. Three of the below-target events were due to pump/motor failures on the Wellington pumps during the summer; the remaining two occurred when Wainuiomata treatment plant was off-line.

Water sources

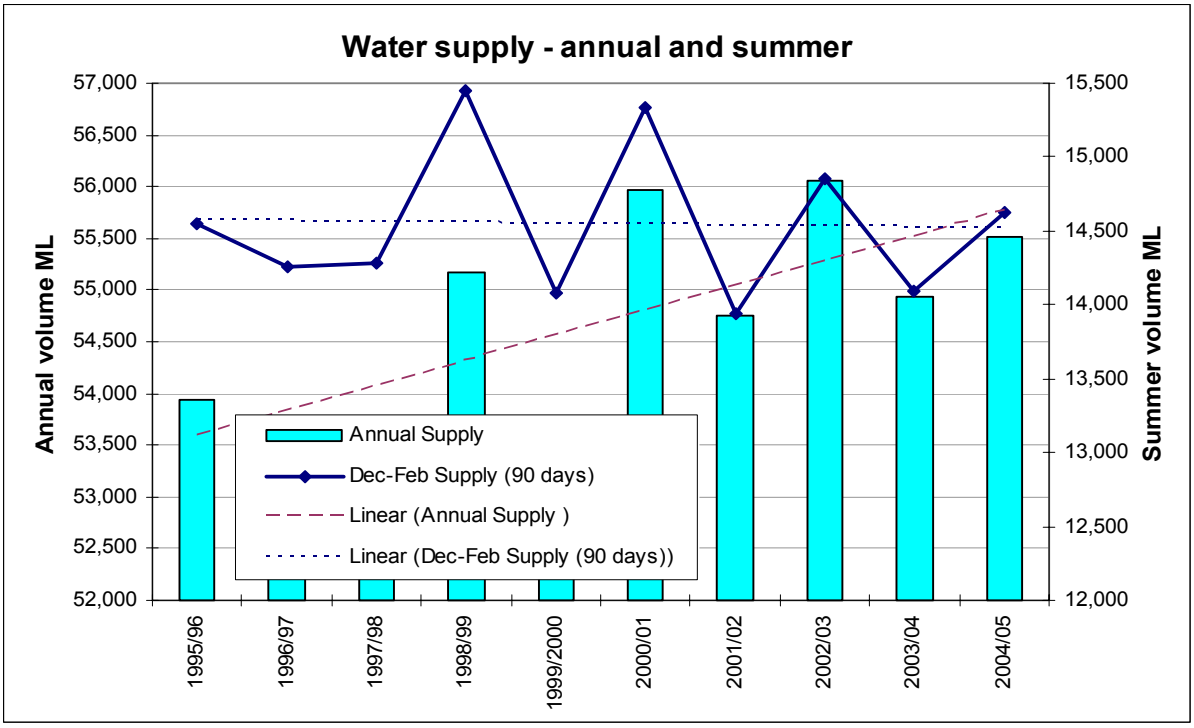
Water supply from the Orongorongo catchment was cut off at the end of March. Flooding caused damage to our rail infrastructure at the eastern end of Tunnel No.1 and scouring washed out our pipeline and part of a supporting embankment at the western end of Tunnel No.2. Sections of boardwalk were also washed away. Repairs were completed in July 2005.

Limited rainfall during the last three weeks of January and all of February saw Wainuiomata treatment plant switched off on 19 February for several days due to lack of source water, whilst at Te Marua the storage lakes were needed to supplement available flow from the Hutt River. The period of water shortfall direct from the rivers was short-lived, but the Hutt River has since then remained at below-average flow rates for every month except March.

The Hutt aquifer level has been close to its long-term maximum for the last two months. Throughout summer (2005) the average level each month didn't fall below the long-term average for the respective month.

Total Water Supply Trend

The annual water supply total varies from year to year, primarily depending on weather conditions during summer and the resulting requirement for watering gardens. While annual water supply volumes show a gradually increasing trend in line with population growth (see below), total water use during summer has no growth trend.



Resident Population Estimate Remains at "High Growth" Level

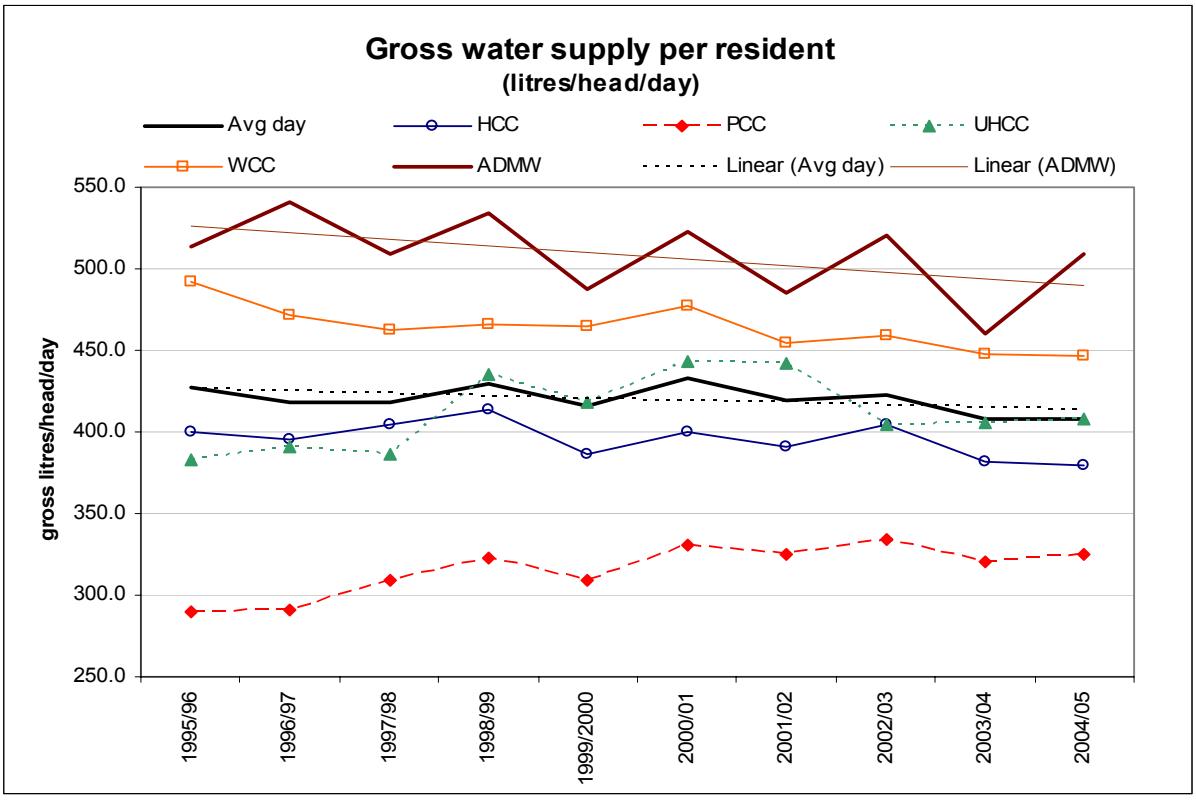
As noted in the quarterly report for December 2004, the resident population for the four cities that we supply has been estimated at 367,600 at 30 June 2004, an increase of over 24,000 since the 2001 Census. Our system is designed to provide a population of up to 377,000 to a 1 in 50-year security of supply standard. Growth projections suggest a new water source will need to be commissioned in about three years' time (assuming current per capita water use continues). We alerted our Territorial Authority customers to this situation a year ago and have since been investigating supply augmentation and demand management options. The results of recent investigations into supply augmentation options were outlined to a councillor workshop in June. A water source development strategy paper will be presented to the Utility Services Committee in the first half of 2005/06.

Wellington Water Management Plan

Auckland's bulk water supplier (Watercare Services) and distribution network operators recently adopted a co-ordinated demand management plan, with each operator committing to contribute to a targeted five percent water saving across the region over 20 years. Many of the circumstances underlying the development of the plan are relevant to Wellington, although we do not have universal metering as Auckland does. Our proposal to develop a similar plan was supported by our customers 12 months ago. We have contracted one of the authors of Auckland's plan to develop this project on our behalf. At our year-end the first draft of the plan and a situation analysis were being worked on in consultation with our customers.

Per Capita Water Use Trend

The following graph shows average annual and average of peak week (ADMW) water use trend, per resident[1], for the last 10 years (heavy lines). The average annual figures for each city are also shown (lighter lines).



[1] Populations for 1995/96 to 2003/04 estimated at the end of each financial year (30 June) by Statistics NZ. The populations at 30 June 2005 have been projected from the change in each city between 30 June 2003 and 30 June 2004.

It is encouraging that the downward trend for peak week water use noted at this stage last year remains evident, despite much dryer conditions during January and February 2005 than for the same period in 2004. It should be noted that in modelling future demand, a slightly more conservative approach is taken, based on a climatic parameters and demand modelled over a longer period.

Water Shortage Early Warning Project

Last summer we had a new tool at our disposal for forecasting summer water shortages. The Karaka Model, developed for us by NIWA, predicts the probability of water shortfalls from our supply system over a three month period. The model utilises three-month climate forecasts to produce a probabilistic three-month prediction of storage drawdown.

In early January, the predicted level of stored water in the Stuart Macaskill Lakes over the following three months did not fall below 50 percent, even in the event of a 1-in-100 year drought. Predictions for the Waiwhetu aquifer were also healthy, although the model provides only limited prediction of the aquifer level at present. It is hoped to improve the aquifer predictions using more sophisticated techniques in the future.

Waterloo Well-field Standby Pump and Motor Purchased

A review of our supply capability in 2003 identified that all eight of the Waterloo well-field pumps would need to be operating in order to meet peak-day customer demand from Waterloo. We have now purchased a spare pump and motor so that full capacity can be reinstated quickly in the event of a pump failure.

Reassessment of Design Standards re Flood Hazard

Over the past two years there have been occasions when significant damage to the water supply infrastructure has arisen from high rainfall events. This has raised our awareness about the exposure of our supply system to damage from these types of events. A review of the likelihood of similar events occurring has been carried out.

It was identified that there may not have been consistent standards for previous design and construction work, with the various design parameters being arrived at for different reasons. A hierarchy of return period design standards has since been adopted, with reference to the security standards of other local infrastructure managers. The hierarchy we have adopted ranges from 1 in 200-year security for major buildings, to 1 in 50-year security for major access routes. The water supply infrastructure will be progressively reviewed against these standards. Any areas requiring attention will be investigated in detail and carried forward in the capital works programme as appropriate.

Water Quality

	Result for year	Comment
Microbiological compliance (DWSNZ) - treatment plants	Complied	Treatment plant records show full compliance for the six months to 30 June 2005. Compliance with the DWSNZ 2000 is assessed on a calendar year basis by Regional Public Health. Compliance was achieved for the 2004 year.
Microbiological compliance (DWSNZ) - distribution system	Complied	No E.coli detected during the six months to 30 June 2005. Compliance was achieved for the 2004 year.
Chemical (P2) compliance (DWSNZ) – treatment plants	Complied	Fluoride is the only P2 chemical that relates to our supply. All results were below the MAV for fluoride, of 1.5mg/L.
Optimal fluoridation target	Mostly achieved	We aim to achieve the MoH guideline for the optimal fluoride level for dental health - 0.7 to 1.0mg/L - at least 85% of the time. Results for the year were: Te Marua 98% achievement, Wainuiomata 85%, Waterloo 91%, and Gear Island 84%.

Raw water quality	No significant issues	Following the draining and cleaning of Stuart Macaskill Lake Two, algae levels in both lakes have stayed low. Cryptosporidium oocyst numbers in the Wainuiomata River have been slightly elevated during the last three quarters, but they remain in the "low" risk category re the new DWSNZ.
Quality Management System	ISO 9001:2000 certification maintained	A re-certification audit was carried out by BVQI in September 2004; there were no non-conformities raised. A small number of targets for completion by 30 June 2005 were not fully achieved (see below).

DWSNZ = Drinking Water Standards for New Zealand (2000)

Quality Management System Exception Report

The targets where achievement was less than anticipated were; attaining 'A' grading for Gear Island treatment plant, where we still face problems reaching the required turbidity standard; grading for our bulk distribution zones, which haven't been officially graded yet; achieving optimum fluoridation levels at all treatment plants and demonstration of compliance with aesthetic requirements for water treatment and distribution, which has only partially been achieved.

Customer Matters

Water Supply Agreement – Limited Progress

Capacity (the water management entity for Wellington and Hutt City Councils) has been in discussion with us about specific content for a formal service level agreement for over 12 months (Capacity is representing our four customers). While the customers initiated this process, Capacity has shown little urgency in addressing our concerns about the draft agreement as it stands and there appear to be some fundamental differences between us about the scope for the proposed agreement. This process is unlikely to prove successful without renewed interest from our customers in the coming year.

New Storage, Wellington South – Planning Ongoing

Greater Wellington, WCC and Capital Coast Health are jointly considering a new reservoir in the vicinity of Wellington Hospital that would provide emergency storage for the hospital and increased operating storage for WCC and GW. A suitable site has been identified and a joint agreement is expected to be ready by September 2005. Wellington City Council is the lead agency in this project.

New Pumping Stations

Our engineers have been working with consultants to Wellington City Council on the design of the new Lincolnshire Pumping Station, near Grenada landfill. WCC is funding the project, but we will take ownership and manage it as part of the bulk supply system on completion.

Resource consent has been received from Hutt City Council for construction of a new pumping station at Seaview. The new facility, to serve the Eastbourne area, will replace one at Hutt Park that is prone to flooding. A separate consent for subdivision is needed before construction can begin.

