



Waitakere City Holdings Limited

ANNUAL REPORT 2007

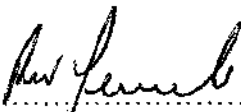
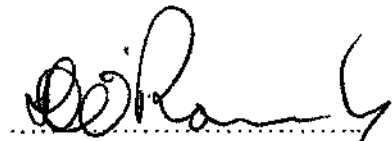

WAITAKERE CITY HOLDINGS LIMITED
A WHOLLY OWNED SUBSIDIARY OF WAITAKERE CITY COUNCIL

STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 30 JUNE 2007

The Board and management of Waitakere City Holdings Limited accept responsibility for the preparation of the annual Financial Statements and judgements used in them.

The Board and management of Waitakere City Holdings Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board and management of Waitakere City Holdings Limited, the annual Financial Statements for the year ended 30 June 2007 fairly reflect the financial position and operations of Waitakere City Holdings Limited.


.....
Ross Jewell
Director on behalf of the Board
.....
Harry O'Rourke
Director on behalf of the Board
.....
Alec Third
Chief Financial Officer

28 September 2007

Waitakere City Holdings Limited

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Waitakere City Holdings Limited (WCHL) was established on 1 July 1999 with share capital of \$5 million. Waitakere City Council is the sole shareholder. To release funds to the Parent shareholder (Waitakere City Council), generated by the from the sale of the shareholding in Techscape Limited, the share capital was reduced to \$1.025 million through a share buy-back arrangement.

WCHL and its subsidiary company are Council Controlled Organisations under the Local Government Act 2002. This current Act came into force on 24 December 2002 replacing the Local Government Act 1974. The operations of Council Controlled Organisations are subject to both the Companies Act 1993 and the Local Government Act 2002

WCHL also monitors the performance of Waitakere Enterprise (a "supervisory relationship"), and advises Council as necessary. Waitakere Enterprise is not a subsidiary or associate of WCHL, as no level of control is exercised (this power resides with Council itself).

As required by the Local Government Act, Council Controlled Organisations are required to have in place a Statement of Intent (SOI)

Objectives within WCHL's 2006/07 Statement of Intent are:

- To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed statement of intent and to optimise the returns – both financial and non-financial – from, and the value of, the subsidiary companies within the parameters set by Council.
- To keep Council informed of matters of substance affecting the WCHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.
- To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WCHL and the subsidiary companies.
- To advise Council on establishment opportunities for council –controlled organisations.
- To act as a responsible corporate citizen, including being a good employer.
- To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates and maintaining an appropriate monitoring framework.


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The directors are pleased to present the Report on Operations
for the Consolidated Financial Statements of Waitakere City
Holdings Limited for the year ended 30 June 2007.

For and on behalf of the Board of Directors:


Bryan Magridge
Chairperson

Ross Jewell
Director

Harry O'Rourke
Director

28 September 2007

THE YEAR IN REVIEW

The following is Waitakere City Holdings Limited's Report on Operations for the Year Ended 30 June 2007.

Financial Matters

The audited Company and Consolidated financial statements have been presented elsewhere in this Annual Report. In the early part of the year the Holding Company's 50% shareholding in Techscape limited was sold, along with Northshore City Council's 50% shareholding, to Billfing Berger Services New Zealand Limited. At the time of the sale Waitakere City Holdings Limited's investment in Techscape consisted of 2,000,000 \$1 shares and \$1,700,000 in convertible notes. In the context of the sale, the Holding Company received the following inward cash flows:

- Proceeds from the sale of the shares and convertible notes (less costs) \$5,319,700.
- Convertible note interest (gross of RWT) \$222,637
- A fully imputed dividend of \$600,000.

Service Performance for 2006/2007

A full Statement of Service Performance, comparing the Company's performance against the targets set in the 2006/2007 Statement of Intent, has been presented elsewhere in this Annual Report. The Board has generally achieved its targets for the financial year under review.

A summary of the Waitakere Properties statement of service performance is presented on page 5.

Waitakere Enterprise

Waitakere Enterprise Trust Board is a Charitable Trust providing Business support, Economic Support and Employment training. As a Trust, Waitakere Enterprise is not a subsidiary of WCHL but is a council controlled organisation in terms of the Local Government Act 2002. WCHL has been tasked with as supervisory capacity over the Trust. While Waitakere Enterprise will report fully to Council in its own right, it is opportune to note that the Trust continues to deliver programmes beyond its funding from Council. Of the Trusts total income of \$2,647,243 Council provided \$1,122,000, Central Government \$1,077,949 with the balance from other sources.

Waitakere Properties Limited

During the year \$2,667,800 was transferred from the project trust accounts into Council's main account. Waitakere Properties Limited has been busy with a number of projects on Council's behalf including the development of the film studios, the construction and commissioning of the "central one" office and retail complex and the ongoing land acquisition and development relating to the Hobsonville marine precinct. The Company's involvement in the Harbourview subdivisions is now complete. Waitakere Properties Limited continues to look for opportunities to promote Council's goals in the City, working with Council and Waitakere Enterprise on various other projects.

Strategic Directions

With the recent sale of WCHL's shareholding in Techscape and the formation of a working partnership (limited liability company) with the private sector in relation to the Henderson Valley film studios, consideration will need to be given to the appropriate governance structures for Councils subsidiaries and the role the Waitakere City Holdings has to play in that governance.

Acknowledgements

The Board wishes to acknowledge the contributions of the directors and officers throughout the year over the past year. The coming year will have more challenges and opportunities, and the Board looks forward to the opportunity to add value and contribute to the objectives of Council.

Bryan Mogridge
Chairman

THE YEAR IN REVIEW (continued)

Waitakere Properties Limited

Financial and Operational - The activities of the Company are primarily as its role as Trustee for Council in the management of the Trust Accounts. In the 2006/07 year Waitakere Properties Limited key achievements included construction of the first office building at Waitakere Central and the attraction of \$7.5 million of private capital into a working partnership (limited liability company), Prime West Limited to build and run a new film studio.

Fee income was derived from four major sources: trust accounts management, consulting, rental and interest. The income from Development Management, Property Management and Construction Management in the Trusts was \$502,504. Rental income from Hobsonville was \$315,595 with rental expense of \$296,000. Consulting income for Waitakere City and Rodney District totalled \$160,651 and interest income was \$168,481. Total income was \$1,177,320. Operating expenses totalled \$1,165,880 yielding a surplus before tax of \$11,440 for the year.

Properties Administered under Trust Declarations - As at 30 June 2007, the company administers 9 trust accounts totalling \$35.7m. The book value of those Trusts, essentially Council's investment, was \$22.8m and is shown separately against each Trust further on in this report.

During the 2006/2007 financial year, the company made the following distributions from the trust accounts:

Keeling Road, \$532,000 (Interest payment); Henderson Studios, \$2,000,000 (deposit on land sale); Totara Ave, \$135,800 (interest payment).

