

Key Financial Observations

Prepared for the proposed Somerset Regional Council

February 2008



QUEENSLAND
TREASURY
CORPORATION

Contents

1 	INTRODUCTION	2
1.1	Background	2
1.2	Summary	3
2 	SCOPE AND APPROACH	4
2.1	Key indicators	5
3 	KEY STRENGTHS, RISKS AND OPPORTUNITIES	6
3.1	Strengths	6
3.2	Risks	6
3.3	Opportunities	6
4 	FINANCIAL ANALYSIS	7
4.1	Operating position	7
4.2	Fiscal flexibility indicators	9
4.3	Debt service capacity	10
4.4	Liquidity indicator	12
4.5	Balance sheet and equity management	13
	DISCLAIMER	17
	APPENDIX A: QTC FSR REPORT RECOMMENDATIONS	18
	APPENDIX B: FSR RATING AND OUTLOOK DEFINITIONS	20
	APPENDIX C: FINANCIAL STATEMENTS	21

1 | INTRODUCTION

1.1 Background

QTC has been asked to provide a report on key financial observations concerning the proposed Somerset Regional Council (the New Entity). In preparing this report, QTC has combined the individual 10 year financial forecasting models (the Model) of the following amalgamating local governments:

- Esk Shire Council, and
- Kilcoy Shire Council.

Please note that QTC has not independently verified that the information provided by the amalgamating local governments is accurate or complete and for this reason we make no representation in relation to the Model and accompanying observations made within this context.

We also note that the New Entity's 10 year financial model is essentially a summation of the individual local governments' models and may not reflect costs incurred through the amalgamation process or efficiencies and economies of scale that may be achieved over the longer term.

QTC Financial Sustainability Review (FSR) Rating and Outlook

The table below outlines each amalgamating local government's FSR Rating and Outlook following the QTC review of 2006/2007.

Council	Rating	Outlook
Esk Shire Council	Moderate	Developing
Kilcoy Shire council	Weak	Developing

Refer to Appendix C – FSR Rating and Outlook Definitions.

1.2 Summary

An analysis of the forecasts provided by the amalgamating local governments indicates that while some issues need to be addressed, a sound financial position is currently forecast for the proposed Somerset Regional Council. Of most concern from a forecast perspective is Kilcoy Shire Council's dramatic increase in cash levels from FY2010 which may indicate a weakness in that Council's forward capital planning and forecasting processes.

Forecasts indicate that both Esk and Kilcoy Shire Councils are experiencing some growth and have forecast capital expenditure programs above historical levels in response. Given the large capital works program forecast, it may be possible for the New Entity to take advantage of economy of scale benefits in terms of project planning, delivery and service provision. Such opportunities should be investigated.

Going forward, the New Entity should consider an optimal funding mix for the procurement of long-term assets and liquidity management. In this regard, the prudent use of debt may assist the New Entity manage liquidity and provide benefits in terms of financial flexibility and leverage to meet the New Entity's objectives. This approach is generally not recommended for non-revenue producing assets such as roads, although it is considered prudent for commercial capital expenditure such as sewerage and water.

2 | SCOPE AND APPROACH

In aggregating the individual forecasts of the amalgamating local governments, QTC has regularised the forecasts with respect to certain general inputs. In this regard the following assumptions are made:

- Existing debt borrowing rate 6.5 per cent per annum
- New debt borrowing rate 7.0 per cent per annum
- Cash balance investment rate of 6.0 per cent per annum
- Overdraft borrowing rate of 8.0 per cent per annum
- Loan repayment term on new debt of 20 years
- Rates notices issued half yearly
- Rates notices issued in September each year
- Total receivables – debtor days 30
- Total payables – creditor days 30
- Assets entered at Asset Class Level.

It should be noted that these inputs, if altered, can impact on the validity and relevance of the outcomes and observations made in this report.

Specifically, QTC's observations have been based on a review of the following quantitative measures:

- operating position
- fiscal flexibility
- liquidity, and
- equity management.

In undertaking this assignment, QTC:

- reviewed the New Entity's key business drivers, strengths, risks and opportunities
- reviewed the New Entity's combined historical and forecast financial position and financial capacity, and
- carried out an analysis of the New Entity's key financial indicators, and potential strengths, risks and opportunities.

2.1 Key indicators

Table 1 – Summary of selected forecast financial and general data

Indicator	Somerset RC	QTC Minimum Indicator
Population (at 30 June 2006)	19,495	n/a
Operating position as a percentage of Operating Revenue (%)	10.6%	>(-4%)
Capital expenditure ratio	1.5 times	1.1 times
Liquidity – cash cover	19.3 months	3.0 months
Current ratio	16.6 times	3.0 times
EBITDA/Interest Cover ratio	22.9 times	6.0 times
Average Property, Plant and Equipment life	29 years	Usually observed range - 30 to 40 years
Depreciation/Property, Plant and Equipment	3.5%	Usually observed range – 2.5% to 3.3%

3 | KEY STRENGTHS, RISKS AND OPPORTUNITIES

A summary of the potential strengths, risks and opportunities of the New Entity is outlined below.

3.1 Strengths

- The forecast operating position of the New Entity appears to be sound, with operating surpluses forecast from FY2008 to FY2017. It is noted that Kilcoy Shire Council forecast deficits up to FY2009 however, these are offset by Esk Shire Council's operating surpluses.
- The forecast revenue ratio indicates that the New Entity can expect to have a sound level of own source revenue (average 67.0 per cent per annum) and a satisfactory level of fiscal flexibility.
- Forecasts indicate that the New Entity will have the capacity to service additional debt if required to better manage liquidity.

3.2 Risks

- While the liquidity position of the New Entity is forecast to be sound, Kilcoy Shire Council has forecast liquidity to fall to 2.4 times monthly cash operating expenses in FY2008, before strengthening (QTC's minimum benchmark is 3.0 months).
- The average annual capital expenditure ratio for the New Entity is 1.5 times annual depreciation. However, Kilcoy Shire Council is forecast to be less than 1.0 times from 2011. This is below the usually observed local government range and may indicate a weakness with integration of Asset Management Plans and financial forecasting. In this regard, QTC noted in the Kilcoy Shire Council's FSR report that Council's Asset Management Plan for water and sewerage is not compliant and therefore capital expenditure may not attract subsidy funding.
- Kilcoy Shire Council has historically recorded operating deficits. Operating surpluses are forecast from FY2009.

3.3 Opportunities

- The combined forecast capital expenditure program presents an opportunity in terms of economies of scale benefits for the New Entity.