In June 2005 construction work started on the new Karori Pumping station, on the site preferred by WCC, between Raroa Crescent and Northland Tunnel Road. When completed, this facility will pump water to Karori, Kelburn and Northland.

Shared Telemetry Investigation Ongoing

We are continuing to work with Capacity to identify how to realise benefits to both parties from sharing a single telemetry system. Progress during the last year has been slow. We intend to push for greater progress in 2005/06.

Emergency Water Supply Points

Towards the end of 2003/04 we offered to provide our customers with emergency points of supply to urban zones that were vulnerable to a failure of the primary supply point, due to natural disaster. We are currently designing a connection point to Upper Hutt City in the Trentham area. Emergency supply points are also proposed for Pukerua Bay and Karori.

Working With Other Business Organisations

Officers continue to take an active role in the national Water Supply Managers Group on a range of issues including providing expert advice to the Ministry of Health in regard to its draft Drinking Water Standards (2005). The new standard is expected to become effective from 1 January 2006.

We helped Hutt Valley District Health Board to launch its IANZ-accredited Drinking Water Assessors Unit in May, and provided a platform for the Ministry of Health to promote its new risk-based approach to water supply grading, by providing Wainuiomata Water Treatment Plant as the venue for the launch ceremony and agreeing to have the plant re-graded as the first work of the newly accredited assessors unit. Various members of our staff worked with health officials to ensure the event ran smoothly and received media coverage. Pete Hodgson, Associate Minister of Health, was among the attendees.

A water treatment management contract was agreed with Masterton District Council in March 2005. We now oversee the management of Masterton's water treatment plant, including asset, quality and operations management. Since March, consolidating Masterton's treatment chemical purchasing with our own has resulted in a saving to Masterton District Council of $20,000 annually.

Media, Promotion, Brand Issues

Coverage in Media

During 2004/05 media releases and briefings were made in relation to refilling the southern storage lake at Te Marua following cleaning, the launch of our summer water conservation campaign, signing a water treatment management contract with Masterton District Council, the A1 re-grading received for Wainuiomata water treatment plant, the new water pumping station at Karori (2) and the cause of sand in the water supply in some parts of Lower Hutt.

New print and radio advertising was developed for the summer water conservation campaign by Clemenger BBDO, Greater Wellington's advertising agency for its *'Be the Difference'* (*BtD*) social marketing programme. Our campaign was branded *'Be the Difference'* and included a mail out to all *BtD* members in mid January. Our advertising ran between mid January and late February.

Public Contact

860 Visitors to Water Treatment Plants

There were 15 guided tours to either Te Marua or Wainuiomata WTPs– involving some 350 people. A further nine visits (512 people) resulted from Landcare's guided walks programme in the Wainuiomata and Orongorongo water catchment areas. Total visitor numbers for the year to 30 June were around 860, some 450 down on the previous two years. This disappointing result is due in part to fewer school visits. We expect to improve this situation in the coming year, with the launch and promotion of a curriculum–focused schools teaching resource, which recommends visiting a treatment plant.

Regional Education Guide Listing

Our WTP tours were re-listed in The Wellington Education Guide (2005), produced by Positively Wellington Tourism to encourage teachers to "Send their class to Wellington". 12,500 copies are distributed, free of charge, to teachers each February.

Health and Safety

	Result for year	Comment
Incident rate (per 100 workers)	Low	13 incidents during the year (24 in 2003/04) giving an incident rate of 22.0 per 100 workers or 1.8 per month. Incident rates for the previous four financial years were 40.7, 36.3, 25.3 and 43.2.
Frequency rate (incidents per 10,000 hours)	Low	Frequency rate averaged 1.3 per month for the year. Frequency rates for the last four financial years were 2.2, 2.1, 1.3 and 2.4 respectively.
Severity rate (days lost per 10,000 hours)	Medium	39.5 days lost to injury for the full year (31 for the fourth quarter), giving an annual severity rate of 3.8. Severity rates for the last four financial years were 1.3, 5.2, 0.9 and 8.8.
Staff numbers	56	At 30 June 2005

Data has now been gathered in this format for five years. While the incident and frequency rates are low, relative to our historic record, the severity rate has been better in two of the five years of record. The majority of lost days (78%) related to stress leave for a single staff member. Most other incidents were fairly minor, such as cuts, bruises, strains and sprains; these types of injuries tend to result in little if any time off work.

Training

Financial year	Total training hours[2]	Training hours/employee	Actual training cost (%) of personnel cost	Budget training cost (%) of personnel cost
2004/05	2,524	43	2.0	2.6
2003/04	2,477	44	2.0	2.8

Other

During the June quarter Utility Services donated a redundant fax machine to Poly-high Community Childcare Centre in Wellington. We also provided three 1,000 litre plastic polymer-delivery tanks to GW Environment Division for Otari School (Wellington), for use as roof water collection tanks for irrigating the school garden.

[2] Total for training, seminars and conferences

Results - Environmental

Water-take

	Result for year	Comment
Water-take	No issues	60,715 ML taken from water sources for treatment during the year: 4.2% more than for 2003/04. Refilling Lake Two at Te Marua represented 1,830 ML or 3.0% of this total. Median water-take last 10 years was 58,195 ML.
Production of water take	94.3%	5.7% of water-take for the year is unaccounted-for (UFW) by the volume of water treated, after allowing for the change in volume of stored water and the overflow of untreated stored water back to the Hutt River (see 'Developments' below). The equivalent figure for 2003/04 was 4.2%.
Water-take consents	Minor issues	Mainly complying for Kaitoke – problem caused by lightening strike. Partially complying for Orongorongo – problems caused by IT failure and recalibration of a flow gauge that was used to retrospectively assess abstraction rates. 11 consents held. No change to consent numbers during the year.
Land Use consents	Complied	43 consents held at 30 June 2005, including three granted in May 2005 for work on a tributary to Takapau Stream.
Environmental Management System	ISO 14001 certification maintained	Audit by BVQI in September 2004; no non conformities raised.

Lower Wainuiomata Dam

In December 2004 we reported reaching agreement with GW Landcare Division to modify the original water supply dam at Wainuiomata, to make the structure safe and to support the option of a wetland being developed behind the dam at some future time. Two tenders were received for this work, but both were rejected because the price was considerably more than the available budget. This work is now being reviewed and reprogrammed to the 2006/07 financial year.

Unaccounted-For Water-Take (UFW)

We compare raw water-take to production and raw water storage data on a regular basis, to identify trends in the unaccounted-for volume of our water take. UFW recognises the metered change in storage volume in the Stuart Macaskill Lakes and the volume of water overflowed from the lakes back to the Hutt River as part of the process that assists with maintaining lake-water quality. Process water volumes, evaporation from the Stuart Macaskill Lakes and meter inaccuracy are three facets of our UFW, along with any flushing or leakage from our raw water transmission system.

We have only been able to measure lake-overflow volumes for the last two years. Our UFW was up from 4.2% to 5.7% year on year. A possible contributory factor in this was the failure of our abstraction meter at Kaitoke, which was identified in December 2004 as only being accurate to within about +/- five percent: our abstraction consent requires the meter to have an accuracy of +/- two percent. Delivery of a new meter took several months and the faulty meter was eventually replaced in May. A leak in the tunnel between Kaitoke and Te Marua was repaired in May, and this should reduce transmission losses.

495 million litres of stored water were discharged back to the Hutt River during the year, just 18 percent of the volume discharged during 2003/04. This result was substantially influenced by the fact that Lake Two was empty (for cleaning) on 1 July 2004, and was refilled with 'fresh' water from the Hutt River. Algae counts in Lake Two have been markedly lower as a result of this work.

Prior to 2003/04, overflow was an un-quantified part of the UFW volume. UFW (including overflow) for the past four years has been 6.5% (2004/05), 5.9% (2003/04), 6.4% (2002/03) and 5.3% (2001/02).

Inputs

The power and chemical efficiency figures for the year look reasonable when compared to the previous four years.

	Result	Comment
Electricity Use (kWh/ML)	Within normal expectation	336 kWh/ML for the year to 30 June. Last four years were 359 (2003/04), 339 (2002/03), 340 (2001/02) and 365 (2000/01).
Chemical Use (kg/ML)	Within normal expectation	77 kg/ML for the year to 30 June. Last four years were 77 (2003/04), 79 (2002/03), 71 (2001/02) and 71 (2000/01).

Background to Power and Chemical Use

About two-thirds of total power use occurs at three sites: Waterloo WTP (about 40% of total kWh), Waterloo wellfield (about 11%) and Te Marua pumping station (about 16%). Efficiency is largely influenced by the share of total production from Waterloo and how much of the water treated at Te Marua is pumped from the Stuart Macaskill Lakes.

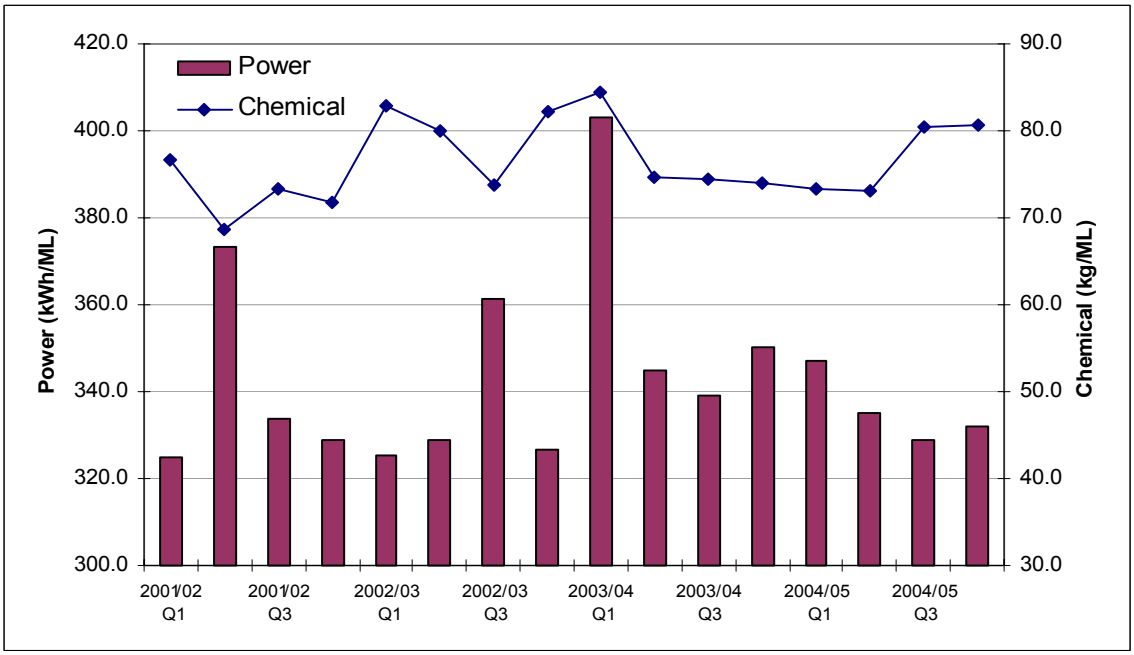
Main chemical use sites are Wainuiomata and Te Marua WTPs. Efficiency is influenced by the share of total production from these plants and the condition of river water to be treated.

Power Use

For the year in review, production from Waterloo was slightly less than in 2003/04 (41.9% of total production, compared to 43.2% for 2002/03). In addition, lake pumping decreased 10%, from 12.6% of total production volume in 2003/04 to 11.3% in 2004/05, due in part to higher-than-usual use of the lakes in the first quarter of 2003/04 during a possum control operation. These were the main factors behind the improved power use efficiency relative to 2003/04.

Chemical Use

Chemical use efficiency was unchanged between 2003/04 and 2004/05. While increased use of our surface water treatment plants (58.1% of production compared with 56.8% during 2003/04) suggests overall chemical use efficiency should have decreased slightly, the use of lake water for treatment was lower during 2004/05, as noted above. The decrease in chemical use efficiency between the second and third quarters reflects a greater reliance on surface water treatment plants in the second half of the year. Production from river sources averaged 56% for the first two quarters and 60% for the second half of the year.



Electricity Supply Contract

Our electricity supply contract expires on 30 September 2005. Four tenders were received in June for a new contract starting on 1 October, but all were rejected. Three of the tendering companies have been invited to re-tender by 2 August.

Improved Power Metering (Te Marua) Progressing

The project to separate metered power use for the lake pumps and main distribution pumps at Te Marua Pumping Station is nearing completion. A recent upgrade of pump starters and control units allows us to monitor power use for the different pumps separately. Minor software changes are needed to incorporate this data into our reporting systems.

Lime Recycle at Wainuiomata on Hold

A project to separate lime from waste slurry and recycle it for raw water pH correction has been shelved. We are reviewing our use of lime for pH correction generally, due to problems arising from insoluble materials in NZ lime supplies.

Lime Use Reduction Project at Waterloo Progressing

Following successful trials, aeration of raw water has been introduced to one of the two production streams at Waterloo. This has resulted in a lime cost saving of around $100 per day and a 25% reduction in insoluble material from the lime entering the distribution system. We are investigating reconfiguring the plant to run both streams simultaneously in this mode. If this proves possible, the dollar saving and reduction in lime solids could be doubled. Further studies are planned in 2005/06 to look at ways of eliminating the nuisance caused by insoluble material in lime dosed at Waterloo.

Emissions and Waste

	Result for year	Comment
Discharge consents	One issue	We held 20 consents at 30 June 2005. We don't anticipate the supernatant discharge from Wainuiomata WTP to the river being assessed as fully complying. Reasons and appropriate remedial actions are being investigated.