Waitakere Central (BY \$12.1m) - The first office building, Central one, totalling 2,385m² of leaseable office and retail space was completed in February 2007. As at 31 July 2007 we are pleased to report that 80% of the office space and 20% of the retail space is leased.

Overall, the Waitakere Central trust account remains on track to deliver the land cost back to Council with a profit from each building development.

Consideration is now being given to whether Central one should be held or sold and to the development of Central two.

Hobsonville (BY \$7.6m) - Council acquired 1.2ha at Hobsonville that is zoned for a marine precinct pursuant to an agreement negotiated by WPL and vested the land in WPL following settlement. WPL is developing a concept plan for the marine precinct and hopes to commence civil works in 2009.

Totara Avenue Shops (BY \$1.9m) - These shops are being managed for eventual redevelopment once the rail under-grounding is complete. The shops are fully tenanted and meeting the interest cost of acquisition.

Keeling Road (BY \$7.6m) - Construction of the civil works commenced in June 2007 with titles expected in early 2008. The remaining sections of this industrial brownfield development will be sold and a distribution of some \$350,000 made to Council once the trust account is closed. It is worth noting that an additional \$425,000 will have been paid to Council in development levies and reserve contributions.

Henderson Valley Studios (BY \$3.7m) - The studios were fully occupied for the first 9 months of the financial year but were largely vacant for the latter three months. The trust account has paid all the professional fees of the new studio which will be reimbursed by the MRI grant from NZTE once the studio is complete. The studio has been sold to a new joint venture company, Prime West Limited, and the new stage is due for completion by August 29 when it will be opened by the Prime Minister. WPL will manage the existing studios for the next 6 months, close the trust account upon the receipt of the MRI funds, and return surplus funds to Council at that time.

Ambrico Place, New Lynn (BY \$0.6m) - The residual landholding at Ambrico place has been conditionally sold to an apartment developer. Settlement is due upon suitable presales and all necessary consents issuing from WCC.

Godley Road, Greenbay (BY \$0.6m) - A neighbouring dwelling was purchased by Council and added to the trust account. Renewed efforts were made to acquire the property in the middle of these two which continues.

Hugh Brown Carpark, New Lynn (BY \$0.8m) - Development plans were put on hold pending the under grounding of the rail line and the acquisition of the Totara Avenue development opportunity.

Other Activities - During the year the company provided consulting advice to Rodney District Council for the proposed property company. We also provided input into the redevelopment plans for Wilsher Village and acquisition strategy.

Board and Management - There were no staff changes during the year. Neil Rainford, previously Chief Executive of Mainzall, joined the Board during the year. Also during the year Ross Jewell retired as Chairman with Bryan Taylor taking over the role. The Board and executive wish to record their appreciation of Ross' commercial and strategic advice during his tenure as Chairman.

Summary - Waitakere Properties Limited continues to focus on its twin goals of town centre redevelopment and being a facilitator of economic growth. The company also identifies and assists with the acquisition of significant landholdings.

The workload of the major projects and joint ventures to advance Council's strategic outcomes, provide considerable scope and opportunity for the Company going forward.

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**Waitakere City Holdings Limited
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THE YEAR IN REVIEW (continued).

Waitakere Properties Limited

Statement of Service Performance

The following has been extracted from Waitakere Properties Limited's audited 2006/2007 Annual Report.

Target	Performance	Governance as Trustee (continued)	Target	Performance
Hold regular meetings of the Board of Directors	Twelve ordinary meetings of the Board were held		The terms of the declaration of trust for each project will be agreed with Council concurrently with the Company accepting responsibility for control and development activities for such land holding.	The Company accepted two further projects under declaration of trust on agreed terms with Council, namely Hobsonville Marine Precinct and 83b Godley Rd. Greenbay
Provide audited financial statements and an operations report to the shareholder by 30 September 2007.	Report on operations and financial statements for 2007 provided in September 2007.		Adherence to the terms and conditions of any letter of direction which may be given by Council from time to time in relation to any landholding, including in relation to commercial or environmental concerns, strategic outcomes and project financial distributions	The Company did not receive a specific letter of direction for any trust account during the year.
Provide a draft Statement of Intent to the shareholder for approval.	Draft Statement of Intent provided to Council on 28 February 2007 with the final approved in June 2007.		Report to the Council progress in relation to each land holding held under declaration of trust simultaneously with the statutory requirements to report on operations	The Company provided a "report on operations" for the year ended 30 June 2006 in September 2006, and for the half year ended 31 December 2006 in February 2007, updating progress in relation to each landholding held pursuant to a Declaration of Trust.
Provide quarterly reports to the shareholder	Quarterly reports provided as required.		To achieve (budgeted) revenue and costs	Revenue of \$1,177,320 (2006 - \$611,249) Expenditure of \$1,165,880 (2006 - \$605,484) Trading surplus \$11,440 (2006 - \$6,765)
Agree appropriate requirements for Trust projects outcomes with Council.	Properties acquired under Deed of Trust are the subject of agreement with Council and/or subject to further Council approval as to specific development requirements.		Target net profit after tax of breakeven	Net profit after tax is \$5,794 (2006 - \$3,458)
Financial returns for Trust projects shall be consistent with market expected returns unless Council agrees to another rationale for the project.	Current Trust projects are being developed over several years and they are managed under market normal parameters. No formal measurement is available to confirm this performance measure until the completion of the Trust project.		Commercial Return	

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AUDIT REPORT

TO THE READERS OF
WAITAKERE CITY HOLDINGS LIMITED AND GROUP'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Waitakere City Holdings Limited (the company) and group. The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company and group on his behalf, for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 11 to 37:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the company and group's financial position as at 30 June 2007; and
 - the results of operations and cash flows for the year ended on that date;
 - the performance information of the company and group on pages 38 to 41 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2007.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 28 September 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2007. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2007. The Board of Director's responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

A handwritten signature in black ink, appearing to read 'B H Halford', with a large, sweeping flourish above the name.

B H Halford
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

OTHER IMPORTANT INFORMATION

Principal Activities

The Company's principal activity during the year was to operate as an investment company of the Waitakere City Council.

Operating Results (Consolidated Accounts)

Shareholders funds and reserves as at 1 July 2006	<u>\$000</u>
Surplus from Operations	5,370
Dividend Paid to Shareholder	3,663
Buy back of shares from Parent	(1,161)
Shareholders funds and reserves as at 30 June 2007	<u>4,000</u>
	<u>\$11,872</u>

Directors' Interests

The following directors have made general disclosures of interest with respect to any transaction which may be entered into by the Company with certain organisations on the basis of their being a director, partner, trustee, elected representative or officer of those organisations.

Bryan Mognidge	Trustee of Waitakere Enterprise Board of Trustees (Waitakere Enterprise)
Ross Jewell	Current Director of Prime West Management Limited and former Director of Waitakere Properties Limited
Harry O'Rourke	Chief Executive of Waitakere City Council

Transactions between the Company and entities with whom certain directors are associated are described in the Notes to the Financial Statements.

Directors' Insurances and Indemnities

The Company has indemnified each of the directors in writing. Each subsidiary arranges directors' insurances and indemnities as appropriate.

