

Quarterly Report to Shareholders

Wellington Water Management Limited

trading as Capacity

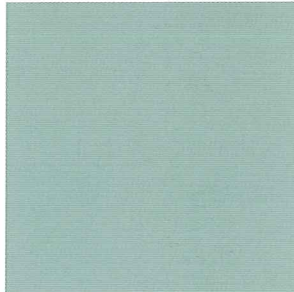


For the six month period ended 31 December 2008



30 January 2009

CONFIDENTIAL



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Introduction

Capacity is a Council Controlled Trading Organisation that manages water, stormwater and wastewater infrastructure services for Wellington City Council, Hutt City Council and Upper Hutt City Council.

Here is Capacity's report setting out financial results and progress on key performance indicators in the Statement of Intent 2008-2009 for the period from 1 July 2008 to 31 December 2008.

Financial Results

Revenue for this quarter is 2% above budget half of which is attributable to charges to Upper Hutt City Council including the establishment fee of \$33,500.

Total expenditure for the year to date is 2.8% above budget. The main reason for this are:

- High recruitment fee costs for the year. Capacity has recruited eight staff during the financial year. During this quarter two additional staff members were recruited due to vacancies;
- Professional costs relating to records management, the potential relocation of the Capacity offices, and employment relations matters;
- Vehicle running costs, including the upgrade of some of the fleet, and
- IT costs relating to additional work on the time recording system.

Balance Sheet movements for the quarter include:

- Purchase of computer equipment for staff transferred from Upper Hutt. Due to the economic climate Capacity was unable to secure financing for leasing of this equipment;
- Leave liability is high due to the transfer of staff from Upper Hutt and existing staff members who are entitled to five weeks leave per annum. This liability is being actively managed. It is expected that the liability will have decreased in the next quarter's report.

Capacity Financial Report – Quarter 2

- Accounts receivable are high as billing of the Stakeholders occurs at month end. These receivables are generally paid within 7 days of an invoice being issued.

There has been a decrease in the cash held for the December quarter. This is due to the issuing of credit invoices for the shareholder Councils. The credits relate to the surplus that was reported in the September quarterly report. A full review of charges to the shareholder Councils has been completed. This review found that the shareholder Councils had been incorrectly billed for chargeable hours.

Financial Statements

Statement of Financial Performance

For the six months ended 31 December 2008

	YTD Actual 08/09 \$000	YTD Budget 08/09 \$000	Variance \$000
REVENUE			
Operations	3,182	3,148	34
Interest	<u>6</u>	<u>-</u>	<u>6</u>
TOTAL REVENUE	3,188	3,148	41
EXPENDITURE			
Contracts, services & materials	2	3	1
Vehicle & plant costs	131	118	(13)
Utility costs	115	122	7
IT costs	215	144	(71)
Telecommunications	44	50	(6)
Professional costs	114	99	(15)
Travel & Accommodation	17	8	(9)
Administration costs	103	119	16
Employee remuneration	2,148	2,180	32
Other employee costs	152	180	28
Staff recruitment	75	30	(45)
Directors' fee	53	53	-
Depreciation	9	11	2
Interest expense	-	1	1
Audit fees	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURE	3,178	3,116	(62)
NET SURPLUS/ (DEFICIT) BEFORE TAXATION	11	32	(21)
Tax Expense	<u>-</u>	<u>-</u>	<u>-</u>
NET SURPLUS/ (DEFICIT) AFTER TAXATION	<u>11</u>	<u>32</u>	<u>(21)</u>

Statement of Movements in Equity

For the period ended 31 December 2008

	08/09	07/08
	\$000	\$000
NET SURPLUS/ (DEFICIT) FOR THE YEAR	11	(89)
Contribution from owners		
Share capital paid	<u>-</u>	<u>-</u>
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>11</u>	<u>(89)</u>
EQUITY AT THE BEGINNING OF THE YEAR	<u>287</u>	<u>376</u>
EQUITY AT END OF YEAR	<u>298</u>	<u>287</u>

Statement of Financial Position

As at 31 December 2008

	08/09	07/08
	\$000	\$000
CURRENT ASSETS		
Bank	295	286
Accounts Receivable	759	748
Taxation Receivable	<u>-</u>	<u>-</u>
	1,055	1,036
NON CURRENT ASSETS		
Intangible Assets	-	-
Property, Plant & Equipment	<u>65</u>	<u>59</u>
	<u>65</u>	<u>59</u>
TOTAL ASSETS	1,120	1,095
CURRENT LIABILITIES		
Accounts Payable	434	476
Finance Leases	-	-
Provision for Taxation	2	-
Annual Leave	<u>385</u>	<u>332</u>
	822	808
NON CURRENT LIABILITIES		
Finance Leases	<u>-</u>	<u>-</u>
	-	-
TOTAL LIABILITIES	<u>822</u>	<u>808</u>
NET WORKING CAPITAL	<u>298</u>	<u>287</u>
Share Capital	600	600
Retained Earnings	<u>(303)</u>	<u>(313)</u>
EQUITY	<u>297</u>	<u>287</u>

