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Utility Services Committee Meeting
Tuesday, 9 September 2004

Utility Services Division

Annual Review

for

Greater Wellington Water and Plantation Forestry

For the Year Ended 30 June 2004

Contents

The Water Group

Plantation Forestry

Divisional Manager's Report

1. A Review of the 2003/4 Year

1.1 An Overview

From the perspective of Greater Wellington Water (GW Water), we have had a pretty routine year on the face of it. However, you do not have to scratch too deep to find a lot has happened and overall pretty successfully. Plenty of positives but also a few negatives. Certainly I think the successes more than outweigh the failures and disappointments. Once again financially a very good year and the capital programme also went well. Performance continues to improve and costs were held.

The Forestry year overall was pretty good comparatively, with the second half of the financial year better than the first. We controlled costs - particularly roading - much better this year and really pretty much held our own given a very volatile market and a strong New Zealand dollar. Consequently, you certainly know you are in a commodity business.

1.2 GW Water

While supplying water tends to be a pretty routine and hopefully an uneventful activity, generally I think that it is because of the people we have and the systems in place which ensures this is the case. It may be trite to say it but I think our people do make the difference. I believe we do have an excellent mix of versatile innovative people, many of whom also have good, solid engineering skills sets. Certainly our June Quarterly Review report details a pretty successful year on most fronts. For the record, I have listed below a number of less routine activities and issues that occurred during the past 12 months.

1.2.1 Highlights and Issues

- The 1080 drop in the Hutt Catchment in July meant Te Marua Water Treatment Plant (WTP) could only run off lake water for about six weeks. This had a significant impact on electricity costs by having to pump from the lake and more extensive use of Waterloo WTP.
- Considerable staff assistance provided during, and subsequent to, the Masterton District Council *Cryptosporidiurn* outbreak. This has led to the formation of a management contract for us to run their WTP. This should be formalised over the next couple of months.
- Full accreditation of ISO 9000:2000 finally achieved in December 2003.
- The proposed new CBD reservoir project with Wellington City Council and Capital and Coast Health advanced significantly.
- Considerable staff involvement in development of new national Drinking-Water Standards. Uncertainty as to where these will finish up has made it hard to plan optimisation strategies.
- Staff involvement in the new Health and Safety Advisory Group. Also the *Utility Services Division Health and Safety Plan* was reviewed and updated.
- Successful completion of a new updated GW Water Asset Management Plan and the water infrastructure asset revaluation exercise. This involved the re-valuing of approximately 5,000 assets.
- Disappointing loss of environmental testing contract. A subsequent review resulted in a decision to retain our own laboratory but significant costs will have to be absorbed solely within GW Water.

- Significant population increase in metropolitan Wellington was revealed by Statistics New Zealand. This has meant that we need to signal possible earlier augmentation to the system. This in turn has kindled our desire to encourage increased water conservation. This is probably the main new strategic issue to have arisen this year.
- No change made to next year's bulk water levy. This is the eighth year that the bulk water levy has either gone down or not changed.
- Operations staff have begun to assess the Reliability Control Maintenance (RCM) approach to planned maintenance. The RCM system is based on that used in the commercial aviation industry and has been used by various other industries throughout the world for over 30 years. This will hopefully produce a more cost effective and robust planned maintenance programme.
- Security upgrade completed at the treatment plants, pumping stations and reservoirs.
- Te Marua WTP high flow capability confirmed.
- Decommissioning of the Lower Dam at the Wainuiomata WTP will allow a wetland to develop.
- The potential new water supply pipeline to Kapiti is very much on the back burner, with Kapiti Coast District Council electing to proceed with a bore option.
- The severe storm in February tested the water supply infrastructure and major damage occurred to the centre pier of the road bridge leading to Wainuiomata WTP and damage to the watermain between the Wainuiomata River Intake and the WTP. Other asset damage was relatively minor.
- An initiative with Capacity to look at the possibility of jointly developing control systems.
- A report by the Wellington Metropolitan Emergency Water Supply Group (convened by John Morrison), produced the Mitigation and Preparedness Strategy and Action Plan, and this was received by Utility Services Committee in October 2003. Various other initiatives have been progressed since and these include:
  - Review of appropriate methods of treating water from local water sources, including preparation of a discussion paper.
  - Consideration of options for making larger personal storage containers (e.g. 10 litre plastic containers) more readily available to the public.
  - Public display of the issues and solutions for emergency water storage and distribution at the earthquake awareness weekend held at Te Papa over Easter.
  - A survey of the level of emergency water supply held by residential care facilities in Wellington City (undertaken by WEMO).

  These initiatives have largely focused on raising the awareness of the public and operators of key facilities of the need to be better prepared regarding water arrangements following a major earthquake. This was an aspect that had not received significant attention in the past.
- Considerable contributions made by Murray Kennedy and Barry Leonard to the development of a better urban rail service for Wellington. Murray also led the Councils renewable energy initiative.

- The section in the Building Bill concerning dams was poorly written. A contribution was made to the Council's submission to Parliament and it is pleasing to report that most of the points submitted by GWRC have been adopted in their revised Bill.

1.2.2 Financial Results

- An operating surplus before extraordinary items of $2.1M which is $1.7M ahead of budget, before the estimated annual asset write-off charge of $1.1M is incurred.
- Total operating expenditure $232,000 less than last year and $4.8M less than that incurred in the year to 30 June 1997.
- Debt at **30** June 2004 is $45.8M, which is $26M and $2.3M less than that at 30 June 1997 and 2003 respectively.
- Self-insurance fund balance has reached $6.9M at 30 June 2004.
- The capital programme went well this year.

1.3 Plantation Forestry

As mentioned beforehand, another tough year, which turned out pretty well in the end. After a very disappointing year (2002/3) we concentrated on a strategy of trying, where possible, to move with the markets, the key being agility and a preparedness to act quickly. We were greatly aided in this by our harvesting crews being very receptive to changing circumstances and Rayonier keeping us informed of market changes. The other key area we managed much better this year was roading expenditure. The year saw just about every variable in the business going against us. This, coupled with stop/start demand both domestically and export-wise, made life very difficult. To produce a result that only saw the 30 June 2004 debt balance actual exceed the budget by $100,000 (excluding dividends) was, in my view, an excellent result.

Financial Results

- Operating deficit $170,000.
- Debt has reached $12.5M at 30 June 2004, which is an increase of $600,000 on last year. However if the annual proposed dividend of $150,000 is waived then debt would only increase by $450,000, year on year.
- $1,264,000 net cash flow generated from harvesting operations.
- $71,000 spent on existing road maintenance and $135,000 on new roads to facilitate future harvesting operations.

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 Wafer 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

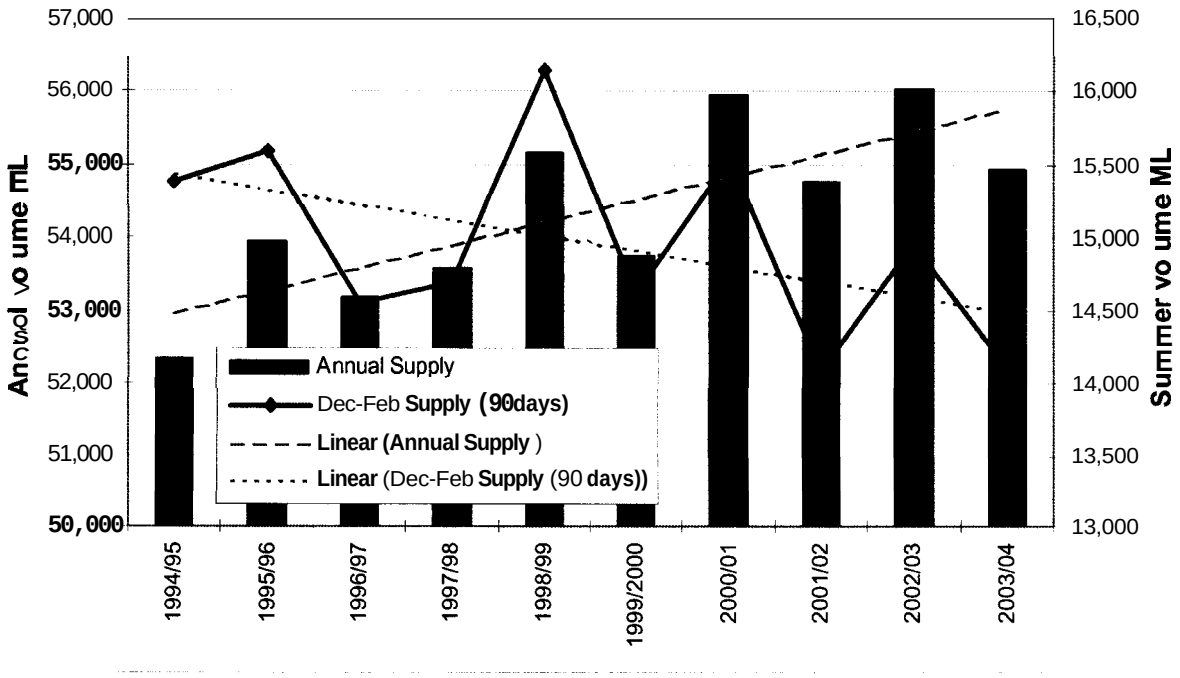
	Result – year	Comment
Security of supply	No issues	**All** customer demand met
Source levels/flows	No issues	January and February much wetter than normal. High rainfall and modest levels of demand during summer resulted in no source water volume issues
Water treated	Within normal volume range	54,972 ML - 1.7% less than the median annual treated volume between 1997/98 and 2002/03
Water supplied to customers	Within normal volume range	54,935 ML – equal to the median annual supplied volume between 1997198 and 2002103
Distribution efficiency	99.9%	The difference between treated and supplied volume has been less than the margin of error for our meters (+/- 1.0%) since June 2000
Average supply	150 ML/day	Median average day 1997/98 to 2002/03 was 150.6 ML
Maximum day supply	187 ML/day	Maximum day 1997/98 to 2002/3 was 214 ML

Greater Wellington Water Excluding Intragroup Revenues / Costs
As at 30 June 2004

	Actual June99 $'000	Actual June00 $'000	Actual June01 $'000	Actual June02 $'000	Actual June03 $'000	Actual 30 Jun 04 $'000	Budget 30 Jun 04 $'000
OPERATING **REVENUE**							
Bulk Water Levy	25,218	24,210	23,241	22,777	22,777	22,776	22,777
Internal Revenue	743	716	687	744	374	264	325
Other	1,442	1,280	1,324	916	853	804	990
Total Operating Revenue	27,403	26,206	25,252	24,437	24,004	23,844	24,092
OPERATING EXPENDITURE							
Personnel	3,357	3,570	3,631	3,476	3,441	3,499	3,684
Power	1,533	1,853	1,665	1,642	1,866	2,019	1,961
Chemicals	1,644	1,452	1,383	1,590	1,627	1,593	1,724
Rates	239	246	222	202	1,051	1,283	1,442
Insurance	285	297	320	339	632	733	859
Other Materials, Supplies & Services	1,246	1,335	1,383	887	880	791	1,111
Contractors & Consultants	1,901	1,666	1,687	1,438	1,316	1,038	1,332
Travel & Transport	185	163	172	167	155	165	162
Internal Contractors	577	692	716	699	671	529	674
Movement in Doubtful Debt Provision	(17)	5		(1)	(1)	(1)	
Loss / (Gain) on Sale of Assets	(20)	(67)	(14)	(44)	190	(18)	223
Direct Expenditure	10,929	11,212	11,165	10,397	11,828	11,632	13,172
Financial Costs	6,166	5,399	4,943	4,497	3,794	3,674	3,829
Depreciation	4,335	5,009	5,117	5,320	5,347	5,346	5,638
Corporate Overhead	616	731	766	767	816	892	892
Corporate Rent	317	320	320	318	218	226	226
Indirect Expenditure	11,434	11,459	11,146	10,901	10,174	10,138	10,585
Total Operating Expenditure	22,363	22,671	22,311	21,298	22,003	21,770	23,757
Surplus before Abnormals	5.040	**3.534**	2.941	3.139	2.001	2.074	**335**
Abnormal Items							
Karori Land Asset Write Down	(1,590)	-	-	-	-	-	-
Distribution Stock Write Up	1,111	-	132	-	-	-	-
Interest - Buy Back of Debt	(455)	-	-	-	-	-	-
Petone De-fluoridation	-	-	205	-	-	-	-
Wainui Pipeline Easement	-	-	-	500	-	-	-
Infrastructure Asset W/o - 1999/2002	-	-	-	(307)	-	-	-
Surplus after Abnormals	**4,106**	**3,534**	**3,278**	**3,332**	**2,001**	**2,074**	335

Total Water Supply Trend

The annual water supply total varies from year to year, primarily dependent on weather conditions during summer and the resulting requirement for watering gardens. While annual water supply volumes are gradually increasing in line with population growth (see below), total water use during summer shows a slowly decreasing trend over the last decade.