Directors' Remuneration

Details of the remuneration of directors of the Group are:

	Waitakere City Holdings Limited	Waitakere Properties Limited
Bryan Mognidge	10,000	Ross Jewell 35,000 + \$3,000 travel allowance
Ross Jewell	10,000	Rob Noakes 25,000
Harry O'Rourke	Nil * B. Taylor 22,917	N. Ranford 22,916

* It is Group policy that Waitakere City Council officers and elected members not be remunerated as directors.

There is no shareholding held, by any of the directors, in Waitakere City Holdings Limited or Waitakere Properties Limited.

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OTHER IMPORTANT INFORMATION (continued)

Employee Remuneration

Details of the remuneration ranges for employees of the Group with benefit packages of more than \$100,000 are:

Remuneration Range	2007		2006	
	Parent	Subsidiaries	Parent	Subsidiaries
\$210,000 to \$219,999	0	1	0	1
\$170,000 to \$179,999	0	0	0	0
\$110,000 to \$119,999	0	1	0	1

Use of Company Information

During the financial year, the Board received no notices from directors of the Company requesting the use of Company information received in their capacity as directors that would not otherwise be available to them.

Auditors

The Auditor-General is appointed under section 70 of the Local Government Act 2002 and section 15 of the Public Audit Act 2001 as auditor of the Company and its subsidiaries. Audit New Zealand has been appointed by the Audit Office to perform audit services on its behalf. Fees paid for audit services by the Group amounted to \$14,087 with no other services being supplied.

Enterprise Waitakere Trustees Remuneration

The Trustees of Enterprise Waitakere for the 2006/07 year declared interests and received fees as follows:

Trustee	2006/07 Fees
B. Mognridge (Chairman)	27,500
M. Buchanan-Oliver	2,900
T. Coddington	3,600
T. Fasi	4,300
T. Tava	1,500
M. Williams	8,600
B. Corban	4,300
Y. Hawke	5,700
P. Spoonley	5,700
Director reimbursements	1,010
	<u>65,110</u>

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The directors are pleased to present the Consolidated Financial Statements of Waitakere City Holdings Limited for the year ended 30 June 2007.

For and on behalf of the Board of Directors:

Kess Jewell
Kess Jewell
Director

Byron Megridge
Byron Megridge
Chairperson

Harry O'Rourke
Harry O'Rourke
Director

28 September 2007

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Statement of Accounting Policies for the year ended 30 June 2007

Reporting entity

Waitakere City Holdings Limited ("WCHL") is a wholly owned subsidiary of Waitakere City Council formed for the purpose of holding its investments in subsidiary companies. The company was incorporated on 5 July 1997 and commenced trading operations on 1 July 1999. WCHL is a reporting entity for the purposes of the Financial Reporting Act 1993.

Financial statements for WCHL and consolidated financial statements are presented. The consolidated financial statements include WCHL, its subsidiary and associate.

Details of the subsidiaries and associates are as follows:

- Waitakere Properties Limited (WPL), 100% owned by WCHL, consolidated as an associate.
- Prime West Management Limited, 40% owned by Waitakere Properties Limited and consolidated through WPL as an associate.
- Techscape Ltd, formerly 50% owned by WCHL, shareholding sold during the year to an unrelated third party, no consolidation.

All Waitakere City Council subsidiaries are incorporated in New Zealand.

The Company is a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002.

The financial statements of WCHL are for the year ended 30 June 2007. The financial statements were authorised for issue by WCHL on 30 September 2007.

Basis of Preparation

The financial statements have been prepared in accordance with the requirements of section 98 and Part 3 of schedule 10 of the Local Government Act 2002 which includes the requirement to comply with generally accepted accounting practice (NZ GAAP).

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These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus / deficit for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 20.

The financial statements are prepared on an historical cost basis. The accounting policies have been applied consistently in the financial statements, except for any changes detailed in the Changes in Accounting Policies. The financial statements are presented in New Zealand dollars (functional currency) and all values are rounded to the nearest thousand dollars (\$'000).

Accounting policies

The following accounting policies which materially affect the measurement of results and financial position have been applied:

Basis of consolidation

- i) Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly by WCHL. The financial statements of subsidiaries have been included in the consolidated financial statements using the purchase method of consolidation. All significant inter-entity transactions are eliminated on consolidation.

- ii) Associates

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group's share of the net surplus of associates is recognised as a component of operating profit in the Income Statement, after adjusting for the amortisation of goodwill, if any, arising on acquisition and differences between the accounting policies of the Group and associates. The Group's share of other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the statements of movements in equity. Dividends received from associates are credited to the carrying amount of the investment in associates. The unamortised balance of goodwill arising on acquisition is included in the carrying amount of the associate.

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

Revenue Recognition

Revenue is recognised in the income statement when the transaction gives rise to an increase in the value of net assets, and that increase can be measured with reliability.

- Dividends are recognised when the right to receive payment is established.
- Interest income is recognised on a time-proportion basis using the effective interest method.
- Revenue from the sale of goods and services is recognised in the Statement of Financial Performance when the significant risks and rewards of ownership have been transferred to the buyer
- Rental income is recognised in the period that it relates.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is actually transferred. At the commencement of the lease term, the Company recognises finance leases as assets and liabilities in the statement of financial position at lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where WCHL and Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt within equity.

Investments

Categories of investments

Assets designated at fair value through profit or loss are classified as financial assets if acquired principally for the purpose of selling in the short term or if so designated by WCHL. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that WCHL has the positive intention and ability to hold to maturity. Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Measurement of Investments

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit and loss.

Available for sale financial assets and fair value through profit or loss financial assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Shares

Shares are recorded at fair value. An increase in the fair value of a shareholding is recognised directly in equity unless it offsets a previous decrease recognised in the Income Statement, in which case it is recognised in the Income Statement. A decrease in fair value is recognised in Income Statement where it exceeds the increase previously recognised in equity.

Financial Instruments

The Group is party to financial instruments as part of its normal operations. The financial instruments include bank accounts, short term borrowings, receivables and payables. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance. No derivative instruments have been employed by the Group.

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Investments in Subsidiaries and Associates

Subsidiaries are all those entities (including special purpose entities) over which WCHL has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether WCHL controls another entity. Investments in subsidiaries and associates are stated at cost.

The Company's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the Company and its associates is eliminated.

Property, Plant and Equipment

Property, plant and equipment consists of:

Operational assets – These include Furniture & Fittings, Computer Equipment and Motor Vehicles.
Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to WCHL and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Income Statement. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to WCHL and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis for all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Motor Vehicles	4 to 5 years
Office Furniture & Equipment	2 to 10 years

Depreciable Amount and Depreciation Period

The residual value and the useful life of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Impairment

Impairment of assets is assessed annually.

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If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Income Statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where the future economic benefits of an asset are not primarily dependent on an ability to generate net cash inflows, value in use is determined as the depreciated replacement cost of the asset.

Intangible Assets

Intangible assets comprise of computer software. Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to three years.