Statement of Cash Flows

As at 31 December 2008

	December Quarter 08/09 \$000	YTD 08/09 \$000
Cash flows from operating activities		
Cash was provided from:		
Operating Receipts	1,476	3,159
GST	(38)	(69)
Cash was disbursed to:		
Payment to Suppliers	(1,553)	(3,070)
Payments to Tax	<u>-</u>	<u>4</u>
Net cash inflow/ (outflow) from operating Activities	<u>(115)</u>	<u>23</u>
Cash flows from investing activities		
Cash was applied to:		
Purchase of Property, Plant & Equipment	(15)	(15)
Purchase of intangible Assets	<u>-</u>	<u>-</u>
Net cash outflow from investing activities	<u>(15)</u>	<u>(15)</u>
Cash flows from financing activities		
Cash was provided from:		
Shares issued	-	-
Cash was applied to:		
Finance lease repayments	<u>-</u>	<u>4</u>
Net cash inflow/ (outflow) from operating Activities	<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash held	(130)	9
Opening Cash Balance 1 July 2008	<u>424</u>	<u>286</u>
Closing Cash Balance 31 December 2008	<u>295</u>	<u>295</u>
Made up of		
Cash	295	295
Short term deposits	<u>-</u>	<u>-</u>
Closing Cash Balance 31 December 2008	<u>295</u>	<u>295</u>

Performance targets for Capacity 2008/09 to date

Key Performance Target	Actual
Develop asset management plans that reflect best practice or meet specific requirements for approval by the appropriate Council.	Achieved. Asset management plans for 2008/09 completed for HCC and WCC. 2009/10 Asset Management Plans for WCC are completed and 2009/10 Asset Management Plans for HCC are on track for completion in August 2009.
Meet the performance measures set by shareholders in service contracts or service level agreements including managing emergencies.	Many of the performance measures can only be reported at year-end. Year-to-date performance measures are on target to meet year-end targets.
Comply with financial, technical, and regulatory standards.	Achieved. All standards have been complied with to-date.
Achieve total overall savings of \$4.175 million to shareholding councils after five years (30 June 2009), and \$1.6 million annually thereafter.	The savings model is agreed by both shareholders. This is an annual model; total savings achieved from 1 July 2004 to 30 June 2008 are \$1,726,000. Savings to HCC are \$1,024,000 and savings to WCC are \$702,000.
Achieve targets with allocated Capacity budget.	Revenue for half year is 2% above budget and expenditure is 2.8% above budget and forecast to be within 1% of budget at year end.
Establish a strategic business plan by 30 June 2008.	Achieved. Capacity published the Strategic Business Plan 2008-2011 on 21 May 2008.
Delivery of Operating expenditure against budget for respective Councils.	See following table 1
Delivery of Capital expenditure against budget for respective Councils.	See following table 2.
Capacity labour recovery to be 80% or more at year end.	Rolling average percentage of chargeable hours is 75% at 31 December 2008.

Table 1 Six months to 31 December 2008

DELIVERY OF OPERATING EXPENDITURE AGAINST BUDGET FOR RESPECTIVE COUNCILS							
Account Category	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Annual Forecast \$000	Annual Budget \$000	Forecast Variance \$000	
Operating Expenditure (Controllable) Hutt City							
Sub Total	10,568	10,440	(128)	21,298	21,298		
Operating Expenditure (Controllable) Wellington							
Sub Total	40,290	37,245	(3,045)	77,902	74,574	(3,328)	
Depreciation exceeding budget due to higher revaluations							
Total Operating	50,858	47,685	(3,173)	99,200	95,872	(3,328)	

Table 2 Six months to 31 December 2008

DELIVERY OF CAPITAL EXPENDITURE AGAINST BUDGET FOR RESPECTIVE COUNCILS							
Account Category	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Annual Forecast \$000	Annual Budget \$000	Forecast Variance \$000	
Capital Expenditure - Hutt City							
Sub Total	3,162	4,262	1,101	8,591	8,061	(530)	
Variances Explanations: Urgent upgrade of Naenae Reservoir roof and Main Road Upgrade Costs							
Capex Expenditure Wellington							
Sub Total	9,222	12,127	2,906	22,200	25,865	3,664	
Construction of Messines Road Reservoir due to start May 09. A carry forward of \$3.26m will be requested							
Total Capital	12,384	16,389	4,007	30,791	33,926	3,134	