Treatment sludge (kg/ML)	Within normal range	55.9 kg/ML of river water treated. This is similar to the result for 2003/04 (55.2kg/ML).
Liquid waste (kg/ML)	Within normal range	13.6kg/ML of river water treated. This is slightly less than for 2003/04 (14.9kg/ML).

Sludge constitutes about three-quarters of total waste by weight. Liquid waste from water treatment accounts for almost all of the remaining quarter. General rubbish is about 2% of total waste.

Other

Possum Control – Wainuiomata-Orongorongo Water Collection Area

A possum control operation using aerially sown 1080 poison baits has been planned for the Wainuiomata and Orongorongo water catchment areas during winter 2005. Resource consent and Medical Officer of Health approval was obtained for the operation in April. The operation will start after 30 June 2005 as soon as suitable weather conditions allow.

Wainuiomata-Orongorongo Fence

Construction of the third stage of the deer and stock fence along the western boundary ridge above Moores Valley was progressed. The fence is designed to protect vegetation in the catchment and therefore promote water quality, by preventing infiltration of stock, as well as wild deer, goats and pigs, from adjoining private land.

Cull of Large Pest-animals

The annual ballot for recreational hunting in the Wainuiomata-Orongorongo water collection area during the autumn 'Roar' resulted in 25 deer, goats and pigs being culled. Numbers for the previous four years were 14 (2004), 21 (2003), 23 (2002) and 31 (2001).

Professional hunters removed 61 goats from the Wainuiomata-Orongorongo water collection area in three operations between July 2004 and May 2005: Over 450 goats have now been culled from that area since January 2001. A handful of deer and pigs were also shot.

A goat control contract was completed in the Hutt water collection area in January, with 35 goats, five pigs and two deer being removed.

Fish Passes

Raised rough patches were applied to the wet surface of the Orongorongo weir in February in an attempt to improve the ease of native fish passage over weir. The patches were intended to spread low flows across the weir and reduce flow velocities, especially during spring when the fish migrate. However, flooding at the end of March resulted in the patches being stripped off the weir. We are reconsidering our options.

A new culvert is being planned for Sinclair Creek, just upstream of Wainuiomata intake. The existing culvert structure prevents upstream passage by most fish wanting to spawn in Sinclair Creek.

Social and Environmental Matters – Plantation Forestry

Purpose

To summarise the major social and environmental aspects and impacts arising from Greater Wellington's Plantation Forestry management business; topics that we would expect to cover are listed under 'Major aspects' (below). Together with our financial results, this section highlights our contribution to achieving a sustainable region.

Major aspects

The main **social good** from the forestry business is that large tracts of land, with a capacity to supplement metropolitan Wellington's future water supply, are held and managed to maintain their 'health'. Forest access roads provide a recreational opportunity, while harvesting has some detrimental impact on recreational use. Generally there is little other direct contact or involvement with the community. The sale of logs is contracted out, so there are few customer issues to address. We aim to maintain high safety standards for our staff and the public; these will be reported every quarter. Other activity, relating to the news media, local communities, the general public, industry groups, customers and Tangata Whenua will be reported on an 'exception' basis.

Our work can have a direct **environmental impact** in a number of areas, including heritage assets, water courses and filtration, soils and potential erosion, road and land use, carbon absorption, landscape and environmental discharges. Resource use is primarily indirect, through our contractors; environmental performance is a consideration in awarding contracts. Each forestry block has a unique combination of environmental characteristics that must be managed. The environmental requirements relating to each contract that we let are specified to the contractors. We aim to comply with all appropriate resource consents and codes of practice, and avoid or minimise detrimental environmental impacts. We operate an environmental management system to support that goal. Resource consent and Health and Safety issues will be reported quarterly. All other environmental aspects will be reported on an 'exception' basis.

Results – 'Social'

Health and Safety

Staff	Result for year	Comment
Incident rate (per 100 workers)	Nil	No incidents during the 2004/05 year. Average incident rate per month (per 100 workers), between July 2003 and June 2004, was 2.8.
Frequency (incidents per 10,000 hours)	Nil	No incidents. Frequency (per 10,000 hours worked), between July 2003 and June 2004, averaged 1.3 per month.
Severity rate (days lost per 10,000 hours)	Nil	No days lost to injury. Average severity rate per month between June 2003 and July 2004 was nil.
Staff numbers	3	No change since 30 June 2004.

Whilst there were no public safety issues during the past six months, there have been incidents of vandalism to contractors' vehicles which has the potential for environmental

damage. Patrols have been increased to reduce the opportunity for this type of incident in future.

Other

Nothing significant to report

Results – Environmental

Resource Consents

	Result for year	Comment
Discharge to land	Complied	
Consents	Complied	
Environmental Management System	No issues	Nothing of note to report regarding EMS targets.

Storm Damage

The last of the wind thrown trees in Clarkes Creek/Reservoir Ridge have now been salvaged. Replanting is underway and, as soon as the weather permits, Clarkes Creek will be cleared of slash and fallen trees.

Karapoti Road

The slip in Karapoti Road which regularly closed the road has now been stabilised. A further slip has been identified on an adjacent ridge. At this stage it is unlikely that any preventative work can safely be undertaken and a watching brief is the preferred course of action.

Heritage Assets

We have now been logging successfully in the blocks adjacent to the Rimutaka Rail Alignment for a number of months. Due to recent rain affecting the logging operations the crews have now been transferred elsewhere until summer.

Greater Wellington Water

Greater Wellington Water

Operating Surplus / (Deficit)

30 June 2004 Actual $000's		30 June 2005 Actual $000's	30 June 2005 Budget $000's
39.4	Engineering Consultancy	(2.2)	8.3
(88.4)	Laboratory Services	2.1	(85.8)
609.8	Operations	621.6	-
81.4	Strategy and Asset	531.4	-
390.8	Support Services	(279.6)	(314.0)
1,033.0	**Total Greater Wellington Water**	**873.3**	**(391.5)**

Greater Wellington Water

Capital Expenditure

30 June 2004 Actual $000's		30 June 2005 Actual $000's	30 June 2005 Budget $000's
4,026.0	**Total Capital Expenditure**	**4,226.3**	**5,674.0**

Plantation Forestry

Operating Surplus / (Deficit)

30 June 2004 Actual $000's		30 June 2005 Actual $000's	30 June 2005 Budget $000's
(170.1)	**Operating Surplus / (Deficit)**	**(301.8)**	**(38.5)**

Greater Wellington Water

Statement of Financial Performance

For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
22,776.5	Wholesale Water Levy	22,776.5	22,776.5	0.0	U	22,776.5	22,776.5
372.2	Investment & Reserve Interest	507.6	471.1	36.4	F	500.0	471.1
432.2	External Revenue	733.3	327.7	405.6	F	541.0	327.7
2,879.6	Internal Revenue	2,951.8	2,785.4	166.4	F	2,963.3	2,785.4
26,460.5	**Total Revenue**	**26,969.1**	**26,360.7**	**608.4**	**F**	**26,780.8**	**26,360.7**
3,499.2	Personnel Costs	3,819.8	3,697.2	122.6	U	3,850.0	3,697.2
6,420.1	Materials, Supplies & Services	6,471.0	7,337.3	866.3	F	6,493.0	7,337.3
164.6	Travel & Transport	188.1	168.8	19.3	U	169.0	168.8
1,038.3	Contractors & Consultants	1,256.4	1,370.7	114.3	F	1,114.0	1,370.7
2,531.9	Internal Contractors	2,644.2	2,508.5	135.8	U	2,656.1	2,508.5
13,654.1	**Total Direct Expenditure**	14,379.6	15,082.5	702.9	F	14,282.1	15,082.5
3,674.1	Financial Costs	3,294.8	3,566.8	272.0	F	3,200.0	3,566.8
(1.2)	Bad Debts, incl Provision	(1.1)	-	1.1	F	(1.0)	-
5,352.5	Depreciation	6,562.5	6,330.5	232.0	U	6,616.0	6,330.5
1,016.0	Loss / (Gain) on Sale	154.6	64.2	90.4	U	155.1	64.2
10,041.4	**Total Indirect Expenditure**	10,010.8	9,961.5	49.3	U	9,970.1	9,961.5
892.5	Net Corporate Overhead	878.2	878.2	0.0	F	878.2	878.2
839.5	Corporate Rent / Internal Charges	827.2	830.0	2.8	F	826.2	830.0
1,732.0	**Total Corporate Costs**	1,705.4	1,708.2	2.8	F	1,704.4	1,708.2
25,427.5	**Total Expenditure**	**26,095.8**	**26,752.3**	**656.4**	**F**	**25,956.6**	**26,752.3**
1,033.0	**Surplus / (Deficit)**	**873.3**	**(391.6)**	**1,264.9**	**F**	**824.2**	**(391.6)**
	Capital Expenditure						
	Asset Acquisition & Disposal Summary						
143.5	Acquisitions	162.9	462.0	299.1	F	247.8	462.0
(19.3)	Disposals	(39.3)	(100.0)	60.7	U	(44.9)	(100.0)
124.2		123.6	362.0	238.4	F	202.9	362.0
3,901.8	Capital Projects	4,102.7	5,312.0	1,209.3	F	3,788.3	5,312.0

Greater Wellington Water

Movement in Equity and Debt
For the Year Ended 30 June 2005

Statement of Movement in Equity	**30 Jun 04 Actual $000's**	**31 Mar 05 Actual $000's**
Retained Earnings Opening Balance	68,314	70,037
Surplus for Period	1,033	873
Other Reserve & Equity Movements (note 1)	690	-
Asset Revaluation Reserve	186,804	186,804
Departmental Reserve (note 1)	-	-
Closing Equity	**256,841**	**257,714**

Notes

1 Departmental Reserves at 30 June 2003

Chemical Contingency Reserve	605	
General Reserve	85	
Opening Balance 1 July 2003		**690**
Closure of Chemical Contingency Reserve	(605)	
Transfer from General Reserve	(85)	
Closing Balance at 30 June 2004		**-**

2 Movement in Debt

Opening Balance at 1 July 2004		**45,759**
New Debt for 2004/05 Capital Expenditure	4,103	
Debt Repayment for 2004/05 Matured Loans	(6,214)	
Closing Balance at 30 June 2005		**43,648**

Greater Wellington Water

Statement of Financial Position

As at 30 June 2005

30 Jun 04 $000's		30 Jun 05 $000's
	EQUITY	
70,037.0	Retained Earnings	70,910.3
186,803.8	Asset Revaluation Reserve	186,803.8
256,840.8	**Total Equity**	**257,714.1**
	Represented By:	
	ASSETS	
	Current Assets	
2,525.3	Receivables	2,465.9
33.6	Accrued Revenue & Prepayments	44.3
1,505.4	Stocks	1,493.6
4,064.3	**Total Current Assets**	4,003.8
	Investment	
6,856.1	Insurance Investment	8,109.0
-	Capital Reserve	-
6,856.1	**Total Investment**	8,109.0
	Fixed Assets	
296,374.9	Cost or Valuation	298,924.4
(1,841.2)	*less:* Accumulated Depreciation	(8,249.2)
294,533.7	**Total Fixed Assets**	290,675.2
1,209.9	**Capital Works in Progress**	2,577.5
306,664.0	**Total Assets**	**305,365.5**
	LIABILITIES	
	Current Liabilities	
1,812.1	Creditors	1,871.2
501.9	Employee Provisions	501.9
1,750.3	Treasury Payables	1,630.6
4,064.3	**Total Current Liabilities**	4,003.7
45,758.9	**Public Debt**	43,647.7
49,823.2	**Total Liabilities**	**47,651.4**
256,840.8	**Net Assets**	**257,714.1**

Greater Wellington Water

Statement of Funding

For the Year Ended 30 June 2005

	30 Jun 04 $000's	30 Jun 05 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Levies	22,776.5	22,776.5
Interest received	372.2	507.6
Other activities	3,311.8	3,685.1
	26,460.5	26,969.1
Funds were applied to :		
Operating activities	(15,384.9)	(16,083.9)
Interest paid	(3,674.1)	(3,294.8)
	(19,059.0)	(19,378.7)
Net Funding from Operating Activities / Cash Operating Surplus	**7,401.5**	**7,590.4**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	19.2	39.3
Transfer from reserves	689.9	-
	709.1	39.3
Funds were applied to :		
Purchase of land	-	-
Purchase of vehicles	(91.1)	(122.8)
Purchase of office equipment	(12.0)	-
Purchase of plant and equipment	(40.4)	(40.1)
Purchase of computer equipment	-	-
Capital projects	(3,901.8)	(4,102.7)
Transfer to reserves (incl interest)	-	-
Investment additions	(1,717.9)	(1,252.9)
	(5,763.2)	(5,518.5)
Net Funding from Investing Activities	**(5,054.1)**	**(5,479.2)**
FUNDING FROM FINANCING ACTIVITIES		
Funds were provided from:		
New loans	3,901.8	4,102.7
	3,901.8	4,102.7
Funds were applied to :		
Debt repayment	(6,249.2)	(6,213.9)
	(6,249.2)	(6,213.9)
Net Funding from Financing Activities	**(2,347.4)**	**(2,111.2)**
Net Increase / (Decrease) in Funds Held	**0.0**	**0.0**

