Any accounting policies adopted in the prospective financial statements in this annual plan document which have a significant effect on the results and financial position disclosed are set out below:

Greater Wellington Regional Council is a regional local authority governed by the Local Government Act 2002. For the purposes of financial reporting, Greater Wellington is designated as a public benefit entity.

(a) Revenue recognition

Rates and levies are a statutory annual charge and are recognised in the year the assessments are issued. Government grants and contributions from territorial local authorities are recognised in the Income Statement when eligibility has been established by the grantor. Other revenue is recognised in the Income Statement on an accrual basis.

(b) Borrowing costs

Borrowing costs directly attributable to capital construction are capitalised as part of the costs of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(c) Property, plant and equipment

Property, plant and equipment is categorised into the following classes:

- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets
- Rail rolling stock
- Navigational aids infrastructural assets
- Parks infrastructural assets
- Capital work in progress
- Water supply infrastructural assets
- Water supply administrative buildings
- Water supply minor equipment
- Water supply motor vehicles
- Water supply capital work in progress

Infrastructural assets are revalued or reviewed by independent qualified valuers at least every five years.

The results of any revaluation of a class of property, plant and equipment are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, it is taken to the income statement as an expense.

Accounting policies

(d) Impairment

All assets are reviewed annually to determine if there is any indication of impairment.

An impairment loss is recognised when its carrying amount exceeds its recoverable amount. Losses resulting from impairment are accounted for in the Income Statement, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

(e) Depreciation

Depreciation is provided on a straight line basis on all tangible property, plant and equipment other than land and capital works in progress, at rates which will write off assets, less their estimated residual value, over their remaining useful lives. The useful lives of major classes of assets have been estimated as follows:

• Operational land and buildings	10 years to indefinite
• Operational plant and equipment	2 – 20 years
• Operational vehicles	3 – 10 years
• Flood protection infrastructural assets	15 years to indefinite
• Transport infrastructural assets	5 – 50 years
• Rail rolling stock	15 – 35 years
• Navigational aids infrastructural assets	5 – 50 years
• Parks and forests infrastructural assets	10 – 100 years
• Regional water supply infrastructural assets	3 – 150 years

Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and to check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

Work in progress is not depreciated until the project phase is completed.

(f) Intangible assets

Software is carried at cost less any accumulated amortisation and any accumulated impairment losses. It is amortised over the useful life of the asset as follows:

• Software	1 – 3 years

(g) Investments

1) Investment in subsidiaries

Investments in subsidiaries are held at the lower of cost and fair value.

2) Forestry investment

Forestry investments are stated at fair value, less point-of-sale costs. They are independently revalued to an estimate of market valuation based on net present value. The net gain or loss arising from changes in forestry valuation is included in the Income Statement.

(h) Inventories

Inventories are valued at the lower of cost or net realisable value on a first-in first-out basis. The value of harvested timber is its fair value, less estimated point-of-sale costs at the date of harvest. Any change in value at the date of harvest is recognised in the Income Statement.

(i) Financial instruments

Greater Wellington classifies its financial assets and liabilities according to the purpose for which they were acquired. Financial assets and liabilities are only offset when there is a legally enforceable right to offset them and there is an intention to settle on a net basis.

1) Financial assets

Greater Wellington's financial assets are categorised as follows:

- *Financial assets at fair value accounted through the Income Statementnt*

  Financial Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.
  Gains or losses on re-measurement are recognised in the Income Statement.

- *Financial assets at fair value accounted through equity*

  Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition these assets are measured at their fair value. Any gains and losses are recognised directly to equity, except for impairment losses which are recognised in the Income Statement.

  Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when it can be reliably estimated. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market and no intention to sell the asset, the item is measured at cost.

  Fair value is equal to Greater Wellington's share of the net assets of the entity. Upon sale, the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Income Statement.

- *Loans and receivables*

  These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised costs using the effective interest method.
  Gains and losses when the asset is impaired or sold are accounted for in the Income Statement.

- *Held-to-maturity investments*

  These are assets with fixed or determinable payments with fixed maturities that Greater Wellington has the intention and ability to hold to maturity. After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the Income Statement.

  Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

2) Financial liabilities

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value, less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Income Statement as is any gain or loss when the liability is settled. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

Accounting policies

(j) Derivative financial instruments

Greater Wellington uses derivative financial instruments to manage its exposure to interest rate and foreign exchange risks arising from its operational, financing and investment activities. In accordance with its treasury policies, Greater Wellington does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments which do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the Income Statement.

The fair value of an interest rate swap is the estimated amount that Greater Wellington would receive or pay to terminate the swap at balance date, based on current interest rates. The fair value of forward-exchange contracts is their quoted market price at the balance date.

(k) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

(l) Changes in Accounting Policies

There have been no changes from the accounting policies adopted in the last audited financial statements.