

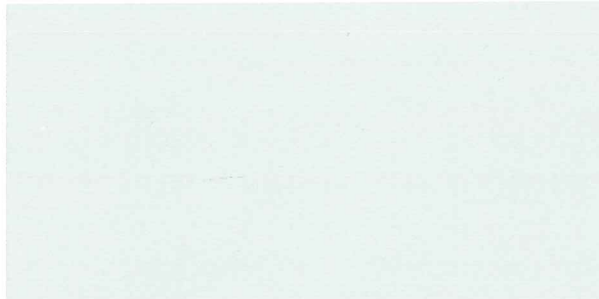
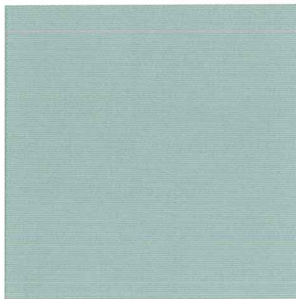
Quarterly Report to Shareholders

Wellington Water Management Limited
trading as Capacity

For the nine month period ended 31 March 2009

8 May 2009

CONFIDENTIAL



Capacity

Quarterly Report to Shareholders as at 31 March 2009

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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 March 2009.

Financial Results

Revenue is close to budget year to date. Interest for the quarter also includes withholding taxes on bank interest from July to February which were netted out in prior months.

Total expenditure for the year to date is close to budget and is only less than 1% overspent.

Professional Services are higher than expected, mostly due to unplanned property relocation consultancy fees.

IT expenditure for the quarter is close to budget and only slightly overspent year-to-date. The earlier overspend relates mostly to additional development costs on the workflow management tool system and review of the website.

Travel and accommodation are costs relating to staff attending training which has been budgeted under the training budget instead of travel.

Employee Remuneration YTD is 5% below budget. Recruitment costs are high due to the six vacancies that were filled during the year.

No other significant variances are anticipated before the end of the financial year other than some relocation costs.

Referring to the Statement of Financial Position as at 31 March 2009:

Accounts Receivable has been actively managed and this has resulted in a decrease of \$114,000 from the December quarter. The \$643,000 Accounts Receivables as at end March 2009 it includes \$512,000 of March management fees billed at month end.

Assets include computer equipment purchased for staff transferred from Upper Hutt City Council.

As expected, leave liability decreased by \$30,000 from the December quarter as leave has been taken around the Christmas break.

Financial Statements

Statement of Financial Performance

For the nine months ended 31 March 2009

	Dec 08 six month report \$000	March Quarter \$000	YTD Actual 31Mar2009 \$000	YTD Budget 08/09 \$000	YTD Variance \$000
REVENUE					
Operations	3,182	1,523	4,705	4,722	(17)
Interest	6	6	12	-	12
TOTAL REVENUE	3,188	1,530	4,717	4,722	(5)
EXPENDITURE					
Contracts, services & material	2	1	2	4	1
Vehicle & plant costs	131	57	188	177	(11)
Utility costs	115	63	178	184	6
IT costs	215	61	277	217	(60)
Telecommunication costs	44	23	67	74	7
Professional costs	114	66	180	148	(32)
Travel & accommodation	17	10	28	12	(16)
Administration costs	103	54	157	178	21
Employee remuneration	2,148	1,003	3,151	3,270	119
Other employee costs	152	81	233	269	36
Staff recruitment	75	14	89	45	(44)
Directors' fees	53	26	79	79	-
Depreciation	9	6	14	16	1
Interest expense	-	0	0	2	1
Audit fees	-	-	-	-	-
TOTAL EXPENDITURE	3,177	1,466	4,642	4,673	31
NET SURPLUS/(DEFICIT) BEFORE TAXATION	11	64	75	48	26
Tax Expense		-	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAXATION	11	64	75	48	26
Less YTD Leave reductions in JWMU01			60		
YTD Surplus resulting from Upper Hutt transactions			15		

* The March quarter result is net of the manual adjustments made in December after closing of the Nvision reports and which were subsequently recorded in Nvision in January 2009 only

