

## **High Level Financial Numbers:**

**Costs**

**Revenues**

**Depreciation**

## Costs, Revenue, Depreciation

### Approach

1. We are focusing on ensuring that the 2006/07 financials are expressed in current day dollars and reflect business as usual. With the 2006/07 numbers understood, we have then made volume changes only for the years 2007/08-2009/10. Beyond year 2009/10, costs are 2009/10 based (except for any known Capex implications).
2. All numbers presented **do not** include any allowance for inflation. This will be added towards the end of the process.
3. We are **not** at the stage of being able to present numbers in the Groups of Activity (GOA) format. Once again this will be completed following the week of 13-17 February. The GOA are the external view of our revenue and costs based upon our "activities".

Attached are the following:

1. Plan comparison 2005/06 and 2006/07.
2. Plan changes 2007-2011.
3. Depreciation and revaluation history.

We will go through each of the above in detail during the week.

High-level comments are as follows regarding:

1. 2005/06 and 2006/07 comparisons:
  - Revenue (excluding Rates) up \$16.3m (fee income 2.4m, dividends 2.4m, interest \$2.4m, LTDA \$6.6m, Development Contributions \$1.2m).
  - Costs (excluding Depreciation) \$13.6m (personnel costs \$5m, Interest \$840k, Grants \$4.7m, Consultants \$2.3m, Maintenance \$1.6m, Insurance \$400k, Electricity \$850k).
  - Depreciation \$11.5m.
  - Rates include \$3m for growth.
2. Comparison 2007-2011:

This shows the changes against each year for Volume/Activity changes only. It does not allow for inflation. The largest cost drivers are depreciation, interest charges and the Biosolids transport costs.
3. Depreciation:

This is a significant driver of costs. We are facing revaluations each year which are difficult to manage/predict. Depreciation is also a significant cash contributor to fund our capital programme. Please note our Capex programme exceeds depreciation.

## CCC: Plan Comparison between 05/06 and 06/07

| Cost Element     | Fiscal year             | Plan<br>2006        | Plan<br>2007        | Change from<br>2006 => 2007 |
|------------------|-------------------------|---------------------|---------------------|-----------------------------|
| <b>CCC12REV</b>  | <b>External Revenue</b> | <b>-344,149,177</b> | <b>-390,109,278</b> | <b>-45,960,100</b>          |
|                  | <b>comprising</b>       |                     |                     |                             |
| CCC12SERV        | Service Revenues        | -19,237,895         | -21,876,500         | -2,638,605                  |
| CCC12PROD        | Product Sale Revenue    | -8,183,428          | -6,538,812          | 1,644,616                   |
| CCC12USAGE       | Usage Revenues          | -25,736,884         | -27,543,391         | -1,806,507                  |
| CCC12GENERAL     | General Revenues        | -248,160,168        | -283,611,139        | -35,450,971                 |
| CCC12GRANTS      | Grants and Subsidies    | -21,333,302         | -27,876,936         | -6,543,634                  |
| CCC12DEVELOP     | Development Contribu    | -21,497,500         | -22,662,500         | -1,165,000                  |
|                  |                         |                     |                     |                             |
| <b>CCC12COST</b> | <b>External Costs</b>   | <b>330,078,925</b>  | <b>355,272,924</b>  | <b>25,194,000</b>           |
|                  | <b>comprising</b>       |                     |                     |                             |
| CCC12PERSONNEL   | Personnel Costs         | 98,842,400          | 104,535,112         | 5,692,712                   |
| CCC12OFFICE      | Office Overheads        | 21,143,488          | 21,880,333          | 736,845                     |
| CCC12PROM        | Grants and Promotion    | 17,576,129          | 21,530,063          | 3,953,934                   |
| CCC12SERVICES    | Services & Contracts    | 77,661,093          | 77,748,925          | 87,832                      |
| CCC12MATERIALS   | Material Expenses       | 3,942,260           | 4,033,279           | 91,019                      |
| CCC12ASSET       | Asset Expenses          | 43,210,413          | 46,292,275          | 3,081,862                   |
| CCC11DEPRECIAT   | Asset Depreciation E    | 67,703,142          | 79,252,937          | 11,549,795                  |