4 | FINANCIAL ANALYSIS

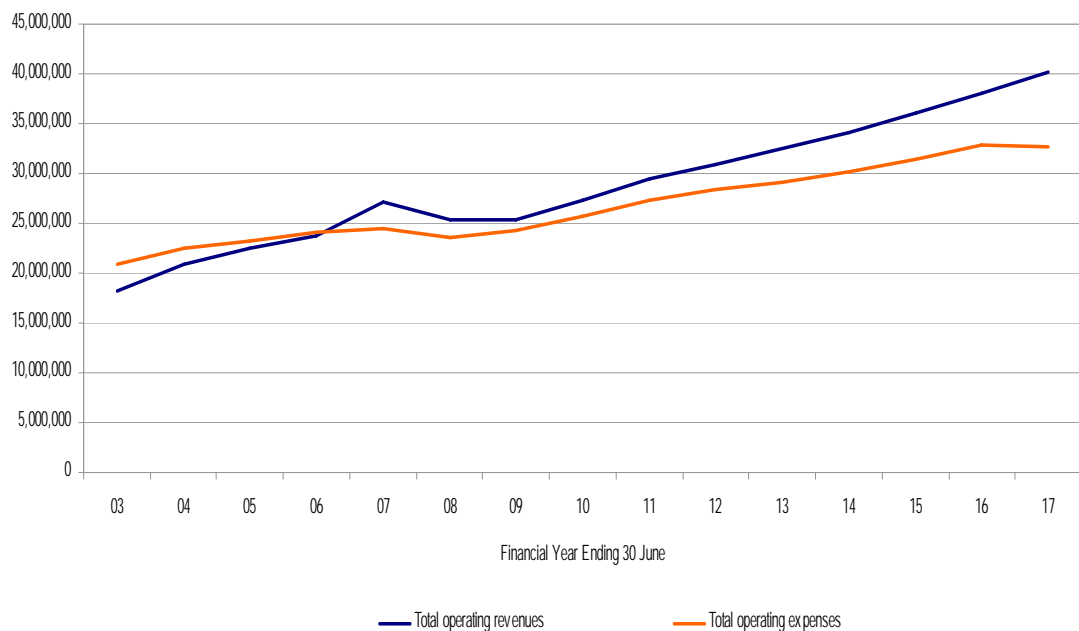
4.1 Operating position

The operating position outlines annual recurrent spending rather than capital expenditure and indicates the ability of an organisation to meet its day to day running costs from operating revenues. Under normal conditions it would be expected that a local government would, in most years seek to achieve a modest surplus.

4.1.1 Historical and forecast operating position

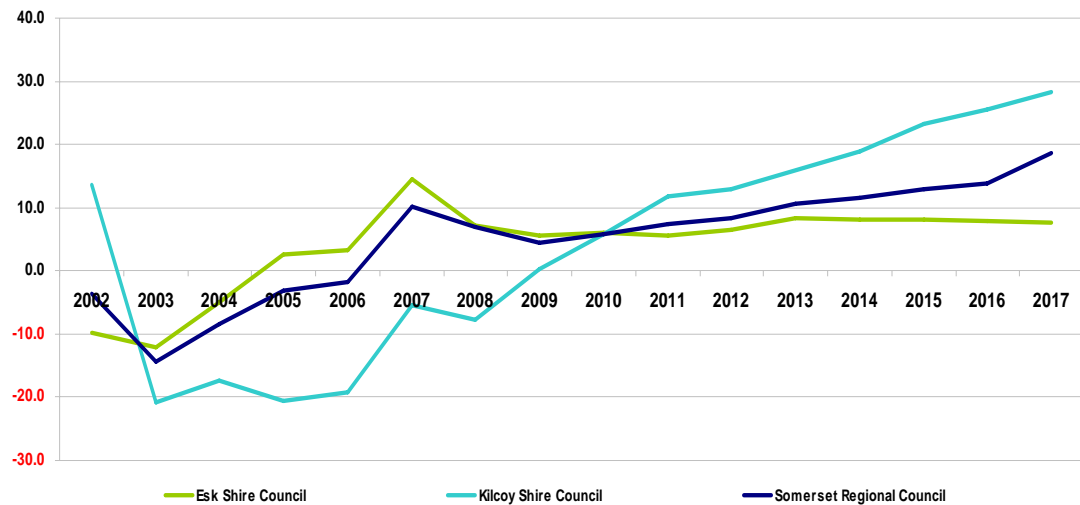
Graph 1 shows that over the period FY2002 to FY2006 the combined operating expenses of Esk and Kilcoy Shire Councils were greater than operating revenue. Over the forecast period the combined operating income is expected to be higher than operating expenses for all years.

Graph 1: Operating revenue and expenditure \$(000)



Graph 2 outlines the operating result of each existing local government and the New Entity as a percentage of operating revenue. As illustrated in Graph 2, Kilcoy Shire Council recorded large operating deficits from FY2002 to FY2007 and has forecast operating deficits to continue until 2008.

Graph 2: Operating result as a percentage of total operating revenue (%)



It should be noted that when QTC completed the FSR for Kilcoy Shire Council in 2007, Council was forecasting operating surpluses from FY2007. However, current forecasts indicate that Council is now expecting operating deficits in FY2007 and FY2008 before operating results turn positive from FY2009 (refer Table 1).

Table 2 – Comparison of operating position

\$'000	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Kilcoy SC – Dec 2007 forecast	-328.0	-468.6	14.6	424.3	1,019.4	1,182.9	1,584.3	2,017.0	2,702.8	3,208.9	3,829.8
Kilcoy SC – FSR forecast	26.0	679.0	964.0	984.0	1,113.0	1,500.0	1,856.0	2,195.0	2,734.0	3,276.0	N/A

4.1.2 Operating revenue and expenditure trends

- The New Entity is expecting an accumulated operating surplus of \$34.0 million and a net result of \$65.6 million. Historically, the local governments of Esk and Kilcoy had a cumulative operating deficit of \$3.4 million.
- Net rates and utility charges are forecast to grow on average by 6.7 per cent per annum.

Table 3 – Kilcoy Shire Council – Forecast operating revenue

	2007 \$ actual	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$
No. of rateable properties		1,989	2,044	2,099	2,154	2,209	2,264	2,319	2,374	2,429	2,496
			2.77%	2.69%	2.62%	2.55%	2.49%	2.43%	2.37%	2.32%	2.76%
General rates	2,029,000	2,183,000	2,490,000	2,685,000	2,976,000	3,204,000	3,547,000	3,815,000	4,218,000	4,531,000	4,867,000
		7.59%	14.06%	7.83%	10.84%	7.66%	10.71%	7.56%	10.56%	7.42%	7.42%
Water	664,000	762,000	815,000	951,000	1,068,000	1,200,000	1,348,000	1,514,000	1,701,000	1,912,000	2,148,000
		14.76%	6.96%	16.69%	12.30%	12.36%	12.33%	12.31%	12.35%	12.40%	12.34%
Sewerage	350,000	368,000	389,000	448,000	503,000	565,000	635,000	713,000	801,000	900,000	1,012,000
		5.14%	5.71%	15.17%	12.28%	12.33%	12.39%	12.28%	12.34%	12.36%	12.44%
Waste management	285,000	302,000	307,000	331,000	357,000	384,000	414,000	446,000	479,000	515,000	553,000
		5.96%	1.66%	7.82%	7.85%	7.56%	7.81%	7.73%	7.40%	7.52%	7.38%

- Within the combined forecast, Kilcoy Shire Council expects net rates and utility charges to grow on average by 11.6 per cent per annum. This is a significant forecast estimate and is driven by forecast growth as outlined in Table 3. Growth forecasts are attributable to a real increase in rates together with CPI and rateable property growth.
- Sales contracts and recoverable works revenue for the New Entity is forecast to average 9.2 per cent, while the historic average is 17.5 per cent.