Statement of Movements in Equity

For the period ended 31 March 2009

	9 months 08/09 \$000	EOY 07/08 \$000
NET SURPLUS/ (DEFICIT) FOR THE PERIOD	75	(89)
Contribution from owners		
Share capital paid	<u>-</u>	<u>-</u>
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>75</u>	<u>(89)</u>
EQUITY AT THE BEGINNING OF THE YEAR	<u>287</u>	<u>376</u>
EQUITY AT END OF PERIOD	<u>362</u>	<u>287</u>

Statement of Financial Position

As at 31 March 2009

	08/09 \$000	07/08 \$000
CURRENT ASSETS		
Bank	303	286
Accounts Receivable	643	748
Taxation Receivable	<u>-</u>	<u>-</u>
	946	1,036
NON CURRENT ASSETS		
Intangible Assets	-	-
Property, Plant & Equipment	<u>60</u>	<u>59</u>
	<u>60</u>	<u>59</u>
TOTAL ASSETS	1,006	1,095
CURRENT LIABILITIES		
Accounts Payable	336	476
Finance Leases	-	-
Provision for Taxation	2	-
Annual Leave	303	332
	641	808
NON CURRENT LIABILITIES		
Finance Leases	<u>-</u>	<u>-</u>
	-	-
TOTAL LIABILITIES	<u>641</u>	<u>808</u>
NET WORKING CAPITAL	<u>365</u>	<u>287</u>
Share Capital	600	600
Retained Earnings	<u>(235)</u>	<u>(313)</u>
EQUITY	365	287

Statement of Cash Flows

As at 31 March 2009

	March Quarter 08/09 \$000	YTD 08/09 \$000
Cash flows from operating activities		
Cash was provided from:		
Operating Receipts	699	4,832
GST	(55)	(47)
Cash was disbursed to:		
Payment to Suppliers	(750)	(4,760)
Payments to Tax	-	7
Net cash inflow/ (outflow) from operating Activities	<u>(106)</u>	<u>32</u>
Cash flows from investing activities		
Cash was applied to:		
Purchase of Property, Plant & Equipment	-	(15)
Purchase of intangible Assets	-	-
Net cash outflow from investing activities	<u>-</u>	<u>(15)</u>
Cash flows from financing activities		
Cash was provided from:		
Shares issued	-	-
Cash was applied to:		
Finance lease repayments	-	-
Net cash inflow/ (outflow) from operating Activities	<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash held	(106)	17
Opening Cash Balance	<u>409</u>	<u>286</u>
Closing Cash Balance 31 March 2009	<u>303</u>	<u>303</u>
Made up of		
Cash	303	303
Short term deposits	-	-
Closing Cash Balance 31 December 2008	<u>303</u>	<u>303</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. Total savings achieved from 1 July 2004 to 31 Dec 2008 are \$1,129,000. Savings to HCC are \$1,101,000 and savings to WCC are now \$28,000. Due to the high volatility of the indices applied a full year forecast is not appropriate.
Achieve targets with allocated Capacity budget.	Revenue for nine months is on budget and expenditure is within 1% under 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.	Achieved. See following table 1
Delivery of Capital expenditure against budget for respective Councils.	Achieved. See following table 2.
Capacity labour recovery to be 80% or more at year end.	Rolling average percentage of chargeable hours is 70% at 31 March 2009.

Project Financial Performance

Operating Expenditure

WCC Operating Expenditure Variance Explanation

Stormwater YTD unfavourable variance of \$469K is mainly due to unbudgeted expenditure on flood protection works at 99 Ira Street Miramar and overspent on CBD culvert cleaning and under-budgeted labour charges for asset management planning.

Stormwater YE unfavourable variance of \$548K is mainly due to unbudgeted expenditure on flood protection works at 99 Ira Street Miramar and overspent on CBD culvert cleaning and under-budgeting in the asset management planning budget.

Water network YTD unfavourable variance of \$191K is mainly due to a reduction in the BBS job volume rebate.

Water network YE unfavourable forecast of \$265K is mainly due to under budgeting in the asset management planning budget and a reduction in the BBS job volume rebate.