Population Served Estimate at "High Growth" Level

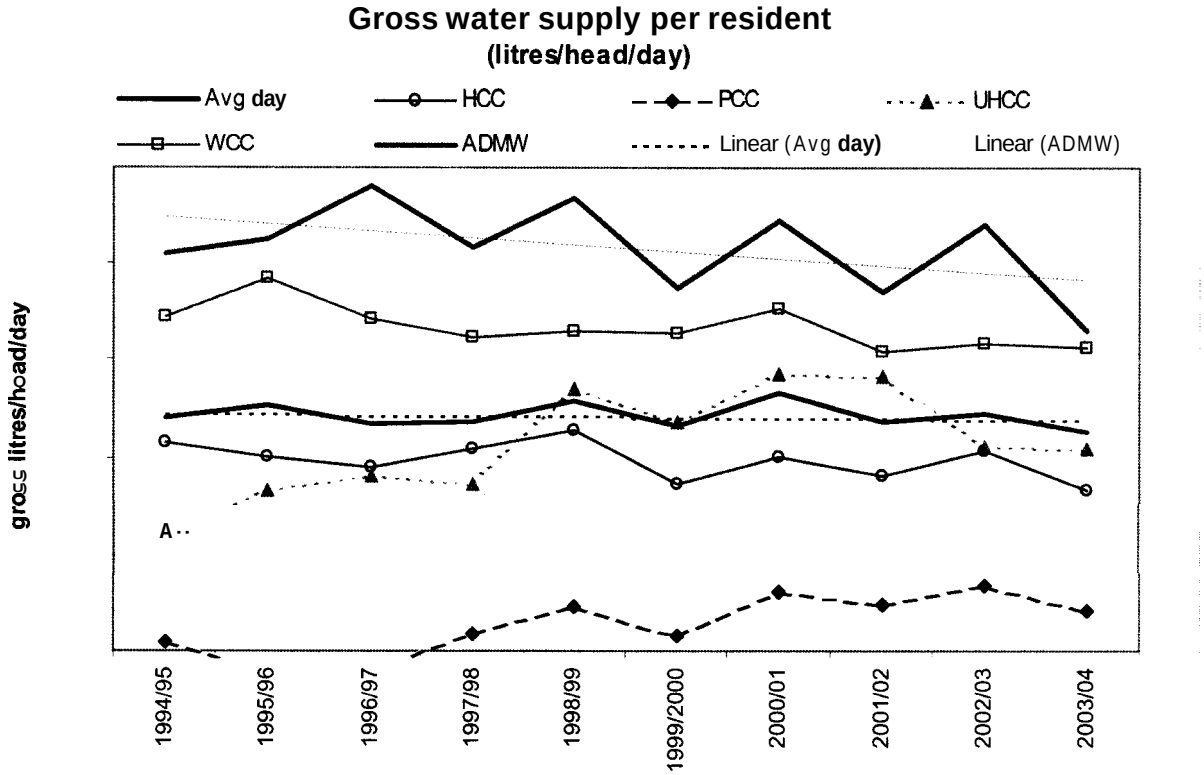
The latest Statistics NZ estimate for usually resident population (to 30 June 2003) is 363,400 for the urban area that we supply: an increase of over 20,000 from the 2001 Census. Population growth is close to the 'high growth' projection from our current population estimates (based on the Statistics NZ data). Our system is designed to provide a population of up to 377,000 to a 1 in 50-year security of supply standard. Our planning is based on the medium (most likely) projected population growth. Actual growth currently exceeds the medium projection. If the population growth continues at the 'high growth' level we may not achieve our security of supply standard as early as 2007. We have alerted our Territorial Authority customers to this situation and will continue to monitor population change.

Per Capita Water Use Trend

The following graph shows average annual and average of peak week water use trend, per resident, for the last 10 years (heavy lines). The average annual figure for each city is also shown (lighter lines).

Over this period, the total annual volume of metered water supply to our customers has increased by an average of 0.6 percent per year, while the estimated usually resident population has increased by 6.4 percent: an average of 0.7 percent annually. This essentially means that gross annual water supply, per resident, over the period is unchanged (average decrease of 0.2 percent per year).

Analysis of the average day water supply volume during the maximum supply week (ADMW) in each of the last years shows almost no change. However, when calculated relative to the usually resident population, maximum week supply per capita has reduced by an average of percent annually since



Populations for to estimated at the end of each financial year (30 June) by Statistics NZ. Population for June estimated as unchanged from June Population for June estimated from straight-line growth between Census night and June

Water Shortage Early Warning Project

We have taken the first steps to try and identify whether there are key climatic indicators that would provide a more systematic and reliable approach to giving early warning of an impending water shortage. Greater Wellington has commissioned NIWA to undertake this project but work had not started at year-end. It is envisaged that a stepped demand management programme of public information and increasing restrictions on irrigation of gardens and other outdoor hosing would eventually be linked to the output of this project. We anticipate the model being ready for first use during summer

Stuart Macaskill Storage Lakes – Te Marua

Lake Two, representing around percent of the total storage capacity of the two lakes, was emptied in April for cleaning and a maintenance inspection. The lake will be back in service prior to next summer.

Water Quality

	Result for Qtr	Comment
Microbiological compliance (DWSNZ) - treatment plants	Complied	Treatment plant records show full compliance for the quarter. Compliance with the DWSNZ is assessed on a calendar year basis by Regional Public Health. Compliance was achieved for the year.
Microbiological compliance (DWSNZ) - distribution system	Complied	No *E.coli* detected from samples during the June quarter, or in the compliance year to date. Compliance was achieved for the year.

Chemical compliance (DWSNZ) – treatment plants	Complied	Percentage compliance for the June quarter with the MoH guideline for optimum fluoride level for dental health were: Te Marua 100% Wainuiomata 90%, Waterloo 100% and Gear Island 97%. All treatment plants complied with the fluoride content requirements of the DWSNZ for the 2004 compliance-year to date and for the 2003 compliance year.
Raw water quality	Minor Issues	During the quarter *Giardia* and *Cryptosporidium* numbers greater than 10 per 100 litres were recorded at the Wainuiomata WTP inlet on three occasions (see detail below). Lake Two at Te Marua was drained to reduce algae counts. There were no other raw water quality issues during the 2003/04 financial year.
Quality Management System	ISO 9001:2000 certification maintained	Work to upgrade to ISO 9000/2000 (greater customer focus) completed in December quarter. No substantive issues regarding QMS targets, apart from achieving an A I grading for Gear Island treatment plant by 30 June 2004 (detail below).

DWSNZ = Drinking Water Standards for New Zealand (2000)

Wainuiomata Raw Water

On **26** April and 15 May 2004 both *Cryptosporidium* and *Giardia* numbers exceeded 10 per 100 litres, and on 17 May 2004 the number of *Cryptosporidium* oocysts exceeded 10 per 100 litres in samples taken from the inlet to the Wainuiomata treatment plant. While these numbers are a little higher than usual they are not cause for immediate concern.

Gear Island Grading

The current review of the DWSNZ is considering different turbidity criteria for effective chlorination of water in treatment plants, bulk distribution zones and reticulation zones. It is not yet clear how these changed requirement might apply to Gear Island WTP, since primary disinfection is achieved at both Waterloo WTP and Wainuiomata WTP, the plants that supply the water which is chlorinated at Gear Island. Given these circumstances, and the current B grading of the plant, a re-grading was not sought.

Customer Matters

Water Aggressiveness – Joint Approach

New water aggressiveness testing standards contained in draft DWSNZ (2005) may not yield results that are representative of the water that consumers in our supply region receive. This view **is** shared with our customers and has been conveyed to the Ministry of Health. The Ministry of Health has decided in recent months to issue a general nation-wide statement to the effect that all drinking water should be considered potentially aggressive and a small quantity flushed to waste each morning before drinking the water. We are comfortable with this approach in general, but remain somewhat concerned about the possibility of such a statement creating unfounded concern among water consumers.

Water Supply Agreement − Discussions Ongoing

We are currently investigating a formal service agreement with our customers. This will principally cover standards for quality and quantity of water supplied. We have proposed that the quality requirements be the same as those for compliance with the DWSNZ. **A** proposal regarding a maximum supply volume for each reservoir under normal circumstances has been sent to each customer for their consideration discussion. We are waiting for comment on both water quality and quantity proposals.

New Storage, Wellington South – Discussions 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. Work is progressing on developing a proposal with WCC. At present the focus is on obtaining the best site and resolving operational issues. This is expected to take until sometime in September 2004.

Shared Telemetry Being Investigated

We are exploring, with Capacity (the water management entity for Wellington and Hutt City Councils), whether there would be worthwhile benefits from sharing a single telemetry system.

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 the Ministry of Health's draft Drinking Water Standards (2005) and the Ministry for the Environment's proposed Environmental Standard for Raw Drinking Water Sources.

We have been working with Watercare Services Limited on a joint approach to submissions on both the draft Drinking Water Standards (2005) and the proposed Environmental Standard for Raw Drinking Water Sources. This work is ongoing.

We are in discussions with Masterton District Council about a management contract to operate Masterton's WTP. Progress is being made. It seems likely that a contract will be finalised in August or September this year.

Media, Promotion, Brand Issues

Coverage in Media

During 2003/04 media releases were made in relation to a possum control operation in the Hutt water collection area (3); the safety of Wellington's water (following Masterton's *Cryptosporidiurn* outbreak); closure of the Gear Island public tap; the new bridge pipeline at Paremata, emptying Lake Two at Te Marua for cleaning; and high population growth putting pressure on security of supply.

The releases covering the Paremata bridge pipeline and high population growth received widespread coverage, as did an independent article about plans by public health officials to issue a national warning about the potential effects of aggressive water supplies on plumbing fittings.

The Council's *'Be the Difference'* campaign about water quality and conservation was launched in March. There has been no feedback specific to the potable water conservation component of the programme to date.

Public Contact

Over 1,300 Visitors to Water Treatment Plants

Twenty six guided tours to either our Te Marua or Wainuiomata WTPs– involving 825 people. A further **13** visits (508 people) resulted from Landcare's guided walking programme in the Wainuiomata and Orongorongo water catchment areas. Total visitor numbers for the year to 30 June were around 1,300, a similar number to that in 2002/03.

Visitor Feedback Good

Feedback forms are provided to all visiting groups that take a guided tour. Twenty six tours were arranged. Feedback was received for fourteen of them. Where feedback was received, all aspects of the tours were typically rated as either '4' or **'5'** out of five (where 5 is excellent and 1 is poor). Several improvement suggestions were made and these will be considered as part of a wider review of tour content planned for later in 2004.

Regional Education Guide Listing

Our WTP tours were re-listed in The Wellington Education Guide (2004), 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)	Higher than previous two years	24 incidents during the year **(9** for the 4th quarter) giving an incident rate of 40.7 per 100 workers or 3.4 per month. Incident rates for the last three financial years were 36.3, 25.3 and 43.2 respectively.
Frequency rate (incidents per 10,000 hours)	Higher than previous two years	Frequency rate averaged 2.2 per month for the year. Frequency rates for the last three financial years were 2.1, 1.3 and 2.4 respectively.
Severity rate (days **lost** per 10,000 hours)	Lower than 2002/03	Thirteen days **lost** to injury for the full year (10 for the fourth quarter), giving an annual severity rate of 1.3. Severity rates for the last three financial years were 5.2, **0.9** and **8.8** respectively.
Staff numbers	**58**	At 30 June 2004

Data has now been gathered in this format for four years. While the incident and frequency rates are high, relative to our historic record, the severity rate is low. Most incidents are fairly minor and related to cuts, bruises, strains and sprains that require little if any time off work.

Training

The total training hours for the year was 2,477, or 44 hours per fulltime employee. The full-year result for the 2002/03 financial year was 32 hours per fulltime employee. The data record prior to 2002/03 is not thought to be complete.

Actual expenditure on training, seminars and conferences for the financial year was 2.0% of total personnel costs. The 2003104 budget provided for 2.8% of total personnel costs. Actual expenditure for each of the last two financial years was 1.3% of personnel costs.

Other

Nothing significant to report.

Results - Environmental

Water-take

	Result for Qtr	Comment
Water-take	No issues	58,239 ML taken from water sources for treatment during the year: 4.2% less than for 2002/03 Median water-take last 10 years was 57,930 ML.
Production efficiency	95.8%	4.2% 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)
Water-take consents	Complied	Minor technical issues regarding recording of river flows when Kaitoke weir scours are open and two spurious readings. 11 consents held. No change to consent numbers during the quarter.
Land Use consents	Complied	No change in consent numbers during the quarter.
Environmental Management System	ISO 14001 certification maintained	A report has been prepared on the options available for the Lower Wainuiomata Dam (details below)

Lower Wainuiomata Dam

This dam dates from 1884 and has not been used for water supply for many years. Its safety has been reviewed by expert consultants and various options developed for its management that are sustainable in the long term. These options have been considered by the Utility Services Committee and will also be considered by the Landcare Committee.

Unaccounted-For Water-Take (UFW) Reduced

We have started to record the volume of water overflowed from the Stuart Macaskill Lakes back to the Hutt River, as part of the circulation process that assists with maintaining the quality of the lake water. 2,741 million litres were discharged back to the Hutt River during the year: 1,790 million litres or 65% of this total was due to Lake Two being drained during April and May for cleaning and a maintenance inspection. The remaining overflow represents 1.6% of water-take. Overflow was previously an unquantified part of the UFW volume. UFW (including overflow) was 6.4% for 2002/03 and **5.3%** for 2001/02

Inputs

The power and chemical efficiency figures for the year look reasonable (in consideration of the variables noted below the table), when compared to the previous three years.

	Result for Qtr	Comment
Electricity Use (kWh/ML)	Within normal expectation	359 kWh/ML for the year. Last three years were 339 (2002/03), 340 (2001/02) and **365** (2000/01).
Chemical Use (kg/ML)	Within normal expectation	77 kg/ML for the year. Last three years were 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. Chemical use efficiency is influenced by share of total production from these plants and the condition of the river water to be treated.

In general, efficiency in both power and chemical use increases for individual treatment plants as the volume of water treated at each site increases.

