

RHODIUM ASSET SOLUTIONS LIMITED

Objectives

Rhodium Asset Solutions Limited (Rhodium) provides fleet management services to the ACT Government, as well as private and Australian Government agencies. The ACT Government has initiated a scoping study with a view to a future sale of Rhodium during 2006-07. In the meantime, Rhodium will continue to operate within its existing business parameters.

2006-07 Priorities

Strategic and operational issues to be pursued in 2006-07 include:

- achieving business growth and an operational surplus;
- focusing on ACT fleet management services as core business;
- growing private sector business;
- providing excellent customer service and demonstrating value for money;
- providing a supportive work environment for staff that encourages personal development, growth and commitment to excellence; and
- complying with all relevant legislation and standards.

Business and Corporate Strategies

Rhodium aims to re-focus on its ACT fleet management services by establishing an ACT Fleet Management Unit. This will enable the organisation to determine the costs associated with the business and provide transparency to achieve cost recovery. In addition, the establishment of key performance indicators in the Head Agreement with the Government will allow the organisation to measure its performance to meet or exceed agreed Key Performance Indicators.

Rhodium will implement measures to ensure the growth of its commercial or non-ACT Government business with the purpose of achieving profitability in 2006-07 and going forward. This involves an annual review and planning process. For 2006-07, efficiency gains will be implemented to reduce corporate overheads.

Rhodium will continue to conduct regular independent customer satisfaction surveys with the aim of improving its performance rating. Regular customer information and feedback sessions will be conducted.

The implementation of a change management program will help staff adapt to a revised structure. Improvement of the level of accountability and responsiveness of staff in the delivery of services will be achieved through individual performance plans and reviews. Rhodium will continue to provide training to its staff.

Estimated Employment Level

	2005-06 Est Outcome	2006-07 Budget
Staffing (Headcount)	34	30

Rhodium Asset Solutions Ltd Operating Statement

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
Income							
Revenue							
17,878	User Charges - Non ACT Government	12,707	12,310	-3	13,735	15,220	16,591
3,614	User Charges - ACT Government	9,259	8,915	-4	9,945	11,021	12,014
165	Interest	147	192	31	192	192	192
90	Other Revenue	375	366	-2	366	366	366
21,747	Total Revenue	22,488	21,783	-3	24,238	26,799	29,163
Gains							
0	Total Gains	0	0	-	0	0	0
21,747	Total Income	22,488	21,783	-3	24,238	26,799	29,163
Expenses							
2,128	Employee Expenses	2,388	2,155	-10	1,821	1,778	1,850
223	Superannuation Expenses	248	235	-5	209	206	215
1,807	Supplies and Services	2,485	2,014	-19	2,038	2,196	2,348
6,450	Depreciation and Amortisation	4,445	4,563	3	4,806	5,048	4,897
5,101	Borrowing Costs	5,564	5,541	..	6,181	6,895	7,475
4,188	Cost of Goods Sold	5,317	5,035	-5	5,815	6,473	7,112
1,350	Other Expenses	1,819	2,160	19	2,511	2,770	2,989
21,247	Total Ordinary Expenses	22,266	21,703	-3	23,381	25,366	26,886
500	Operating Result From Ordinary Activities	222	80	-64	857	1,433	2,277
150	Income Tax Equivalent	66	24	-64	258	429	683
350	Operating Result	156	56	-64	599	1,004	1,594