Greater Wellington Water - Total Excluding Business Units

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
22,776.6	Wholesale Water Levy	22,776.5	22,776.5	0.0	U	22,776.5	22,776.5
372.2	Investment & Reserve Interest	507.6	471.1	36.4	F	500.0	471.1
218.9	External Revenue	439.5	112.7	326.8	F	272.5	112.7
1,115.8	Internal Revenue	1,178.1	1,032.3	145.8	F	1,166.8	1,032.3
24,483.5	**Total Revenue**	**24,901.7**	**24,392.7**	**509.0**	**F**	**24,715.8**	**24,392.7**
2,345.4	Personnel Costs	2,640.0	2,486.6	153.4	U	2,680.0	2,486.6
6,242.8	Materials, Supplies & Services	6,307.1	7,198.4	891.3	F	6,330.0	7,198.4
127.8	Travel & Transport	140.1	135.6	4.5	U	125.0	135.6
982.2	Contractors & Consultants	1,175.0	1,326.2	151.2	F	1,047.0	1,326.2
2,378.4	Internal Contractors	2,488.2	2,358.7	129.5	U	2,500.4	2,358.7
12,076.6	**Total Direct Expenditure**	12,750.4	13,505.6	755.2	F	12,682.4	13,505.6
3,674.1	Financial Costs	3,294.8	3,566.8	272.0	F	3,200.0	3,566.8
(1.2)	Bad Debts, incl Provision	(1.1)	-	1.1	F	(1.0)	-
5,287.1	Depreciation	6,502.8	6,230.7	272.1	U	6,554.0	6,230.7
1,016.0	Loss / (Gain) on Sale	157.9	79.2	78.7	U	163.4	79.2
9,976.0	**Total Indirect Expenditure**	9,954.4	9,876.7	77.7	U	9,916.4	9,876.7
693.6	Net Corporate Overhead	679.7	679.7	0.0	F	679.7	679.7
654.9	Corporate Rent / Internal Charges	643.8	644.7	0.9	F	645.8	644.7
1,348.5	**Total Corporate Costs**	1,323.5	1,324.4	0.9	F	1,325.5	1,324.4
23,401.1	**Total Expenditure**	**24,028.3**	**24,706.7**	**678.4**	**F**	**23,924.3**	**24,706.7**
1,082.4	**Surplus / (Deficit)**	**873.5**	**(314.0)**	**1,187.4**	**F**	**791.5**	**(314.0)**
	Capital Expenditure						
	Asset Acquisition & Disposal Summary						
106.5	Acquisitions	122.8	307.0	184.2	F	142.8	307.0
(19.3)	Disposals	(36.0)	(70.0)	34.0	U	(36.6)	(70.0)
87.2		86.9	237.0	150.1	F	106.2	237.0
3,901.8	Capital Projects	4,102.7	5,312.0	1,209.3	F	3,788.3	5,312.0

Note
These numbers represent the total for Operations, Strategy & Asset and Support Services departments.

Quality: Long-term

The quality of water supplied will continually meet the Ministry of Health's Drinking-Water Standards. The related water supply infrastructure will be maintained and improved to meet the standards specified in the *Regional Water Supply Asset Management Plan*.

The water supplied from the water treatment plants will meet the Ministry of Health's Drinking-Water Standards for 2005. These Standards are higher than the Standards introduced in January 2001. However, a draft Standard for 2005 may be finalised in 2004.

All water that GWW treats currently meets Ministry of Health Drinking Water Standards. GWW has a policy to target an A grade standard for each of its water treatment plants. This means the water supplied to its customers is completely satisfactory, with minimal levels of health risk.

Waterloo and Gear Island Treatment Plants are graded B. This would be upgraded to A if chlorine was added to the treated water, although Hutt City Council requested that this should not occur.

Wainuiomata Water Treatment Plant is graded A1. Te Marua Water Treatment Plant is currently graded A.

GWW holds certification to ISO 9001:2000 for its wholesale water supply operations.

Quality: Short-term

By 30 June 2005:

The collection, treatment and delivery of water will be managed to ensure the quality of water supplied continually complies with the Ministry of Health's *Drinking-Water Standards for New Zealand 2000*.

The Hutt Valley District Health Board has certified that compliance with the New Zealand Drinking Water Standards (NZDWS) was achieved during 2004. Compliance data assembled for the first two quarters of 2005 indicates that compliance with the Drinking Water Standard was also achieved for this period.

Water testing will be carried out by an International Accreditation New Zealand (IANZ) registered laboratory at sampling points defined by the Quality Assurance Section of GWW, not less than five days out of every seven. Expenditure will not exceed the budget of $541,000.

A comprehensive monitoring and testing programme, complying with the requirements of the NZDWS has been undertaken. The quality of the water leaving the treatment plants has been continuously monitored, with results reported every minute, and the quality of the water in the bulk distribution system has been sampled and tested by an IANZ accredited laboratory at least six days a week at representative locations. The cost of routine laboratory testing was $618,500 which exceeded the budget as a consequence of a revised pricing regime arising from an internal Laboratory business unit operation review and some additional tasting requirements.

The gradings of the water treatment plants at 1 July 2004 will be maintained.

The grading of the water treatment plants were maintained. The Wainuiomata Plant has an A1 grading, the Te Marua Plant an A grading, and the Waterloo and Gear Island Plants a B grading.

An A1 grade signifies: "Completely satisfactory, negligible level of risk, demonstrably high quality".

An A grade signifies: "Completely satisfactory, extremely low level of risk."

A B grade signifies: "Satisfactory, very low level of risk when the water leaves the treatment plant."

Quality: Long-term

Quality: Short-term (continued)

By 30 June 2005:

Vegetation management measures will be carried out in GW's water supply catchments, in accordance with GW's Forestry Management Plan and within a budget of $160,000, so that the treatment plants receive good quality water.

Vegetation management control was carried out in the catchments. The final full year cost of this work was $157,652.

Provided legislation is passed by 30 June 2004, five public health risk management plans will be prepared.

Drinking water legislation has not progressed, and no further risk management plans have been produced.

A ranger service for the Wainuiomata/Orongorongo Water Supply Catchment will be obtained from the Landcare Division at a cost not exceeding $118,000.

Work by Regional Park Operations was completed as required. Annual expenditure of $103,992 was incurred, compared to a budget of $118,000.

Security of Supply: Long-term

Water will be available on a daily basis to meet the 1 in 50 year return period drought situation. The related water supply infrastructure will be maintained and improved to meet the standards specified in the *Regional Water Supply Asset Management Plan*.

In the event of a major emergency, appropriate contingency plans will be in place.

Projections using a computer based sustainable yield model show that GWRC's water supply infrastructure is sufficient to meet a 1 in 50 year return period event until about 2007, at current growth rates. A 1 in 50 year drought strategy has been adopted after consultation with our customers. This is less than that of Auckland's 1 in 200 year strategy, though their system is less dynamic in its raw water supply.

GWW manages water supply assets in accordance with a planned programme of maintenance. Policy is that there is no deferred maintenance. The Asset Management Plan was prepared in accordance with the National Asset Management Steering Group guidelines.

GWW has a "n-1" policy for security of water supply. This means that either Te Marua or Waterloo Water Treatment Plants could be out of commission and the daily base water requirement of 145 ML still met.

Security of Supply: Short-term

By 30 June 2005:

Rebuilding the Karori Pumping Station will be started at an estimated total project cost of $1,837,000. It is due for completion in 2005/06.

Rebuilding of the Karori Pumping Station started in June 2005. Project expenditure of $431,390 has been incurred to date against a budget of $870,000 for the financial year.

Seismic repair stocks at a cost not exceeding $200,000 will be purchased.

Seismic repair stocks were not purchased, with this expenditure now deferred until 2005/06.

Environmental Management: Long-term

All water supply activities will be undertaken in an environmentally sympathetic manner according to the principles of the *Resource Management Act 1991*.

GWW acquires and seeks to comply with all appropriate resource consents. Abstraction consents govern the quantity of water that can be drawn from each source and how much must remain. Consents are also sought for any discharges from the treatment plants. Most by-products from the plants are processed through wastewater recovery plants and removed off-site.

GWW holds certification to ISO 14001 (the International Standards Organisation's environmental management benchmark) for its wholesale water supply activities.

Environmental Management: Short-term

By 30 June 2005:

All appropriate resource consent conditions will be complied with, within a monitoring budget of $65,000.

Full compliance with all consents was certified by the Greater Wellington's Environment Division, except for water abstraction from the Orongorongo River. A partially complying certificate was issued for this consent because on 6 days during the year the residual flow in the river was less than the required minimum for short periods. Changes to procedures and equipment renewal will prevent a recurrence of this problem. The total cost of consent fees incurred during the financial year was $55,630.

Resource consent compliance will be demonstrated to an auditable standard and a report on compliance for 2003/04 will be prepared by 30 November 2004.

A report was published by 30 November 2004.

The Lower Wainuiomata Dam, constructed in the late 1800s, is no longer in use and will have to be decommissioned. As part of this process it may be practical to create a wetland. This project, though, is subject to Council approval in 2004/05 once the investigations are complete.

Tenders were called for decommissioning the dam to create a wetland. However, the tender prices were much higher than expected and the work has been deferred until 2006/07. Project design work was completed at a cost of $20,950 during the financial year.

Customer Service: Long-term

GWW will continue to demonstrate that it has a high standard of customer service. It will provide customers with up-to-date and relevant information, as well as listening and responding to their needs.

GWW maintains regular communication with customer organisations at various levels of seniority.

Customer Service: Short-term

By 30 June 2005:

Customers will be provided with a business report by 30 November 2004, which will include the following information:

- Financial results for the preceding financial year ended 30 June.
- Actual quality compared with targeted performance.
- A list of incidents where supply has been interrupted, together with the time taken to respond and repair.
- A report on compliance with resource consent requirements.
- Status of ongoing service level agreements.

A report was published by 30 November 2004 and contained all the stipulated information.

Business Efficiency: Long-term

GWW has improved its business efficiency over the last 8 years following various restructuring initiatives, whilst maintaining its service quality levels. Total operating expenditure, excluding depreciation, is not expected to increase in real dollars. Thus we expect the water levy to be held at the 2004/05 dollar level across the 9 year planning period. However, asset values are expected to increase significantly across the 9 year planning period, which will in turn increase the depreciation expense.

The annual costs of running GWW, excluding changes in depreciation rates, has reduced by $5.7M or 25% between 1997 and 2005, whilst service levels have been maintained throughout this period.

Business Efficiency: Short-term

By 30 June 2005:

Total operating expenditure, excluding depreciation, will not exceed $20,422,000.

Expenditure of $19,533,000 was incurred during the financial year, with activities being carried out according to requirements.

The revenue from the water levy will not exceed $22,777,000.

Revenue of $22,776,473 was received during the financial year.

Health and Safety: Long-term

The manner in which we carry out our operations will comply with the *Health and Safety in Employment Act 1992 as amended in 2002*, *Health and Safety Regulations 1995*, relevant Codes of Practice and current legislation.

A hazard identification programme will be undertaken at all work locations in order to eliminate, isolate or minimise the effect of risk to all GWW staff and contractors working at those locations. These hazards will be entered on a hazard register, which will be continually updated.

A hazard identification programme has been undertaken for all operational sites. Hazard registers have been updated and are being maintained on an ongoing basis.

Health and Safety: Short-term

By 30 June 2005:

The Hazard Registers will be reviewed on a six monthly basis. The effectiveness of the measures taken to eliminate, isolate or minimise risk to all GWW employees and contractors will be assessed.

The health and safety plans of all contractors employed by GWW will be reviewed prior to their employment. Their activities should comply with the *Health and Safety in Employment Act 1992,* as amended in 2002, the *Health and Safety Regulations 1995*, relevant Codes of Practice and current legislation, and meet or exceed the methods of operation as determined within the *Utility Services Health and Safety Plan*. Their activities will be monitored on a regular basis, to ensure that any risk to their employees, employees of subcontractors, GWRC staff or the general public is eliminated, isolated or minimised.

The hazard registers have been recently reviewed and no issues relating to their effectiveness has been identified. Contractor Health and Safety plans continue to be reviewed prior to engagement.

Operations

Manager's Commentary

Supply

For the past couple of years the threat to supply, with regard to rainfall, has been more a case of too much than too little. Flood damage again caused significant damage this year. Major equipment breakdowns have also been an issue in the past two years; highlighting the wisdom of having adequate standby capacity.

Stuart Macaskill Lakes

Lake 2 was refilled in August/September after draining to remove sediment and carry out maintenance on the tower structure. Algae numbers were much reduced after refilling and numbers have remained low throughout the year. The success of the draining and cleaning exercise has reduced a significant risk to Te Marua's supply capability during a drought event.

Wainuiomata Water Treatment Plant Grading

It was pleasing to see that all the hard work put in by a number of staff came to fruition when Wainuiomata Water Treatment Plant received the first A1 grading in the country under the new MoH Drinking Water Assessors Unit.

Masterton District Council (MDC) Operations

The Contract to manage the Kaituna Water Treatment Plant for MDC was signed in late March. We are steadily carrying out improvements to all aspects of the operation and maintenance of the treatment plan has reduced chemical supply costs.

Telemetry Integration with Capacity

Following a number of talks, staff from both Capacity and GWW are in agreement as to the desired technical outcome. An options report is due from the radio equipment manufacturer.

Operating Costs

The operating surplus for the year took some big hits in the fourth quarter from increasing power costs, flood damage repairs and major equipment breakdowns. In addition, chemical prices increased by around 20% toward the end of summer, however this increase has been offset by good chemical savings at the Waterloo Water Treatment Plant.

Maintenance Strategies

A number of RCM (Reliability Centred Maintenance) analyses have now been performed on some of the more critical process systems and we are pleased with the results. Although each analysis takes approximately 300 man hours, the consensus is that the benefits outweigh the effort. We plan to broaden the RCM approach to include the bulk distribution system.

SCADA Integration

Our attempts to make some headway with Capacity on this project have hinged on the production of an independent report outlining the optimum configuration for the region's water and waste telemetry/SCADA systems. It has proved difficult to find anyone with sufficient understanding of the systems and the issues around integration who is willing or

able to write the report. As a consequence it has been decided that the report should be prepared jointly by Capacity and GWW.