CCC Plan Changes between years 2007 - 2011

| Cost Element   | Fiscal year                    | Plan       | Change from<br>2007 | Change from<br>2007 => 2008 | Change from<br>2008 => 2009 | Change from<br>2009 => 2010 | Change from<br>2010 => 2011 |
|----------------|--------------------------------|------------|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| CCC12REV       | External Revenue<br>comprising | -390109278 | -27440883           | -573016                     | -11884198                   | -7104848                    |                             |
| CCC12SERV      | Service Revenues               | -21876500  | -576257             | -485965                     | 179999                      | 0                           |                             |
| CCC12PROD      | Product Sale Revenue           | -6538812   | -113500             | -120963                     | -1                          | 0                           |                             |
| CCC12USAGE     | Usage Revenues                 | -27543391  | -140697             | -11454                      | -819555                     | -1460                       |                             |
| CCC12GENERAL   | General Revenues               | -283611139 | -19750554           | 2279374                     | -23108327                   | -5608363                    |                             |
| CCC12GRANTS    | Grants and Subsidies           | -27876936  | -6932375            | -2259008                    | 11863686                    | -1495025                    |                             |
| CCC12COST      | External Costs<br>comprising   | 355272924  | 6124265             | 10243027                    | 9187141                     | 2525712                     |                             |
| CCC12PERSONNE  | Personnel Costs                | 104535112  | 4000                | -84000                      | 198079                      | 0                           |                             |
| CCC12OFFICE    | Office Overheads               | 21880333   | 4852751             | 5152613                     | 2646449                     | 2290683                     |                             |
| CCC12PROM      | Grants and Promotion           | 21530063   | -710881             | -256434                     | 344588                      | 234239                      |                             |
| CCC12SERVICES  | Services & Contracts           | 77748925   | 96640               | 2119023                     | 1205856                     | -258989                     |                             |
| CCC12MATERIALS | Material Expenses              | 4033279    | 28935               | 139134                      | -33000                      | -100000                     |                             |
| CCC12ASSET     | Asset Expenses                 | 46292275   | -198142             | 76200                       | 510614                      | 56990                       |                             |
| CCC11DEPRECIAT | Asset Depreciation E           | 79252937   | 2050962             | 3096491                     | 4314556                     | 302789                      |                             |