Cost associated with maintaining computer software are recognised as an expense as incurred.

Payables and Accruals

Creditors and accruals are measured at cost which approximates to fair value.

Employee Entitlements

Short-term Benefits

Employee benefits that WCHL expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

WCHL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that WCHL anticipates it will be used by staff to cover those future absences.

Long term Benefits

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis.

Equity

Equity is the community's interest in WCHL and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. The components of equity are:

- Retained earnings
- Share Capital

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Statement of Cash Flows

For the purpose of the Statement of Cash Flow, cash includes cash on hand; deposits held at call and are net of bank overdraft. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities include cash received from all income sources of the group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise activities that change the equity and debt capital structure of WCHL and group.

Changes in accounting policies

There have been no changes in accounting policies except as required by the adoption of NZ IFRS.

Comparative figures

The current year's figures have been presented in accordance with classifications consistent with NZ IFRS. Prior year comparatives have been restated where necessary to enable comparison with the current year figures including compliance with NZ IFRS.

Explanation to transition to NZ IFRS

WCHL's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS. WCHL has applied NZ IFRS 1 in preparing these financial statements.

WCHL's transition date is 1 July 2005. WCHL prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2007. WCHL's NZ IFRS adoption date is 1 July 2006.
Reconciliation of equity

Note 20 shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
OPERATING REVENUE				
Revenue	4,337	684	4,883	1,294
Equity share of Associate Company Net Profits After Tax	-	-	-	252
TOTAL OPERATING REVENUE	4,337	684	4,883	1,546
LESS OPERATING EXPENDITURE				
Expenditure	674	397	1,839	1,002
Finance cost	-	-	-	-
TOTAL OPERATING EXPENSES	674	397	1,839	1,002
NET SURPLUS BEFORE TAXATION	3,663	287	3,044	544
Income tax expense	-	(2)	6	-
NET SURPLUS FOR THE YEAR	3,663	289	3,038	544

STATEMENTS OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
EQUITY AT BEGINNING OF YEAR	5,370	5,439	6,180	5,994
Net surplus for the year	3,663	289	3,038	544
Dividends Paid	(1,161)	(358)	(1,161)	(358)
Total recognised revenues and expenses	2,502	(69)	1,877	186
Purchase and cancellation of shares in the Company	(4,000)	-	(4,000)	-
EQUITY AT END OF YEAR	3,872	5,370	4,057	6,180

These financial statements are to be read in conjunction with the Accounting Policies and Notes to the accounts.

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BALANCE SHEET
AS AT 30 JUNE 2007
Equity

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
Note	\$000	\$000	\$000	\$000
- Share capital	1,025	5,025	1,025	5,025
- Accumulated balance	2,847	345	3,032	1,155
TOTAL EQUITY	3,872	5,370	4,057	6,180
Current liabilities				
- Trade payables and accruals	451	549	597	681
TOTAL CURRENT LIABILITIES	451	549	597	681
TOTAL EQUITY AND LIABILITIES	4,323	5,919	4,654	6,861
Current assets				
- Cash and cash equivalents	1,937	1,410	4,294	3,768
- Trade receivables and prepayments	1	1	114	56
- Income tax receivable	77	90	127	177
- Interest receivable	8	118	8	117
- Investment in Associate	-	2,000	-	2,633
TOTAL CURRENT ASSETS	2,023	3,619	4,543	6,751
Non-current assets				
- Shareholdings	2,300	2,300	-	-
- Property, Plant & Equipment	-	-	70	50
- Intangible assets	-	-	37	56
- Deferred taxation	-	-	4	4
TOTAL NON-CURRENT ASSETS	2,300	2,300	111	110
TOTAL ASSETS	4,323	5,919	4,654	6,861

The financial statement is to be read in conjunction with the Accounting Policies and Notes to the accounts.

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**Waitakere City Holdings Limited
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**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash was provided from :

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Receipts from Customers	-	-	1,031	403
Goods and service tax	6	6	-	10
Interest received	592	384	758	544
Other	94	-	94	-
	692	390	1,883	957
Cash was applied to :				
Payments to suppliers and employees	60	58	1,128	566
Tax subvention payment	782	343	782	343
Income tax paid / (received)	145	22	145	75
Goods and service tax	-	-	87	-
	987	423	2,142	984
	(295)	(33)	(259)	(27)

Net cash flow from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Cash was provided from :

Sale of Shares in Associate	5,742	-	5,742	-
Repayment of convertible notes from Associate	-	1,000	-	1,000
Dividends received	600	381	600	381
	6,342	1,381	6,342	1,381
Cash was applied to :				
Purchase of intangibles	-	-	4	60
Purchase of fixed assets	-	-	35	59
	-	-	39	119
	6,342	1,381	6,303	1,262

Net cash flow from investing activities

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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash was provided from :

Cash was applied to :

Proceeds from borrowings

Dividends paid

Purchase and cancellation of shares

Net cash flow from financing activities

TOTAL NET CASH FLOWS

Cash and cash equivalents balances at beginning of year

CASH AND CASH EQUIVALENTS BALANCES AT END OF YEAR

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
	-	-	-	-
	1,519	-	1,519	-
	4,000	-	4,000	-
	(5,519)	-	(5,519)	-
	528	1,348	525	1,235
	1,409	61	3,769	2,534
	1,937	1,409	4,294	3,769

Note

1) The GST (Net) component of operating activities reflect the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statements purposes.

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1 OTHER REVENUE

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
Notes	\$000	\$000	\$000	\$000
Revenue from significant activities				
Consulting income	-	-	503	440
Dividends received	600	381	600	381
Interest received	417	302	586	461
Profit on sale of shares (Note 9b)	3,320	-	2,687	-
Rents received	-	-	316	-
Other recoveries	-	1	191	12
TOTAL REVENUE	4,337	684	4,883	1,294

2. OPERATING SURPLUS

The operating surplus includes the following items:

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Depreciation - Motor Vehicles	-	-	12	12
Depreciation - Computers	-	-	8	3
Depreciation - Office Equipment	-	-	2	-
Depreciation - Total	-	-	22	15
Audit New Zealand - audit fees	9	7	23	13
Amortisation	-	-	17	4
Employee benefits	-	-	452	348
Directors Fees	20	20	129	102
Subvention payment	626	338	626	338
Administration & professional fees	12	32	233	157
Rent paid	-	-	330	24
Interest paid	7	-	7	-
Bank fees	-	-	-	1
TOTAL EXPENDITURE	674	397	1,839	1,002

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Waitakere City Holdings Limited
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3 INCOME TAX

Components of tax expense

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Current tax expenses	-	(2)	6	4
Adjustments to current tax in prior year	-	-	-	-
Deferred tax expenses	-	-	-	(4)
Income tax expense	-	(2)	6	-

Relationship between tax and accounting profit

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Surplus/(deficit) before tax	3,663	287	3038	544
Equity share of Associate Company Net Profit after tax	-	-	633	(252)
Tax @ 33%	3,663	287	3671	292
Non-deductible expenditure	1,209	95	1,211	96
Prior year adjustment	(1,209)	(95)	(1,205)	(94)
Tax expense	-	(2)	-	(2)
	-	(2)	6	-

Deferred Tax

	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Opening Balance	-	-	4	2
Movement	-	-	-	2
Closing Balance	-	-	4	4

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3 INCOME TAX continued

Imputation Credit Account	Waitakere City Holdings Limited			Consolidated		
	2007 \$000	2006 \$000	2006 \$000	2007 \$000	2006 \$000	2006 \$000
Opening Balance	465	458		663		604
Credits attached to dividends received	-	188		-		188
Tax paid	(3)	90		52		142
Tax refunds	-	(95)		(86)		(95)
Credits attached to dividends paid	(452)	(176)		(452)		(176)
Closing balance	10	465		177		663

Additional Disclosures

A deferred tax asset has not been recognised in relation to deductible temporary differences of \$1,650.