Porirua City Council has shown some interest in integrating their telemetry system with ours and an approach has been made to UHCC as their integration would generate further benefits.

Operations - Distribution

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
2,258.6	Wholesale Water Levy	2,273.0	2,273.0	0.0	U	2,273.0	2,273.0
20.2	External Revenue	20.7	-	20.7	F	25.0	-
99.3	Internal Revenue	123.0	62.0	61.0	F	114.0	62.0
2,378.1	**Total Revenue**	**2,416.7**	**2,335.0**	**81.7**	**F**	**2,412.0**	**2,335.0**
446.7	Personnel Costs	508.6	494.0	14.6	U	515.0	494.0
692.6	Materials, Supplies & Services	803.9	937.5	133.6	F	780.0	937.5
47.4	Travel & Transport	64.3	48.2	16.1	U	50.0	48.2
221.9	Contractors & Consultants	277.7	251.2	26.5	U	260.0	251.2
425.6	Internal Contractors	444.5	408.9	35.6	U	449.9	408.9
1,834.2	**Total Direct Expenditure**	2,099.0	2,139.8	40.8	F	2,054.9	2,139.8
(1.1)	Bad Debts, incl Provision	(1.1)	-	1.1	F	(1.0)	-
53.5	Depreciation	65.5	65.0	0.5	U	60.0	65.0
(13.5)	Loss / (Gain) on Sale	(22.8)	(9.0)	13.8	F	(22.8)	(9.0)
38.9	**Total Indirect Expenditure**	41.7	56.0	14.4	F	36.2	56.0
130.3	Net Corporate Overhead	119.0	119.0	-		119.0	119.0
19.7	Corporate Rent / Internal Charges	16.8	20.1	3.4	F	18.0	20.1
150.0	**Total Corporate Costs**	135.8	139.1	3.4	F	137.0	139.1
2,023.1	**Total Expenditure**	**2,276.5**	**2,335.0**	**58.5**	**F**	**2,228.1**	**2,335.0**
355.0	**Surplus / (Deficit)**	**140.3**	**0.0**	**140.3**	**F**	**183.9**	**0.0**
	Asset Acquisition & Disposal Summary						
63.3	Acquisitions	64.7	127.0	62.3	F	64.7	127.0
(13.5)	Disposals	(22.8)	(30.0)	7.2	U	(22.8)	(30.0)
49.8		42.0	97.0	55.0	F	41.9	97.0

Operations - Production

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
5,604.8	Wholesale Water Levy	6,231.8	6,231.8	0.0 U	6,231.8	6,231.8
44.3	External Revenue	4.5	-	4.5 F	5.0	-
86.0	Internal Revenue	96.2	50.0	46.2 F	95.0	50.0
5,735.1	**Total Revenue**	**6,332.5**	**6,281.8**	**50.6 F**	**6,331.8**	**6,281.8**
747.0	Personnel Costs	768.8	723.9	44.9 U	770.0	723.9
3,337.6	Materials, Supplies & Services	3,370.6	3,864.6	494.0 F	3,300.0	3,864.6
45.4	Travel & Transport	43.0	44.7	1.7 F	40.0	44.7
359.9	Contractors & Consultants	532.2	514.0	18.2 U	450.0	514.0
803.0	Internal Contractors	987.6	880.0	107.6 U	979.0	880.0
5,292.9	**Total Direct Expenditure**	5,702.2	6,027.2	325.0 F	5,539.0	6,027.2
63.9	Depreciation	39.9	60.6	20.7 F	45.0	60.6
(4.5)	Loss / (Gain) on Sale	(4.7)	(10.4)	5.7 U	(7.0)	(10.4)
59.4	**Total Indirect Expenditure**	35.2	50.2	15.0 F	38.0	50.2
197.6	Net Corporate Overhead	179.3	179.3	0.0 F	179.3	179.3
26.4	Corporate Rent / Internal Charges	21.8	25.2	3.4 F	22.0	25.2
224.0	**Total Corporate Costs**	201.1	204.4	3.4 F	201.3	204.4
5,576.3	**Total Expenditure**	**5,938.5**	**6,281.8**	**343.3 F**	**5,778.3**	**6,281.8**
158.8	**Surplus / (Deficit)**	**394.0**	**0.0**	**394.0 F**	**553.5**	**0.0**
	Asset Acquisition & Disposal Summary					
29.4	Acquisitions	58.1	132.0	73.9 F	78.1	132.0
(5.8)	Disposals	(6.4)	(30.0)	23.6 U	(7.0)	(30.0)
23.6		51.7	102.0	50.3 F	71.1	102.0

Operations - Administration

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
632.5	Wholesale Water Levy	678.0	678.0	0.0 U	678.0	678.0
-	External Revenue	14.6	-	14.6 F	12.5	-
48.3	Internal Revenue	59.5	30.0	29.5 F	62.0	30.0
680.8	**Total Revenue**	**752.1**	**708.0**	**44.1 F**	**752.5**	**708.0**
243.5	Personnel Costs	266.8	321.5	54.7 F	295.0	321.5
26.0	Materials, Supplies & Services	24.8	51.0	26.2 F	30.0	51.0
9.3	Travel & Transport	7.9	13.0	5.2 F	10.0	13.0
2.9	Contractors & Consultants	38.8	31.0	7.8 U	20.0	31.0
189.0	Internal Contractors	197.1	164.8	32.3 U	200.8	164.8
470.7	**Total Direct Expenditure**	535.3	581.3	46.0 F	555.8	581.3
(0.1)	Bad Debts, incl Provision	-	-	-	-	-
5.8	Depreciation	5.4	11.9	6.4 F	6.0	11.9
-	Loss / (Gain) on Sale	(6.8)	(5.4)	1.4 F	(6.8)	(5.4)
5.7	**Total Indirect Expenditure**	(1.4)	6.5	7.8 F	(0.8)	6.5
87.3	Net Corporate Overhead	97.9	97.9	0.0 U	97.9	97.9
20.7	Corporate Rent / Internal Charges	32.8	22.4	10.5 U	30.0	22.4
108.0	**Total Corporate Costs**	130.7	120.2	10.5 U	127.9	120.2
584.4	**Total Expenditure**	**664.7**	**708.0**	**43.3 F**	**682.9**	**708.0**
96.4	**Surplus / (Deficit)**	**87.4**	**0.0**	**87.4 F**	**69.6**	**0.0**
	Asset Acquisition & Disposal Summary					
1.7	Acquisitions	-	38.0	38.0 F	-	38.0
-	Disposals	(6.8)	(10.0)	3.2 U	(6.8)	(10.0)
1.7		(6.8)	28.0	34.8 F	(6.8)	28.0

Operations - Total

Explanation of Material Variances

For the Year Ended 30 June 2005

		YTD Actual	YTD Budget	YTD Variance	
Other Revenue (Excluding Water Levy)		318.4	142.0	176.4	F
Admin	Unbudgeted WTP Management income from Masterton DC: 14.6 F				
	Labour recovery income from within GW Water greater than budget: 29.5 F	74.1	30.0	44.1	F
Production	Unbudgeted income from miscellaneous sales: 4.5 F				
	Labour recovery income from within GW Water greater than budget: 46.1 F	100.6	50.0	50.6	F
Distribution	Unbudgeted income from miscellaneous sales & private supplies: 20.7 F				
	Labour recovery income from within GW Water greater than budget: 61.0 F	143.7	62.0	81.7	F
Total Other Revenue (Excluding Water Levy)		318.4	142.0	176.4	F

		YTD Actual	YTD Budget	YTD Variance	
Personnel Costs		1,544.2	1,539.4	4.8	U
Admin	Unbudgeted capex programme resource costing: 43.0 F				
	Miscellaneous unders and overs: 11.7 F	266.8	321.5	54.7	F
Production	Capex programme resource costing lower than budgeted: 75.8 U				
	Lower than budgeted overtime costs: 30.6 F				
	Miscellaneous unders and overs: 0.3 F	768.8	723.9	44.9	U
Distribution	Capex programme resource costing lower than budgeted: 79.8 U				
	Lower than budgeted overtime costs: 38.0 F				
	Miscellaneous unders and overs reflecting lower staff levels: 27.2 F	508.6	494.0	14.6	U
Total Personnel Costs		1,544.2	1,539.4	4.8	U

		YTD Actual	YTD Budget	YTD Variance	
Materials, Supplies & Services		4,199.3	4,853.1	653.8	F
Admin	Miscellaneous unders and overs:	24.8	51.0	26.2	F
Production	Chemical costs less than budget: 374.5 F				
	Power used in production less than budget: 36.3 F				
	Miscellaneous unders and overs: 83.2 F	3,370.6	3,864.6	494.0	F
Distribution	Less materials / supplies used in jobs: 16.2 F				
	Power used in distribution less than budget: 117.4 F	803.9	937.5	133.6	F
Total Materials, Supplies & Services		4,199.3	4,853.1	653.8	F

		YTD Actual	YTD Budget	YTD Variance	
Travel & Transport		115.1	105.9	9.2	U
Admin	Vehicle, travel & accommodation expenditure less than budget:	7.9	13.0	5.2	F
Production	Vehicle expenditure less than budget:	43.0	44.7	1.7	F
Distribution	Vehicle expenditure more than budget:	64.3	48.2	16.1	U
Total Travel & Transport		115.1	105.9	9.2	U

Operations - Total

Explanation of Material Variances

For the Year Ended 30 June 2005

		YTD Actual	YTD Budget	YTD Variance	
External Contractors & Consultants		848.7	796.2	52.5	U
Admin	Miscellaneous unders and overs:	38.8	31.0	7.8	U
Production	Miscellaneous unders and overs:	532.2	514.0	18.2	U
Distribution	Miscellaneous unders and overs, but primarily increased maintenance:	277.7	251.2	26.5	U
Total External Contractors & Consultants		848.7	796.2	52.5	U

		YTD Actual	YTD Budget	YTD Variance	
Internal Contractors		1,629.3	1,453.8	175.5	U
Admin	Engineering Consultancy: 15.5 U				
	Labour recovery charges from within GW Water over budget: 16.8 U	197.1	164.8	32.3	U
Production	Consents Management: 4.4 F				
	Regional Parks (Ops) - Wainui Ranger: 13.5 F				
	Engineering Consultancy: 57.0 F				
	Laboratory Services: 118.5 U				
	Labour recovery charges from within GW Water over budget: 64.0 U	987.6	880.0	107.6	U
Distribution	Engineering Consultancy: 4.1 U				
	Labour recovery charges from within GW Water over budget: 31.5 U	444.5	408.9	35.6	U
Total Internal Contractors & Consultants		1,629.3	1,453.8	175.5	U

		YTD Actual	YTD Budget	YTD Variance	
Indirect Expenditure		75.5	112.7	37.2	F
Admin	Actual depreciation less than budgeted: 6.4 F				
	Actual gain on sale of vehicle more than budget: 1.4 F	(1.4)	6.5	7.8	F
Production	Actual depreciation less than budgeted: 20.7 F				
	Actual gain on sale of vehicle less than budgeted: 5.7 U	35.2	50.2	15.0	F
Distribution	Actual depreciation more than budgeted: 0.5 U				
	Reduction in bad debt provision: 1.1 F				
	Actual gain on sale of vehicles higher than budgeted : 13.8 F	41.7	56.0	14.4	F
Total Indirect Expenditure		75.5	112.7	37.2	F

Strategy and Asset

Manager's Commentary

- The Wellington Regional Council (Water Board functions) Act 2005 was passed in March this year. This allows renewable energy development on land designated for water supply currently being used for plantation forestry purposes.

- A significant undertaking during the year was to assess several possible future water supply sources. Some of this information fed into the Wellington Regional Strategy project of which the GWRC is part. Future water supply options were outlined to Councillors at a workshop and a formal committee paper will be sent to the Council in the first half of the 2005/06 financial year. The need to proceed with this work earlier than was expected about three years ago is the result of accelerated population growth in the Wellington area.

- Water supply for the year ended 30 June 2005 was 55,522 ML. This compares with 54,935 ML for the 2003/04 financial year.

- A contribution has been made to the expert working group revising the drinking water standards for New Zealand. These are expected to be published early in the 2005/06 financial year by the Ministry of Health. There has also been input in to trying to change the Ministry's stand on aggressive water with regard to how this issue is communicated to the general public.

- A new Summer Water Conservation campaign was prepared, this time based only on print and radio advertisements. A review during the year found that the television medium was too restrictive with respect to making an early commitment for placement.

- Capital expenditure for the year was $4.103M. This was a disappointing outcome compared to the budget of $5.312M. To a large extent the problem is a timing issue with delays to three major projects, the SH2 to SH58 pipeline deviation and the relocations of both the Karori and Point Howard Pumping Stations. Work began on the Karori Pumping Station in mid June and a contract for the SH2 – SH58 pipeline deviation was let on 26 July. All three projects will be completed within the next financial year.

- The lowest tender received for lowering of the Wainuiomata dam was well in excess of the estimate and this work has been deferred. The design will be reviewed and the work tendered when there is less demand pressure on the construction industry.

- Work is progressing on a Wellington water management plan and the first draft has been discussed with the customers at a meeting in July 2005.

- The Wellington CBD reservoir will assist in supplying water for a population in excess of 377,000 without breaching the 1 in 50 year drought standard. Wellington City Council is managing this project and a draft agreement is expected from them early in the new financial year.

- A submission based on the analysis of a considerable number of records relating to the Wainuiomata Water Treatment Plant facilitated an A1 grading being achieved during the year.

- Work continued on refining the sustainable yield model. This model is now more accurate than when it was first developed several years ago.