KEYNOTE – Operating position

The combined forecasts indicate that the New Entity can expect operating surpluses each year from commencement. However, it should be noted that Kilcoy Shire Council has forecast deficits until 2008 and is also forecasting strong rate revenue growth.

4.2 Fiscal flexibility indicators

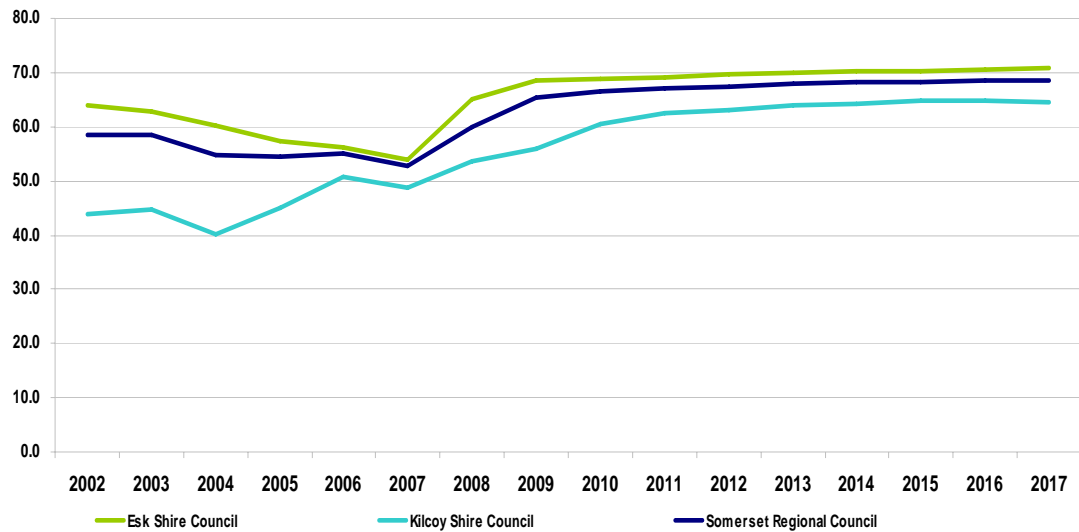
4.2.1 Revenue ratio

The revenue ratio indicates a local government's level of reliance on own source revenue, being general rates and utility charges, compared to other sources such as government grants and private works. A higher percentage of own source revenue provides greater flexibility through self-determined revenue levels, as a local government has limited ability to influence external revenues.

Table 4 – Councils' own source revenue ratio

Forecast financial data (individual and combined entity (avg. over 10 year forecast period))	Somerset RC	Esk SC	Kilcoy SC
Net Rates, utilities and charges/operating revenue (%)	67.0	69.4	62.7

Graph 3: Revenue ratio (%)



Own source revenue (net rates and utility charges) as a percentage of total operating revenue is forecast to average 67.0 per cent per annum over the forecast period, compared to 55.4 per cent over the historical period. The increase is due to the conservative estimate of future sales contracts and recoverable works which has historically been 17.5 per cent of total revenue but over the forecast period will be 9.2 per cent.

KEYNOTE – Fiscal flexibility

The revenue ratio indicates that Council has a sound level of own source revenue and exhibits a satisfactory level of fiscal flexibility.

4.3 Debt service capacity

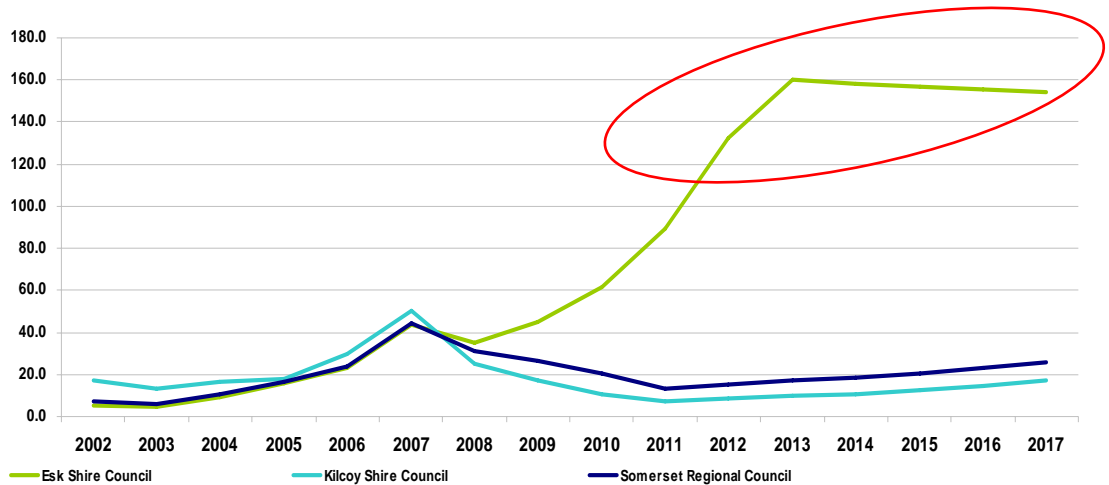
4.3.1 Interest cover and EBITDA/debt service cover

The interest cover ratio indicates a local government’s capacity to borrow and to service additional debts based on its existing borrowing costs.

EBITDA interest cover is defined as:

Operating result (excluding capital items, interest and depreciation) divided by interest cost.

Graph 4: Interest cover



Key observations

- Esk Shire Council forecasts no new loans over the forecast period hence the high level of interest cover (refer Graph 4).
- Kilcoy Shire Council forecasts new borrowings of \$8.2 million over the period 2008 to 2010.
- Forecasts indicate strong interest cover, (refer Graph 4) EBITDA (operating results before interest and depreciation) divided by interest expense averaging 22.9 times for the New Entity over the forecast period.
- Debt service cover for the New Entity improves from 6.0 times historically to 10.3 times over the forecast period
- With a forecast EBITDA/debt service cover ratio of 10.3 times and an EBITDA/interest cover ratio of 22.9 times, the New Entity has the capacity to service further debt if required (currently only 8.0 per cent of forecast capital expenditure is to be debt funded). While the use of debt is not generally recommended for non-revenue producing assets such as roads, it is considered prudent for other capital expenditure, in particular for commercial activities such as sewerage and water.

KEYNOTE – Debt service capacity

An EBITDA/interest cover ratio of 22.9 times and EBITDA/debt service cover ratio of 10.3 times is considered sound for a local government.

Forecasts indicate that the New Entity has flexibility to service additional debt if required.