A deferred tax asset has not been recognised in relation to unused tax losses of \$149,527.

Imputation credits of \$9,556 are available to impute distributions from subsidiaries.

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4 EQUITY	Waitakere City Holdings Limited		Consolidated	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
ACCUMULATED BALANCE				
Accumulated funds				
Opening balance	345	414	1,155	969
Net surplus for the year	3,663	289	3,038	544
Transfers in				
Transfers out	(1,161)	(358)	(1,161)	(358)
Closing balance	2,847	345	3,032	1,155
TOTAL ACCUMULATED BALANCE	2,847	345	3,032	1,155
SHARE CAPITAL				
Issued share capital - opening balance	5,025	5,025	5,025	5,025
Purchase and cancellation of shares in the Company	(4,000)	-	(4,000)	-
Closing balance	1,025	5,025	1,025	5,025
TOTAL EQUITY	3,872	5,370	4,057	6,180

At the beginning of the financial year Waitakere City Holdings had issued 5,025,000 \$1 ordinary shares, which are fully paid.

During the year 4,000,000 of these shares were purchased back from the Waitakere City Council at par value.

Waitakere City Council is the sole shareholder in the company. All shares carry equal voting rights and the right to share in any surplus on the winding up of the company. None of the shares carry fixed dividend rights.

Techscape Limited has issued 600,000 ordinary shares, which are fully paid

At the beginning of the financial year Waitakere City Holdings Limited held 50% of the ordinary shares, while NSM Contracting Limited (a wholly owned subsidiary of the North Shore City Council) held the other 50%. During the year both of the shareholders sold all of their shares to Blifing Berger Services New Zealand Limited, to an unrelated third party.

Waitakere Properties Limited has issued 2,300,000 ordinary shares which are fully paid

Waitakere City Holdings Limited is the sole shareholder in the company. All shares carry equal voting rights and the right to share in any surplus on the winding up of the company. None of the shares carry fixed dividend rights.

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Waitakere City Holdings Limited
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5 TRADE PAYABLES AND ACCRUALS

	Waitakere City Holdings Limited		Consolidated	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade payables	22	35	85	72
Inter-entity payables	429	157	440	166
Other	-	-	-	10
Dividends payable (Inter-entity)	-	357	-	357
Employee benefits liabilities	-	-	72	76
TOTAL CREDITORS AND ACCRUALS	451	549	597	681

6 CASH AND CASH EQUIVALENTS

	Waitakere City Holdings Limited		Consolidated	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash and deposits	1,937	1,410	4,294	3,768
TOTAL CASH BALANCES	1,937	1,410	4,294	3,768

7 DEBTORS

	Waitakere City Holdings Limited		Consolidated	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade receivables	1	1	139	1
Prepayments	-	-	-	-
Inter-entity	-	-	102	55
Interest	8	118	8	117
Other	77	90	-	177
TOTAL ACCOUNTS RECEIVABLE	86	209	249	350

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Waitakere City Holdings Limited
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8 SHAREHOLDINGS

Shares in subsidiaries	Activity	Ownership	Note	Waitakere City Holdings Limited		Consolidated	
				2007	2006	2007	2006
Waitakere Properties Limited	Property consultancy and management	100%		\$000	\$000	\$000	\$000
				2,300	2,300	-	-
Other shares							
Techscape Limited	Infrastructure/utility maintenance contractors	50%		-	300	-	300
Convertible Notes				-	1,700	-	1,700
Equity share of retained earnings				-	2,000	-	2,000
				-	-	-	633
TOTAL SHAREHOLDINGS				2,300	4,300	-	2,633
Current Portion				-	2000	-	2,633
Non-current Portion				2300	2300	-	-

Details of the ownership interest in subsidiaries and associates are provided in Note 4. The shareholding in Techscape Limited was sold during the year to an unrelated third party. The carrying value of the investment in subsidiaries is stated at cost (being the lower of cost and net realisable value). During the year Waitakere Properties Limited purchased 400 \$1 shares in Prime West Management Limited representing a 40% interest with the balance held by private, nonrelated, third parties. The value of the shares is below \$500 and therefore does not appear above as figures are rounded to the nearest \$1,000.

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9 INVESTMENT IN ASSOCIATE

(a) Carrying amount of investment in Techscape Limited

Carrying amount at beginning of year
Share of total recognised revenues and expenses
Sale of shareholding in Techscape Limited

CARRYING AMOUNT AT END OF YEAR

Consolidated	
2007	2006
\$000	\$000
2,633	2,381
-	252
(2,633)	
-	2,633

(b) Sale of Shares in Techscape Limited

Holding value of shares
Convertible notes converted to shares
Equity share of associate company net profits after tax

Total value as at 1 July 2006

Proceeds from sale
Costs of sale

Profit on sale (Note 1)

Waitakere City Holdings Limited	Consolidated
2007	2007
\$000	\$000
300	300
1,700	1,700
-	633
2,000	2,633
5,742	5,742
(422)	(422)
3,320	2,687

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**10 PROPERTY, PLANT & EQUIPMENT
2007**

Motor vehicles
Office furniture & fittings
Computer Equipment

TOTAL PROPERTY, PLANT & EQUIPMENT - GROSS

Consolidated		
Valuation \$000	Cost \$000	Total Value \$000
-	55	55
-	41	41
-	20	20
-	116	116

2007

Motor vehicles
Office furniture & fittings
Computer Equipment

TOTAL PROPERTY, PLANT & EQUIPMENT - NET

Total		Net Book	
Value \$000	Accumulated Depreciation \$000	Value \$000	Value \$000
55	24	31	31
41	9	32	32
20	13	7	7
116	46	70	70

2006

Motor vehicles
Office furniture & fittings
Computer Equipment

TOTAL PROPERTY, PLANT & EQUIPMENT - GROSS

Consolidated		
Valuation \$000	Cost \$000	Total Value \$000
-	55	55
-	9	9
-	17	-
-	81	81

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10 PROPERTY, PLANT & EQUIPMENT (continued)