Strategy and Asset

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
13,560.2	Wholesale Water Levy	13,506.0	13,506.0	0.0	U	13,506.0	13,506.0
372.2	Investment & Reserve Interest	507.6	471.1	36.4	F	500.0	471.1
154.3	External Revenue	399.7	112.7	287.0	F	230.0	112.7
-	Internal Revenue	3.5	-	3.5	F	-	-
14,086.7	**Total Revenue**	**14,416.8**	**14,089.8**	**327.0**	**F**	**14,236.0**	**14,089.8**
341.9	Personnel Costs	492.1	349.9	142.2	U	480.0	349.9
2,141.9	Materials, Supplies & Services	2,069.0	2,299.3	230.3	F	2,180.0	2,299.3
12.7	Travel & Transport	11.5	13.4	1.9	F	12.0	13.4
400.3	Contractors & Consultants	325.8	510.0	184.2	F	315.0	510.0
960.8	Internal Contractors	858.6	900.5	41.9	F	870.3	900.5
3,857.6	**Total Direct Expenditure**	3,757.0	4,073.2	316.2	F	3,857.3	4,073.2
3,674.1	Financial Costs	3,294.8	3,566.8	272.0	F	3,200.0	3,566.8
5,155.0	Depreciation	6,367.9	6,070.4	297.6	U	6,425.0	6,070.4
1,034.0	Loss / (Gain) on Sale	191.9	104.0	87.9	U	200.0	104.0
9,863.1	**Total Indirect Expenditure**	9,854.6	9,741.2	113.4	U	9,825.0	9,741.2
214.9	Net Corporate Overhead	209.3	209.3	0.0	U	209.3	209.3
69.7	Corporate Rent / Internal Charges	64.5	66.2	1.7	F	66.2	66.2
284.6	**Total Corporate Costs**	273.8	275.5	1.7	F	275.5	275.5
14,005.3	**Total Expenditure**	**13,885.4**	**14,089.8**	**204.5**	**F**	**13,957.8**	**14,089.8**
81.4	**Surplus / (Deficit)**	**531.4**	**0.0**	**531.4**	**F**	**278.2**	**0.0**
	Capital Expenditure						
	Asset Acquisition & Disposal Summary						
12.0	Acquisitions	-	-	-		-	-
-	Disposals	-	-	-		-	-
12.0		-	-	-		-	-
3,901.8	Capital Projects	4,102.7	5,312.0	1,209.3	F	3,788.3	5,312.0

Strategy and Asset

Explanation of Material Variances
For the Year Ended 30 June 2005

	YTD Actual	YTD Budget	YTD Variance
Total Revenue	14,416.8	14,089.8	327.0 F
Transit NZ Mana Esplanade pipeline relocation project recoveries:			127.2 F
Sale to Vector of surplus power line at Te Marua:			78.1 F
Other miscellaneous project cost recoveries from external third parties:			85.3 F
Reserve interest income higher than budgeted:			36.4 F
Total Revenue			327.0 F

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	492.1	349.9	142.2 U
Unbudgeted capitalisation of resource labour costs:			5.1 F
Miscellaneous unders and overs, but primarily offset by consultant savings:			147.3 U
Total Personnel Costs			142.2 U

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	2,069.0	2,299.3	230.3 F
Rates charges lower than budget:			115.1 F
Advertising & Promotions lower than budget:			66.7 F
Insurance premiums lower than budget:			12.8 F
Miscellaneous unders and overs:			35.7 F
Total Materials, Supplies & Services			230.3 F

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	325.8	510.0	184.2 F
General consultants expenditure less than budgeted:			184.2 F

	YTD Actual	YTD Budget	YTD Variance
Internal Contractors	858.6	900.5	41.9 F
Used Engineering Consultancy less than budgeted on opex work:			35.7 F
Regional Parks (Ops) - Current catchment management:			2.3 F
Miscellaneous unders and overs, including in lieu of resource costs:			3.9 F
Total Internal Consultants			41.9 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	9,854.6	9,741.2	113.4 U
Infrastructure asset depreciation higher than budget, but which includes one off extra charges of circa $100k incurred in the July & August reporting periods:			297.6 U
Infrastructure asset write off charge for 2004/05 higher than budget:			87.8 U
Financial costs less than budgeted primarily due to the ongoing impact of greater than budgeted Water Supply cash surpluses:			272.0 F
Total Indirect Expenditure			113.4 U

Engineering Consultancy

Manager's Commentary

Total income for this year is $41,500 below budget because of the six months leave without pay awarded to one staff member to carry out humanitarian work for refugees; an extended period of domestic leave; and an extended period of sick leave impacting upon staff cost recoveries.

It was pleasing to note that the recoveries from Wellington City Council were $46,000 above budget with just under $10,000 from Kapiti Coast District Council being an additional useful revenue stream. Efforts are being made to gain other commissions from Kapiti Coast District Council.

Income from internal clients outside of Utility Services was $80,400, compared with a budgeted sum of $43,000. This was largely because of the permanent arrangement set up with Flood Protection, where the Engineering Consultancy Group carries out all of the draughting work for that department. The budget for 2005/6 reflects the changed arrangement.

Work was carried out for a wide variety of other departments within Greater Wellington Regional Council, thereby enhancing internal connectivity across the whole organisation.

As always, most of the work was carried out on GW Water projects but income fell short of the budget by $136,000. Part of this is because of the budgeting practice of allocating the expected income from internal clients who will not sign up to an internal charge to the Strategy and Asset Group. For the 2005/6 budget, this income has now been allocated as unsecured revenue from the Strategy and Asset Group.

The reduction in income was offset by a reduction in personnel costs, which occurred when the staff members were away. When this is combined with the additional project hours by two staff members, and the effect of the 53rd week, the overall income almost matches the expenditure. The final reported deficit for the group was $2,200 which in the circumstances is a pleasing outcome. Note that this is the first time in the last decade or so that a surplus has not been achieved by the Engineering Consultancy Group. An error in the internal charging process was discovered too late to be included in the year end results but would have given an additional $3,700 of income from Plantation Forestry, and hence a surplus at year end.

During the year there were no changes in staff, leading to a very stable team work environment.

Engineering Consultancy

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
149.4	External Revenue	220.0	160.0	60.0	F	210.0	160.0
1,126.4	Internal Revenue	1,016.4	1,118.0	101.6	U	1,036.0	1,118.0
1,275.8	**Total Revenue**	**1,236.5**	**1,278.0**	**41.5**	**U**	**1,246.0**	**1,278.0**
782.3	Personnel Costs	796.9	826.2	29.3	F	800.0	826.2
39.3	Materials, Supplies & Services	32.3	33.1	0.8	F	33.0	33.1
9.2	Travel & Transport	11.2	10.3	0.8	U	12.0	10.3
0.3	Contractors & Consultants	-	3.0	3.0	F	3.0	3.0
109.6	Internal Contractors	109.6	109.6	0.0	U	109.5	109.6
940.7	**Total Direct Expenditure**	949.9	982.2	32.2	F	957.5	982.2
11.0	Depreciation	9.0	12.8	3.8	F	9.0	12.8
-	Loss / (Gain) on Sale	(3.3)	(10.0)	6.7	U	(3.3)	(10.0)
11.0	**Total Indirect Expenditure**	5.6	2.8	2.8	U	5.7	2.8
130.1	Net Corporate Overhead	129.9	129.9	0.0	F	129.9	129.9
154.6	Corporate Rent / Internal Charges	153.2	154.9	1.7	F	150.0	154.9
284.7	**Total Corporate Costs**	283.1	284.8	1.7	F	279.9	284.8
1,236.4	**Total Expenditure**	**1,238.7**	**1,269.7**	**31.1**	**F**	**1,243.1**	**1,269.7**
39.4	**Surplus / (Deficit)**	**(2.2)**	**8.3**	**10.5**	**U**	**2.9**	**8.3**
	Asset Acquisition & Disposal Summary						
-	Acquisitions	-	50.0	50.0	F	-	50.0
-	Disposals	(3.3)	(20.0)	16.7	U	(3.3)	(20.0)
-		(3.3)	30.0	33.3	F	(3.3)	30.0

Engineering Consultancy

Statement of Financial Performance for the Year Ended 30 June 2005
Split between WCC and Other Clients

	ECG Internal & Other External Clients		ECG WCC Capex Work		Total Department		
	30 Jun 05 Actual	30 Jun 05 Budget	30 Jun 05 Actual	30 Jun 05 Budget	30 Jun 05 Actual	30 Jun 05 Budget	Variance
External Revenue	13,973	-	206,067	160,000	220,040	160,000	60,040
Internal Revenue							
Wholesale Water Projects	934,042	1,070,000	-	-	934,042	1,070,000	-135,958
Plantation Forestry	2,035	5,000	-	-	2,035	5,000	-2,965
Other Internal Clients	80,358	43,000	-	-	80,358	43,000	37,358
Total Internal Income	1,016,435	1,118,000	-	-	1,016,435	1,118,000	-101,565
Total Income	**1,030,408**	**1,118,000**	**206,067**	**160,000**	**1,236,475**	**1,278,000**	**-41,525**
Direct Expenditure							
Personnel	676,321	722,575	120,540	103,586	796,861	826,161	29,300
Materials	30,686	33,100	1,652	-	32,338	33,100	762
Transport	11,154	10,340	-	-	11,154	10,340	-814
Contractors / Consultants	-	3,000	-	-	-	3,000	3,000
	718,161	769,015	122,192	103,586	840,353	872,601	32,248
Internal Consultants							
Distribution (WCC Capex)	-	-	-	-	-	-	-
Utility Services Support	109,559	109,559	-	-	109,559	109,559	-
Other Internal Suppliers	-	-	-	-	-	-	-
Total Internal Consultants	109,559	109,559	-	-	109,559	109,559	-
Total Direct Expenditure	**827,720**	**878,574**	**122,192**	**103,586**	**949,912**	**982,160**	**32,248**
Indirect Expenditure							
Departmental O/h Allocat'n	-56,009	-56,009	56,009	56,009	-	-	-
Depreciation	8,962	12,803	-	-	8,962	12,803	3,841
Loss / (Gain) on Sale	-3,312	-10,000	-	-	-3,312	-10,000	-6,688
Total Indirect Expenditure	-50,359	-53,206	56,009	56,009	5,650	2,803	-2,847
Total Direct and Indirect	**777,361**	**825,368**	**178,201**	**159,595**	**955,562**	**984,963**	**29,401**
Corporate Charges							
Corporate Overhead	129,891	129,891	-	-	129,891	129,891	-
RCC Rent	84,984	84,984	-	-	84,984	84,984	-
IT and Support Services	68,245	69,896	-	-	68,245	69,896	1,651
	283,120	284,771	-	-	283,120	284,771	1,651
Total Expenditure	**1,060,481**	**1,110,139**	**178,201**	**159,595**	**1,238,682**	**1,269,734**	**31,052**
Operating Surplus	**-30,073**	**7,861**	**27,866**	**405**	**-2,207**	**8,266**	**-10,473**

Explanation of Material Variances
For the Year Ended 30 June 2005

	YTD Actual	YTD Budget	YTD Variance
External Revenue	220.0	160.0	60.0 F
Unexpectedly higher than budgeted WCC capex work:			46.1 F
Unbudgeted other external client revenue, mostly miscellaneous KCDC:			13.9 F
Total External Revenue			60.0 F

	YTD Actual	YTD Budget	YTD Variance
Internal Revenue	1,016.4	1,118.0	101.6 U
Total Strategy and Asset, (Capex + Opex projects):			104.4 U
Other US Division departments:			31.6 U
Flood Protection:			36.5 F
Corporate Advisory / Employment Relations:			9.7 F
Other miscellaneous unders and overs from ex-US Division departments:			11.8 U
Total Internal Revenue			101.6 U

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	796.9	826.2	29.3 F
Miscellaneous unders and overs reflecting lower staff levels for 6 months:			29.3 F

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	32.3	33.1	0.8 F
Miscellaneous unders and overs:			0.8 F

	YTD Actual	YTD Budget	YTD Variance
External Contractors	0.0	3.0	3.0 F
No rechargeable contractor resources used in the year to date:			3.0 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	5.6	2.8	2.8 U
Actual depreciation charge lower than budget:			3.9 F
Budgeted gain on sale of vehicle not realised due to replacement deferral:			6.7 U
Total Indirect Expenditure			2.8 U

Engineering Consultancy

Statement of Funding
For the Year Ended 30 June 2005

	30 Jun 04 $000's	30 Jun 05 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Operating activities	1,275.8	1,236.5
	1,275.8	1,236.5
Funds were applied to :		
Operating activities	(1,225.5)	(1,233.0)
Interest paid	-	-
	(1,225.5)	(1,233.0)
Net Funding from Operating Activities / Cash Operating Surplus	**50.3**	**3.4**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	-	3.3
Transfer from reserves	-	-
	-	3.3
Funds were applied to :		
Purchase of vehicles	-	-
Purchase of office equipment	-	-
Purchase of plant and equipment	-	-
	-	-
Net Funding from Investing Activities	**-**	**3.3**
Net Increase / (Decrease) in Funds Held	**50.3**	**6.8**

Laboratory Services

Manager's Commentary

Laboratory finances finished in the black, recording a small surplus of $2,300 for the 2004/05 financial year. The fourth quarterly result was perhaps a bit deflating after the optimism of the second and third quarters but there was no denying the relief at still being positive at the final whistle.

The single most significant factor affecting Laboratory's finances for the year was the standout 12.5% across-the-board increase in charges to our Utility Services clients. This was a step to restore the budget to ground zero in the wake of the subterranean $88K deficit of the previous year. The move was not perceived, or received, as being a charitable donation or a cosmetic distortion but as a realistic reward for services rendered.