4.4 Liquidity indicator

4.4.1 Cash cover

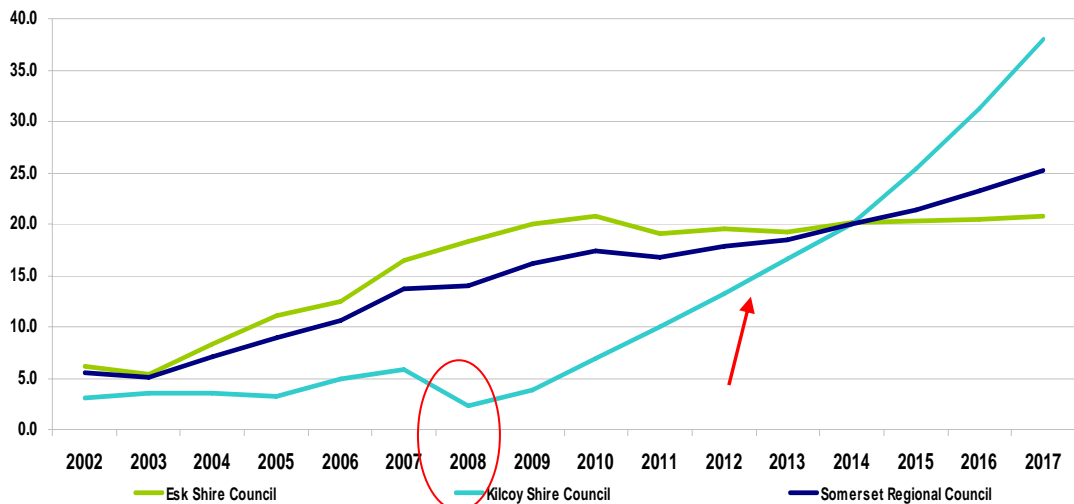
Cash cover indicates the ability of a local government to meet monthly (cash) operating expenditure from cash flows.

Table 5 – Cash cover

Forecast financial data (individual and combined entity (avg. over 10 year forecast period))	Somerset RC	Esk SC	Kilcoy SC
Total cash/monthly operating expenses (excluding depreciation) – QTC's minimum recommended level is three months.	19.3	19.9	18.6

Note: Individual amalgamating council's figures and ratios when averaged do not correlate to the New Entity's figures and ratios. This is primarily due to certain general inputs in the New Entity's model being regularised. (Refer section 2 – Scope and Approach).

Graph 5: Cash cover



Key observations

- The New Entity is expected to have strong liquidity, although on an individual basis Kilcoy Shire Council is forecasting liquidity to fall below QTC's recommended benchmark level, of three months, in 2008. It is also noticeable that Kilcoy Shire Council's cash levels accelerate dramatically from around 2010. This may indicate weakness in that Council's forward planning processes.

- Combined cash cover increases from an average of 8.7 months over the historical period to 19.3 months over the forecast period.

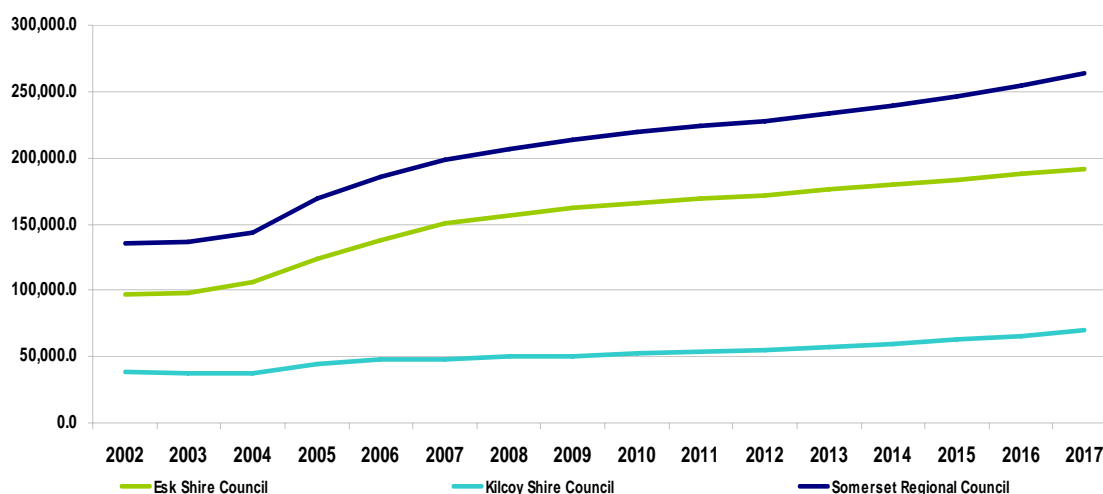
KEYNOTE - Liquidity

While the forecast liquidity of the combined entity is sound, Kilcoy Shire Council has forecast liquidity to fall to 2.4 times in 2008, before strengthening.

4.5 Balance sheet and equity management

4.5.1 Community equity

Graph 6: Forecast community equity



In Graph 6, forecasts show that community equity for the New Entity is expected to increase at an average annual rate of approximately 5.2 per cent per annum, exclusive of revaluations. It is also noted that, over the period 2003 to 2006 Kilcoy Shire Council recorded a fall in real community equity (refer Table 6). This outcome has been influenced by operating losses and net losses (includes capital revenue and expense items) recorded over the same period.

Table 6 – Change in community equity, excluding revaluation

%	2003	2004	2005	2006	2007
Somerset Regional Council	-1.5	3.0	2.1	5.2	6.9
Esk Shire Council	-1.1	3.5	3.2	5.6	6.4
Kilcoy Shire Council	-6.8	-3.5	-14.1	-2.1	17.1

4.5.2 Capital expenditure ratio

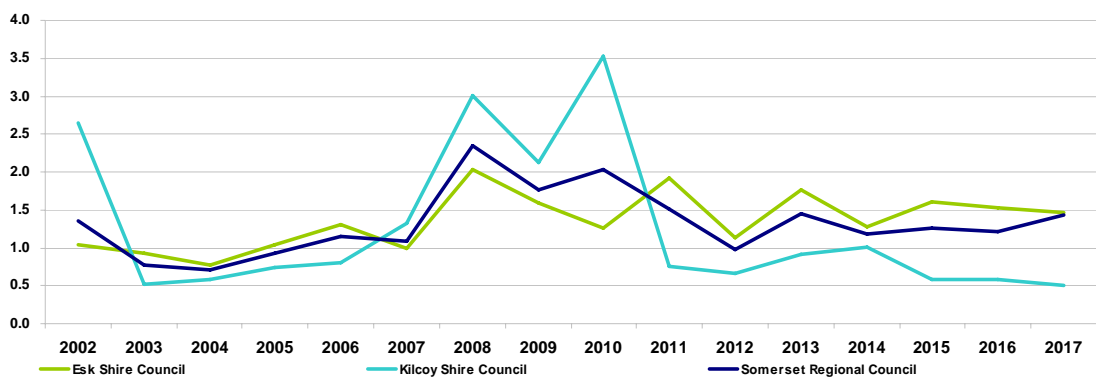
The capital expenditure ratio displayed in Table 7 and Graph 7 is the comparison of each local government’s capital expenditure for the year to depreciation expense for the year. It indicates the extent to which a local government is replacing or adding to its capital assets. A ratio higher than 1.0 means a local government is adding to its asset base, while a number less than 1.0 indicates that asset consumption is exceeding replacement.