Power Use

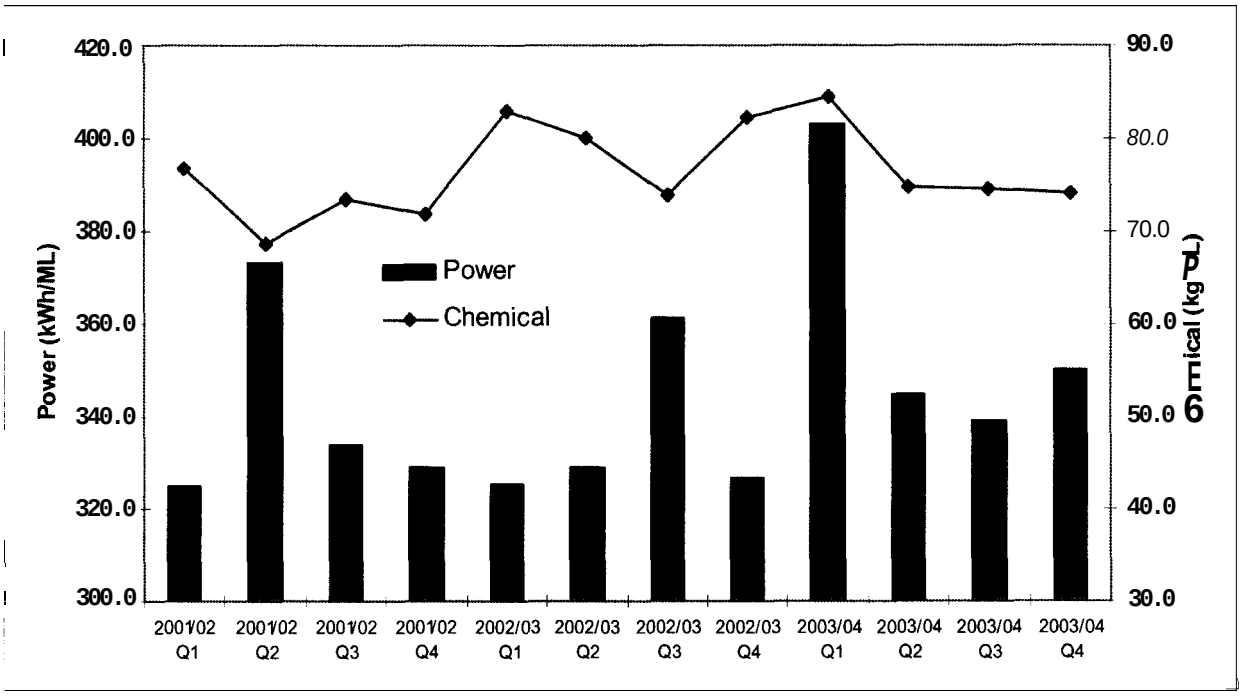
For the year in review, production from Waterloo was 10 percent more than in 2002/03 (43.2% of total production, compared with 38.2% for 2002/03). In addition, lake pumping increased 18%, from 10.5% of total production volume in 2002/03 to 12.6% in 2003/04. These were the main factors behind the reduced power use efficiency relative to 2002/03

The increase in lake pumping resulted mainly from two unusual events: closure of the Hutt River intake for all of August following a 1080 poison drop in the Hutt water collection area, and record rainfall during February, which frequently made the water in the Hutt River unsuitable to treat. Lake-stored water was used on 21 days during February.

The closure of the Hutt River intake during August, and Wainuiomata WTP being unavailable for 60 days during the year (46 days in 2002/03), contributed to the need to increase production from Waterloo.

Chemical Use

Chemical use efficiency was slightly better for 2003/04 as a whole than for 2002/03, with increased share of production from Waterloo the main contributing factor. Chemical use efficiency was markedly lower in the first quarter of the year than in the second, third or fourth quarters. Again, the treatment of lake stored water at Te Marua throughout August was the main factor in this result.



Improved Power Metering (Te Marua) on Hold

The project to separate metered power use for the lake pumps and main distribution boost pumps at Te Marua Pumping Station (reported in Quarter 2) remains under consideration. Other projects have received priority.

Lime Use Reduction Project at Waterloo Progressing

Aerating raw water as it enters Waterloo WTP could reduce the lime use requirement and turbidity levels in the treated water. Introducing aeration would entail changes to lime dosing and pH sampling arrangements. At the end of Quarter 2 we reported a trial to assess whether aeration was feasible: that trial was only partially successful. Further trial work has been postponed until August 2004 due to unscheduled work required on the Waterloo wellfield pumps taking priority.

Lime Recycle at Wainuiomata on Hold

A project to separate lime from waste slurry and recycle it for raw water pH correction was scheduled for May. It is also on hold. If successful, lime use and waste would be reduced. Other projects received priority during the quarter.

Emissions and Waste

	Result for Qtr	Comment
Discharge consents	No major issues	25 discharge consents held. One compliance report – for supernatant discharge to the Wainuiomata River – was submitted late to the consent manager. We are confident that we have complied with all discharge consent conditions for the year.
Treatment sludge (kg/ML)	Within normal range	55kg/ML of river water treated. This is slightly higher than for 2002/03 (52kg/ML). Treatment of lake water at Te Marua throughout August appears to contribute to this result.
Liquid waste (kg/ML)	Within normal range	14.9kg/ML of river water treated. This is slightly higher than for **2002/03**(13.9kg/ML).

Sludge makes up 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.

Sludge Weight Reduction Project

Trials started on a project to reduce the water content of sludge from Te Marua and Wainuiomata WTPs. Further trials are needed. A review of the viability of developing our own disposal site for sludge has just been completed and will be considered shortly. This will potentially reduce the cost of waste disposal to GW Water.

Other

Wainuiomata Wetland Proposal Progress

An independent review of the historic Wainuiomata Lower Dam has been completed, in relation to revised dam safety guidelines adopted by the New Zealand Society of Large Dams (NZSOLD) in 2000. The extent of work needed to strengthen the dam will depend on whether a proposal to develop the surrounding area into a wetland is adopted by Greater Wellington's Landcare division. The Landcare Committee will consider this matter in August.

Possum Monitoring – Wainuiomata/Orongorongo Water Collection Area

Provisional monitoring results from a recent survey in the catchments shows possum numbers well above the targeted trap catch rate of less than 5%. On that basis, further possum control work has been scheduled for mid 2005.

Cull of Large Pest-animals

The annual ballot for recreational hunting in the Wainuiomata/Orongorongo water collection area during the autumn 'Roar' resulted in 14 deer, goats and pigs being culled. Numbers for the previous three years were 21 (2003), 23 (2002) and 31 (2001). Professional hunters (Prohunt) removed 41 goats from the water collection area in March: Prohunt has culled over 400 goats since January 2001.

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 Qtr	Comment
Incident rate (per 100 workers)	Nil	No incidents during the quarter. 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 2003.

Whilst there were no public safety issues during the past 6 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 last 6 months	Comment
Discharge to land	Complied	
Consents	Complied	No compliance issues.
Environmental Management System	No issues	Nothing of note to report regarding EMS targets.

Storm Damage

Significant storm damage was incurred during the three storm events in February 2004. Approximately 20ha of trees were blown over in the Clarkes Creek stand and a similar amount spread over the balance of the estate. As the Clarkes Creek trees were mature, we have been able to recover most of them. This has though caused problems as the root balls become very unstable once the trunk is severed and with the very steep country they tend to roll into the gullies if disturbed. Most have subsequently been recovered. The affected area is being replanted as soon as possible.

Karapoti Road

There was a significant slip on Karapoti Road following the February storms. The slip is still active and has closed the road on at least ten occasions. When the slip overflows the road the debris enters the Little Akatarawa River. No solution to the slip has yet been found as it is too unstable to safely use machinery at the head of the slip.

Heritage Assets

We have received approval from Historic Places Trust for the harvest of Martins Block, which abuts the Rimutaka Incline Rail alignment.

Greater Wellington Water

Greater Wellington Water

Operating Surplus / (Deficit)

30 June 2003 Actual $000's		30 June 2004 Actual $000's	30 June 2004 Budget $000's
7.8	Engineering Consultancy	39.3	3.3
28.9	Laboratory Services	(88.4)	2.6
250.4	Operations	609.9	
1,016.7	Strategy and Asset	1,121.6	
697.0	Support Services	390.9	328.7
2,000.8	**Total Greater Wellington Water**	**2,073.3**	**334.6**

Greater Wellington Water

Capital Expenditure

30 June 2003 Actual $000's		30 June 2004 Actual $000's	30 June 2004 Budget $000's
2,591.9	**Total Capital Expenditure**	**4,026.0**	**5,454.0**

Plantation Forestry

Operating Surplus / (Deficit)

30 June 2003 Actual $000's		30 June 2004 Actual $000's	30 June 2004 Budget $000's
(282.9)	**Operating Surplus / (Deficit)**	**(170.1)**	**228.7**

Water Supply	Operating Surplus / (Deficit) Actual June 2004 $000's	Forecast March 2004 $000's	Variance $000's	Variance Explanation
Engineering Consultancy	39.3	30.1	9.2	* An increase in the number of Q4 chargeable project hours, compared to time spent by staff on non-recoverable activities.
Laboratory Services	(88.4)	(79.8)	(8.6)	• The final bottom line is slightly worse than forecast in March, but still a very credible result in the circumstances.
Operations	609.9	401.5	208.4	* Ongoing favourable weather and water demand conditions have further reduced direct operating costs at the WTPs. • Time spent by Ops Distribution & Ops Admin staff on activities on behalf of other departments and also on various cost recovery work projects has been sustained in Qtr 4 and made a key contribution to the final Operations result.
Strategy & Asset	1,121.6	312.3	809.3	* Lower financial costs due to ongoing higher than budgeted divisional cash surpluses were maintained throughout Qtr 4. * Sustained materials, supplies, services & external contractor cost savings + recoveries. * An estimated $1.1 M infrastructure asset write off charge for 2003/04 is still to be reflected in the to be finalised annual accounts, which is $400k larger than that forecast in March.
Support Services	390.9	383.5	7.4	* A combination of further incremental direct cost savings and cost recovery opportunities identified in March 2004 were achieved during the final quarter.
Total Water Supply	2,013.3	1,047.6	1,025.7	

Plantation Forestry	Operating Surplus / (Deficit) Actual June 2004 $000's	Forecast March 2004 $000's	Forecast Variance $000's	Variance Explanation
	(170.1)	(370.6)	200.5	* Sustained favourable product prices, an improving $ US / NZ exchange rate and effective cost management initiatives combined to limit the "financial fallout" for the year.

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
22,776.4	Wholesale Water Levy	22,776.5	22,776.5	0.0	U	22,776.5	22,776.5
313.1	Investment & Reserve Interest	372.2	303.9	68.3	F	370.0	303.9
539.9	External Revenue	432.2	686.1	253.9	U	385.0	686.1
2,668.9	Internal Revenue	2,879.6	2,671.6	207.9	F	2,893.5	2,671.6
26,298.3	**Total Revenue**	**26,460.5**	**26,438.1**	**22.4**	**F**	**26,425.0**	**26,438.1**
3,441.0	Personnel Costs	3,499.2	3,684.1	184.9	F	3,551.0	3,684.1
6,056.0	Materials, Supplies & Services	6,420.1	7,096.4	676.3	F	6,517.0	7,096.4
155.0	Travel & Transport	164.6	162.2	2.4	U	158.0	162.2
1,316.1	Contractors & Consultants	1,038.3	1,332.0	293.7	F	1,071.0	1,332.0
2,337.1	Internal Contractors	2,532.0	2,393.1	139.0	U	2,536.8	2,393.1
13,305.3	**Total Direct Expenditure**	13,654.1	14,667.6	1,013.5	F	13,833.8	14,667.6
3,793.5	Financial Costs	3,674.1	3,829.5	155.4	F	3,715.0	3,829.5
(0.7)	Bad Debts, incl Provision	(1.1)		1.1	F	(1.0)	
5,347.3	Depreciation	5,346.2	5,638.6	292.5	F	5,376.0	5,638.6
189.8	**Loss** / (Gain) on Sale	(18.0)	222.6	240.6	F	717.6	222.6
9,329.9	**Total Indirect Expenditure**	9,001.1	9,690.7	689.6	F	9,807.6	9,690.7
815.8	Net Corporate Overhead	892.5	892.5	0.0	F	892.5	892.5
846.6	Corporate Rent / Internal Charges	839.5	852.6	13.2	**F**	843.5	852.6
1,662.4	**Total Corporate Costs**	1,731.9	1,745.1	13.2	F	1,736.0	1,745.1
24,297.5	**Total Expenditure**	**24,387.2**	**26,103.5**	**1,716.3**	**F**	**25,377.3**	**26,103.5**
2,000.8	**Surplus / (Deficit)**	**2,073.3**	**334.6**	**1,738.7**	**F**	**1,047.6**	**334.6**
	Capital Expenditure						
	Asset Acquisition & Disposal Summary						
273.4	Acquisitions	143.5	404.0	260.5	F	284.3	404.0
(46.2)	Disposals	(19.2)	(61.0)	41.8	U	(25.0)	(61.0)
227.2		124.2	343.0	218.8	F	259.3	343.0
2,364.7	Capital Projects	3,901.8	5,111.0	1,209.2	F	3,919.5	

