3. TRANSWASTE CANTERBURY LTD – INTERIM REPORT TO 31 DECEMBER 2009

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

1. This report reviews and comments on the half year accounts to 31 December 2009. (**Attachment 1)**

OPERATIONS

2. The Statement of Objectives and Performance contained in the interim report indicates all measures have been achieved or are in progress except for 1) Shareholders Interests – forecast revenue for the full year is $24.7m which is 13.3 per cent lower than the target of $28.5m, with the full year EBIT forecast at $7.2m, 27.3 per cent lower than the target of $9.9m, as a consequence average return on investment is forecast at 8.6 per cent against a target of 9 per cent and 2) Good Employer – there has been one Lost Time Injury which equates to 0.6 LTIs per 100,000 hours worked where the target was nil. There is no indication that any other targets will not be met by 30 June 2010.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE	per cent Change	6 months 31-Dec-09 $million	6 months 31-Dec-08 $million	Last Year Actual $million
Operating Revenue	-5.2%	12.7	13.4	25.3
Total Revenue	-5.2%	12.7	13.4	25.5
Total Expenses	-3.8%	10.0	10.4	19.3
NPAT *(net profit after tax)*	-9.1%	2.0	2.2	4.5

3. The six months to 31 December 2009 include $1,095,000 (2008 – nil) of waste minimisation levy revenue and expense. This levy is payable to the Ministry for the Environment and is on-charged to customers. Taking this into account the revenue would be reduced to $11.6 million, a reduction of 13.4 per cent compared to the same period the previous year. This reflects the reduced tonnage to landfill which is forecast to be 15 per cent lower than budget.

4. Total expenditure is down 3.8 per cent, however taking the waste minimisation levy into account the expenditure is actually down $1.5 million or 14.4 per cent. This is a driven primarily by two factors, reduced interest expense ($0.8 million) which is a consequence of both a reduced loan amount and lower interest rates, and reduced operating expenditure ($0.6 million) which aligns with reduced tonnage to landfill.

FINANCIAL POSITION	% Change	31-Dec-09 $million	31-Dec-08 $million	Last Year 30-June $million
Current Assets	5%	10.3	9.8	9.8
Non-current Assets	4%	53.9	54.1	54.6
Current Liabilities	25%	(3.5)	(2.8)	(2.6)
Non-current Liabilities	8%	(38.0)	(41.2)	(41.1)
Shareholders' Equity	14%	22.7	19.9	20.7

5. Overall the net asset position has improved since last balance date by $2.0 million, being the Net Profit for the period.

6. The $53.9 million of non-current assets comprises approximately $47 million in respect of landfill development and $4.4 million of land.

7. Non-current liabilities of $38.0 million include $29.6 million drawn down of a $36 million multi option credit facility with Westpac. This is a reduction of $3.75 million since the last balance date. They also include $2.1 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 is comprised of $6.0 million deferred tax liability and $0.3 million liability for the unrealised loss on interest rate swaps.

CASH FLOWS	% Change	6 months 31-Dec-09 $m	6 months 31-Dec-08 $m	Last Year Actual $m
Operating	60%	4.0	2.5	6.3
Investing	72%	(0.8)	(2.9)	(5.5)
Financing	-511%	(3.7)	0.9	(1.8)
Net Cash Flows	-200%	(0.5)	0.5	(1.0)

8. Operating cash flows increased by $1.5 million because of reduced payments to suppliers ($1.2 million) and lower interest paid ($0.3 million).

9. Investing cash flows improved by $2.1 million In the six months to 31 December 2008 there was a $3.8 million payment for the purchase of property, plant & equipment with $0.9m of proceeds on sale of assets, compared to $0.8m of purchases and nil sales proceeds in the current period.

10. Financing cash flows in the current period represent the repayment of borrowings of $3.75 million.

STAFF RECOMMENDATION

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