Table 7 – Forecast capital expenditure ratio

	Somerset RC	Esk SC	Kilcoy SC
Average forecast annual capital expenditure/depreciation (times).	1.5	1.5	1.3

Note: Individual amalgamating council's figures and ratios when averaged do not correlate to the New Entity's figures and ratios. This is primarily due to certain general inputs in the New Entity's model being regularised. (Refer section 2 – Scope and Approach).

Graph 7: Annual capital expenditure to depreciation ratio



Key observations

- Capital replacement for the New Entity is forecast to average 1.5 times annual depreciation compared to the historical average of 1.3 times.
- The capital expenditure ratio for Kilcoy Shire Council is very large by historic comparison, peaking at 3.5 times in 2010. This is driven by water and sewerage infrastructure requirements.

KEYNOTE – Balance sheet and equity management

The Capex ratio for Kilcoy Shire Council falls below 1.0 times from 2011 following significant works over the period 2008 to 2010. While the future capital works requirements of a local government may decline, it could indicate a weakness with integration of Asset Management Plans and forward planning. In this regard, QTC noted in the Kilcoy Shire Council’s FSR report that Council’s Asset Management Plan for water and sewerage is not compliant and therefore may not attract subsidy funding. Council has engaged Local Government Infrastructure Services (LGIS) to revise its water and sewerage Asset Management Plan and is in the process of purchasing an asset management system.

4.5.3 Infrastructure and forecast capital expenditure

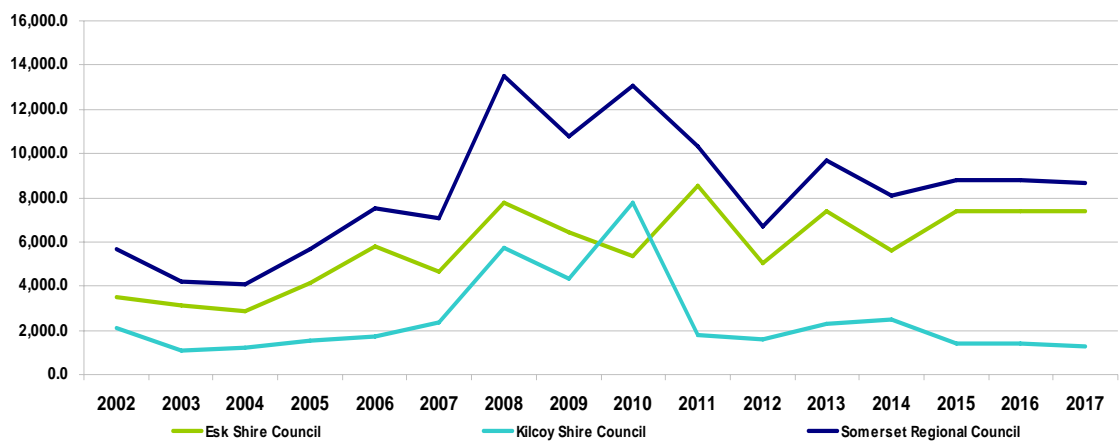
Table 8 shows a comparison of gross forecast capital expenditure for Esk and Kilcoy Shire Councils as submitted at the time of each Council’s FSR and revised forecasts as submitted recently for purposes of amalgamation.

Table 8 – Gross capital expenditure

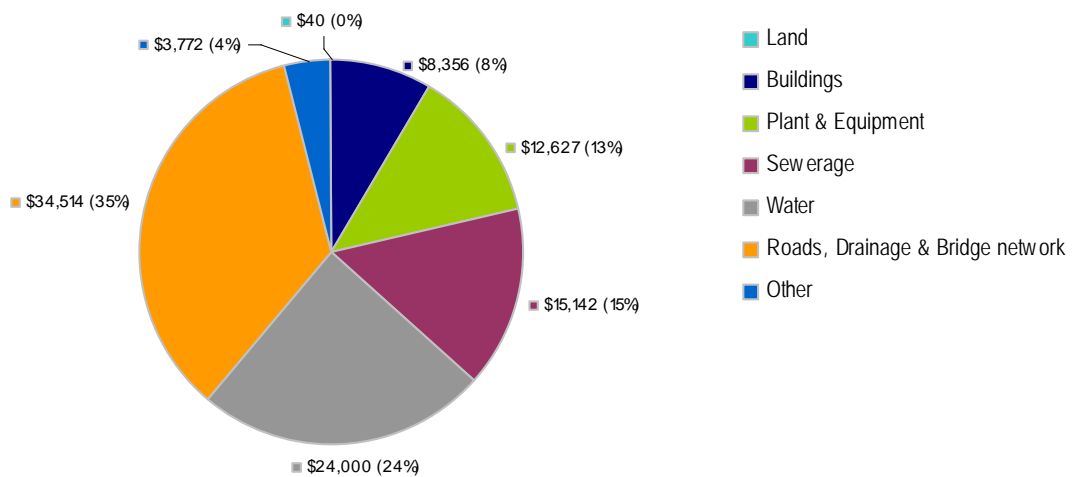
	Somerset RC	Esk SC	Kilcoy SC
FSR – Gross Forecast Capital Expenditure \$000		\$63.8M	\$34.6M
Dec. 2007 – Revised Gross Forecast Capital Expenditure \$000	\$98.5M	\$68.4M	\$30.0M

Graph 8 shows historical and forecast gross capital expenditure for Esk and Kilcoy Shire Councils and the New Entity. The chart shows that capital expenditure is forecast to peak over the period 2008 to 2010.

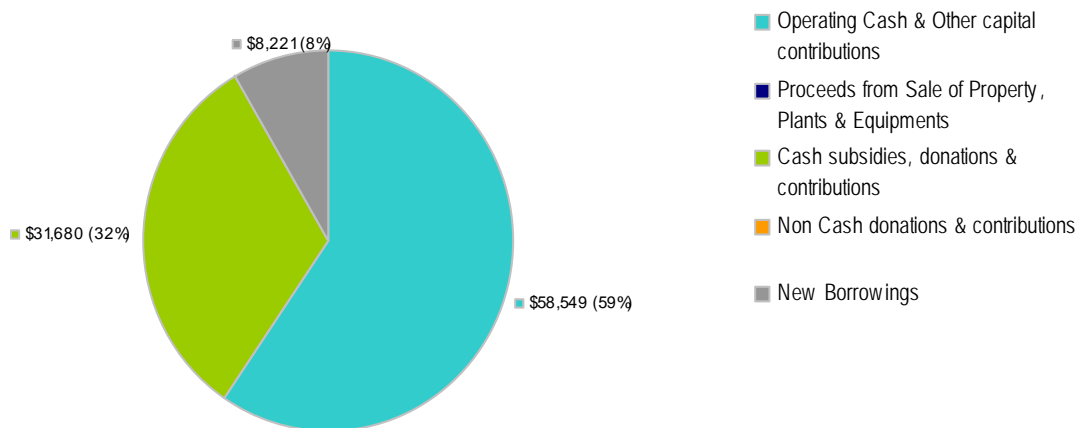
Graph 8: Historical and forecast gross capital expenditure