Greater Wellington Water

Movement in Equity and Debt
For the Year Ended 30 June 2004

Statement of Movement in Equity	30 Jun 03 Actual $000's	30 Jun 04 Actual $000's
Retained Earnings Opening Balance	66,313	68,314
Surplus for Period	2,001	2,073
Other Reserve & Equity Movements		690
Asset Revaluation Reserve	135,083	135,083
Departmental Reserve (note 1)	690	
Closing Equity	204,087	206,160

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 1 July 2003		48,106
New Debt for 2003/04 Capital Expenditure	3,902	
Debt Repayment for 2003/04 Matured Loans	(6,249)	
Closing Balance at 30 June 2004		45,759

30 Jun 03 $000's		30 Jun 04 $000's
	EQUITY	
68,314.0	Retained Earnings	71,077.2
135,083.0	Asset Revaluation Reserve	135,083.0
689.9	Departmental Reserve	
204.086.9	**Total Equity**	**206,160.2**
	Represented By:	
	ASSETS	
	Current Assets	
2,616.2	Receivables	2,525.3
11.8	Accrued Revenue & Prepayments	33.6
1,431.9	Stocks	1,505.4
4,059.9	**Total Current Assets**	4,064.3
	Investment	
5,138.2	Insurance Investment	6,856.1
689.9	Capital Reserve	
5,828.1	**Total Investment**	6,856.1
	Fixed Assets	
266,657.1	Cost or Valuation	266,719.2
(20,958.9)	*less:* Accumulated Depreciation	(26,224.9)
245,698.2	**Total Fixed Assets**	240,494.3
667.0	**Capital Works in Progress**	4,568.7
256,253.1	**Total Assets**	**255,983.4**
	LIABILITIES	
	Current Liabilities	
1,891.3	Creditors	1,812.1
587.0	Employee Provisions	501.9
1,581.6	Treasury Payables	1,750.3
4,059.9	**Total Current Liabilities**	4,064.3
48,106.3	**Public Debt**	45,758.9
52,166.2	**Total Liabilities**	**49,823.2**
204.086.9	**Net Assets**	**206,160.2**

	30 Jun 03 $000's	30 Jun 04 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Levies	22,776.5	22,776.5
Interest received	313.1	372.2
Other activities	3,208.6	3,311.8
	26,298.2	26,460.5
Funds were applied to :		
Operating activities	(14,966.6)	(15,384.9)
Interest paid	(3,793.5)	(3,674.1)
	(18,760.1)	(19,059.0)
Net Funding from Operating Activities / Cash Operating Surplus	**7,538.1**	**7,401.5**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	46.2	19.2
Transfer from reserves	145.0	689.9
	191.2	709.1
Funds were applied to :		
Purchase of land		
Purchase of vehicles	(101.3)	(91
Purchase of office equipment	(152.7)	(12.0)
Purchase of plant and equipment	(3.7)	(40.4)
Purchase of computer equipment	(15.6)	
Capital projects	(2,364.7)	(3,901.8)
Transfer to reserves (incl interest)	(43.5)	
Investment additions	(827.7)	(1,717.9)
	(3,509.2)	(5,763.2)
Net Funding from Investing Activities	**(3,318.0)**	***(5,054.0)***
FUNDING FROM FINANCING ACTIVITIES		
Funds were provided from:		
New loans	2,351.2	3,901.8
	2,351.2	3,901.8
Funds were applied to :		
Debt repayment	(6,571.3)	(6,249.2)
	(6,571.3)	(6,249.2)
Net Funding from Financing Activities	**(4,220.1)**	**(2,347.4)**
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 2004

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
22,776.4	Wholesale Water Levy	22,776.5	22,776.5	0.0 U	22,776.5	22,776.5
313.1	Investment & Reserve Interest	372.2	303.9	68.3 F	370.0	303.9
179.7	External Revenue	218.8	331.1	112.3 U	210.0	331.1
1,066.4	Internal Revenue	1,115.8	999.6	116.2 F	1,120.0	999.6
24,335.6	**Total Revenue**	24,483.3	24,411.0	72.3 F	24,476.5	24,411.0
2,362.4	Personnel Costs	2,345.4	2,535.6	190.1 F	2,397.0	2,535.6
5,896.7	Materials, Supplies & Services	6,242.8	6,928.3	685.5 F	6,360.0	6,928.3
123.8	Travel & Transport	127.8	125.5	2.3 U	123.0	125.5
1,227.3	Contractors & Consultants	982.2	1,281.3	299.1 F	1,020.0	1,281.3
2,172.8	Internal Contractors	2,378.5	2,232.7	145.8 U	2,383.9	2,232.7
11,783.1	**Total Direct Expenditure**	12,076.8	13,103.4	1,026.6 F	12,283.9	13,103.4
3,793.5	Financial Costs	3,674.1	3,829.5	155.4 F	3,715.0	3,829.5
(0.7)	Bad Debts, incl Provision	(1.1)		1.1 F	(1.0)	
5,286.0	Depreciation	5,280.8	5,549.2	268.4 F	5,310.0	5,549.2
200.6	Loss / (Gain) on Sale	(18.0)	234.6	252.6 F	717.6	234.6
9,279.4	**Total Indirect Expenditure**	8,935.7	9,613.3	677.6 F	9,741.6	9,613.3
631.5	Net Corporate Overhead	693.5	693.5	0.0 F	693.5	693.5
677.3	Corporate Rent / Internal Charges	654.9	672.2	17.3 F	660.1	672.2
1,308.8	**Total Corporate Costs**	1,348.4	1,365.7	17.3 F	1,353.6	1,365.7
22,371.3	**Total Expenditure**	22,360.9	24,082.4	1,721.5 F	23,379.1	24,082.4
1,964.3	**Surplus / (Deficit)**	2,122.4	328.7	1,793.7 F	1,097.3	328.7
	Capital Expenditure					
	Asset Acquisition & Disposal Summary					
100.4	Acquisitions	106.4	264.0	157.6 F	213.3	264.0
(35.3)	Disposals	(19.2)	(40.0)	20.8 U	(25.0)	(40.0)
65.1		87.2	224.0	136.8 F	188.3	224.0
2,364.7	Capital Projects	3,901.8	5111.0	1,209.2 F	3,919.5	

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.

All water that GW Water treats currently meets Ministry of Health Drinking Water Standards. GW Water 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 Water Treatment Plants are graded B. Waterloo would be upgraded to A if chlorine was added to the treated water, although HCC requested that this should not occur. A process for re-grading Gear Island to A or A1 will be discussed with the Regional Health Service.

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

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

Quality: Short-term

By 30 June 2004:

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.*

Analysis of the test results for the quarter indicated ongoing compliance with the standard having occurred during the year. However there was one minor instance of technical non-compliance.

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 GW Water, not less than five days out of every seven. Expenditure will not exceed the budget of $503,000.

Water testing expenditure for the year was $502,500 against a budget of $503,000.

Ensure the gradings of the water treatment plants at 1 July 2003 are at least maintained.

There has been no change to the gradings since 1 July 2003.

ISO 9002 will be replaced by ISO 9001:2000.

Confirmation that GW Water would receive ISO 9001:2000 was notifled in September 2003 with final certification received in December 2003.

Vegetation management measures will be carried out in Greater Wellington's water supply catchments, in accordance with Greater Wellington's Forestry Management Plan and within a budget of $170,000, so that the treatment plants receive good quality water.

Work by Regional Park Operations was completed. Annual expenditure of $148,097 was incurred, compared to a budget of $170,000.

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

The legislation has not yet been introduced into Parliament. Work is on hold meantime.

A ranger service for the Wainuiomata/Orongorongo GW Water Catchment will be obtained from the Landcare Division at a cost not exceeding $121,000.

Work by Regional Park Operations was completed. Annual expenditure of $114,933 was incurred, compared to a budget of $121,000.

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 Greater Wellington Regional Council's water supply infrastructure is sufficient to meet a 1 in 50 year return period event until the population is 377,000. This is expected to be between 2007 and 2015 depending on the growth rate. A 1 in 50year 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

GW Water 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.

GW Water 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 2004:

The Kaitoke intake will be refurbished to accepted engineering standards at a cost not exceeding $200,000.

Inspection has shown that the required refurbishment is less than anticipated However, high summer river flows prevented work commencing and it is likely that the work will be completed in the next financial year. Preliminary expenditure of $6,505 was incurred during thisfinancial year.

The OK main from Tunnel No. 2 to the Wainuiomata Water Treatment Plant will be replaced within a budget of $1,250,000.

The work was completed at a cost of $1,174,000.

Rebuilding the Karori Pumping Station will be started at an estimated total project cost of $1,300,000. It is due for completion in 2004/05.

Some difficultieshave been experinced in obtaining a suitable site and as at year-end, physical work had not started Expenditure for the year was $181,391.

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.*

*GW Water 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.*

*GW Water holds certification to **I S 0 14001** (the International Standards Organisation**'s** environmental management benchmark)**for** its wholesale water supply activities.*

Environmental Management: Short-term

By 30 June 2004:

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

*Annual consent charges **of $48,961 for 2003/04** were incurred. There have been **no** significant breaches **of** the consents during the year.*

Resource consent compliance will be demonstrated to an auditable standard and a report on compliance for 2002/03 will be prepared by 30 November 2003.

A *report* **was** *published by **30** November **2003.***

Customer Service: Long-term

GW Water 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.

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

Customer Service: Short-term

By 30 June 2004:

Customers will be provided with a business report by 30 November each year, 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 2003.

Business Efficiency: Long-term

GW Water has improved its business efficiency over the last six 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 the water levy has been held at the 2003/04 dollar level across the 10 year planning period. However, asset values are expected to increase significantly across the 10 year planning period, which will in turn increase the depreciation expense.

The annual costs of running GW Water, excluding changes in depreciation rates, has reduced by $6.1M or 27% between 1997 and 2004, whilst service levels have been maintained throughout this period.

Business Efficiency: Short-term

By 30 June 2004:

Total operating expenditure, excluding depreciation, will not exceed $20,465,000.

Year to date expenditure of $19,041,000 was incurred during the financial year. Activities were 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 and Amendments, 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 GW Water 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 2004:

The Hazard Register will be reviewed on a six monthly basis. We will assess the effectiveness of the measures taken to eliminate, isolate or minimise risk to all GW Water employees and contractors.

The health and safety plans of all contractors employed by GW Water will be reviewed prior to their employment. Their activities should comply with the *Health and Safety in Employment Act 1992 and Amendments,* 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 Division's Health and Safety Plan.* Their activities will be monitored on a regular basis, to ensure that any risk to their employees, employees of subcontractors, Greater Wellington Regional Council staff or the general public is eliminated, isolated or minimised.

Hazard registers are reviewed on an ongoing basis by the works supervisors. Contractor Health and Safety plans continue to be reviewed prior to engagement.

Operations

Manager's Commentary

Supply

There have been no quality or supply capacity problems for the period although the available output from Waterloo has been restricted due to the failure of two variable speed well pumps. Whilst there have been no problems in meeting demand, the lack of reserve capacity at Waterloo has caused the postponement of other projects. In addition the loss of variable pumping has been a real headache for the duty technicians and has been the cause of many call outs.

Stuart Macaskill Lakes

Lake 2 has been drained and as much of the sediment as it was practicable to collect has been removed. The original designers of the lakes have carried out a thorough inspection and, apart from repairing a few small areas of slumping in the lake floor and the replacement of concrete jointing material on the tower structure, no other work has been required.

Additional sampling points are being installed to assist in future monitoring of the lake water quality.

It is planned to commence refilling the lake in late August.

Maintenance Strategies

Following the criticality assessment carried out earlier in the year, six operational staff have received training in the RCM (Reliability Centred Maintenance) assessment process.

A pilot application of the RCM process will be carried out on the Waterloo lime system in August.

If the pilot is successful we will consider applying the RCM concept to a broader range of assets.

Health and Safety Advisory Group

Supply proposals have been invited from potential Health and Safety system management software vendors. These proposals will be assessed and short-listed by the HSAG.

Review of Divisional Health and Safety Plan

The review of the Divisional Health and Safety Plan has been completed and issued for comment.

Organisational Development Programme

This initiative has been introduced to the Operations staff and, while it would be fair to say that there was some initial confusion and maybe a hint of scepticism, staff now understand what it's about and are starting to look for ways to contribute.