**DEPRECIATION FORECASTS**

| Capex     | Infrastructure | Restricted | Fixed (Othr) | Art Gallery | QEII      | Bus Xch    | Blen Rd   | Investments | Landfill  | Vested      | Total Capex | B+C+D       |
|-----------|----------------|------------|--------------|-------------|-----------|------------|-----------|-------------|-----------|-------------|-------------|-------------|
| 2000      | 47,417,773     | 8,255,888  | 18,026,880   |             |           |            |           | 11,898,539  |           | 22,582,678  | 108,181,758 | 73,700,541  |
| 2001      | 58,264,652     | 10,040,148 | 17,673,445   | 4,000,000   | 8,000,000 | 18,000,000 |           | 4,839,944   |           | 24,370,608  | 145,188,797 | 85,978,245  |
| 2002      | 41,345,161     | 9,253,793  | 22,786,009   | 14,000,000  | 5,000,000 |            | 7,000,000 | -39,955,923 | 8,200,000 | 19,463,241  | 87,092,281  | 73,384,963  |
| 2003      | 56,237,385     | 8,380,901  | 23,958,683   | 25,000,000  |           |            |           | 4,450,000   |           | 38,171,164  | 156,198,133 | 88,576,969  |
| 2004      | 55,442,514     | 6,564,748  | 21,045,927   |             |           |            |           | 1,450,000   | 327,633   | 106,837,133 | 191,667,955 | 83,053,189  |
| 2005      | 59,921,335     | 6,580,558  | 27,052,208   |             |           |            |           | 10,750,000  | 1,172,889 | 19,539,876  | 125,016,866 | 93,554,101  |
| 2006 Plan | 97,010,919     | 8,510,026  | 50,711,791   |             |           |            |           | 750,000     | 2,395,612 | 15,000,000  | 174,378,348 | 155,232,736 |
| 2007      | 154,315,351    | 6,299,120  | 29,987,480   |             |           |            |           | 750,000     | 1,993,777 | 15,000,000  | 208,345,728 | 190,601,951 |
| 2008      | 167,768,318    | 6,233,620  | 32,401,310   |             |           |            |           | 750,000     | 703,096   | 15,000,000  | 222,856,344 | 206,403,248 |
| 2009      | 134,733,973    | 6,524,620  | 23,888,116   |             |           |            |           | 750,000     | 521,100   | 15,000,000  | 181,417,809 | 165,146,709 |
| 2010      | 94,616,782     | 7,239,160  | 21,840,779   |             |           |            |           | 750,000     | 520,587   | 15,000,000  | 139,987,308 | 123,696,721 |
| 2011      | 93,440,423     | 7,531,018  | 27,629,663   |             |           |            |           | 750,000     | 520,599   | 15,000,000  | 144,871,703 | 128,601,104 |
| 2012      | 88,459,057     | 7,552,320  | 29,601,028   |             |           |            |           | 750,000     | 520,599   | 15,000,000  | 141,883,004 | 125,612,405 |
| 2013      | 102,911,123    | 7,758,521  | 26,798,944   |             |           |            |           | 750,000     | 520,598   | 15,000,000  | 153,739,186 | 137,468,588 |
| 2014      | 96,085,010     | 7,754,823  | 24,976,703   |             |           |            |           | 750,000     | 520,592   | 15,000,000  | 145,087,128 | 128,816,536 |
| 2015      | 81,857,306     | 7,801,124  | 25,768,673   |             |           |            |           | 750,000     | 520,564   | 15,000,000  | 131,697,667 | 115,427,103 |
| 2016      | 83,264,508     | 7,799,922  | 27,583,419   |             |           |            |           | 750,000     | 520,489   | 15,000,000  | 134,918,338 | 118,647,849 |

Categories can be broken into Units fairly easily  
 Categories can be broken into renewals/improvements/new with some effort

Column M indicates normal base exp which includes routine new works

| Depreciation | Adjustment | Gain on Sale | Write off | Total      | Increase between 2000 and 2005 (\$m)                      |
|--------------|------------|--------------|-----------|------------|---|
| 2000         | 46,914,411 |              | -410,528  | 4,276,229  | 50,780,112  |
| 2001         | 47,281,075 |              | -109,440  | 4,798,296  | 51,969,932  |
| 2002         | 54,377,013 | -5,858,601   | -312,009  | 5,089,330  | 53,295,733  |
| 2003         | 52,717,485 |              | -260,176  | 3,416,486  | 55,873,794  |
| 2004         | 58,799,148 |              | -420,040  | 26,478,030 | 84,857,138  |
| 2005         | 59,789,358 |              | -383,359  | 2,509,337  | 61,915,336  |
| 2006 Plan    | 64,505,784 |              | 3,197,358 | 67,703,142 | Due to reval depn will likely be \$4m over plan this year |
| 2007         | 76,116,912 |              | 3,136,025 | 79,252,937 |   |
| 2008         | 77,767,874 |              | 3,536,025 | 81,303,899 |   |
| 2009         | 81,264,366 |              | 3,136,025 | 84,400,391 |   |
| 2010         | 85,578,922 |              | 3,136,025 | 88,714,947 |   |
| 2011         | 85,881,711 |              | 3,136,025 | 89,017,736 |   |
| 2012         | 88,562,726 |              | 3,136,025 | 91,698,751 |   |
| 2013         | 90,437,371 |              | 3,136,025 | 93,573,396 |   |
| 2014         | 92,718,995 |              | 3,136,025 | 95,855,020 |   |
| 2015         | 92,715,145 |              | 3,136,025 | 95,851,170 |   |
| 2016         | 90,064,598 |              | 3,136,025 | 93,200,623 |   |

Depreciation growth is weighted towards infrastructure

rating revaluation impact

|      |           |
|------|-----------|
| 2004 | 1,445,448 |
| 2005 | 1,598,360 |