Graph 9: Forecast capital expenditure (\$000)



Graph 10: Forecast capital funding (\$000)



- The New Entity’s total capital expenditure over the forecast period is expected to total \$98.5 million, at an average of \$9.9 million per annum. Historically, the combined local governments’ capital expenditure averaged \$7.4 million per annum.
- Forecast capital expenditure funding for the New Entity is driven by operating cash (59.0 per cent) and cash subsidies (32.0 per cent).
- New borrowings are expected to total \$8.2 million over the forecast period, or an average of \$0.8 million per annum for the New Entity. When combined, historical borrowings averaged \$0.5 million per annum. All proposed borrowings relate to Kilcoy Shire Council funding needs.

KEYNOTE - Infrastructure

Given the large works program forecast, it may be possible for the New Entity to take advantage of economy of scale benefits in terms of project planning, delivery and service provision. Such issues should be investigated.

DISCLAIMER

QTC has combined the 10 year financial forecasting models of the amalgamating local governments for the proposed Somerset Regional Council and prepared this Key Financial Observations report solely for your benefit. It may contain confidential information. None of its contents may be provided or disclosed to, or relied upon by, any other party without QTC's express written consent.

The Model and accompanying report is subject to the various assumptions noted within the report and the assumption that the current economic, political and/or commercial environment does not materially alter. QTC does not warrant or guarantee any outcome or forecast in the Model and accompanying advice or arising from reliance on it. The information in this model is provided by QTC in good faith on the basis of information and instructions supplied to QTC and has not been independently verified by QTC. Accordingly, QTC does not represent that the information contained in the Model and accompanying advice is accurate or complete and it should not be relied upon as such.

To the extent permitted by law, neither QTC nor any of its employees, contractors, servants or agents accept any responsibility and liability whatsoever for any expense, damage, claim, cause of action, loss or costs, incurred by any person in connection with that person or any other person placing any reliance on, or acting or refraining to act on the basis of, the contents of the Model and accompanying advice, except in the circumstances where QTC has acted negligently. QTC's liability does not extend to include liability to you in respect of any indirect or consequential loss or damage.

QTC does not provide legal, tax or accounting advice.

APPENDIX A: QTC FSR REPORT RECOMMENDATIONS

Key recommendations made for each council as part of their respective FSR reports are detailed below:

Esk Shire Council

- Council needed to carefully monitor the timing of development in the southern region of the Shire and, where necessary, amend forecasts accordingly should growth not eventuate.
- Council's future revenue forecasts may be affected if forecast growth is not achieved.
- The level of sales (contracts and recoverable works) and forecast population growth used in the model had implications for workplace planning. Council needed to closely monitor these areas.
- Scenario analysis demonstrated that if capital expenditure increased by 20 per cent each year, Council's cash holdings would be depleted by FY2013 with borrowings required for the remainder of the forecast period.
- The scope of the forecast capital expenditure program is much greater than what has occurred historically. Accordingly, Council should continue to monitor construction and develop a strategy for managing the potential cost overruns.
- Council should carefully monitor Materials and Services costs to ensure that these do not grow at a faster rate than forecast.
- Council to seek a balanced or surplus operating position in all forecast years.

Kilcoy Shire Council

- Council to manage the risks associated with the proposed expansion of the existing water supply network to meet increased water demands of KPC (should this project proceed), including negotiating appropriate commercial pricing and security arrangements.
- Monitor population growth and composition, and update financial forecasts and Asset Management Plans where actual population growth differs significantly from forecasts.
- Prioritise implementation of Asset Management Plans.
- Monitor and review forecast capital expenditure including monitoring construction industry costs and maintaining tight controls over expenditure to mitigate risks associated with cost overruns.
- Engage professional assistance with project management expertise if it is not available on staff. Professional project management expertise will be important in mitigating risks inherent in a substantial number of large projects.

- Carefully consider any future decisions that may constrain the level of rates and utilities revenue increases.
- Council to seek an optimal funding mix and timing sequence for its capital programs.
- Consider and plan accordingly for implications on services and service levels resulting from the ageing demographics of the Shire.

APPENDIX B: FSR RATING AND OUTLOOK DEFINITIONS

Very Strong A local government with a very high capacity to meet its financial commitments in the short-, medium- and long-term. It is highly likely to be able to manage major unforeseen financial shocks and any adverse changes in its business and in general economic conditions, without revenue or expense adjustments. Its capacity to manage core business risks is very strong.

Strong A local government with a high capacity to meet its financial commitments in the short-, medium- and long-term. It is likely to be able to manage major unforeseen financial shocks, and any adverse changes in its business and in general economic conditions, with only minor revenue or expense adjustments. Its capacity to manage core business risks is strong.

Moderate A local government with a high capacity to meet its financial commitments in the short- to medium-term and an acceptable capacity in the long-term. It is expected to be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions, with minor to moderate revenue or expense adjustments. Its capacity to manage core business risks is acceptable.

Weak A local government with an acceptable capacity to meet its financial commitments in the short- to medium-term and a limited capacity in the long-term. It is unlikely to be able to manage unforeseen financial shocks, and any adverse changes in its business and in general economic conditions, without the need for significant revenue or expense adjustments. It may experience difficulty in managing core business risks.

Very weak A local government with a limited capacity to meet its financial commitments in the short and medium-term, and a very limited capacity long-term. It is highly unlikely to be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions without the need for some structural reform and major revenue and expense adjustments. Managing core business risks may test its capacity.

Distressed A local government with a very limited capacity to meet its short-term financial commitments and no capacity to meet its medium- to long-term financial commitments. To be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions, major revenue and expense adjustments and structural reform will be required to meet its medium- and long-term obligations. It will have difficulty in managing core business risks.

Outlooks

A ratings outlook generally focuses on the potential movement in local government’s rating in the short-term (ie, less than 2 years) and, to a lesser extent, differentiating a local government’s rating within a rating category. Outlooks may be positive, neutral, negative or developing.

Positive As a result of a foreseeable event or circumstance occurring, there is the potential for enhancement in the local government’s capacity to meet its financial commitments (short- and/or long-term) and resulting change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming.

Negative As a result of a foreseeable event or circumstance occurring, there is the potential for deterioration in the local government’s capacity to meet its financial commitments (short- and/or long-term) and resulting change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming.

Neutral There are no known foreseeable events that would have a direct impact on the financial sustainability of the local government. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if such an event or circumstance warranted as such.