Statement of Financial Performance
For the Year Ended 30 June 2004

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
2,169.6	Wholesale Water Levy	2,258.6	2,258.6	0.0	U	2,258.6	2,258.6
20.9	External Revenue	20.2		20.2	F	20.0	
85.2	Internal Revenue	99.3	42.0	57.3	F	111.0	42.0
2,275.7	**Total Revenue**	**2,378.0**	**2,300.6**	**77.4**	**F**	**2,389.6**	**2,300.6**
383.9	Personnel Costs	446.7	599.0	152.3	F	500.0	599.0
680.7	Materials, Supplies & Services	692.6	891.4	198.8	F	760.0	891.4
53.5	Travel & Transport	47.4	31.5	15.9	U	45.0	31.5
249.4	Contractors & Consultants	221.9	202.0	19.9	U	245.0	202.0
390.7	Internal Contractors	425.6	370.8	54.8	U	418.8	370.8
1,758.2	**Total Direct Expenditure**	1,834.2	2,094.7	260.5	F	1,968.8	2,094.7
(0.7)	Bad Debts, incl Provision	(1.1)		1.1	F	(1.0)	
70.1	Depreciation	53.5	56.4	2.9	F	50.0	56.4
-	Loss / (Gain) on Sale	(13.5)	(6.0)	7.5	F	(10.0)	(6.0)
69.4	**Total indirect Expenditure**	39.0	50.4	11.5	F	39.0	50.4
108.3	Net Corporate Overhead	130.3	130.3	0.0	F	130.3	130.3
56.7	Corporate Rent / Internal Charges	19.7	25.2	5.5	F	20.0	25.2
165.0	**Total Corporate Costs**	150.0	155.5	5.5	F	150.3	155.5
1,992.6	**Total Expenditure**	**2,023.1**	**2,300.6**	**277.4**	**F**	**2,158.1**	**2,300.6**
283.1	**Surplus / (Deficit)**	**354.9**	***0.0***	**354.9**	**F**	**231.5**	**0.0**
	Asset Acquisition & Disposal Summary						
-	Acquisitions	63.3	92.0	28.7	F	63.3	92.0
-	Disposals	(13.5)	(20.0)	6.5	U	(15.0)	(20.0)
		49.9	72.0	22.1	F	48.3	72.0

Statement of Financial Performance
For the Year Ended 30 June 2004

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
5,702.8	Wholesale Water Levy	5,604.8	5,604.8	0.0 U	5,604.8	5,604.8
43.5	Reserve Interest					
1.1	External Revenue	44.3		44.3 F	50.0	
64.2	Internal Revenue	86.0	50.0	36.0 F	82.0	50.0
5,811.6	**Total Revenue**	5,735.0	5,654.8	80.2 F	5,736.8	5,6~.8
911.6	Personnel Costs	747.0	720.2	26.8 U	745.0	720.2
3,393.5	Materials, Supplies & Services	3,337.6	3,487.1	149.5 F	3,375.0	3,487.1
47.1	Travel & Transport	45.4	45.3	0.1 U	45.0	45.3
537.8	Contractors & Consultants	359.9	311.5	48.4 U	350.0	311.5
738.2	internal Contractors	803.0	790.5	12.5 U	827.3	790.5
5,628.3	**Total Direct Expenditure**	5,292.9	5,354.6	61.6 F	5,342.3	5,354.6
67.2	Depreciation	63.9	69.7	5.8 F	65.0	69.7
(12.8)	Loss / (Gain) on Sale	(4.5)	(7.4)	2.9 U	(7.4)	(7.4)
54.4	**Total Indirect Expenditure**	59.4	62.3	3.0 F	57.6	62.3
168.8	Net Corporate Overhead	197.6	197.6	0.0 F	197.6	197.6
39.3	Corporate Rent / Internal Charges	26.4	40.3	13.8 F	27.0	40.3
208.1	**Total Corporate Costs**	224.0	237.9	13.8 F	224.6	237.9
5,890.8	**Total Expenditure**	5,576.3	5,654.8	78.4 F	5,624.5	5,654.8
(79.2)	**Surplus / (Deficit)**	158.7	*(0.0)*	158.7 F	112.3	*(0.0)*
	Asset Acquisition & Disposal Summary					
38.7	Acquisitions	29.4	97.0	67.6 F	35.0	97.0
(13.7)	Disposals	(5.8)	(20.0)	14.2 U	(10.0)	(20.0)
25.0		23.6	77.0	53.4 F	25.0	77.0

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	M D Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
527.7	Wholesale Water Levy	632.5	632.5	0.0	F	632.5	632.5
11.6	Internal Revenue	48.3	32.0	16.3	F	44.5	32.0
539.4	**Total Revenue**	**680.8**	**664.5**	**16.3**	**F**	**677.0**	**664.5**
229.4	Personnel Costs	243.5	305.9	62.4	F	247.0	305.9
26.7	Materials, Supplies & Services	26.0	50.4	24.3	F	30.0	50.4
4.6	Travel & Transport	9.3	17.8	8.6	F	8.0	17.8
(21.2)	Contractors & Consultants	2.9	8.0	5.1	F	20.0	8.0
159.8	Internal Contractors	189.0	162.6	26.5	U	198.6	162.6
399.3	**Total Direct Expenditure**	470.7	544.7	74.0	F	503.6	544.7
-	Bad Debts, incl Provision	(0.1)		0.1	F		
6.3	Depreciation	5.8	10.1	4.3	F	6.0	10.1
6.3	**Total Indirect Expenditure**	5.7	10.1	4.4	F	6.0	10.1
68.5	Net Corporate Overhead	87.3	87.3			87.3	87.3
18.7	Corporate Rent / Internal Charges	20.7	22.3	1.6	F	22.3	22.3
87.2	**Total Corporate Costs**	108.0	109.6	1.6	F	109.6	109.6
492.7	**Total Expenditure**	**584.5**	**664.5**	**80.0**	**F**	**619.2**	**664.5**
46.6	**Surplus / (Deficit)**	**96.4**	***(0.0)***	**96.4**	**F**	**57.8**	***(0.0)***
	Asset Acquisition & Disposal Summary						
24.5	Acquisitions	1.7	15.0	13.3	F	5.0	15.0
-	Disposals	-	-	-		-	-
24.5		1.7	15.0	13.3	F	5.0	15.0

		YTD Actual	YTD Budget	YTD Variance
Other Revenue (Excluding Water Levy)		298.0	124.0	174.1 F
Admin	Labour recovery income from within GW Water greater than budget:	48.3	32.0	16.3 F
Production	Unbudgeted recovery of staff costs from Masterton District Council: 44.3 F			
	Labour recovery income from within GW Water greater than budget: 35.9 F	130.2	50.0	80.2 F
Distribution	Unbudgeted income from miscellaneous sales & private supplies: 20.1 F			
	Labour recovery income from within GW Water greater than budget: 57.3 F	119.4	42.0	77.4 F
Total Other Revenue (Excluding Water Levy)		298.0	124.0	174.0 F

		YTD Actual	YTD Budget	YTD Variance
Personnel Costs		1,437.2	1,625.1	187.9 F
Admin	Unbudgeted capex programme resource costing: 55.2 F			
	One off reversal of a long standing Ops Network related ACC accrual: 20.2 F			
	Miscellaneous unders and overs: 13.0 U	243.5	305.9	62.4 F
Production	Capex programme resource costing lower than budgeted: 78.4 U			
	Miscellaneous unders and overs reflecting the organisational structure change undertaken by Operations: 51.6 F	747.0	720.2	26.8 U
Distribution	Capex programme resource costing higher than budgeted: 68.7 F			
	Miscellaneous unders and overs reflecting the organisational structure change undertaken by Operations and lower staff levels: 83.6 F	446.7	599.0	152.3 F
Total Personnel Costs		1,437.2	1,625.1	187.9 F

		YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services		4,056.2	4,428.8	372.6 F
Admin	Miscellaneous unders and overs:	26.0	50.4	24.3 F
Production	Less materials / supplies used in jobs: 90.8 F			
	Chemical costs less than budget: 151.9 F			
	Power used in production over budget: 71.8 U			
	Miscellaneous unders and overs: 21.4 U	3,337.6	3,487.1	149.5 F
Distribution	Less materials / supplies used in jobs: 117.3 F			
	Operational spares stock adjustment: 70.1 F			
	Power used in distribution less than budget: 11.4 F	692.6	891.4	198.8 F
Total Materials, Supplies & Services		4,056.2	4,428.8	372.6 F

		YTD Actual	YTD Budget	YTD Variance
Travel & Transport		102.1	94.7	7.4 U
Admin	Vehicle, travel & accommodation expenditure less than budget:	9.3	17.8	**8.6** F
Production	Vehicle, travel & accommodation expenditure more than budget:	45.4	45.3	0.1 U
Distribution	Vehicle, travel & accommodation expenditure more than budget:	47.4	31.5	15.9 U
Total Travel & Transport		102.1	94.7	7.4 U

		YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants		584.7	521.5	63.2 U
Admin	Miscellaneous unders and overs:	**2.9**	**8.0**	**5.1 F**
Production	Increased contractor usage at Te Marua & Waterloo WTPs on both process improvement investigation style work and general maintenance activities:	**359.9**	**311.5**	**48.4** U
Distribution	Miscellaneous unders and overs, but primarily due to major leak repairs:	**221.9**	**202.0**	**19.9** U
Total External Contractors & Consultants		**584.7**	**521.5**	**63.2** U

		YTD Actual	YTD Budget	YTD Variance
Internal Contractors		1,417.7	1,323.9	93.8 U
Admin	Engineering Consultancy: **23.2**U Labour recovery charges from within GW Water over budget: **3.3**U	**189.0**	**162.6**	**26.5** U
Production	Consents Management: **11.5**F Regional Parks (Ops) - Wainui Ranger: **5.2F** Engineering Consultancy: **32.3F** Laboratory Services: **14.7**U Labour recovery charges from within GW Water over budget: **46.8**U	**803.0**	**790.5**	**12.5** U
Distribution	Engineering Consultancy: **7.4**U Labour recovery charges from within GW Water over budget: **47.0** U Miscellaneous unders and overs: **0.4** U	**425.6**	**370.8**	**54.8** U
Total Internal Contractors & Consultants		**1,417.7**	**1,323.9**	**93.8** U

		YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure		104.1	122.9	18.8 F
Admin	Actual depreciation less than budgeted:	**5.7**	**10.1**	**4.4** F
Production	Actual depreciation less than budgeted: **5.8**F Actual gain on sale **of** vehicle less than budget: **2.8**U	**59.4**	**62.3**	**3.0** F
Distribution	Reduction in bad debt provision: 1.1 F Actual depreciation less than budgeted: **2.9**F Actual gain on sale of vehicles higher than budget: **7.5**F	**39.0**	**50.4**	**11.5** F
Total Indirect Expenditure		**104.1**	**122.9**	**18.8** F

Strategy and Asset

Manager's Commentary

- Capital expenditure on Water Supply Infrastructure for the year was $3.818M and this figure was within ±7% estimated in December 2003 and ±3% estimated in March 2004.

- The Wellington Regional Water Board Functions Bill has been introduced into Parliament and referred to a Select Committee. The Select Committee is required to report back to the House by December 2004.

- A report on the off-river storage possibilities at the Wainuiomata WTP has been received from the consultants and where it was hoped that a single storage area would provide for 300-600ML, the three best options investigated individually provide volumes of only 60-130ML. Investigations in the 2004/05 financial year will focus on the justification for off-river storage.

- The Council's Policy, Finance and Strategy Committee will be asked to approve the use of the insurance reserve for funding the pipeline damage at Wainuiomata during the February 2004 storms.

- The Ministry of Health's public consultation on the Drinking Water Standards for New Zealand 2005 is proceeding but unfortunately, the co-ordination with the Ministry for the Environment's raw water classification guidelines could be better.

- The consultant currently appointed by Greater Wellington Water and the Wellington City Council to investigate a new CBD reservoir has completed their report. The technical aspects of the report will be discussed with water supply staff in Wellington City and Capacity before making recommendations regarding whether the joint project should proceed further or not.

- One of the key tasks for the next quarter is to prepare a summer water conversation advertising strategy for the 2004/05 summer period.

Statement of Financial Performance
For the Year Ended 30 June 2004

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
13,433.6	Wholesale Water Levy	13,560.2	13,560.2	0.0 U	13,560.2	13,560.2
269.6	Investment & Reserve Interest	372.2	303.9	68.3 F	370.0	303.9
157.6	External Revenue	154.3	331.1	176.8 U	140.0	331.1
0.5	Internal Revenue					
13,861.3	**Total Revenue**	14,086.7	14,195.2	108.5 U	14,070.2	14,195.2
318.7	Personnel Costs	341.9	335.4	6.6 U	340.0	335.4
1,762.1	Materials, Supplies & Services	2,141.9	2,454.4	312.5 F	2,150.0	2,454.4
9.7	Travel & Transport	12.7	13.9	1.1 F	13.0	13.9
454.8	Contractors & Consultants	400.3	739.8	339.4 F	400.0	739.8
882.1	Internal Contractors	960.8	908.9	52.0 U	939.2	908.9
3,427.4	**Total Direct Expenditure**	3,857.8	4,452.2	594.5 F	3,842.2	4,452.2
3,793.5	Financial Costs	3,674.1	3,829.5	155.4 F	3,715.0	3,829.5
5,131.4	Depreciation	5,148.7	5,379.8	231.0 F	5,180.0	5,379.8
215.4	Loss / (Gain) on Sale		248.0	248.0 F	735.0	248.0
9,140.3	**Total Indirect Expenditure**	8,822.8	9,457.2	634.4 F	9,630.0	9,457.2
212.4	Net Corporate Overhead	214.9	214.9	0.0 F	214.9	214.9
64.5	Corporate Rent / Internal Charges	69.7	70.8	1.1 F	70.8	70.8
276.9	**Total Corporate Costs**	284.6	285.7	1.1 F	285.7	285.7
12,844.6	**Total Expenditure**	12,965.1	14,195.2	1,230.1 F	13,757.9	14,195.2
1,016.7	**Surplus / (Deficit)**	1,121.6	0.0	1,121.6 F	312.3	0.0
	Capital Expenditure					
	Asset Acquisition & Disposal Summary					
-	Acquisitions	12.0	-	12.0 U		
-	Disposals					
		12.0		12.0 U		
2,364.7	Capital Projects	3,901.8	5,111.0	1,209.2 F	3,919.5	

	YTD Actual	YTD Budget	YTD Variance
Recovery of actual costs from HCC associated with the Hutt Park project were not recorded as revenue as budgeted:			**95.2** U
Lower than budgeted YTD external user charges:			**81.6** U
Reserve interest income higher than budgeted:			**68.3** F
Total Revenue			**108.5** U

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	341.9	335.4	6.5 U
Unbudgeted capitalisation of resource labour costs:			**3.5 F**
Miscellaneous unders and overs:			**10.0** U
Total Personnel Costs			**6.5 U**

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	2,141.9	2,454.4	312.5 F
Insurance premiums lower than budget:			**125.7** F
Rates charges lower than budget:			**157.4** F
Catchment **1080** bait purchase less than budgeted:			**9.4** F
Recovery of actual material costs from HCC associated with the Hutt Park project were budgeted as a revenue item:			**48.8** F
Miscellaneous unders and overs:			**28.8 U**
Total Materials, Supplies & Services			**312.5** F

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	400.3	739.8	339.5 F
Recovery of actual contractor costs from HCC associated with the Hutt Park project were budgeted as a revenue item:			**40.0 F**
General consultants expenditure **less** than budgeted:			**299.5** F
Total External Contractors & Consultants			**339.5** F

	YTD Actual	YTD Budget	YTD Variance
Internal Contractors	960.8	908.9	51.9 U
Regional Parks (Ops) - Current catchment management:			**21.9** F
Resource Investigations- Hutt Aquifer monitoring equipment upgrade:			**20.2** U
Used Engineering Consultancy more than budgeted, particularly on opex work:			**41.8** U
Miscellaneous unders and overs, including in lieu of resource costs:			**11.8** U
Total Internal Consultants			**51.9** U

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	8,822.8	9,457.2	634.4 F
Infrastructure asset **2003/04** write off charge outstanding:			**248.0 F**
Infrastructure asset depreciation lower than budget:			**231.0** F
Financial costs less than budgeted primarily due to the ongoing impact of greater than budgeted Water Supply cash surpluses:			**155.4 F**
Total Indirect Expenditure			**634.4** F

Engineering Consultancy

Manager's Commentary

Total income for 2003/04 has been marked by significant variances on individual line items but collectively gives an overall positive variance of $43.8K.

