

2011 Annual General Meeting



BEN LOMOND
WATER

2011 Annual General Meeting



Chairman's Presentation

Operating Result FY11



	Actual \$'000	Corporate Plan \$'000	Previous Year \$'000
Income	60,399	60,056	54,409
Expenses	50,398	53,463	46,921
Net Profit before Tax	10,001	6,593	7,488
Income Tax	2,985	1,978	2,231
Net Profit after Tax	7,016	4,615	5,257

Analysis of Income



	Actual \$'000	Corporate Plan \$'000	Previous Year \$'000
Water Fixed	17,793	17,637	16,873
Water Usage	9,933	9,903	8,972
Sewerage Fixed	21,499	21,352	20,327
Sewerage Usage (Trade Waste)	1,499	1,503	1,388
Govt Price Cap Rebate	4,392	4,667	1,972
Govt Concessions	1,712	1,600	1,553
Developer Charges/Contributions	2,307	2,850	2,113
Other Income	1,264	544	1,211
Total Income	60,399	60,056	54,409

Analysis of Expenses



	Actual \$'000	Corporate Plan \$'000	Previous Year \$'000
Depreciation	13,201	15,950	12,554
Interest (excluding Int. on Super)	946	978	985
Materials	4,450	4,035	3,951
LGF	115	108	101
Employee (including Int. on Super)	14,528	14,628	13,471
Onstream	3,309	3,386	3,259
Operations and Maintenance	11,518	11,187	10,093
Other	2,331	3,191	2,507
Total Expenses	50,398	53,463	46,921

Distributions to Owners



	LGF \$'000	Taxes \$'000	Dividend \$'000	Onstream \$'000	Total \$'000
Break O'Day	0.5	66.4	54.5	0.9	122.3
Dorset	0.4	56.6	46.5	0.8	104.3
Flinders	0.6	14.1	8.8	0.2	23.7
George Town	2.9	98.9	70.1	1.4	173.1
Launceston City	34.4	1,201.9	854.1	16.7	2,107.0
Northern Midlands	14.4	360.8	235.2	5.0	615.4
Meander Valley	0.7	97.0	79.5	1.4	178.6
West Tamar	52.1	1,059.5	639.4	14.4	1,765.4
Total	106.0	2,955.2	1,988.0	40.7	5,089.9

Problems with extreme weather flows

Unclear whom we can bill for stormwater component

Launceston City Council or customers

But must bill for equity

....otherwise cross subsidies will continue

- Initially ... no billing capability
- First two years ...relied on Councils, third parties
- Error rate within usually acceptable measures....
....but unacceptable to us
- New billing system from 1 July 2011
- New billing system on time.....not quite but close
- Budget \$ 3.5M... below budget

WE WILL OVERCOME THE PROBLEM

Price Cap Compensation



No consideration of transition

Expected \$7.4m in FY12

instead will receive \$1m in FY12 + \$0.5M in FY13

- Reflects our view of
 - Move to equitable pricing
 - Our view of transition path
- Avoidance of price shocks
- Established target tariffs cost reflective
- Required rates of return
- Propose 6% price increases

Economic Regulator will decide

Reviewed Business Model

In medium term focus only on requirements of Regional Corps

Take out all resources targeting business in own right

Reduced costs by \$2.3M

Relocated to integrate as much as possible with Regional Corps

.....**But absolutely committed to shared services**

Councils want lowest possible cost

increased dividends

Keep price increases lower than they would
other wise be

There are savings to be had

Councils unhappy with current governance
arrangements