2006	Consolidated		
	Total Value \$000	Accumulated Depreciation \$000	Net Book Value \$000
Motor vehicles	55	(12)	43
Office furniture & fittings	9	(8)	1
Computer Equipment	17	(11)	6
TOTAL PROPERTY, PLANT & EQUIPMENT - NET	81	(31)	50

RECONCILIATION

Total Value 1 July 2006	Additions	Deletions	Impairment	Accumulated Depreciation	Total Value 30 June 2007
81	35	-	-	46	70

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1.1 INTANGIBLES

2007

Consolidated		
Valuation \$000	Cost \$000	Total Value \$000
-	64	64
-	64	64

Software Assets

TOTAL INTANGIBLE ASSETS - GROSS

2007

Total Value \$000	Accumulated Depreciation \$000	Net Book Value \$000
64	(27)	37
64	(27)	37

Software Assets

TOTAL INTANGIBLE ASSETS - NET

2006

Consolidated		
Valuation \$000	Cost \$000	Total Value \$000
-	60	60
-	60	60

Software Assets

TOTAL INTANGIBLE ASSETS - GROSS

2006

Consolidated		
Total Value \$000	Accumulated Depreciation \$000	Net Book Value \$000
60	(4)	56
60	(4)	56

Software Assets

TOTAL INTANGIBLE ASSETS - NET

RECONCILIATION

Total Value 1 July 2006	Additions	Deletions	Impairment	Amortisation Expense	Total Value 30 June 2007
60	4	-	-	27	37

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12 FINANCIAL INSTRUMENTS

Fair Values

The fair value of all financial instruments is as shown in the Statement of Financial Position

Currency and Interest Rate Risk

The Group is not exposed to any direct foreign exchange risk and has no currency risk management products in place as at 30 June 2007. The Group has no interest rate risk management products in place as at 30 June 2006.

Concentration of Credit Risk

Financial instruments that potentially subject the Group to credit risk consist principally of cash, deposits and trade receivables. Group companies place cash and deposits with high credit quality financial institutions. Concentration of credit risk with respect to trade receivables are high due to the value of transactions between the Group and its parent shareholders. However, this risk is assessed as minimal given the high credit quality of these entities.

13 EVENTS SUBSEQUENT TO BALANCE DATE

As at the date that this report was adopted there had been no significant events subsequent to balance date

14 RELATED PARTIES

Parent Company

The immediate and ultimate parent entity of Waitakere City Holdings Limited is Waitakere City Council, a territorial local authority constituted under the Local Government Act 2002, which holds 100% of the company's shares.

Identity of Related Parties with Whom Material Transactions Have Occurred

All material Group entities in which Waitakere City Holdings Limited has an interest are identified in the Statement of Significant Accounting Policies under the section entitled "Basis for Preparation"

All of these entities are related parties of the company, as is Waitakere City Council. There are no additional related parties with whom material transactions have taken place

Types of Related Party Transactions and Contracts

Waitakere City Holdings Limited receives dividends from subsidiary companies and pays dividends to Waitakere City Council. Waitakere City Council provides secretarial support for Waitakere City Holdings Limited, which is recovered based on time and cost. Costs incurred by Waitakere City Holdings Limited on behalf of subsidiary companies are recovered from that subsidiary.

Waitakere Properties Limited has performed consultancy work for Waitakere City Council.

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14 RELATED PARTIES continued
Material Related Party Transactions

	Waitakere City Holdings Limited	
	2007	2006
	\$000	\$000
<i>Paid by WCHL to Waitakere City Council</i>		
Dividends	1,161	357
Subvention	782	343
Secretarial fees	-	6
Share buy-back	4,000	-
Reimburse costs (sale of Techscape Limited)	423	-

Received by WCHL from Techscape Limited

Convertible not interest (gross of RWT)	222,637	312,660
Proceeds from sale of shares	5,742,293	-
Fully imputed dividend	600,000	381,000
Redemption of coverable note investment	-	1,000,000

Note 14. Related Parties (Continued)

	Waitakere City Holdings Limited	
	2007	2006
	\$000	\$000
Accounts Receivable		
Waitakere City Holdings Limited receivable from Waitakere City Council	-	6
Accounts Payable		
Waitakere City Holdings Limited payable to Waitakere City Council	429	513

Interest in Transactions

During the year there were no other transactions entered into by directors of WCHL and its Subsidiary or associate company that would require disclosure.

Our ultimate parent had the following transactions with Techscape Limited, an associate of the WCHL Group:

Accounts Receivable		
Waitakere City Council receivable from Techscape Limited	-	5
Accounts Payable		
Waitakere City Council payable to Techscape Limited	-	1,909

Key Management & Directors

During the year there were no transactions between the Company and any key management or Directors

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15 NET CASH FLOW FROM OPERATING ACTIVITIES

	Waitakere City Holdings Limited		Consolidated
	2007	2006	2006
	\$000	\$000	\$000
Operating surplus after income tax	3,663	289	3,038
544			
Non-cash items			
Depreciation and amortised expense	-	-	38
19			
Movement in working capital			
(Increase)/Decrease in Receivables	122	56	78
(47)			
Increase/(Decrease) in Payables	(160)	358	(126)
445			
Less items classified as Investing activity			
Dividends Received	(600)	(381)	(600)
(381)			
Dividends Paid	-	-	-
Profit on Sale of Assets	(3,320)	(357)	(3,320)
(355)			
Equity share of Associates net profit included in consolidated net surplus	-	-	633
(252)			
NET CASH FLOW FROM OPERATING ACTIVITIES	(295)	(35)	(259)
(27)			

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16 CONTINGENT LIABILITIES

Waitakere City Holdings Limited and Group have no contingent liabilities as at 30 June 2007 (2006: Nil)

17 CONTINGENT ASSET

There are no contingent assets for the 2007 year. (2006: Nil)

18 STATEMENT OF COMMITMENTS

Waitakere City Holdings Limited and Group have no commitments as at 30 June 2007 (2006: Nil)

The group has the following commitments:

Capital Commitments

The Company has no capital expenditure commitments. (2006 Nil)

Operating Leases as Lessee

The group has no operating leases other than the Airbase License. (2006 Nil)

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Waitakere Properties limited ("Licensee") has an agreement with the Hobsonville Land Company Ltd as representative of Housing New Zealand Corporation as agent for the Crown for the use of land and facilities for a specified purpose on a limited term basis.

Specified use is for marine industry or film production.

Term of the licence is 3 years from 15 May 2006, with an option to renew for a period of a further two years.

Licence fee (15 May 06 to 14 May 07)	296,000	Consolidated 2007
Licence fee (15 May 07 to 14 May 08)	296,000	Expense
Licence fee (15 May 08 to 14 May 09)	296,000	
Total Licence Expense	888,000	

**Waitakere City Holdings Limited
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Waitakere Properties Limited ("Sub-Licensor") has an agreement with a Limited Liability Company in the Marine Industry ("Sub-Licensee") for the use of land and facilities for a specified purpose on a limited term basis.

The company meets the requirements for "specified use".

Term of the licence is 3 years from 15 May 2006, with an option to renew for a period of a further two years subject to head license.