Sewage collection and disposal YTD unfavourable variance of \$270K is mainly due to under-budget of labour cost in asset management planning and overspent in network / pump station maintenance due to increased electricity charges and under-budgeted labour and organisational costs.

Sewage collection and disposal YE unfavourable forecast of \$359K is mainly due to under-budget of labour cost in asset management planning and overspent in network maintenance due to work are ahead of schedule.

HCC Operating Expenditure Forecast Variance Explanation

Wastewater YE unfavourable variance of \$180K is primarily due to emergency repairs required to the Main outfall pipeline.

Capital Expenditure

WCC Capital Expenditure Variance Explanation

Stormwater YTD unfavourable variance of \$342K is mainly due to work being completed ahead of schedule.

Carry forward YTD unfavourable variance of \$107K is mainly due to work is completed ahead of schedule.

HCC

Stormwater YTD unfavourable variance of \$121K is due to contracts being slightly ahead of schedule.

Water supply YE forecast unfavourable variance of \$465K is primarily due to the urgent upgrade of the Naenae reservoir roof associated with the contamination of the Lower Hutt water supply system in October and additional pipeline replacement costs associated with pipe failure.

Table 1 Nine months to 31 March 2009

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
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Operating Expenditure (Controllable) Wellington

Operating Costs Stormwater Management	2,269	1,800	(469)	2,948	2,400	(548)
Operating Costs Water Network Operating	3,645	3,454	(191)	4,865	4,600	(265)
Bulk Water purchase	9,483	9,890	407	12,620	13,187	567
Operating Costs Sewage Collection and Disposal	3,195	2,925	(270)	4,271	3,912	(359)
Operating Costs Sewage Treatment	13,037	13,177	140	17,595	17,572	(23)
Sub Total	31,629	31,246	(383)	42,299	41,671	(628)

Operating Expenditure (Controllable) Hutt City

Operating Costs Stormwater	1,794	1,959	165	2,596	2,596	
Operating Costs Wastewater	7,157	7,232	75	9,895	9,715	(180)
Operating Costs Water Supply	6,470	6,629	160	8,847	8,987	140
Sub Total	15,421	15,820	400	21,338	21,298	(40)

Operating Expenditure (Controllable) Upper Hutt City

Operating Costs Stormwater	185	209	24	447	447	
Operating Costs Wastewater	1,923	1,944	21	2,732	2,732	
Operating Costs Water Supply	2,201	2,219	18	2,944	2,944	
Sub Total	4,309	4,372	63	6,123	6,123	

Total Operating	51,359	51,438	80	69,760	69,092	
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Table 2 Nine months to 31 March 2009

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
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Capex Expenditure Wellington

Capital Stormwater Management	2,774	2,432	(342)	3,286	3,354	68
Capital Water Network	5,921	6,989	1,068	8,477	11,611	3,134
Capitals Sewage Collection and Disposal	3,504	6,321	2,817	7,468	8,865	1,397
Capex Carry Forward	1,999	1,892	(107)	2,066	2,036	30
Sub Total	14,198	17,634	3,436	21,297	25,866	4,629

*Construction of Messines Road Reservoir due to start May 09. A carry forward of \$3.26m will be requested

Capital Expenditure - Hutt City

Capital Maintenance Stormwater	249	347	98	488	488	
Capital Maintenance Wastewater	2,698	3,069	371	3,814	3,814	
Capital Maintenance Water Supply	803	744	(59)	1,372	907	(465)
Capital: New Stormwater	876	755	(121)	998	998	
Capital: New Wastewater	186	826	640	558	1,189	631
Capital New Water Supply	573	665	92	665	665	
Sub Total	5,385	6,406	1,021	7,895	8,061	166

** Urgent upgrade of Naenae Reservoir roof and Main Road Upgrade Costs

Capital Expenditure - Upper Hutt City

Capital Maintenance Stormwater	993	989	(4)	1,027	1,027	
Capital Maintenance Wastewater	524	526	2	1,124	1,124	
Capital Maintenance Water Supply	656	569	(87)	1,061	1,061	
Sub Total	2,173	2,084	(89)	3,212	3,212	

Total Capital	21,756	26,124	4,368	32,404	37,139	
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