Developing A current situation exists that could have a direct impact (positive or negative) on the financial sustainability of the local government, but the impact of that situation is uncertain.

APPENDIX C: FINANCIAL STATEMENTS

Somerset Regional Council		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PROFIT & LOSS																	
Operating income:																	
Net rates and utility charges	\$'000	10,271	10,686	11,419	12,272	13,063	14,341	15,193	16,540	18,144	19,764	20,826	22,064	23,270	24,675	26,040	27,505
Fees and charges	\$'000	644	789	1,296	1,376	1,394	1,948	1,364	1,389	1,414	1,488	1,570	1,662	1,764	1,883	2,017	2,168
Sales - contract and recoverable works	\$'000	2,703	2,596	3,780	4,847	4,599	4,289	2,343	2,695	2,798	2,906	2,956	3,008	3,061	3,115	3,170	3,226
Gain on sale of land held as inventory	\$'000	-	-	-	-	323	568	1,618	-	-	-	-	-	-	-	-	-
Subsidies, donations and contributions	\$'000	3,190	3,519	3,171	2,808	2,908	3,164	3,189	2,981	3,063	3,149	3,219	3,293	3,358	3,432	3,477	3,545
Interest received	\$'000	363	412	614	796	977	1,259	1,336	1,400	1,541	1,817	1,930	2,113	2,335	2,623	2,947	3,336
Share of joint venture - profit (loss)	\$'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	\$'000	54	42	51	51	84	152	88	58	60	62	64	66	68	70	72	74
Other operating income	\$'000	353	301	556	447	456	1,622	309	329	338	343	350	357	364	371	378	386
Total operating income	\$'000	17,524	18,303	20,836	22,546	23,720	27,191	25,352	25,334	27,298	29,467	30,851	32,497	34,152	36,099	38,029	40,165
Operating expenses:																	
Employee expenses	\$'000	7,485	7,822	8,095	8,679	9,692	9,886	9,043	9,598	10,083	10,592	11,130	11,621	12,204	12,740	13,299	13,884
Materials and services	\$'000	4,911	6,408	7,542	7,217	6,857	6,682	7,955	7,824	8,304	8,746	9,164	9,605	10,065	10,551	11,060	11,596
Loss on sale of land held as inventory	\$'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	\$'000	4,190	5,394	5,755	6,109	6,562	6,501	5,741	6,099	6,445	6,795	6,867	6,722	6,845	7,001	7,298	6,059
Other expenses	\$'000	964	685	726	874	744	1,156	572	378	393	408	424	440	456	475	495	515
Payments	\$'000	-	-	-	-	-	-	14	22	22	25	24	24	25	25	25	28
Other	\$'000	17	20	21	21	11	12	23	23	24	24	25	27	28	29	31	33
Total operating expenses before interest	\$'000	17,567	20,329	22,139	22,900	23,866	24,237	23,348	23,944	25,271	26,590	27,634	28,439	29,623	30,821	32,208	32,115
Total borrowing costs	\$'000	585	589	429	352	268	213	247	282	417	718	671	637	613	591	569	549
Total operating expenses	\$'000	18,152	20,918	22,568	23,252	24,134	24,450	23,595	24,226	25,688	27,308	28,305	29,076	30,237	31,412	32,777	32,664
Net operating result	\$'000	(628)	(2,615)	(1,732)	(706)	(414)	2,741	1,757	1,108	1,610	2,159	2,546	3,421	3,915	4,687	5,252	7,501
Total capital income	\$'000	1,824	1,587	2,314	2,694	5,473	4,167	6,766	5,263	4,298	2,670	1,096	2,647	2,148	2,274	2,234	2,284
Total capital expenses	\$'000	40	419	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary items	\$'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net result	\$'000	1,156	(1,447)	582	1,988	5,059	6,908	8,523	6,371	5,908	4,829	3,642	6,068	6,063	6,961	7,486	9,785

Somerset Regional Council		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BALANCE SHEET																	
Total Cash Balance (Restricted + Unrestricted - OD)	\$'000	6,118	6,244	9,596	12,501	15,353	20,301	20,463	23,864	27,265	27,654	30,795	33,381	37,778	42,479	48,000	54,759
Inventories	\$'000	298	450	385	327	1,115	1,268	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161
Receivables	\$'000	2,902	3,192	2,768	1,576	1,789	2,312	1,832	1,958	2,108	2,263	2,368	2,488	2,605	2,742	2,873	3,017
Other Current Assets	\$'000	180	203	79	60	95	263	-	-	-	-	-	-	-	-	-	-
Total current assets	\$'000	9,498	10,089	12,828	14,464	18,352	24,144	24,456	27,983	31,534	32,079	35,324	38,030	42,544	47,381	53,035	59,937
Property, plant and equipment	\$'000	130,717	131,058	137,935	159,527	170,981	177,496	185,868	190,553	197,195	200,709	200,510	203,495	204,726	206,516	208,045	210,662
Capital works in progress	\$'000	2,637	2,379	772	779	2,169	1,271	683	683	683	683	683	683	683	683	683	683
Other non-current assets	\$'000	2,567	2,624	2,292	2,416	2,566	2,548	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
Total non-current assets	\$'000	135,921	136,061	140,999	162,722	175,716	181,315	188,817	193,502	200,144	203,658	203,459	206,444	207,675	209,465	210,994	213,611
Total assets	\$'000	145,419	146,150	153,827	177,186	194,068	205,459	213,273	221,485	231,678	235,736	238,784	244,474	250,219	256,846	264,028	273,548
Overdraft	\$'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	\$'000	1,054	1,065	1,807	1,637	2,196	1,418	690	684	725	762	798	836	876	917	961	1,007
Interest bearing liabilities	\$'000	942	1,162	1,127	1,078	1,098	851	653	656	809	630	415	358	376	348	312	297
Other current liabilities	\$'000	711	857	723	614	636	1,029	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052
Total current liabilities	\$'000	2,707	3,084	3,657	3,329	3,930	3,298	2,395	2,391	2,585	2,444	2,265	2,246	2,303	2,317	2,325	2,356
Loans	\$'000	6,118	5,914	5,130	4,064	3,050	2,649	2,823	4,667	8,759	8,129	7,714	7,356	6,980	6,633	6,321	6,024
Finance leases	\$'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	\$'000	988	982	989	1,113	1,329	1,051	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071
Total non-current liabilities	\$'000	7,106	6,896	6,119	5,177	4,379	3,700	3,894	5,739	9,830	9,200	8,785	8,428	8,052	7,704	7,392	7,095
Total liabilities	\$'000	9,813	9,980	9,776	8,506	8,309	6,998	6,289	8,130	12,415	11,644	11,050	10,673	10,355	10,021	9,717	9,452
Net community assets	\$'000	135,606	136,170	144,051	168,680	185,759	198,461	206,984	213,355	219,263	224,092	227,734	233,801	239,864	246,825	254,311	264,096
Asset revaluation reserve	\$'000	44,313	46,201	51,371	74,012	86,124	91,918	91,918	91,918	91,918	91,918	91,918	91,918	91,918	91,918	91,918	91,918
Retained earnings and other reserve	\$'000	91,293	89,969	92,680	94,668	99,635	106,544	115,066	121,437	127,345	132,174	135,816	141,883	147,946	154,907	162,393	172,178
Total community equity	\$'000	135,606	136,170	144,051	168,680	185,759	198,462	206,984	213,355	219,263	224,092	227,734	233,801	239,864	246,825	254,311	264,096

