

Wellington Water Management Limited Quarterly Report to Shareholders

For the three month period ended 30 September 2005

Contents

INTRODUCTION	3
FINANCIAL RESULTS	3
Operating Expenditure	3
Personnel Costs	3
General Expenditure	3
HIGHLIGHTS	4
PERFORMANCE MEASURES	6
FINANCIAL STATEMENTS	7
Statement of Financial Performance	7
Statement of Movements in Equity	8
Statement of Cashflows	9
Statement of Financial Position	10

Introduction

Wellington Water Management Limited is a Council Controlled Trading Organisation trading as Capacity. Capacity manages water, stormwater and wastewater services on behalf of Wellington City Council and Hutt City Council for residents, ratepayers and visitors.

This report covers Capacity's activities for the period from 1 July 2005 to 30 September 2005 for Wellington City Council. Financial statements and activity highlights are included in the report.

Financial Results

Operating Expenditure

Total expenditure for the quarter is \$1,061,000 against a budgeted sum of \$1,206,000. Refer to the Statement of Financial Performance for more details.

Personnel Costs

Almost 68% of the total expenditure comprises of personnel costs. Salaries are under budget by \$140,000 due to staff vacancies. A major project to reorganize Capacity's organisational structure was completed in February 2005. This involved aligning the organisation's structure with key processes. All positions in the company structure were filled by existing staff or recruited from other organisations. Positions in the corporate area are currently vacant and include the Executive Assistant, Corporate Accountant and Water Services Development Manager positions. We are actively recruiting to fill these positions.

General Expenditure

General expenditure is tracking close to budget apart from information technology (IT) costs, which are \$15,000 below budget in the current period. This is because development of the Capacity website is behind schedule. We have engaged with a web designer to start development on the website and it is scheduled to go-live on 1 March 2006.

Highlights

Capacity is responsible for management of approximately \$36 million capital and \$50 million operational expenditure on behalf of its customers, Hutt City Council and Wellington City Council.

Operations and Maintenance Contracts

A new contractor was engaged to undertake operations and maintenance work for both Wellington City Council and Hutt City Council. The new contract commenced in July 2005. The fixed price component of the four-year contract is estimated to provide 80% of Capacity's savings target of \$4.175m for the period ended 30 June 2009.

Wellington Inner City Bypass Stormwater Culvert

The Wellington Inner City Bypass stormwater culvert is currently 10% ahead of schedule and is due to favorable ground conditions allowing more pipes to be laid per day than originally estimated. This work will continue throughout the year and is due to be completed by June 2006.

Reservoir Construction

Construction work on the Roseneath Reservoir was completed during the period. Some minor landscaping work will be completed in the next quarter.

Construction of the Mount Albert Reservoir started during the quarter with 18% of the work completed. Like the Roseneath Reservoir, the Mount Albert Reservoir will be buried to blend in to the local environment. All new reservoirs, where practical, will be built this way in future.



Mount Albert Reservoir under construction

Resource Consents

Greater Wellington Regional Council (GWRC) has approved the Overseas Passenger Terminal resource consent variation. GWRC has deleted the requirement to duplicate the Mount Victoria sewerage tunnel. Capacity is discussing with Wellington City Council how the budget for this work (\$10 million) will be reallocated. The reallocated funds will have to be approved through the Wellington City Council Asset Management Plan and Long Term Council and Community Plan processes.

Capacity is continuing to seek consent renewal of the Western Treatment Plant. Initial consultation has been completed with stakeholders and a consenting approach was presented to the Wellington City Council Strategy and Policy Committee in October 2005. The consent application will be lodged by the end of December 2005.

Wastewater Treatment Plant

Greater Wellington Regional Council (GWRC) accepted Capacity's response to the abatement notice issued in May 2005. This was for the unconsented shortfall discharges from Moa Point on 31 March and 1 April 2005. As part of the response, Capacity outlined measures to reduce the event of discharges of this nature occurring during heavy rainfalls.

Performance Measures for Wellington City Council

KEY PERFORMANCE TARGETS	LEVEL OF ACHIEVEMENT
WATER SUPPLY	
The number of times substandard bulk water reaches customers	Achieved: No occurrences have been found at any of the 18 supply points of the network
Water Quality – Comply with New Zealand Drinking Water Standards	Achieved: All water samples complied with the Drinking Water Standards for New Zealand (2000)
STORMWATER	
Percentage of residents who are satisfied with stormwater collection and services Target: 75%	This is measured annually through the Councils resident satisfaction survey
Percentage of days of contaminant free sampling. Sampling is carried out 4 times a year at 39 sites. A total of 156 samples are taken per year. Target: 100%	Achieved: During the quarter all 39 sites sampled were free of contaminants Result: 100%
WASTEWATER	
Percentage of monitored coastal sites where the median annual level of faecal coliform bacteria counts are less than 2000 per 100ml Target: 75%	Achieved: Seven sites were monitored with one failure (Tory St) Result: 86%
Percentage of monitored bathing beaches where the median annual level of enterococci coliform bacteria counts are less than 35 per 100ml Target: 100%	Not Achieved: 21 sites were monitored with one failure (Island Bay Surf Club) Result: 95%
Percentage of monitored freshwater sites where the median annual faecal coliform bacteria counts are less than 2000 per 100ml Target: 100%	Not Achieved: Four sites were monitored with one failure (Karori Stream) Result: 75%
Percentage of days that the quality standards set out in the resource consent are met Target: 100%	Achieved: During the quarter all resource consent conditions were met Result: 100%
FINANCIAL	
Budget savings in five years Target: \$4.175 million by 30 June 2009	The target for 2005/06 of \$625,000 has been established for Wellington City Council. Progress against the target is measured annually and will be reported in the fourth quarter.