Work from WCC has reduced dramatically, from a budgeted income stream of $310K to an actual of $135K. This reduction in work stems largely from changes in the way that WCC are carrying out pipeline replacement projects, with far greater emphasis on design/build contracts with which we are not involved. This change in working practice has been reflected in our reduced 2004/05 budget for income from this source.

Internal revenue from non Greater Wellington Water clients shows a big increase, with actual income of $62K against a budget of $11K. A significant proportion of this income has come from the outsourcing arrangement for drafting services that we have set up with the Flood Protection Department, following the internal transfer of Phil Cook back to ECG.

It is also pleasing to see that work is being carried out for a greater variety of other departments, thereby enhancing internal connectivity across Greater Wellington.

Internal revenue from Strategy and Asset (S&A) is also above budget, reflecting the number of externally funded projects that have come along and been handled this year. These include the Hutt Park deviation, Paremata Bridge, Aotea Block and Mangaroa deviation, as well as a general increase in the annual GW Water Capital Works Programme.

On the expenditure side, personnel costs were slightly above budget, out other items were below budget, so the overall negative variance for total expenditure was only $8K.

The outcome is a hard earned actual departmental operating surplus of $39K which is $36K ahead of budget for the full financial year.

Finally, staff turnover during the year was restricted to the departure of James Forsyth. Phil Cook was appointed to this vacant position, returning to ECG, after a stint with the Landcare Division's Flood Protection Department.

Engineering Consultancy

Statement of Financial Performance
For the Year Ended 30 June 2004

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
307.7	External Revenue	149.4	310.0	160.6	U	110.0	310.0
837.9	Internal Revenue	1,126.4	922.0	204.4	F	1,141.5	922.0
1,145.6	**Total Revenue**	**1,275.8**	**1,232.0**	**43.8**	**F**	**1,251.5**	**1,232.0**
712.4	Personnel Costs	782.3	769.6	12.8	U	775.0	769.6
34.0	Materials, Supplies & Services	39.3	37.9	1.4	U	32.0	37.9
7.6	Travel & Transport	9.2	13.3	4.1	F	10.0	13.3
3.8	Contractors & Consultants	0.3	3.0	2.7	F	1.0	3.0
117.1	Internal Contractors	109.6	109.3	0.3	U	109.3	109.3
874.7	**Total Direct Expenditure**	940.8	933.2	7.6	U	927.3	933.2
11.7	Depreciation	11.0	17.0	6.0	F	11.0	17.0
(7.2)	Loss / (Gain) on Sale		(7.0)	7.0	U		(7.0)
4.6	**Total Indirect Expenditure**	11.0	10.0	1.0	U	11.0	10.0
114.8	Net Corporate Overhead	130.1	130.1			130.1	130.1
143.8	Corporate Rent / Internal Charges	154.6	155.4	0.8	F	153.0	155.4
258.6	**Total Corporate Costs**	284.7	285.5	0.8	F	283.1	285.5
1,137.8	**Total Expenditure**	**1,236.5**	**1,228.7**	**7.8**	**U**	**1,221.4**	**1,228.7**
7.8	**Surplus / (Deficit)**	**39.3**	**3.3**	**36.0**	**F**	**30.1**	**3.3**
	Asset Acquisition & Disposal Summary						
-	Acquisitions		20.0	20.0	F		20.0
(7.2)	Disposals		(11.0)	11.0	U		(11.0)
(7.2)			9.0	9.0	F		9.0

Statement of Financial Performance For the Year Ended 30 June 2004
Split between WCC and Other Clients

	ECG Internal & Other External Clients		ECG WCC Capex Work		Total Department		
	30 Jun 04 Actual	30 Jun 04 Budget	30 Jun 04 Actual	30 Jun 04 Budget	30 Jun 04 Actual	30 Jun 04 Budget	Variance
External Revenue	14,551		134,846	310,000	149,397	310,000	-160,603
internal Revenue							
Wholesale Water Projects	1,059,978	906,000			1,059,978	906,000	153,978
Plantation Forestry	4,587	5,000			4,587	5,000	-413
Other Internal Clients	61,853	11,000			61,853	11,000	50,853
Total Internal Income	1,126,418	922,000			1,126,418	922,000	204,418
Total Income	**1,140,969**	**922,000**	**134,846**	**310,000**	**1,275,815**	**1,232,000**	**43,815**
Direct Expenditure							
Personnel	700,527	575,928	81,816	193,642	782,343	769,570	-12,773
Materials	38,896	37,905	443		39,339	37,905	-1,434
Transport	9,191	13,340			9,191	13,340	4,149
Contractors / Consultants	315	3,000			315	3,000	2,685
	748,929	630,173	82,259	193,642	83'1,188	823,815	-7,373
Internal Consultants							
Distribution (WCC Capex)	-	-	-	-	-	-	-
Utility Services Support	109,346	109,346			109,346	109,346	
Other Internal Suppliers	259				259		-259
Total Internal Consultants	109,605	109,346			109,605	109,346	-259
Total Direct Expenditure	**858,534**	**739,519**	**82,259**	**193,642**	**940,793**	**933,161**	**-7,632**
Indirect Expenditure							
Departmental **O/h** Allocat'n	-114,396	-114,396	114,396	114,396			
Depreciation	11,007	17,007			11,007	17,007	6,000
Loss / (Gain) on Sale		-7,000				-7,000	-7,000
Total Indirect Expenditure	-103,389	-104,389	114,396	114,396	11,007	10,007	-1,000
Total Direct and Indirect	**755,145**	**635,130**	**196,655**	**308,038**	**951,800**	**943,168**	**-8,632**
Corporate Charges							
Corporate Overhead	130,149	130,149			130,149	130,149	
RCC Rent	86,324	86,324			86,324	86,324	
IT and **Support** Services	68,229	69,067	20		68,249	69,067	818
	284,702	285,540	**20**		284,722	285,540	818
Total Expenditure	**1,039,847**	**920,670**	**196,675**	**308,038**	**1,236,522**	**1,228,708**	**-7,814**
Operating Surplus	**101,122**	**1,330**	**-61,829**	**1,962**	**39,293**	**3,292**	**36,001**

	YTD Actual	YTD Budget	YTD Variance
External Revenue		0.0	160.6 U
Significantly lower than budgeted WCC capex work:			160.6 U

	YTD Actual	YTD Budget	YTD Variance
Internal Revenue	1,126.4	922.0	204.4 F
Total Strategy and Asset, (Capex + Opex projects):			155.7 F
Total other US Division departments:			2.1 U
Regional Parks:			19.7 F
Flood Protection:			32.7 F
Other miscellaneous unders and overs from ex-US Division departments:			1.6 U
Total Internal Revenue			204.4 F

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	782.3	769.6	12.7 U
Miscellaneous unders and overs:			12.7 U

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	39.3	37.9	1.4 U
Miscellaneous unders and overs:			1.4 U

	YTD Actual	YTD Budget	YTD Variance
External Contractors	0.3	3.0	2.7 F
Minimal rechargeable contractor resources used in the year to date:			2.7 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	11.0	10.0	1.0 U
Actual depreciation charge lower than budget:			6.0 F
Budgeted gain on sale of vehicle not realised due to replacement deferral:			7.0 U
Total Indirect Expenditure			1.0 U

Statement of Funding
For the Year Ended **30** June 2004

	30 Jun 03 $000's	30 Jun 04 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Operating activities	1,145.6	1,275.8
	1,145.6	1,275.8
Funds were applied to :		
Operating activities	(1,133.3)	(1,225.5)
Interest paid		
	(1,133.3)	(1,225.5)
Net Funding from Operating Activities / Cash Operating Surplus	**12.3**	**50.3**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	7.2	
Transfer from reserves	-	-
	7.2	
Funds were applied to :		
Purchase of vehicles	-	-
Purchase of office equipment		
Purchase of plant and equipment		
Net Funding from Investing Activities	***7.2***	**-**
Net Increase / (Decrease) in Funds Held	**19.5**	**50.3**

Laboratory Services

Manager's Commentary

The Laboratory recorded a financial loss for the 2003-2004 year finally ending up in the red to the tune of $ 88K. The result was not unexpected as, sadly, finances were under a cloud for the two previous quarters reflecting the limited success of our bid for a bigger slice of the Environment Division SoE monitoring pie.

As reported earlier, facing the prospect of an estimated annual loss of $100K the Laboratory was subjected to a business feasibility study culminating in a management review in January. With futures hanging in the balance laboratory staff welcomed the outcome with relief. The executive decision passed down was for the unit to continue operating on a status quo basis, at least, for the time being. Basically, through hard work and without resorting to merely putting prices up (which would have appeared as a cosmetic option), we hope we salvaged some credibility by staying in touch with what sometimes looked like optimistic forecasting. (Thank you Ian for the stretch targets!)

Our annual IANZ surveillance assessment was carried out in May this year and, although minor areas were identified for improvement, the overview was 'a very good standard of compliance' with regard to the IS0 17025 standard requirements. Staff are to be commended on their achievement' as well as other glowing observations made by the assessor.

The visit also served as an extension assessment to include several new tests within both the chemical and microbiological scopes *of* our accreditation. These tests are in anticipation of opportunities that will be pursued in the near future such as swimming pool testing next summer.

After much deliberation, but finally out of sheer necessity, a new Autoclave (Tuttnauer brand), was eventually ordered in June at a cost of $21K. As expoused in our 'proposal to purchase' this fine piece *of* Israeli equipment will replace the incumbent laboratory steriliser of almost twenty-year vintage whose one remaining redeeming feature is that it just won't die!

Following the resignation *of* one of our senior technicians in March we advertised for a replacement and received twenty applications from variously qualified prospects. However, after trials and tribulations with juggling various duties amongst the existing staff we concluded that we could possibly manage without filling the vacancy. Fortuitously, prior to this we had engaged a person on a casual basis. This was to provide temporary cover specifically by relieving with sample collection duties and thus facilitating staff annual leave taking. We were now able to offer this graduate a more substantial position as temporary part time field officer and after adjustment of terms and duties this has worked out well. The net result being effectively a reduction in permanent laboratory staff numbers to six and the creation of a part-time role which should generate future savings on the wage bill.

Finally, we commenced testing on the Exide Technologies air monitoring programme contract for the 2004 year that we were fortunate to renegotiate earlier. This is their consent monitoring process and involves the analysis of dustfall collected within their on-site deposit gauges and, although not huge in monetary terms, was renewed on the strength of our past performance.