**Rhodium Asset Solutions Ltd
Balance Sheet**

Budget as at 30/6/06 \$'000		Est.Outcome as at 30/6/06 \$'000	Planned as at 30/6/07 \$'000	Var %	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000
Current Assets							
2,994	Cash	4,853	4,573	-6	5,732	6,923	8,308
25,067	Receivables	5,280	4,705	-11	5,296	6,069	6,524
275	Other	22,721	26,418	16	30,099	34,425	39,031
28,336	Total Current Assets	32,854	35,696	9	41,127	47,417	53,863
Non Current Assets							
47,310	Property, Plant and Equipment	13,863	12,849	-7	12,991	13,490	14,429
1,019	Intangibles	67	85	27	58	31	16
0	Tax Assets	198	198	-	198	198	198
47,057	Other	45,993	49,451	8	56,813	65,465	74,676
95,386	Total Non Current Assets	60,121	62,583	4	70,060	79,184	89,319
123,722	TOTAL ASSETS	92,975	98,279	6	111,187	126,601	143,182
Current Liabilities							
4,748	Payables	5,466	4,038	-26	3,897	4,064	4,164
0	Interest Bearing Liabilities	0	4,692	#	13,406	15,600	15,600
37,288	Finance Leases	27,081	24,851	-8	20,200	22,680	27,548
146	Employee Benefits	234	327	40	333	339	345
0	Other Provisions	10	28	180	29	54	58
0	Income Tax Payable	190	24	-87	258	429	684
0	Other	678	0	-100	0	0	0
42,182	Total Current Liabilities	33,659	33,960	1	38,123	43,166	48,399
Non Current Liabilities							
0	Interest Bearing Liabilities	0	9,628	#	11,822	11,822	11,822
74,576	Finance Leases	54,163	49,457	-9	55,390	64,738	74,473
28	Employee Benefits	33	54	64	73	92	111
792	Other Provisions	505	509	1	509	509	509
75,396	Total Non Current Liabilities	54,701	59,648	9	67,794	77,161	86,915
117,578	TOTAL LIABILITIES	88,360	93,608	6	105,917	120,327	135,314
6,144	NET ASSETS	4,615	4,671	1	5,270	6,274	7,868
REPRESENTED BY FUNDS EMPLOYED							
6,144	Accumulated Funds	4,817	4,873	1	5,472	6,476	8,070
0	Reserves	-202	-202	-	-202	-202	-202
6,144	TOTAL FUNDS EMPLOYED	4,615	4,671	1	5,270	6,274	7,868

Rhodium Asset Solutions Ltd
Cash Flow Statement

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
21,234	User Charges	20,536	21,882	7	23,172	25,553	28,233
165	Interest Received	147	192	31	192	192	192
21,399	Operating Receipts	20,683	22,074	7	23,364	25,745	28,425
Payments							
2,537	Related to Employees	2,621	2,276	-13	2,005	1,959	2,040
1,746	Related to Supplies and Services	1,625	3,117	92	2,815	3,110	3,460
5,101	Borrowing Costs	5,564	5,541	..	6,181	6,895	7,475
5,814	Other	7,533	8,569	14	7,713	8,397	9,312
15,198	Operating Payments	17,343	19,503	12	18,714	20,361	22,287
6,201	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3,340	2,571	-23	4,650	5,384	6,138
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
1,800	Proceeds from Sale of Property, Plant & Equipment	1,998	2,545	27	2,545	2,545	2,545
1,800	Investing Receipts	1,998	2,545	27	2,545	2,545	2,545
Payments							
20,000	Purchase of Property, Plant and Equipment	5,300	5,700	8	7,100	7,700	8,000
1,000	Purchase of Land and Intangibles	400	0	-100	0	0	0
21,000	Investing Payments	5,700	5,700	-	7,100	7,700	8,000
-19,200	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-3,702	-3,155	15	-4,555	-5,155	-5,455
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
1,500	Capital Injection from Government	0	0	-	0	0	0
59,414	Borrowings Received	72,352	74,792	3	77,707	81,293	83,173
60,914	Financing Receipts	72,352	74,792	3	77,707	81,293	83,173
Payments							
47,060	Repayment of Borrowings	71,942	74,488	4	76,643	80,331	82,471
47,060	Financing Payments	71,942	74,488	4	76,643	80,331	82,471

**Rhodium Asset Solutions Ltd
Cash Flow Statement**

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
13,854	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	410	304	-26	1,064	962	702
855	NET INCREASE/(DECREASE) IN CASH HELD	48	-280	-683	1,159	1,191	1,385
2,139	CASH AT BEGINNING OF REPORTING PERIOD	4,805	4,853	1	4,573	5,732	6,923
2,994	CASH AT THE END OF THE REPORTING PERIOD	4,853	4,573	-6	5,732	6,923	8,308

Rhodium Asset Solutions Ltd Statement of Changes in Equity

Budget as at 30/6/06 \$'000		Est.Outcome as at 30/6/06 \$'000	Planned as at 30/6/07 \$'000	Var %	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000
4,294	Opening Balance	4,661	4,615	-1	4,671	5,270	6,274
	Accumulated Funds						
0	Net Effect of a Correction of an Error	-202	0	-100	0	0	0
350	Operating Result for the Period	156	56	-64	599	1,004	1,594
	Reserves						
350	Total Income And Expense For The Period	-46	56	-222	599	1,004	1,594
	Transactions Involving Equity Holders Affecting Accumulated Funds						
1,500	Capital Injections	0	0	-	0	0	0
6,144	Closing Balance	4,615	4,671	1	5,270	6,274	7,868

Notes to Budget Statements

Significant variations are as follows:

Operating Statement

- user charges – non ACT Government: the decrease of \$5.171 million in the 2005-06 estimated outcome from the original budget is due to the incorrect treatment of user charges – ACT Government in the 2005-06 Budget;
- user charges – ACT Government: the increase of \$5.645 million in the 2005-06 estimated outcome from the original budget is largely due to recognition of revenue from government as noted above, and higher revenues from novated leases from ACT Government employees. The decrease of \$0.344 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects lower revenues from government for fleet management, partially offset by growth in novated lease revenue;
- other revenue: the increase of \$0.285 million in the 2005-06 estimated outcome from the original budget is due to gains from the disposal of assets, which were higher than expected due to conservative estimates set in the budget for vehicle residual disposal values;
- employee expenses: the increase of \$0.260 million in the 2005-06 estimated outcome from the original budget is due to the increased staff resources required to service the growth in novated leases and for finance and administration functions. The decrease of \$0.233 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to a reduction in staffing levels;

- supplies and services: the increase of \$0.678 million in the 2005-06 estimated outcome from the original budget is due to higher professional fees, marketing and travel costs associated with establishing the Rhodium brand name in the marketplace. The decrease of \$0.471 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to a reduction in these expenses as the brand name gains recognition;
- depreciation and amortisation: the decrease of \$2.005 million in the 2005-06 estimated outcome from the original budget was largely due to the reduced growth in operating leases to minimise residual risk and a decision to defer implementation of the new IT system (\$0.325 million);
- borrowing costs: the increase of \$0.463 million in the 2005-06 estimated outcome from the original budget is due to the rise in interest rates in the final quarter of the financial year;
- cost of goods sold: the increase of \$1.129 million in the 2005-06 estimated outcome from the original budget was due to growth in novated leasing and the corresponding interest component of the leases; and
- other expenses: the increase of \$0.469 million in the 2005-06 estimated outcome from the original budget is due to an expected increase in vehicle expenses related to novated leases. The increase of \$0.341 million in the 2006-07 Budget from the estimated outcome is due to the expectation of continued growth in the novated lease market.

Balance Sheet

- cash: the increase of \$1.859 million in the 2005-06 estimated outcome from the original budget is due to higher levels of cash and the decision to defer the purchase of the new IT system;
- receivables: the decrease of \$19.787 million in the 2005-06 estimated outcome from the original budget is mainly due to a change in the method of recording this asset;
- other: the increase of \$22.446 million in the 2005-06 estimated outcome from the original budget is due to a change in the method of recording this asset and largely offsets the variance in receivables (above). The increase of \$3.697 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to the projected growth in novated and finance leases;
- property, plant and equipment: the decrease of \$33.447 million in the 2005-06 estimated outcome from the original budget reflects the decrease in assets purchased due to lower than expected growth in the operating lease business;
- intangibles: the decrease of \$0.952 million in the 2005-06 estimated outcome from the original budget reflects the decision to defer the replacement of the IT system;
- tax assets: the increase of \$0.198 million in the 2005-06 estimated outcome from the original budget is due to a change in the way this account is recorded and largely offsets the variance in the income tax payable;
- other non current assets: the decrease of \$1.064 million in the 2005-06 estimated outcome from the 2005-06 budget is due to lower than expected growth in commercial vehicles offered under operating leases. The increase of \$3.458 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to the projected growth in novated and finance leases;

- payables: the increase of \$0.718 million in the 2005-06 estimated outcome from the original budget reflects the growth in the novated lease business and associated higher levels of running expenses related to insurance and fuel;
- current and non current finance leases: the decrease of \$30.620 million in the 2005-06 estimated outcome from the original budget is due to decreased borrowings from lower than expected operating leases. The decrease of \$6.936 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to a change in the method of recording the new ACT fleet contract; and
- other non current provisions: the decrease of \$0.287 million in the 2005-06 estimated outcome from the original budget is due to the impact of AIFRS accounting policies.

Cash Flow Statement

The major variations within the Cash Flow Statement in the 2005-06 estimated outcome from the original budget and the 2006-07 Budget are explained within the Operating Statement above.

Other significant variations relate to:

- investing payments: the decrease of \$15.3 million in the 2005-06 estimated outcome from the original budget is due to the reduced focus on operating leases to minimise residual risk and the decision to defer the replacement of the IT system;
- financing receipts: the increase of \$11.438 million in the 2005-06 estimated outcome from the original budget is due to the continued growth in the novated leasing business; and
- repayment of borrowings: the increase of \$24.882 million in the 2005-06 estimated outcome from the original budget is due to an underestimation of the amounts required to repay residual values of maturing vehicles and other leases.