Not surprisingly the amount of operating revenue generated for the year was appreciably higher than previously budgeted but, particularly pleasing, was the external revenue being up by a third. However, on the downside there was the corresponding increase in expenditure for work having to be subcontracted out. The adage that you have to spend money to make money could be applied but being internally under-resourced during the year also figured in this outcome!

At times the belt tightening meant that existing resources would be stretched and, indeed, it did result in equipment and personnel being pushed to the limit. Vehicle running and maintenance costs reflected this; staff movements resulted in a shortfall with respect to in-house expertise and capability. Personnel costs overall ended up looking reasonable, despite the considerable overtime hours worked.

There were staff movements in the final quarter but numbers remain effectively at six and a bit: five permanent, one under contract and a casual part-time employee.

The Laboratory Microbiologist resigned on Friday 13 May, upon deciding not to return after a period of recuperation. A fixed contract replacement has been appointed into this specialist position since year end.

We have engaged a Laboratory Field Officer on a Fixed Term Contract (March-September), though he has been substituting as a technician in the absence of the Microbiologist. Our previous part-time employee departed for greener fields and has been replaced, under the same 'casual' arrangement designated as Assistant Field Officer. During the course of this year we have had utilised, or entertained, various people from various walks under a variety of descriptions and arrangements whether to make up the sampling team or have a day out with Lab staff.

The Lab's annual IANZ surveillance assessment was carried out December 2004 and we were recommended for continued accreditation. Some conditions were set, and have since been met, regarding compliance with the terms of our standard ISO 17025. The title bestowed on key laboratory analysts has changed from Signatory (IANZ assessed) to Key Technical Person or KTP (internally assessed). We currently have only two KTPs to cover all the tests within the scope of our accreditation; we do not carry any spares!

CAPEX has been utilised in a number of instances to replace and improve laboratory assets. Our Laboratory Information Management System (LIMS), SampleManager™, purchased late last millennium was upgraded for the first time in March 2005 to the latest version SM 2004 R2 at a cost of $25K covering software and installation. Training was priced as an extra cost with new features demonstrated and opportunities explored, plus invoicing (IQM) and graphic quality control (SQC) modules evaluated. The total cost of the upgrade was approximately $40,000.

Latterly, we have purchased a new spectrophotometer, a Helios Gamma UV/Vis at a cost of $10,000, as a replacement for the instrument, purchased 1994, that recently went belly-up and was deemed beyond salvation.

Finally, we have purchased a new microscope, an Olympus Research model TRF with Fluorescence attachment for $30,000, literally to come into the 21st century with regard to *giardia/cryptosporidium* analysis.

In July 2005, we took delivery of a Ford Courier XLT 4WD as a replacement for the existing 1998 model Suzuki Vitara which had travelled in excess of 200,000kms.

We acknowledge the passage of some significant milestones at this point and look to a challenging future.

We have now completed the second of a three year Contract for Rivers SoE Sample Collection, 2003-2006, on behalf of the GW Divisions: Environment and Wairarapa.

We also completed the second of a three year contract for PCC, Porirua City Water Testing Programme, which expires 30 June 2006.

We completed testing on the Exide Technologies 2005 air monitoring programme contract during April-May-June. Despite an upward price review this year the contract was renewed on the strength of our present capability and past performance. The quantum of testing was increased by a third as the result of the client addressing environmental issues.

Laboratory Services

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
64.0	External Revenue	73.7	55.0	18.7 F	58.5	55.0
637.4	Internal Revenue	757.2	635.0	122.2 F	760.5	635.0
701.4	**Total Revenue**	**830.9**	**690.0**	**140.9 F**	**819.0**	**690.0**
371.4	Personnel Costs	383.0	384.5	1.5 F	370.0	384.5
137.9	Materials, Supplies & Services	131.6	105.7	25.8 U	130.0	105.7
27.6	Travel & Transport	36.8	22.8	14.0 U	32.0	22.8
55.8	Contractors & Consultants	81.4	41.5	39.9 U	64.0	41.5
43.9	Internal Contractors	46.5	40.2	6.3 U	46.2	40.2
636.6	**Total Direct Expenditure**	679.3	594.7	84.5 U	642.2	594.7
54.4	Depreciation	50.8	87.1	36.3 F	53.0	87.1
-	Loss / (Gain) on Sale	-	(5.0)	5.0 U	(5.0)	(5.0)
54.4	**Total Indirect Expenditure**	50.8	82.1	31.3 F	48.0	82.1
68.8	Net Corporate Overhead	68.6	68.6	0.0 F	68.6	68.6
30.0	Corporate Rent / Internal Charges	30.2	30.4	0.2 F	30.4	30.4
98.8	**Total Corporate Costs**	98.8	99.1	0.2 F	99.0	99.1
789.8	**Total Expenditure**	**828.9**	**775.9**	**53.0 U**	**789.2**	**775.9**
(88.4)	**Surplus / (Deficit)**	**2.1**	**(85.8)**	**87.9 F**	**29.8**	**(85.8)**
	Asset Acquisition & Disposal Summary					
37.1	Acquisitions	40.1	105.0	64.9 F	105.0	105.0
-	Disposals	-	(10.0)	10.0 U	(5.0)	(10.0)
37.1		40.1	95.0	54.9 F	100.0	95.0

Laboratory Services

Explanation of Material Variances
For the Year Ended 30 June 2005

	YTD Actual	YTD Budget	YTD Variance
External Revenue	73.7	55.0	18.7 F
Work for external clients higher than budget:			18.7 F

	YTD Actual	YTD Budget	YTD Variance
Internal Revenue	757.2	635.0	122.2 F
Work for Environment / Wairarapa Divisions about on budget:	63.7	65.9	2.2 U
Higher volume & price increases for Utility Services Div'n work:	693.5	569.1	124.4 F
Total Internal Revenue	757.2	635.0	122.2 F

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	383.0	384.5	1.5 F
Miscellaneous unders and overs:			1.5 F

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	131.6	105.7	25.9 U
More chemicals than budgeted used in jobs:			2.6 U
Miscellaneous unders and overs, primarily property costs 12.0 U:			23.3 U
Total Materials, Supplies & Services			25.9 U

	YTD Actual	YTD Budget	YTD Variance
Travel & Transport	36.8	22.8	14.0 U
Vehicle costs over budget:			14.0 U
Total Travel & Transport			14.0 U

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	81.4	41.5	39.9 U
Consultant costs for out sourced test work higher than budget:			39.4 U
Miscellaneous unders and overs:			0.5 U
Total External Contractors & Consultants			39.9 U

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	50.8	82.1	31.3 F
Actual depreciation charge lower than budget:			36.3 F
Gain on sale of vehicle not realised yet due to replacement deferral:			5.0 U
Total Indirect Expenditure			31.3 F

Laboratory Services

Statement of Funding

For the Year Ended 30 June 2005

	30 Jun 04 $000's	30 Jun 05 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Operating activities	701.4	830.9
	701.4	830.9
Funds were applied to :		
Operating activities	(735.4)	(778.1)
	(735.4)	(778.1)
Net Funding from Operating Activities / Cash Operating Surplus	**(34.0)**	**52.8**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	-	-
Transfer from reserves	-	-
	-	-
Funds were applied to :		
Purchase of vehicles	-	-
Purchase of furniture & fittings	-	-
Purchase of plant and equipment	(37.1)	(40.1)
Purchase of computer equipment	-	-
Purchase of structures	-	-
Transfers to Reserves	-	-
	(37.1)	(40.1)
Net Funding from Investing Activities	**(37.1)**	**(40.1)**
Net Increase / (Decrease) in Funds Held	**(71.1)**	**12.8**

Support Services

Support Services

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
720.5	Wholesale Water Levy	87.7	87.7	0.0	F	87.7	87.7
0.1	External Revenue	-	-	-		-	-
882.2	Internal Revenue	896.0	890.3	5.6	F	895.8	890.3
1,602.8	**Total Revenue**	**983.7**	**978.0**	**5.6**	**F**	**983.5**	**978.0**
566.3	Personnel Costs	603.7	597.2	6.5	U	620.0	597.2
44.7	Materials, Supplies & Services	38.8	46.1	7.2	F	40.0	46.1
13.0	Travel & Transport	13.6	16.3	2.8	F	13.0	16.3
(2.8)	Contractors & Consultants	0.4	20.0	19.6	F	2.0	20.0
-	Internal Contractors	0.4	4.5	4.1	F	0.4	4.5
621.2	**Total Direct Expenditure**	656.9	684.1	27.2	F	675.4	684.1
8.9	Depreciation	24.0	22.8	1.2	U	18.0	22.8
-	Loss / (Gain) on Sale	0.2	-	0.2	U	-	-
8.9	**Total Indirect Expenditure**	24.2	22.8	1.4	U	18.0	22.8
63.5	Net Corporate Overhead	74.3	74.3	-		74.3	74.3
518.4	Corporate Rent / Internal Charges	507.8	510.8	3.0	F	509.6	510.8
581.9	**Total Corporate Costs**	582.1	585.1	3.0	F	583.9	585.1
1,212.0	**Total Expenditure**	**1,263.3**	**1,292.0**	**28.7**	**F**	**1,277.3**	**1,292.0**
390.8	**Surplus / (Deficit)**	**(279.6)**	**(314.0)**	**34.4**	**F**	**(293.8)**	**(314.0)**
	Asset Acquisition & Disposal Summary						
-	Acquisitions	-	10.0	10.0	F	-	10.0
-	Disposals	-	-	-		-	-
-		-	10.0	10.0	F	-	10.0

Support Services

Explanation of Material Variances
For the Year Ended 30 June 2005

	YTD Actual	YTD Budget	YTD Variance
Total Revenue	983.7	978.0	5.7 F
Unbudgeted recovery from Transport / Wind Energy projects:			5.7 F

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	603.7	597.2	6.5 U
Miscellaneous unders and overs:			6.5 U

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	38.8	46.1	7.3 F
Miscellaneous unders and overs:			7.3 F

	YTD Actual	YTD Budget	YTD Variance
Travel & Transport	13.6	16.3	2.7 F
Vehicle, travel and accommodation costs lower than budget:			2.7 F

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	0.4	20.0	19.6 F
Minimal general consultants expenditure this financial year to date:			19.6 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	24.2	22.8	1.4 U
Actual depreciation higher than budgeted:			1.2 U
Unbudgeted minor asset write off charge:			0.2 U
Total Indirect Expenditure			1.4 U

Plantation Forestry

Manager's Commentary

Harvesting

This has been a fairly steady quarter aimed at meeting the market requirements and tidying up for planting after the forced alterations to the annual harvest plan caused by the recovery of wind throw. The two major disappointments of the quarter were the dollar remaining very strong against the greenback and the roading problems in Martins.

We succeeded in cleaning up Reservoir Ridge with the hauler crew Log 36, and were able to withdraw from Grattons. We were fortunate to firstly have access through Grattons at no cost other than the restoration of the road on completion and secondly after agreeing to cease logging when Gratton's began their own harvest, being able to overlap for three weeks to complete the block.

Log 4, the groundbased crew operated by Blair Marryatt, roadlined sufficient road length to enable the construction of three new skids. We have now withdrawn from Puketiro but can return at short notice with a minimum of three months work before further roading is necessary. Following this road lining, Log 4 completed the harvest of block 5/02 in Valley View.

Log 6 the eco-hauler crew spent the quarter in Martins in block 4/01. Unfortunately when the weather turned bad the area became a quagmire and access became difficult. We spent brief periods in other areas of Martins while road repairs were carried but in the end had to abandon the block until the weather improves. The experience reinforces the weather variation between Pakuratahi and Valley View. Although crews 6 and 36 were only about 2km apart, Log 6 were up to the vehicle hubs in mud and Log 36 were worried about the dust hazard!

Production for the quarter was 16,694 tonnes for $1,048,369 gross and $343,851 net at an average return of $20.60 per tonne.

Financial

Budgetted production was 16,638 tonnes for a gross income of $1,195,745. Production exceeded budget by 56 tonnes but income was some $147,376 short of budget (12%). The loss in income can be attributed to the need to harvest younger trees to meet market requirements and "tidying up" after the recovery of the windthrow. The consistently strong dollar reduced prices for export logs.

The average stumpage for the quarter was $20.60 per tonne with the lowest block being Reservoir Ridge at $16.35 and the highest a combined output from Harris South and Blowfly at $33.67.

Most cost categories were on or under budget for the quarter, the exceptions being IT charges related to Arcmap mapping software, transport relating to the purchase of tyres for both utility vehicles and consultants arising from additional inventory reviews in preparation for the new 2005-2009 harvest contract negotiations.

Roading

Roads were upgraded in BlowFly/Yard in conjunction with skid construction and roadlining. In the latter part of the quarter more and more maintenance was required on the access road into the Martins 4.01 block to the point where a decision was made to withdraw until summer. This was particularly disappointing as this area had been targeted as a "winter block" and the road had held up well through Autumn.

The access road into the Hukinga suffered considerable storm damage in February and while temporary repairs were made to allow the Karapoti Classic to take place substantive repairs had to wait until a supply of concrete blocks could be sourced. This was finally achieved in April and 50 blocks were delivered in June allowing the road to be repaired.

When we completed harvesting through Grattons we reinstated the road which required about 24 loads of metal sourced from the public quarry. The cost was $7,000 with the costs relating to grading still to come. Total expenditure on this road would have been less than $15,000 compared to a minimum of $100,000 had we been required to construct a road through our own land.

Other than these three areas only minimal routine road maintenance was required.

