

6.0 Financial Overview

(TE TIROHANGA WHAANUI MO NGA PUTEA)

Council and its group of entities has reported a deficit after tax of \$16.8m for the 2008/09 financial year (2007/08 \$2.2m surplus).

The significant variances to the financial result for 2007/08 included:

- Net rates revenue was \$98.0m, an increase of \$6.1m over last year (2007/08 \$91.9m), of which \$1.0m was from city growth (new rateable properties).
- Other revenue was \$81.6m, a decrease of \$5.4m over last year (2007/08 \$87.0m). This was due to a lower value of assets being vested to Council compared to the previous year.
- Other gains decreased to nil from \$6.5m in 2007/08. This was due to there being no adjustments to fixed assets upon revaluation for 2008/09.
- Finance costs have increased by \$2.6m to \$16.0m due to Council's increased level of debt funding.

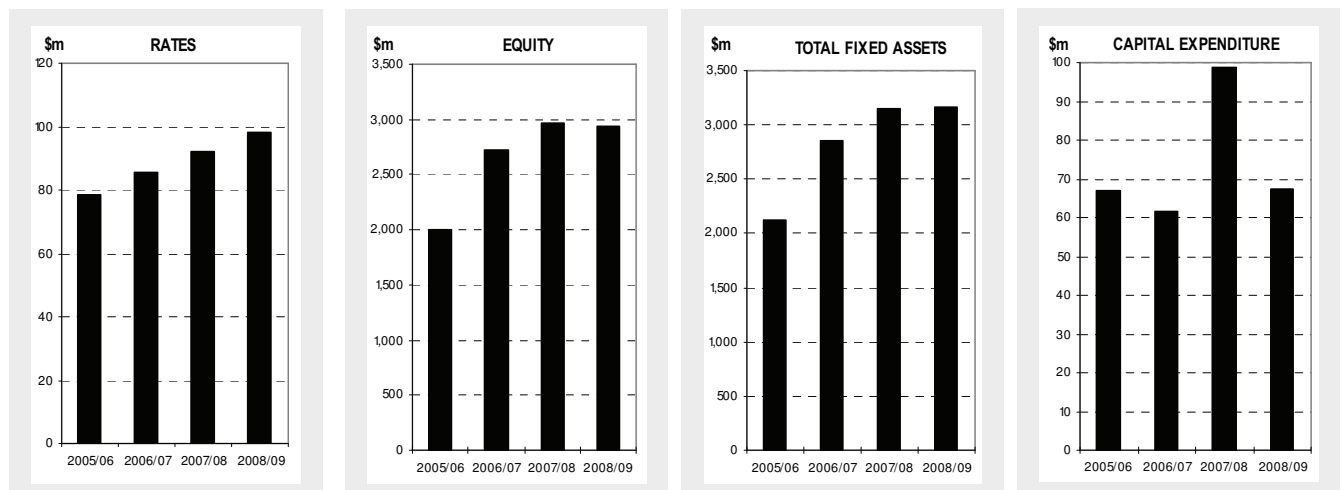
Interest cost incurred in servicing debt (excluding internal borrowing interest) increased to \$15.3m (2007/08 \$12.9m).

Overall net debt (including internal borrowing) increased to \$264.3m (2007/08 \$229.0m) due to further loan funded capital expenditure.

Capital expenditure for the 2008/09 financial year was \$67.2m (2007/08 \$98.7m). A number of significant projects were undertaken during the 2008/09 financial year. These include work associated with upgrading Claudelands Event Centre (\$5.3m), Pukete wastewater secondary treatment plant (\$5.4m), CityHeart improvements (\$5.4m), Lake Domain tearooms (\$2.4m), major roading projects at Wairere Drive (\$6.1m), Rototuna (\$3.7m) and Rotokauri (\$2.5m).