	Consolidated 2007 Income
Licence fee (15 May 06 to 14 May 07)	310,000
Licence fee (15 May 07 to 14 May 08)	315,000
Licence fee (15 May 08 to 14 May 09)	320,000
Total Licence Income	945,000

19 STATEMENT OF FINANCIAL INVOLVEMENT IN COUNCIL-CONTROLLED ORGANISATIONS (CCO), COUNCIL-CONTROLLED TRADING ORGANISATIONS (CCTO) & COUNCIL

Council's interests in CCO's, CCTO's and CO's are set out below. Notes 8, 9 and 14 contain details of WCHL's financial interests in the named enterprises.

	Percentage Shareholding
Waitakere Properties Limited (100% owned by WCHL)	100%
Waitakere Enterprise Trust	n/a

Property formally owned by the Waitakere City Council is legally vested in Deeds of Trust. Waitakere Properties Limited is Waitakere City Council's appointed sole Trustee.

Under the Deeds of Trust, Waitakere Properties Limited acting as Trustee is obliged to develop and market properties to the best commercial advantage and to return to Waitakere City Council funds realised through sales as agreed between the parties from time to time.

Balance Sheet

Properties vested in the Deeds of Trust have not been reflected in the statement of financial Position on the basis that Waitakere Properties is only acting as Trustee, and the beneficial owner of these properties is the Waitakere City Council.

Income Statement

Revenue from the realisation of properties have not been reflected in the Statement of Financial Performance. Expenditure incurred in developing and marketing of properties have not been reflected in the Statement of Financial Performance.

Revenue and expenditure have been excluded on the basis that it has been received and incurred on behalf of Waitakere City Council, and that to reflect it in Waitakere Properties Limited financial statements would misrepresent the true substance of the transactions.

Consulting and project management fees paid to Waitakere Properties Limited by the Waitakere City Council in relation to these properties have been recognised in full in the Statement of Financial Performance of Waitakere Properties Limited.

Statement of Cash Flows

Cash flows relating to the development, marketing and sale of properties held under the Deed of Trust have not been included.

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Waitakere City Holdings Limited
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20 EFFECT OF NZ IFRS ON THE OPENING STATEMENT OF FINANCIAL POSITION AS AT 1 JULY 2005

OPENING STATEMENT OF FINANCIAL POSITION

AS AT 1 JULY 2005

	Waitakere City Holdings Limited			Consolidated		
	2005 Published NZ GAAP \$000	Transition Adjustments \$000	2005 Restated NZ IFRS \$000	2005 Published NZ GAAP \$000	Transition Adjustments \$000	2005 Restated NZ IFRS \$000
Equity						
Share Capital	5025	-	5025	5,025	-	5,025
Accumulated balance	414	-	414	969	-	969
TOTAL EQUITY	5,439	0	5,439	5,994	0	5,994
Current liabilities						
Trade payables and accruals	189	-	189	236	-	236
TOTAL CURRENT LIABILITIES	189	-	189	236	0	236
TOTAL EQUITY AND LIABILITIES	5,628	0	5,628	6,230	0	6,230
Current assets						
Cash and deposits	61	-	61	2,534	-	2,534
Trade receivables and prepayments	1	-	1	1	-	1
Income tax receivable	92	-	92	131	-	131
Interest receivable	174	-	174	173	-	173
TOTAL CURRENT ASSETS	328	0	328	2,839	0	2,839
Non-current assets						
Shareholdings	3,300	-	3,300	3,381	-	3,381
Investment in associate	2,000	-	2,000	0	-	0
Other fixed assets	0	-	0	8	0	8
Intangibles	-	-	0	-	0	0
Deferred Taxation	0	-	0	2	-	2
TOTAL NON-CURRENT ASSETS	5,300	0	5,300	3,391	0	3,391
TOTAL ASSETS	5,628	0	5,628	6,230	0	6,230

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EFFECT OF NZ IFRS ON THE CLOSING STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2006

CLOSING STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2006

Waitakere City Holdings Limited

Notes	2006 Published		Transition		2006 Restated	
	NZ GAAP	\$000	Adjustments	\$000	NZ IFRS	\$000
Equity						
Share Capital	5025	5025	-	-	5025	5025
Accumulated balance	345	1,155	-	-	345	1,155
TOTAL EQUITY	5,370	6,180	0	0	5,370	6,180
Current liabilities						
Trade payables and accruals	549	681	-	-	549	681
TOTAL CURRENT LIABILITIES	549	681	0	0	549	681
TOTAL EQUITY AND LIABILITIES	5,919	6,861	0	0	5,919	6,861
Current assets						
Cash and deposits	1,410	3,768	-	-	1,410	3,768
Trade receivables and prepayments	1	56	-	-	1	56
Income tax receivable	90	177	-	-	90	177
Interest receivable	118	117	-	-	118	117
Investments - current portion	2,000	2,633	-	-	2,000	2,633
TOTAL CURRENT ASSETS	3,619	6,751	0	0	3,619	6,751
Non-current assets						
Shareholdings	2,300	-	-	-	2,300	-
Investment in associate	-	-	-	-	-	-
Other fixed assets	-	106	-	(56)	-	50
Intangibles	-	-	-	56	-	56
Deferred Taxation	-	4	-	-	-	4
TOTAL NON-CURRENT ASSETS	2,300	110	0	0	2,300	110
TOTAL ASSETS	5,919	6,861	0	0	5,919	6,861

NOTES TO THE RECONCILIATION OF NZ GAAP TO NZ IFRS

a) Intangible assets

Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset at 30 June 2006 is \$56,000.

There were no changes to the income statement or statement of cash flows.

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STATEMENT OF SERVICE PERFORMANCE

The following reports performance against the targets set in Waitakere City Holdings Limited's (WCHL's) 2006/2007 Statement of Intent

GOVERNANCE OF COUNCIL-CONTROLLED ENTITIES WITH ACCOUNTABILITY TO THE COMMUNITY

Objective

Ensure that the financial targets and strategic direction of WCHL are in line with the requirements of Waitakere City Council.

Ensure that Waitakere City Council is kept informed of all significant matters relating to its subsidiaries.

Ensure that WCHL directors add value to the company and that their conduct is according to generally accepted standards.

Ensure that WCHL's procedures for the recommendation of Directors for appointment to subsidiary directorates are open and in accordance with written policy.

Ensure timely advice to Council's Finance and Operational Performance Committee on the performance of the Boards of the respective activities.

Performance Target

A draft 2007/08 SOI for the holding company and the draft SOIs of its subsidiaries will be submitted no later than 1 March 2007.

Quarterly reports to the Finance and Operational Performance Committee of Council.

Major matters of urgency are reported to the Chair of the Finance and Operational Performance Committee of Council and Council's Chief Executive jointly on a "no surprises" basis with formal reporting undertaken as soon as practical on the Board concluding its investigation and being in a position to report.

A formal evaluation of the WCHL governance structures and directorate completed in conjunction with Council by June 2007.

