3. TRANSWASTE CANTERBURY LTD – INTERIM REPORT TO 31 DECEMBER 2008

General Manager responsible:	General Manager City Environment, DDI 941-8608
Officer responsible:	Peter Langbein
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PURPOSE OF REPORT

1. This report reviews and comments on the half year accounts of Transwaste Canterbury Ltd (TWC) to 31 December 2008 (**Attachment 1**).

OPERATIONS

2. The Statement of Objectives and Performance contained in the interim report indicate all measures have been achieved or are in progress except for (1) Shareholder Interests – forecast landfill revenue for the full year at $26.3m is 8% lower than the $28.6m target, and the full year EBIT of $9.5m is 10% less than the $10.6m target; and (2) Community Relations – 4 customer complaints (3 from the same party re noise) were received compared with a target of nil. There is no indication that any other targets will not be met by 30 June 2009.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE	% Change	6 months 31-Dec-08 $m	6 months 31-Dec-07 $m	Last Year Actual $m
Operating Revenue Including Discontinued Operations		13.4	13.1	26.7
Total Revenue		13.4	13.6	27.4
Total Expenses		10.4	9.9	21.2
Operating Revenue Excluding Discontinued Operations	3.9%	13.4	12.8	25.2
Total Revenue	4.5%	13.4	12.8	25.2
Total Expenses	8.4%	10.4	9.6	19.5
NPAT *(net profit after tax)*	-14.0%	2.2	2.5	4.1

3. It should be noted that Total Revenue for the 2007 period includes a one-off gain on the sale of Mt Cass farm land of $541,000. Revenue and expenses from this and other discontinued operations (farming operations) are nil this year, but were $355,000 net revenue for the six months, and $306,000 for the full year 2007. These were excluded from the Operating Revenues and Expenses in the interim report (but were included in the NPAT result). The above table shows the results as reported last year (including), as well as the like for like comparison reported this year (excluding).

4. Core Operating Revenue is 3.9% ahead of the same period last year, reflecting a corresponding increase in waste volumes and gate charges. Core Total Expenses are up 8.4%, with the two main increases in expenses being $350k (3.6%) of storm damage, and $352k (3.7%) of unrealised loss on interest rate swaps – any future swap instruments will be hedge accounted (direct to Equity Reserves).

5. The impact on the NPAT of these, other expense increases, and the drop in net profit from the discontinued operations of $355,000, is a decrease of 14.0%.

FINANCIAL POSITION	% Change	31-Dec-08 $m	31-Dec-07 $m	Last Year 30-June $m
Current Assets	63%	9.8	6.0	9.7
Non-current Assets	3%	54.1	52.5	50.9
Current Liabilities	40%	(2.8)	(2.0)	(3.8)
Non-current Liabilities	9%	(41.2)	(37.7)	(39.1)
Shareholders' Equity	5%	19.9	18.9	17.7

6. TCL's net asset position has improved since last June balance date by $2.2m - being the $2.2m net profit for the period. No dividend has been provided for in the report ($4.1 for the full year to June 2008).

7. The $54.1 million of non-current assets comprises approximately $47m in respect of the landfill development and $4.4m of land.

8. Non-current liabilities of $41.2m include a $34.6m draw down on a $36m multi option credit facility with Westpac. They also include a $1.9 million landfill aftercare provision – this provision will gradually increase over the life of the landfill, helping to ensure that sufficient funds are retained within the company to complete the required remedial work once the landfill is full. The balance of $4.7m is the deferred income tax liability of $4.4m, and $0.352m liability re the unrealised loss on the interest rate swaps.

CASH FLOWS	% Change	6 months 31-Dec-08 $m	6 months 31-Dec-07 $m	Last Year Actual $m
Operating	-14%	2.5	2.9	7.9
Investing	4%	(2.9)	(2.8)	(6.5)
Financing	0%	0.9	0.9	0
Net Cash Flows	-46%	0.5	1.0	1.4

9. Operating cash flows decreased because receipts from customers increased by 2.8% while payments to suppliers and employees increased by 5.7% and interest paid by 11.5%.

10. Investing cash outflows involved a 4.4% net increase in the payments for property, plant and equipment, and forestry.

11. Financing net inflows of $0.9m included decreased borrowing under the Westpac facility of $0.95m ($2.150m last year), offset by no dividend payment ($1.273m last year).

IMPACT OF CCC DECISION RE KERBSIDE COLLECTION

12. It should be noted that the change in kerbside rubbish collection by Christchurch City Council from early 2009 is designed to reduce the overall tonnage of rubbish sent to the Kate Valley Landfill. This could have a material impact on the revenues received by TCL, and also on the expected life of the landfill.

STAFF RECOMMENDATION

It is recommended that the Committee receive this report for information.