Laboratory Services

Statement of Financial Performance
For the Year Ended 30 June 2004

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
52.5	External Revenue	64.0	45.0	19.0 F	65.0	45.0
764.6	Internal Revenue	637.4	750.1	112.7 U	632.0	750.1
817.0	**Total Revenue**	**701.4**	**795.1**	**93.7 U**	**697.0**	**795.1**
366.2	Personnel Costs	371.4	379.0	7.6 F	379.0	379.0
125.3	Materials, Supplies & Services	137.9	130.1	7.8 U	125.0	130.1
23.6	Travel & Transport	27.6	23.3	4.2 U	25.0	23.3
85.0	Contractors & Consultants	55.8	47.7	8.1 U	50.0	47.7
47.2	Internal Contractors	43.9	51.0	7.1 F	43.6	51.0
647.3	**Total Direct Expenditure**	636.6	631.1	5.5 U	622.6	631.1
49.6	Depreciation	54.4	72.4	18.0 F	55.0	72.4
(3.7)	Loss / (Gain) on Sale		(5.0)	5.0 U		(5.0)
45.9	**Total Indirect Expenditure**	54.4	67.4	13.0 F	55.0	67.4
69.5	Net Corporate Overhead	68.8	68.8	0.0 F	68.8	68.8
25.5	Corporate Rent / Internal Charges	30.0	25.1	4.9 U	30.4	25.1
95.0	**Total Corporate Costs**	98.0	93.9	4.9 U	99.2	93.9
788.2	**Total Expenditure**	**789.8**	**792.4**	**2.7 F**	**776.8**	**792.4**
28.9	**Surplus / (Deficit)**	**(88.4)**	**2.6**	**91.0 U**	**(79.8)**	**2.6**
	Asset Acquisition & Disposal Summary					
173.0	Acquisitions	37.1	120.0	82.9 F	71.0	120.0
(3.7)	Disposals		(10.0)	10.0 U		(10.0)
169.3		37.1	110.0	72.9 F	71.0	110.0

	YTD Actual	M D Budget	YTD Variance
External Revenue	64.0	45.0	19.0 F
Work for external clients higher than budget:			19.0 F

	YTD Actual	YTD Budget	M D Variance
Internal Revenue	637.4	750.1	112.7 U
Less work for Environment / Wairarapa Divisions than budget:	87.6	219.6	132.0 U
Higher than anticipated work for Utility Services departments:	549.8	*530.5*	19.3 F
Total Internal Revenue	637.4	750.1	112.7 U

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	371.4	379.0	7.6 F
Miscellaneous unders and overs:			7.6 F

	YTD Actual	M D Budget	YTD Variance
Materials, Supplies & Services	137.9	130.1	7.8 U
More chemicals than budgeted used in jobs:			15.7 U
Miscellaneous unders and overs:			7.9 F
Total Materials, Supplies & Services			7.8 U

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	55.8	47.7	8.1 U
Consultant costs for out sourced test work higher than budget:			6.6 U
Miscellaneous unders and overs:			1.5 U
Total External Contractors & Consultants			8.1 U

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	54.4	67.4	13.0 F
Actual depreciation charge lower than budget:			18.0 F
Gain on sale of vehicle not realised due to replacement deferral:			*5.0* U
Total Indirect Expenditure			13.0 F

Laboratory Services
Statement of Funding
For the Year Ended 30 June 2004

	30 Jun 03 $000's	30 Jun 04 $000's
FUNDING **FROM** OPERATING ACTIVITIES		
Funds were provided from:		
Operating activities	817.0	701.4
	817.0	701.4
Funds were applied to :		
Operating activities	(742.3)	(735.4)
	(742.3)	(735.4)
Net Funding from Operating Activities / **Cash** Operating Surplus	**74.7**	**(34.0)**
FUNDING **FROM** INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	3.7	
Transfer from reserves	60.0	
	63.7	
Funds were applied to :		
Purchase of vehicles	(25.0)	
Purchase of furniture & fittings	-	-
Purchase of plant and equipment	(148.0)	(37.1)
Purchase of computer equipment	-	-
Purchase of structures	-	-
Transfers to Reserves	-	-
	(173.0)	(37.1)
Net Funding from Investing Activities	**(109.3)**	**(37.1)**
Net Increase / (Decrease) in Funds Held	**(34.6)**	**(71.0)**

Support Services

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	YTD Variance $000's		Full Year Forecast $000's	Full Year Budget $000's
942.7	Wholesale Water Levy	720.5	720.5	0.0	F	720.5	720.5
0.1	External Revenue	0.1		0.1	F		
904.9	Internal Revenue	882.2	875.6	6.6	F	882.5	875.6
1,847.6	**Total Revenue**	**1,602.7**	**1,596.0**	**6.7**	**F**	**1,603.0**	**1,596.0**
518.8	Personnel Costs	566.3	575.1	8.8	F	565.0	575.1
33.7	Materials, Supplies & Services	44.7	45.1	0.4	F	45.0	45.1
8.9	Travel & Transport	13.0	17.0	4.0	F	12.0	17.0
6.5	Contractors & Consultants	(2.8)	20.0	22.8	F	5.0	20.0
2.0	Internal Contractors						
569.9	**Total Direct Expenditure**	621.2	657.2	36.0	F	627.0	657.2
11.0	Depreciation	8.9	33.2	24.3	F	9.0	33.2
(2.0)	Loss / (Gain) on Sale						
9.0	**Total Indirect Expenditure**	8.9	33.2	24.3	F	9.0	33.2
73.5	Net Corporate Overhead	63.5	63.5	0.0	F	63.5	63.5
498.1	Corporate Rent / Internal Charges	518.4	513.6	4.8	U	520.0	513.6
571.6	**Total Corporate Costs**	581.8	577.0	4.8	U	583.5	577.0
1,150.5	**Total Expenditure**	**1,211.9**	**1,267.4**	***55.5***	**F**	**1,219.5**	**1,267.4**
697.0	**Surplus / (Deficit)**	**390.9**	**328.7**	**62.2**	**F**	**383.5**	**328.7**
	Asset Acquisition & Disposal Summary						
37.2	Acquisitions		60.0	60.0	F	110.0	60.0
(21.6)	Disposals	-	-	-		-	-
15.6			60.0	60.0	F	110.0	60.0

Explanation of Material Variances
For the Year Ended 30 June 2004

	YTD Actual	YTD Budget	YTD Variance
Total Revenue	1,602.7	1,596.0	6.7 F
Unbudgeted recovery from Transport/ Wind Energy projects:			6.7 F

	YTD Actual	YTD Budget	YTD Variance
Personnel Costs	566.3	575.1	8.8 F
Miscellaneous unders and overs:			8.8 F

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	44.7	45.1	0.4 F
Miscellaneous unders and overs:			0.4 F

	YTD Actual	YTD Budget	YTD Variance
Travel & Transport	13.0	17.0	4.0 F
Travel, accommodation and transport lower than budget:			2.7 F
Vehicle costs under budget:			**1.3** F
Total Travel & Transport			4.0 F

	YTD Actual	YTD Budget	YTD Variance
External Contractors & Consultants	(2.8)	20.0	22.8 F
No general consultants expenditure this financial year:			22.8 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	8.9	33.2	24.3 F
Actual depreciation lower than budgeted:			**24.3** F

Plantation Forestry

Manager'sCommentary

Harvesting

Harvesting continued to be predominantly based on the windthrown trees in the blocks at Clarkes Creek, Glider Club and Martins, although we did manage to finally complete the Hukinga harvest. The Glider Club and Martins operations were ground based with haulers at both Clarkes Creek and Hukinga. Since Hukinga was completed in April both haulers have been recovering windthrow from Clarkes Creek.

Four additional skids have been constructed at Clarkes Creek for access to the extensive area of windthrow and thus far our efforts have paid off, as there has been minimal rejection through sap-stain.

It is likely that the two crews will remain in Clarkes Creek until they have completed the block, at which point one crew will complete harvesting the remaining standing trees in Reservoir Ridge block 3/02. As soon as Gratton have completed their harvest, they will return there to complete the harvest of Reservoir Ridge block 3/03.

The crew at Martins will be released on completion of the windthrow as we wish to retain the balance of the block for winter logging in 2005/06. There is an option to look at using this crew to log Corsican posts for use on the Wainuiomata Catchment Fence project but this will only be pursued if it is cost effective.

We have also been approached by a resident of Plateau Road who has offered access to the Maymorn block through his property. At first glance we may be able to recover a further 800 tonnes of "land locked" logs through this route.

It is still our intention to revert to Puketiro Forest to complete harvesting of the Harris South block and commence the Blow Fly stands next spring provided the P1 price has risen to a point where we net $100 per tonne or better.

Financial

Log production for the period was 15,198 tonnes for $1,047,699 gross and $363,923 net. This tonnage exceeded budget for the quarter by 1,098 tonnes, whilst gross revenue fell $63,621 short of budget. As with earlier periods the combined effect of a strong dollar, exceptionally high freight rates, and a weakening export market all undermined what would have otherwise been a successful quarter. During this period the full effects of the February storms were felt as the domestic markets became saturated on numerous occasions and wood had to be held over on the skids. This oversupply no doubt prevented domestic prices from increasing but there were no significant decreases in sawlog prices locally, despite prices for pruned logs remaining static at about 60% of traditional prices. Strangely the pruned price at JNL was not affected by the drop at other mills but our problem there was getting access. This was finally overcome by Rayonier onselling to Forest Assets Management who had an allocation.

The average stumpage for the period was $24.42

Logging revenue for the quarter was $63,621 below budget whilst direct costs exceeded budget. This was due predominantly to additional contractor costs as a consequence of the February storms, in order to repair road damage and harvest windthrown trees. All other cost categories were at or below budget.

At year-end, there is a deficit of $170,100 compared with a December forecast of $370,600.

To repeat what I wrote last year, "This result makes the loss of revenue due to the dollar even more painful as without it we may have seen our first profit for a number of years!"

Roading

The only new roading has been that required to access windthrown trees. There has been one skid and about 200m of road at Martins block, and six skids and about 2km of new road in Clarkes Creek. Maintenance on the main Valley View Road has been minimal with two applications of "fines" and one pass with the grader. The road has remained open at all times although trucks have been towed on some of the shunt roads until the surface has settled. There is one skid and about 70m of road still to be constructed in Clarkes Creek to complete the harvest of the windthrow accessible from that side. There is one stand that will be accessed from Grattons after they have completed their own logging.

Close to $20,000 was spent repairing storm damage outside the harvest areas (excluding Karapoti which did not come to notice until early June).

At present all major roads are accessible and harvesting can return to Puketiro as soon as the weather and prices permit.

Silviculture

All silviculture was completed prior to June.

The closure of the Deerstalkers Range was cancelled for this year as the trees are not sufficiently advanced for the next lift.

Further closures have been planned at the same time of the year for the next three years.

Tenders were called for the 2004/05 silviculture programme and while five organisations picked up documents only two tenders were received, these being from the incumbents. Both contractors are having problems attracting suitable staff and it may be in our best interests to modify our current practice of annual tender rounds to a longer duration to "lock in" the available resources.

2001 – 05 Harvest Contract

It has been a highly variable period with harvest plans being regularly modified to meet the impacts of changing markets – a shift from Korea to China – pruned prices still depressed – an oversupply of logs domestically in the aftermath of the storms. Both Rayonier and especially the logging contractors have gone out of their way to minimise the impact of the storm on the Council. The loggers recast their crews to create an additional ground based crew and worked off the roadside to recover windthrow from a number of mature stands.

We have indicated interest in a longer-term arrangement for supply with JNL.

Rayonier has been unable to fill the additional position they created in Wellington but still indicate that they value our custom, are still here for the long term, and will aggressively bid for the next harvest tender in 2005.

The market outlook in the medium term is at best average. Korea and China are both overstocked and likely to stay that way until their Spring, shipping rates are climbing again and the $NZ is not doing us any favours. Pruned prices are moving in the Central North Island markets but this has not filtered down here yet. With the onset of winter the supply of sawlog has dropped and prices

are holding.

Catchment Issues

Although we would not fund a post harvest survey in the Hutt catchment following the 1080 programme, Landcare elected to complete it and it confirmed our view that the programme had been very successful. The post trap result was 0.5%.

We have carried out a possum survey in the Wainuiomata/Orongorongo catchment and following a trap result of 15%, a 1080 programme has been planned for next winter.

By year-end 8.3km of the fence on the boundary of the Wainuiomata catchment had been completed. A further two sections of around 4km each are planned for the next two years. This should secure the catchment boundary from all adjoining pastureland.

Nine deer, four goats and one pig were taken in the annual balloted hunt in the Wainuiomata/Orongorongo catchment and a further six deer, five goats and twelve pigs were culled by professional hunters.

The road into the Orongorongo Intake was upgraded to minimise any water damage over the winter months. Ideally the work should have been carried out earlier but at least the water tables and run-offs have been reinstated and the running surface can be improved next summer.

There are still regular instances of trespass and vandalism at the entrance to the Wainuiomata catchment which justified the continued use of ranging staff in the area.