That a Directors Policy be agreed with Council's Finance and Operational Performance Committee and the adopted policy be followed for any further director appointments made.

Undertake an annual evaluation of the Holding Company, in conjunction with Council officers, of the respective Boards.

Result

Draft 2007/08 SOIs for WCHL and WPL were delivered to Council officers prior to the statutory deadline of 1 March 2007. Council formally received the documents at a meeting of the Finance and Operational Performance Committee on 11 June 2007.

Subsidiaries reported to Council on a Quarterly basis

All matters of major significance were reported to the Chair of the Finance and Operational Performance Committee and Council's Chief Executive within three days.

This was not achieved. This exercise is now scheduled to be completed by 30 June 2008 as per the 2007/08 Statement of Intent.

No policy agreed. The 2007/2008 SOI states that a Directors policy be agreed with Council's Finance and Operational Performance Committee and that this policy be followed for any further director appointments made.

The development of the method of reporting was not achieved, however the 2007/2008 SOI states that the Board, in conjunction with Council officers, will undertake an annual evaluation of the respective Boards.

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FINANCIAL RETURN OR CONTRIBUTION TO COUNCIL'S OVERALL BUDGET

Objective	Performance Target	Result
Ensure that WCHL returns a dividend to Waitakere City Council in accordance with the Council's budgets and meets other financial targets. This will be subject to any contributions made to Beacon Pathways Limited as agreed by the Board through the direction of the Council.	WCHL makes financial returns by way of fully imputed dividend or tax subvention in accordance with budget: 2006/07 \$340,000 2007/08 \$340,000 2008/09 \$340,000	The shares in Techscape Limited, of which Council was a 50% shareholder, were sold to an unrelated private third party during the year. As a consequence the following distributions were made to The Council from the Holding Company during the year: A subvention payment of \$782,176, a dividend of \$1,161,205 and a buy-back by the Holding Company of shares from the Council amounting to \$4,000,000.
Ensure that the subsidiary companies return a minimum acceptable dividend.	WCHL meets its budgeted level of income from its subsidiaries: 2006/07 \$380,000 2007/08 \$380,000 2008/09 \$380,000	During the 2006/2007 financial year Techscape Limited returned to WCHL the following amounts: A dividend of \$600,000 and \$222,637 of interest on convertible notes (gross of RWT). WCHL also received proceeds from the sale of it's shares in Techscape of \$5,319,700 after deducting cost relating to the sale process.

ENSURING SUBSIDIARIES DELIVER ON COUNCIL'S STRATEGIC GOALS

Objective	Performance Target	Result
Ensure that the subsidiaries have in place planning for the future.	Completion in conjunction with Council of a strategic directions document for the Group by 30 June 2007.	Not achieved. This project has been included in the 2007/08 Statement of Intent for completion in that year.
Ensure that the draft subsidiary company SOIs are received on a timely basis for review and comment.	Draft 2007/08 SOIs are to be received no later than 21 February 2007.	The target date was not achieved however draft 2007/08 SOIs for WCHL, WPL and Waitakere Enterprise Trust were distributed to the Board of WCHL for comment prior to delivery to Council officers by, or before, the statutory deadline of 1 March 2007 for consideration by Council.
Ensure that the final subsidiary company SOIs are appropriate, measurable, attainable and timely.	Comments on the draft 2007/2008 SOIs within two months of the receipt of the draft.	2007/2008 SOIs of WCHL and Subsidiaries were considered by Council. However, due to administrative timing issues within Council, only the SOI for Waitakere Enterprise was amended before being finalised. Council comment on the SOIs for the WCHL and WPL is being held over to be included in the review of the 2008/2009 draft SOIs.

ENSURING SUBSIDIARIES DELIVER ON COUNCIL'S STRATEGIC GOALS - continued

Objective	Performance Target	Result
Ensure that the final subsidiary company SOIs are strategically aligned documents, while also being compatible with the strategic aims of Council.	WCHL will direct the subsidiary companies to produce strategically aligned draft 2007/2008 SOIs. WCHL will assess the alignment of the SOIs with any specifically notified Council strategic directives. Objectives of subsidiaries developed, in conjunction with Council and Council officers, to be aligned with appropriate Council strategic platforms WCHL will provide the subsidiary company SOIs to Council for comment.	2007/2008 SOIs of WCHL and Subsidiaries were reviewed by the Board of WCHL before being delivered to Council for comment. Council officers reviewed the documents to ensure alignment with appropriate Council strategic platforms and any specifically notified strategic directives. Due, however, to administrative timing issues within Council, only the SOI for Waitakere Enterprise was amended before being finalised. Council comment on the SOIs for the Holding Company and Waitakere Properties Limited is being held over to be included in the review of the 2008/2009 draft SOIs.
Ensure that subsidiary company reporting is relevant and timely.	Subsidiary company SOIs to incorporate specific reporting requirements, including quarterly reporting of performance.	Appropriate reporting requirements are included in respective Subsidiary 2007/2008 SOIs
Ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Subsidiary company SOIs to incorporate specific statements regarding the processes for the management of risk exposures.	Appropriate statements/policies are included in respective Subsidiaries 2007/2008 SOIs

SUPPORTING ENTERPRISE WAITAKERE'S CONTRIBUTION TO A STRONG INNOVATIVE ECONOMY

Objective	Performance Target	Result
Oversee the operations of the Board of Trustees of Enterprise Waitakere.	WCHL will meet at least twice over the course of each financial year with the Board of Trustees to receive a formal update on operations.	The Board Chairperson of WCHL is also on the Board of Trustees and in that capacity attends all Trust Board meetings. Formal updates on the Trust's performance are presented to each meeting of the WCHL Board.

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CORPORATE DIRECTORY

Directors

Bryan Mogridge, Chairperson

Appointed 1999

Director of own consultancy company Mogridge and Associates Ltd. Chairperson of Enterprise Waitakere. Other directorships include Pyne Gould Corporation Limited, Mainfreight Limited, Rakon Ltd, West Auckland Trust Services Limited, Guardian Healthcare Group Limited, Momentum Energy Ltd, Chairman of UBS and the Starship Foundation.

Ross Jewell

Appointed 1999

Director of own investment company. Current chairperson of Prime West Management Limited and director, but former chairperson, of Waitakere Properties Limited. Other directorships include Meadows Mushroom Limited, and Framework Trust.

Harry O'Rourke

Appointed 2001

Chief Executive of Waitakere City Council. Civil Defence Controller for Waitakere City. President of the New Zealand Judo Federation and the Commonwealth Judo Federation.

Contacts

Registered Office

6 Henderson Valley Road,
Henderson, Waitakere City

Enquiries

Company Secretary
Waitakere City Holdings Limited
c/o Waitakere City Council
Private Bag 93-109
Henderson, Waitakere City
holdings@waitakere.govt.nz

Bankers

Bank of New Zealand
Henderson, Waitakere City

Solicitors

Kensington Swan
Auckland City

Auditors

Audit New Zealand
Auckland City
on behalf of
The Auditor-General

AJP