Somerset Regional Council		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CASH FLOW																	
Cash flows from operating activities:																	
Net cash inflow (outflow) from operating activities	\$'000	5,337	4,034	6,887	8,962	10,001	10,983	6,946	7,074	7,946	8,837	9,344	10,061	10,682	11,594	12,462	13,463
Cash flows from investing activities:																	
Payment for property, plant and equipment	\$'000	(5,643)	(4,198)	(4,082)	(5,695)	(7,509)	(7,071)	(13,525)	(10,783)	(13,087)	(10,309)	(6,669)	(9,707)	(8,076)	(8,791)	(8,827)	(8,676)
Net cash inflow (outflow) from investing activities	\$'000	(5,000)	(3,923)	(2,717)	(4,941)	(6,067)	(5,474)	(6,759)	(5,520)	(8,789)	(7,639)	(5,573)	(7,060)	(5,928)	(6,517)	(6,593)	(6,392)
Cash flows from financing activities:																	
Proceeds from borrowings	\$'000	1,229	956	240	-	-	450	821	2,500	4,900	-	-	-	-	-	-	-
Net cash inflow (outflow) from financing activities	\$'000	485	15	(818)	(1,116)	(1,082)	(561)	(24)	1,847	4,244	(809)	(630)	(415)	(358)	(376)	(348)	(312)
Net increase (decrease) in cash held	\$'000	822	126	3,352	2,905	2,852	4,948	162	3,401	3,401	389	3,141	2,586	4,397	4,701	5,521	6,759
Cash balance at end of reporting period	\$'000	6,118	6,244	9,596	12,501	15,353	20,301	20,463	23,864	27,265	27,654	30,795	33,381	37,778	42,479	48,000	54,759

FINANCIAL RATIOS

Change in net rates and utilities charges (%)			4.0%	6.9%	7.5%	6.4%	9.8%	5.9%	8.9%	9.7%	8.9%	5.4%	5.9%	5.5%	6.0%	5.5%	5.6%
Change in employee expenses (%)			4.5%	3.5%	7.2%	11.7%	2.0%	-8.5%	6.1%	5.1%	5.0%	5.1%	4.4%	5.0%	4.4%	4.4%	4.4%
Change in materials and services (%)			30.5%	17.7%	-4.3%	-5.0%	-2.6%	19.1%	-1.6%	6.1%	5.3%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Change in depreciation (%)			28.7%	6.7%	6.2%	7.4%	-0.9%	-11.7%	6.2%	5.7%	5.4%	1.1%	-2.1%	1.8%	2.3%	4.2%	-17.0%
Change in operating revenues(%)			4.4%	13.8%	8.2%	5.2%	14.6%	-6.8%	-0.1%	7.8%	7.9%	4.7%	5.3%	5.1%	5.7%	5.3%	5.6%
Change in operating expenditure (%)			15.2%	7.9%	3.0%	3.8%	1.3%	-3.5%	2.7%	6.0%	6.3%	3.7%	2.7%	4.0%	3.9%	4.3%	-0.3%
Change in operating result (excl. capital grants) (%)			-316.4%	33.8%	59.2%	41.4%	762.1%	-35.9%	-36.9%	45.3%	34.1%	17.9%	34.4%	14.5%	19.7%	12.0%	42.8%
Change in cash balances (%)			2.1%	53.7%	30.3%	22.8%	32.2%	0.8%	16.6%	14.3%	1.4%	11.4%	8.4%	13.2%	12.4%	13.0%	14.1%
Employee costs / total operating expenses (%)		41.2%	37.4%	35.9%	37.3%	40.2%	40.4%	38.3%	39.6%	39.3%	38.8%	39.3%	40.0%	40.4%	40.6%	40.6%	42.5%
Materials and services / total operating expenses (%)		27.1%	30.6%	33.4%	31.0%	28.4%	27.3%	33.7%	32.3%	32.3%	32.0%	32.4%	33.0%	33.3%	33.6%	33.7%	35.5%
Depreciation / total operating expenses (%)		23.1%	25.8%	25.5%	26.3%	27.2%	26.6%	24.3%	25.2%	25.1%	24.9%	24.3%	23.1%	22.6%	22.3%	22.3%	18.5%
Gross interest expense / total operating expenses (%)		3.2%	2.8%	1.9%	1.5%	1.1%	0.9%	1.0%	1.2%	1.6%	2.6%	2.4%	2.2%	2.0%	1.9%	1.7%	1.7%
Net rates, utilities and charges / operating revenue (%)		58.6%	58.4%	54.8%	54.4%	55.1%	52.7%	59.9%	65.3%	66.5%	67.1%	67.5%	67.9%	68.1%	68.4%	68.5%	68.5%
Op subsidies, donations & contributions / operating revenue (%)		18.2%	19.2%	15.2%	12.5%	12.3%	11.6%	12.6%	11.8%	11.2%	10.7%	10.4%	10.1%	9.8%	9.5%	9.1%	8.8%
Sales - contract and recoverable works / operating revenue (%)		15.4%	14.2%	18.1%	21.5%	19.4%	15.8%	9.2%	10.6%	10.2%	9.9%	9.6%	9.3%	9.0%	8.6%	8.3%	8.0%
Operating results / total operating revenue		-3.6%	-14.3%	-8.3%	-3.1%	-1.7%	10.1%	6.9%	4.4%	5.9%	7.3%	8.3%	10.5%	11.5%	13.0%	13.8%	18.7%
(Net operating cash flow + interest expense) / (int expense + PY current int bearing liabilities)	Times	5.5	3.0	4.6	6.3	7.6	8.5	6.6	7.9	7.8	6.3	7.7	10.2	11.6	12.6	14.2	16.3
Operating result before interest & depreciation / interest expense	Times	7.1	5.7	10.4	16.3	23.9	44.4	31.4	26.5	20.3	13.5	15.0	16.9	18.5	20.8	23.1	25.7
Annual capital expenditure / depreciation	Times	1.3	0.8	0.7	0.9	1.1	1.1	2.3	1.8	2.0	1.5	1.0	1.4	1.2	1.3	1.2	1.4
Current assets / current liabilities (current ratio)	Times	3.5	3.3	3.5	4.3	4.7	7.3	10.2	11.7	12.2	13.1	15.6	16.9	18.5	20.5	22.8	25.4
Cash expense cover	Months	5.5	5.0	7.0	8.9	10.7	13.7	14.0	16.1	17.4	16.8	17.8	18.5	19.9	21.4	23.2	25.3