30 Jun 03 Actual $000's		30 Jun 04 Actual $000's	30 Jun 04 Budget $000's	M D Variance $000's	Full Year Forecast $000's	Full Year Budget $000's
3.7	Reserve Interest	2.7	2.7		2.7	2.7
4,095.0	External Revenue	3,777.2	4,451.5	674.4 U	3,825.0	4,451.5
2.3	Internal Revenue	16.7		16.7 F	5.0	
4,101.1	**Total Revenue**	**3,796.6**	**4,454.2**	**657.6 U**	**3,832.7**	**4,454.2**
214.2	Personnel Costs	228.8	264.9	36.2 F	230.0	264.9
83.5	Materials, Supplies & Services	70.8	112.3	41.5 F	65.0	112.3
20.6	Travel & Transport	21.5	19.5	2.0 U	20.0	19.5
3,025.6	Contractors & Consultants	2,574.2	2,747.5	173.3 F	2,810.0	2,747.5
62.1	Internal Contractors	65.1	66.9	1.9 F	62.8	66.9
3,406.0	**Total Direct Expenditure**	2,960.3	3,211.1	250.8 F	3,187.8	3,211.1
843.2	Financial Costs	854.5	857.6	3.1 F	870.0	857.6
58.9	Depreciation	61.0	59.4	1.6 U	55.0	59.4
(8.4)	Loss / (Gain) on Sale	(11.4)	(4.0)	7.4 F	(11.4)	(4.0)
893.7	**Total Indirect Expenditure**	904.2	913.0	8.8 F	913.6	913.0
68.3	Net Corporate Overhead	80.7	80.7	0.0 U	80.7	80.7
16.0	Corporate Rent / Internal Charges	21.5	20.7	0.8 U	21.2	20.7
84.3	**Total Corporate Costs**	102.2	101.4	0.8 U	101.9	101.4
4,384.0	**Total Expenditure**	**3,966.7**	**4,225.5**	**258.8 F**	**4,203.3**	**4,225.5**
(282.9)	**Surplus / (Deficit)**	**(170.1)**	**228.7**	**398.8 U**	**(370.6)**	**228.7**
	Capital Expenditure					
	Asset Acquisition & Disposal Summary					
32.5	Acquisitions	31.0	30.0	1.0 U	31.0	30.0
(11.0)	Disposals	(15.3)	(10.0)	5.3 F	(15.3)	(10.0)
21.5		15.8	20.0	4.2 F	15.7	20.0
392.2	Capital Projects	134.6	378.4	243.8 F	100.0	378.4

	YTD Actual	YTD Budget	YTD Variance
External Revenue	3,777.2	4,451.5	674.3 U
Returns from the current harvest contracts are below budget, primarily due to ongoing depressed market conditions:			695.7 U
Miscellaneous unders and overs:			21.3 F
Total External Revenue			674.4 U

	YTD Actual	M D Budget	YTD Variance
Personnel Costs	228.8	264.9	36.1 F
Actual use of temporary staff less than budget:			15.0 F
Actual overtime payments less than budget:			12.2 F
Miscellaneous unders and overs:			9.0 F
			36.2 F

	YTD Actual	YTD Budget	YTD Variance
Materials, Supplies & Services	70.8	112.3	41.5 F
No chemicals purchases required this year:			15.0 F
Miscellaneous unders and overs:			26.5 F
Total Materials, Supplies & Services			41.5 F

	YTD Actual	M D Budget	YTD Variance
External Contractors	2,574.2	2,747.5	173.3 F
Lower than budgeted variable harvest costs correlating to the reduced revenue returns:			173.3 F

	YTD Actual	YTD Budget	YTD Variance
Internal Contractors	65.1	66.9	1.8 F
Miscellaneous unders and overs:			1.8 F

	YTD Actual	YTD Budget	YTD Variance
Indirect Expenditure	904.2	913.0	8.8 F
Actual depreciation more than budget:			1.6 U
Financial **costs** less than budget:			3.0 F
Gain on sale of vehicle higher than budgeted:			**7.4** F
Total Indirect Expenditure			8.8 F

Log Harvest	**Actual Volume (tonnes)**	**Budget Volume (tonnes)**	**Actual Revenue $000's**	**Budget Revenue $000's**
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 2003104	**56,157**	**56,400**	**3,749,509**	**4,445,280**
1 July to 30 September 2002	10,815	10,895	744,654	786,700
1 October to 31 December 2002	14,624	10,895	1,195,346	786,800
1 January to 31 March 2003	16,104	10,895	1,142,801	786,700
1 April to 30 June 2003	15186	10,895	963,964	786,700
Total Year 2002103	**56,729**	**43,580**	**4,046,169**	**3,146,900**

Silviculture Payments *	**2002103 Actual (Note 1)**	**2003104 Actual (Note 2)**	**2003104 Budget (Note 3)**
July	7,951		7,203
August	4,690	11,550	7,203
September	14,245	16,674	7,203
October	25,290	28,693	7,203
November	15,316	9,529	7,203
December	10,024	3,754	7,203
January		8,840	7,203
February	10,080	5,130	7,203
March	5,208	- ④	7,203
April	-		7,203
May	7,840		7,203
June	14,504		7,202
M D	**115,148**	**84,170**	**86,435**

* Relates to contracted thinning and pruning only.

Note **1**: Includes some 2001102 payments that were accrued. The values are stated on a 'cash' basis.

Note 2: Includes some 2002/03 payments that were accrued. The values are stated on a 'cash' basis.

Note 3: The 2003/04 budget figures represent a silviculture contract value for the full year of $86,435.

④ All silviculture completed by March 2004

Statement of Financial Performance for Financial / Admin, Logging & Maintenance
For the Year Ended 30 June 2004

	Fin'l /Admin ($000's)	*Logging* ($000's)	*Maintenance* ($000's)	*Total* ($000's)
Total Revenue	47.1	3,749.5		3,796.6
Personnel Costs	171.2	30.4	27.2	228.8
Materials, Supplies & Services	50.6	8.7	11.5	70.8
Travel & Transport	21.5			21.5
Contractors & Consultants	17.4	2,485.9	70.9	2,574.2
Internal Contractors	83.9	2.6		86.5
Total Direct Expenditure	344.6	2,527.6	109.6	2,981.8
Financial Costs (excl. FEL)	511.1			511.1
Forestry Encouragement Loan Costs	343.5			343.5
Depreciation	61.0			61.0
Loss / (Gain) on Sale	(11.4)			(11.4)
Corporate Overhead	80.7			80.7
Total Indirect Expenditure	984.9			984.9
Total Expenditure	1,329.5	2,527.6	109.6	3,966.7
Operating Surplus / (Deficit)	(1,282.4)	1,221.9	(109.6)	(170.1)

Statement of Financial Position
As at 30 June 2004

30 Jun 03 $000's		30 Jun 04 $000's
	EQUITY	
4,148.9	Retained Earnings	3,763.9
3,296.4	Asset Revaluation Reserve	3,361.4
50.0	Departmental Reserve	50.0
7.495.3	**Total Equity**	**7,175.3**
	Represented By:	
	ASSETS	
	Current Assets	
29.3	Receivables	29.3
19.9	Accrued Revenue	
52.6	Treasury Receivables	150.7
101.8	**Total Current Assets**	180.0
	Investments	
50.0	Reserve Investments	50.0
9,815.0	Investment in Plantation Forests	9,999.2
9,865.0	**Total investments**	10,049.2
218.1	**Capital Work In Progress**	352.7
	Fixed Assets	
9,320.0	Cost or Valuation	9,321.5
(40.6)	less: Accumulated Depreciation	(76.0)
9,279.4	**Total Fixed Assets**	9,245.5
19.464.2	**Total Assets**	**19,827.4**
	LIABILITIES	
	Current Liabilities	
51.1	Creditors	134.1
50.8	Employee Provisions	45.9
101.9	**Total Current Liabilities**	180.0
11,867.1	**Public Debt**	12,472.1
11.969.0	**Total Liabilities**	**12,652.1**
7.495.3	**Net Assets**	**7,175.3**

Statement of Funding
For the Year Ended 30 June 2004

	30 Jun 03 $000's	30 Jun 04 $000's
FUNDING FROM OPERATING ACTIVITIES		
Funds were provided from:		
Operating activities	4,097.3	3,793.9
Interest received	3.7	2.7
	4,101.0	3,796.6
Funds were applied to :		
Operating activities	(3,490.3)	(3,062.5)
Interest paid	(487.7)	(511.0)
Interest paid on Forestry Encouragement Loans	(355.5)	(343.5)
	(4,333.5)	(3,917.0)
Net Funding from Operating Activities / Cash Operating Surplus	**(232.5)**	**(120.4)**
FUNDING FROM INVESTING ACTIVITIES		
Funds were provided from:		
Sale of assets	11.0	15.3
Transfer from reserves		2.7
	11.0	18.0
Funds were applied to :		
Purchase of vehicles	(32.5)	(31.0)
Purchase of office equipment	-	-
Capital projects	(392.2)	(134.6)
Investment additions (Silviculture costs)	(153.7)	(184.2)
Transfer to reserves (incl interest)	(3.7)	(2.7)
	(582.1)	(352.5)
Net Funding from Investing Activities	**(571.1)**	**(334.6)**
FUNDING FROM FINANCING ACTIVITIES		
Funds were provided from:		
New loans	1,380.7	1,780.7
	1,380.7	1,780.7
Funds were applied to :		
Debt repayment	(577.1)	(1,175.8)
	(577.1)	(1,175.8)
Net Funding from Financing Activities	**803.6**	***605.0***
Net Increase / (Decrease) in Funds Held	***(0.0)***	**150.0**

	2002/03 Actual ($000's)	YTD 2003/04 Mar Actual ($000's)	Qtr 4 2003/04 Actual ($000's)	2003/04 Actual ($000's)	2003/04 Forecast ($000's)	2003/04 Budget ($000's)	2004/05 Budget ($000's)
Gross Harvest Revenue	4,046	2,702	1.048	3,750	3,800	4,445	4.783
Harvest Costs	(2,523)	(1,802)	(684)	(2,486)	(2,670)	(2,584)	(3,170)
Net Return from Harvesting	1,523	900	364	1,264	1,130	1,861	1,613
Roading Maintenance	(433)	(55)	(16)	(71)	(100)	(100)	(110)
Contribution after Roading Costs	1,090	845	348	1,193	1,030	1,761	1.503
Miscellaneous External Revenue	55	6	21	27	34	9	
Financial Costs	(845)	(627)	(228)	(855)	(870)	(858)	(915)
Other Operating Costs	(585)	(396)	(139)	(535)	(565)	(683)	(626)
Operating Surplus / (Deficit)	(285)	(172)	2	(170)	(371)	229	(38)
Depreciation	59	40	21	61	55	60	66
Loss / (Gain) on Sale	(9)	(11)	-	(11)	(11)	(4)	
Capital Expenditure:							
New Roading Construction	(392)	(32)	(103)	(135)	(100)	(378)	(210)
Vehicle Replacement	(22)	(16)	-	(16)	(16)	(20)	
Other Items (Reserve Interest)	(3)	(2)	(1)	(3)	(3)	(3)	(3)
Silviculture Costs (Capitalised)	(154)	(183)	(1)	(184)	(185)	(239)	(196)
Cash Deficit (ex-dividend)	(806)	(376)	(82)	(458)	(631)	(355)	(381)
Adjusted Debt Balance	11,867	12,243	12,325	12,325	12,498	12,225	12,895

Notes:-

-Actual debt balance at 30 June 2003 = $11,867k. (Excludes waived 2002/03 YTD dividend of $150.0k).
-Actual debt balance at 30 March 2004 = $12.243k. (Excludes anticipated waived 2003/04 M D dividend of $112.5k)
-Actual debt balance at 30 June 2004 = $12,325k. (Excludes anticipated waived 2003/04 YTD dividend of $150.0k).

- Forecast debt balance at 30 June 2004 = $12.498k. (Excludes 2002/03 and 2003/04 dividends at $150.0k per financial year)

- Budgeted debt balance at 30 June 2004 = $12,225k. (Includes budgeted 2003/04 annual dividend of $150.Ok).
- Budgeted debt balance at 30 June 2005 = $12,895k. (Includes budgeted 2004/05 annual dividend of $150.0k).

Cash Contribution From Forestry Activities Only:

	2002/03 Actual ($000's)	YTD 2003/04 Mar Actual ($000's)	Qtr 4 2003/04 Actual ($000's)	2003/04 Actual ($000's)	2003/04 Forecast ($000's)	2003/04 Budget ($000's)	2004/05 Budget ($000's)
Gross Harvest Revenue	4,046	2.702	1.048	3.750	3.800	4.445	4,783
Harvest Costs	(2,523)	(1,802)	(684)	(2,486)	(2,670)	(2,584)	(3,170)
Net Return from Harvesting	1,523	900	364	1,264	1,130	1,861	1,613
Roading Maintenance	(433)	(55)	(16)	(71)	(100)	(100)	(110)
Contribution after Roading Costs	1,090	845	348	1,193	1,030	1,761	1,503
New Roading Construction (Capex)	(392)	(32)	(103)	(135)	(100)	(378)	(210)
Silviculture Costs (Capitalised)	(154)	(183)	(1)	(184)	(185)	(239)	(196)
Total Cash Contribution	544	630	244	874	745	1,144	1,097

Log Harvest Analysis 2003/2004

	Mill/Port Price $	Cartage costs $	Harvest costs $	Commision costs $	Other costs $	Net Return $	Tonnage
JULY	250,923	43,170	117,785	23,252	-3,092	69,808	4,550
AUGUST	301,805	49,443	129,946	22,723	-784	100,477	4,666
SEPTEMBER	391,392	58,759	160,637	26,903	0	145,093	5,435
1st Quarter	**944,120**	**151,372**	**408,368**	**72,878**	**-3,876**	**315,378**	**14,651**
OCTOBER	382,782	54,944	162,489	27,266	10,006	128,077	5,564
NOVEMBER	345,235	46,243	135,543	22,902	4,998	135,549	4,614
DECEMBER	204,884	30,436	84,084	14,911	10,639	64,814	2,996
2nd Quarter	**932,901**	**131,623**	**382,116**	**65,079**	**25,643**	**328,440**	**13,174**
Half Year	**1,877,021**	**282,995**	**790,484**	**137,957**	**21,767**	**643,818**	**27,825**
JANUARY	203,344	32,512	85,987	17,058	12,125	55,662	3,381
FEBRUARY	316,530	49,276	133,865	26,415	12,124	94,850	5,173
MARCH	304,915	44,339	119,054	23,672	12,124	105,726	4,580
3rd Quarter	**824,789**	**126,127**	**338,906**	**67,145**	**36,373**	**256,238**	**13,134**
APRIL	381,075	53,046	148,041	26,845	1,494	151,649	5,201
MAY	351,829	48,707	144,986	26,748	2,967	128,421	5,040
JUNE	314,795	47,252	155,244	25,460	2,986	83,853	4,957
4th Quarter	**1,047,699**	**149,005**	**448,271**	**79,053**	**7,447**	**363,923**	**15,198**
TOTAL YTD	**3,749,509**	**558,127**	**1,577,661**	**284,155**	**65,587**	**1,263,979**	**56,157**