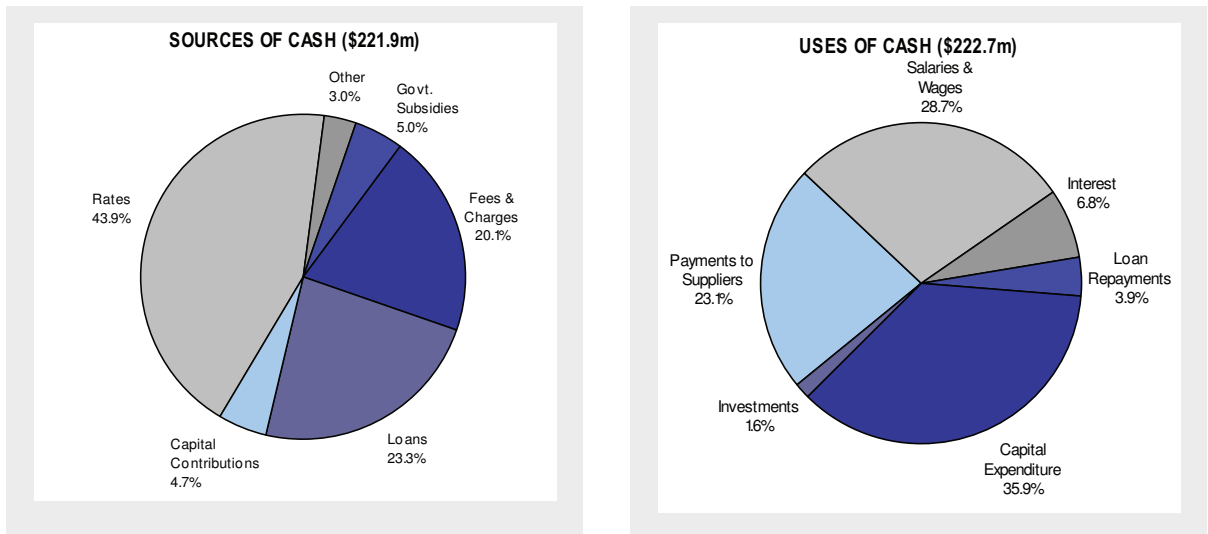
Financial Summary

The financial summary of key items from June 2006 to June 2009 is shown as follows:



Cash Flow

The sources and uses of cash for the year ended 30 June 2009 is summarised as follows:

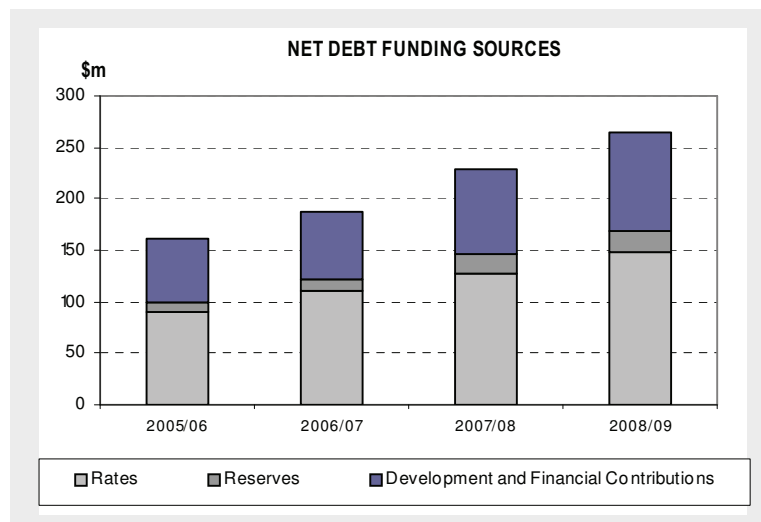


City Debt

Rather than sourcing all its borrowing externally, Council utilises funds from reserves and working capital cash to reduce external borrowing and charges an internal interest rate on these funds, which is then added to the reserves.

Council introduced a policy of Development and Financial Contributions from 1 July 2005 which provides a dedicated funding stream to support urban growth. In line with the introduction of this policy, Council has analysed the overall net debt based on sources of funding used to repay the principal and interest costs for subsequent years.

The graph below shows the net debt levels (including internal borrowing) from June 2006 to June 2009 and how it is funded in subsequent years.



Debt Servicing Performance Targets

Policy Limits - Council Net Debt

1. **Interest on Council debt (excluding interest on Development and Financial Contributions Levy (DCL) debt) shall not exceed 20% of total rating income.**
Interest on Council's debt for the year ended 30 June 2009 was \$9.6m, compared with rating income of \$98.3m.
 - The target has been met at 9.8%.
2. **Net debt (Council) shall not exceed 180% of total income (excluding total DCL contributions received per annum in income).**
Council's net debt as at 30 June 2009 was \$169.1m, compared with total income of \$158.5m.
 - The target has been met at 106.7%.
3. **Net debt (Council) per capita shall not exceed \$1,800.**
Council's net debt as at 30 June 2009 was \$169.1m, compared with the estimated population of Hamilton of 141,504.
 - The target has been met at \$1,195.

Policy Limits - Total Net Debt

1. **Net debt shall not exceed 25% of total assets.**
Total net debt as at 30 June 2009 was \$264.3m, compared with total assets of \$3,227.3m.
 - The target has been met at 8.1%.
2. **Net debt shall not exceed 300% of total income (including total DCL contributions received per annum in income).**
Total net debt as at 30 June 2009 was \$264.3m, compared with total income of \$165.1m.
 - The target has been met at 160.1%.
3. **Interest (total) shall not exceed 20% of total income (including total DCL contributions received per annum in income).**
Total interest as at 30 June 2009 was \$15.9m, compared with total income of \$165.1m.
 - The target has been met at 9.7%.
4. **Liquidity (on total net debt and working capital) will be at least 110%.**
 - The target has been met at 121.9%.