FINANCIAL STATEMENTS

Statement of Financial Performance

FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2005

		3 Months to 30 September 2005 Actual \$000	3 Months to 30 September 2005 Budget \$000	Variance \$000
REVENUE	<i>Note</i>			
Operations		1,061	1,206	145
TOTAL REVENUE		<u>1,061</u>	<u>1,206</u>	<u>145</u>
EXPENDITURE				
Contracts, services and material		1	3	2
Vehicle and plant costs		43	41	(2)
Utility costs		47	44	(3)
Information Technology		55	70	15
Telecommunication costs		17	20	3
Professional costs		50	43	(7)
Travel and accommodation		4	4	0
Administration costs		55	54	(1)
Employee remuneration		720	860	140
Other employee costs		45	42	(3)
Staff recruitment		2	-	(2)
Directors' fees		18	17	(1)
Depreciation		4	6	2
Interest expense		0	2	2
TOTAL EXPENDITURE		<u>1,061</u>	<u>1,206</u>	<u>145</u>
NET SURPLUS/(DEFICIT) BEFORE TAXATION		<u>-</u>	<u>-</u>	<u>-</u>
Tax Expense	<i>1</i>	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAXATION		<u>-</u>	<u>-</u>	<u>-</u>

Note 1: The unaudited management accounts do not record the loss arising from the non-invoicing of increases in accrued leave. It is estimated that a pre-tax loss of approximately \$15,000 will have been incurred during the period ending 30 September 2005.

Statement of Movements in Equity

FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2005

	3 Months to 30 September 2005 \$000	Full Year 2004/2005 \$000
NET SURPLUS/(DEFICIT) FOR THE PERIOD	-	(115)
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>-</u>	<u>(115)</u>
EQUITY AT BEGINNING OF PERIOD	471	586
EQUITY AT END OF PERIOD	<u>471</u>	<u>471</u>

Statement of Cash Flows

FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2005

3 Months to
30 September 2005
\$000

CASH FLOWS FROM OPERATING ACTIVITIES

Cash was provided from:

Operating Receipts	1,226
GST	(10)

Cash was disbursed to:

Payments to Suppliers	(1,086)
-----------------------	---------

NET CASH FLOW FROM OPERATING ACTIVITIES

130

CASH FLOWS FROM INVESTING ACTIVITIES

Cash was applied to:

Purchase of Property, Plant and Equipment	(1)
-------------------------------------------	-----

NET CASH FLOW FROM INVESTING ACTIVITIES

(1)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash was applied to:

Finance lease repayments	(3)
--------------------------	-----

NET CASH FLOW FROM FINANCING ACTIVITIES

(3)

Net Increase in Cash held	126
---------------------------	-----

Opening Cash Balance 1 July 2005	437
----------------------------------	-----

CLOSING CASH BALANCE 30 SEPTEMBER 2005

563

Made up of:

Cash	563
------	-----

CLOSING CASH BALANCE

563

Statement of Financial Position

FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2005

	3 Months to 30 September 2005 \$000	Full Year 2004/2005 \$000
CURRENT ASSETS		
Bank	563	437
Accounts Receivable	308	491
Taxation Receivable		12
TOTAL CURRENT ASSETS	<u>871</u>	<u>940</u>
NON CURRENT ASSETS		
Property, Plant and Equipment	96	100
TOTAL NON CURRENT ASSETS	<u>96</u>	<u>100</u>
TOTAL ASSETS	<u><u>967</u></u>	<u><u>1,040</u></u>
CURRENT LIABILITIES		
Accounts Payable	287	342
Finance Leases	9	11
Provision for Taxation	(13)	-
Annual Leave	204	207
TOTAL CURRENT LIABILITIES	<u>487</u>	<u>560</u>
NON CURRENT LIABILITIES		
Finance Leases	9	9
TOTAL NON CURRENT LIABILITIES	<u>9</u>	<u>9</u>
TOTAL LIABILITIES	<u><u>496</u></u>	<u><u>569</u></u>
NET WORKING CAPITAL	<u><u>471</u></u>	<u><u>471</u></u>
EQUITY		
Share Capital	600	600
Retained Earnings	(129)	(129)
TOTAL EQUITY	<u><u>471</u></u>	<u><u>471</u></u>