Silviculture

Both contractors have been unable to complete their allocated silvicultural task due to shortage of staff. Forest Developers and Management were to undertake pruning tasks needed to complete their blocks before Green Gold Contractors could start thinning. In the event it is not a problem as after spending a number of years recovering from deferred silviculture we had "over recovered" and were putting up blocks for silviculture marginally early and as a consequence parts of the block were having to be left as they didn't meet the minimum size specifications. This being the case we have decided to permit the silviculture to run over into the new year and only to put up two minor blocks as new work in the current year. This will allow the programme to get back "in step" by July 2006.

On paper there are 134.5 hectares remaining out of a total of 257.7.

2001 – 2005 Harvest Contract

At last the dollar is showing signs of falling and shipping costs are starting to drop from their unprecedented highs. From a peak of $50US the next ship due is costed at $35US. The cost and freight import price is dropping in Korea due in part to seasonal variations and in part to market substitution whereby the prices for radiata have reached parity with Russian Spruce at the time when the Russian ports have thawed and the shipping of logs begins for the season.

The future for exports will revolve predominantly around China supplemented by India with volumes into Korea reducing. Both China and India are hampered by a lack of infrastructure and less than optimal internal marketing systems but these will change relatively rapidly as demand increases. The other "good news" is the imposition of an "export levy" of 11% by the Russian Government on exported logs. All they have to do now is collect it!

It has been a difficult trying to juggle blocks with the upcoming contract but now a decision has been made in favour of Rayonier I can relax as it is no longer a problem.

2005 – 2009 Harvest Contract

Tenders were invited for contracts to harvest in both the Metro forests and the Reserve forests. Although the contracts were separate they were considered together to ensure the best outcome for Council as a whole. Tenders closed on 29 April and considerable time was spent verifying the supplied information both by institutional knowledge and cross comparison of tenders. At an early stage following consideration by the Forestry Management Group, a short list was created for each contract and the unsuccessful candidates advised that they had missed out. After further consideration and because there were issues over aspects of the bids received to date, the two most favoured bidders were requested to complete a tender schedule from which the final decision would be made.

The decision was to offer the harvest of Metro Forests to Rayonier New Zealand Ltd and for the Reserve Forests to Bawden Associates Ltd. These coincidentally were the incumbent contractor in each case.

The contracts are for a term of two years with two optional extensions of one year each. This will allow Council to opt out should a decision to sell cutting rights be taken. (Since altered to four year contract following the decision not to pursue the sale of cutting rights.)

Catchment Issues

The damage caused by the April weather event to the walking track in the Orongorongos has now been remedied with Phil driving a hired digger and Brad Connolly assisting. Both the road and track are now usable on a full time basis.

Unfortunately we missed a weather window for the 1080 drop in the Wainuiomata/Orongorongo catchments. As is usual the forecast was rain but the sun shone every day.

The latest extension to the catchment fence has now been completed and planning has commenced for the next length.

Two successful walking tours were held in May which completes the tour programme for the 2004/05 year. The final tour attracted only 10 walkers which suggests that the current level of demand is being met with the present programme. The next tour is scheduled for October.

Incidents of trespass and vandalism still occur on a regular basis.

Track cutting for the Mainland Island project continues. When completed there will be about 82km of tracks.

The roar hunt accounted for 13 deer, 3 goats and 9 pigs. A recent report from the professional hunters suggests that goats are now difficult to find except on the boundary with DOC where new stock enter the area. This infiltration means that we will have to continue the present hunting programme.

Landcare Rangers have come across signs of new possum activity while carrying out fruit fall plots in the Hutt Catchment. The 1080 drop in 2003/4 was successful in terms of weather and it was anticipated that numbers would be suppressed for up to 5 years. This situation will be monitored with a view to bringing forward the next possum operation should numbers increase above a 5% trap catch level.

Cloud Nine are using the area around the Morton dam at Wainuionata to film a number of episode of “The Tribe”. Initially there were problems over the conditions relating to filming – the film makers ignored them! After a meaningful discussion with Peter O’Brien hopefully both sides are now clear about the terms of occupation.

Plantation Forestry

Statement of Financial Performance
For the Year Ended 30 June 2005

30 Jun 04 Actual $000's		30 Jun 05 Actual $000's	30 Jun 05 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
2.7	Reserve Interest	2.6	2.6	0.0	F	2.6	2.6
3,777.2	External Revenue	3,877.5	4,783.5	906.0	U	3,900.4	4,783.5
16.7	Internal Revenue	13.3	-	13.3	F	14.5	-
3,796.6	**Total Revenue**	**3,893.4**	**4,786.1**	**892.7**	**U**	**3,917.5**	**4,786.1**
228.8	Personnel Costs	244.6	273.1	28.4	F	240.0	273.1
70.8	Materials, Supplies & Services	83.8	89.2	5.4	F	100.0	89.2
21.5	Travel & Transport	17.9	20.4	2.5	F	15.0	20.4
2,574.2	Contractors & Consultants	2,752.3	3,303.8	551.5	F	2,833.0	3,303.8
65.1	Internal Contractors	62.6	67.2	4.6	F	66.2	67.2
2,960.4	**Total Direct Expenditure**	3,161.2	3,753.7	592.5	F	3,254.2	3,753.7
854.5	Financial Costs	882.1	914.8	32.7	F	880.0	914.8
61.0	Depreciation	60.5	65.8	5.4	F	61.0	65.8
(11.4)	Loss / (Gain) on Sale	-	-	-		-	-
904.1	**Total Indirect Expenditure**	942.6	980.6	38.0	F	941.0	980.6
80.7	Net Corporate Overhead	69.6	69.6	0.0	F	69.6	69.6
21.5	Corporate Rent / Internal Charges	21.8	20.7	1.1	U	20.8	20.7
102.2	**Total Corporate Costs**	91.4	90.3	1.1	U	90.4	90.3
3,966.7	**Total Expenditure**	**4,195.2**	**4,824.6**	**629.4**	**F**	**4,285.6**	**4,824.6**
(170.1)	**Surplus / (Deficit)**	**(301.8)**	**(38.5)**	**263.3**	**U**	**(368.1)**	**(38.5)**
	Capital Expenditure						
	Asset Acquisition & Disposal Summary						
31.0	Acquisitions	-	-	-		-	-
(15.3)	Disposals	-	-	-		-	-
15.7		-	-	-		-	-
134.6	Capital Projects	276.9	209.4	67.5	U	246.0	209.4

Explanation of Material Variances
For the Year Ended 30 June 2005

	YTD Actual	YTD Budget	YTD Variance
Total Revenue	3,893.4	4,786.1	892.7 U
Returns from the current harvest contracts are below budget, primarily due to ongoing depressed market conditions and the strength of $ NZ:			906.9 U
Unbudgeted Barry Leonard cost recoveries from Transport Division:			13.3 F
Miscellaneous unders and overs:			0.9 F
Total Revenue			892.7 U

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	244.6	273.1	28.5 F
Actual use of temporary staff less than budget:			15.0 F
Actual overtime payments less than budget:			14.2 F
Miscellaneous unders and overs:			0.7 U
			28.5 F

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	83.8	89.2	5.4 F
No chemicals purchased this year to date:			15.0 F
Miscellaneous unders and overs:			9.6 U
Total Materials, Supplies & Services			5.4 F

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	2,752.3	3,303.8	551.5 F
Lower than budgeted harvest costs correlating to the reduced revenue returns and slower production due to windthrow:			554.4 F
Increased use of consultants to provide Marvl stand analysis:			2.9 U
Total Contractors & Consultants			551.5 F

	YTD Actual	YTD Budget	YTD Variance
Internal Contractors	62.6	67.2	4.6 F
Engineering Consultancy:			3.0 F
Miscellaneous unders and overs:			1.6 F
Total Internal Contractors			4.6 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	942.6	980.6	38.0 F
Actual depreciation less than budget:			5.4 F
Financial costs less than budget:			32.6 F
Total Indirect Expenditure			38.0 F

Log Harvest	Actual Volume (tonnes)	Budget Volume (tonnes)	Actual Revenue $000's	Budget Revenue $000's
1 July to 30 September 2004	15,337	16,638	991,398	1,195,745
1 October to 31 December 2004	16,644	16,638	1,008,206	1,195,745
1 January to 31 March 2005	13,298	16,638	828,086	1,195,745
1 April to 30 June 2005	16,694	16,638	1,048,369	1,195,745
Total Year 200405	**61,973**	**66,552**	**3,876,059**	**4,782,980**
1 July to 30 September 2003	14,651	14,100	944,120	1,111,320
1 October to 31 December 2003	13,174	14,100	932,901	1,111,320
1 January to 31 March 2004	13,134	14,100	824,789	1,111,320
1 April to 30 June 2004	15,198	14,100	1,047,699	1,111,320
Total Year 200304	**56,157**	**56,400**	**3,749,509**	**4,445,280**

Silviculture Payments *	2003/04 Actual (Note 1)	2004/05 Actual (Note 2)	2004/05 Budget (Note 3)
July	-	3,276	10,507
August	11,550	2,048	10,507
September	16,674	2,048	10,507
October	28,693	2,048	10,507
November	9,529	5,933	10,507
December	3,754	1,700	10,507
January	8,840	3,237	10,507
February	5,130	6,475	10,507
March	④	-	10,507
April	-	7,187	10,507
May	-	1,024	10,507
June	-	23,132	10,507
YTD	**84,170**	**58,108**	**126,084**

* Relates to contracted thinning and pruning only.

Note 1: Includes some 2002/03 payments that were accrued. The values are stated on a 'cash' basis.

Note 2: Includes some 2003/04 payments that were accrued. The values are stated on a 'cash' basis.

Note 3: The 2004/05 budget figures represent a silviculture contract value for the full year of $126,090.

④ All silviculture completed by March 2004

Plantation Forestry

Statement of Financial Performance for Financial / Admin, Logging & Maintenance
For the Year Ended 30 June 2005

	Fin'l / Admin ($000's)	*Logging* ($000's)	*Maintenance* ($000's)	*Total* ($000's)
Total Revenue	17.3	3,876.1	-	3,893.4
Personnel Costs	197.3	30.6	16.7	244.6
Materials, Supplies & Services	68.0	13.0	2.8	83.8
Travel & Transport	17.9	-	-	17.9
Contractors & Consultants	37.2	2,656.4	58.7	2,752.3
Internal Contractors	83.4	1.0	-	84.4
Total Direct Expenditure	403.8	2,701.0	78.2	3,183.0
Financial Costs (excl. FEL)	565.0	-	-	565.0
Forestry Encouragement Loan Costs	317.1	-	-	317.1
Depreciation	60.5	-	-	60.5
Loss / (Gain) on Sale	-	-	-	-
Corporate Overhead	69.6	-	-	69.6
Total Indirect Expenditure	1,012.2	-	-	1,012.2
Total Expenditure	1,416.0	2,701.0	78.2	4,195.2
Operating Surplus / (Deficit)	(1,398.7)	1,175.1	(78.2)	(301.8)

60

Plantation Forestry

Statement of Financial Position

As at 30 June 2005

30 Jun 04 $000's		30 Jun 05 $000's
	EQUITY	
3,914.9	Retained Earnings	3,613.1
3,361.4	Asset Revaluation Reserve	3,361.4
50.0	Departmental Reserve	50.0
7,326.3	**Total Equity**	**7,024.5**
	Represented By:	
	ASSETS	
	Current Assets	
29.3	Receivables	-
-	Accrued Revenue	-
150.8	Treasury Receivables	165.9
180.1	**Total Current Assets**	165.9
	Investments	
50.0	Reserve Investments	50.0
9,999.2	Investment in Plantation Forests	10,159.2
10,049.2	**Total Investments**	10,209.2
352.7	**Capital Work In Progress**	245.1
	Fixed Assets	
9,321.5	Cost or Valuation	9,706.2
(76.0)	less: Accumulated Depreciation	(136.5)
9,245.5	**Total Fixed Assets**	9,569.7
19,827.5	**Total Assets**	**20,189.9**
	LIABILITIES	
	Current Liabilities	
134.1	Creditors	119.6
45.9	Employee Provisions	46.3
-	Treasury Payables	-
180.0	**Total Current Liabilities**	165.9
12,321.2	**Public Debt**	12,999.5
12,501.2	**Total Liabilities**	**13,165.4**
7,326.3	**Net Assets**	**7,024.5**

Plantation Forestry

Statement of Funding

For the Year Ended 30 June 2005

	30 Jun 04 $000's	30 Jun 05 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Operating activities	3,793.9	3,890.8
Interest received	2.7	2.6
	3,796.6	3,893.4
Funds were applied to :		
Operating activities	(3,062.5)	(3,252.6)
Interest paid	(511.0)	(538.6)
Interest paid on Forestry Encouragement Loans	(343.5)	(343.5)
	(3,917.0)	(4,134.7)
Net Funding from Operating Activities / Cash Operating Surplus	**(120.4)**	**(241.3)**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	15.3	-
Transfer from reserves	2.7	2.6
	18.0	2.6
Funds were applied to :		
Purchase of vehicles	(31.0)	-
Purchase of office equipment	-	-
Capital projects	(134.6)	(276.9)
Investment additions (Silviculture costs)	(184.2)	(160.0)
Transfer to reserves (incl interest)	(2.7)	(2.6)
	(352.5)	(439.5)
Net Funding from Investing Activities	**(334.5)**	**(436.9)**
FUNDING FROM FINANCING ACTIVITIES		
Funds were provided from:		
New loans	1,630.7	1,765.1
	1,630.7	1,765.1
Funds were applied to :		
Debt repayment	(1,175.8)	(1,086.8)
	(1,175.8)	(1,086.8)
Net Funding from Financing Activities	**454.9**	**678.3**
Net Increase / (Decrease) in Funds Held	**0.0**	**(0.0)**