

# ACTEW CORPORATION

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## Objectives

ACTEW Corporation aims to prudently manage public assets to provide sustainable water and wastewater services in the ACT region, to maximise the return on its investments, and to ensure a safe and reliable water supply to the ACT and region.

## 2007-08 Priorities

Strategic and operational issues to be pursued in 2007-08 include:

- through its Water2WATER project, make recommendations to Government on the proposal to generate purified water from Lower Molonglo Water Quality Control Centre for an enlarged Cotter Dam;
- seeking further security through diversification of the water supply, including accessing the additional water from Murrumbidgee River;
- monitoring and reporting on water supply planning assumptions, undertaking additional technical analysis on further storage options, and investigating opportunities to maximise the efficiency of the existing water supply system;
- achieving greater reliability of supply and efficiency from ACTEW's existing infrastructure;
- working with the Government to achieve a reduction in per capita consumption of mains water of 12 per cent by 2013 and 25 per cent by 2023;
- ensuring capital expenditure is delivered in an efficient and cost effective manner;
- contributing to a satisfactory outcome for the Murray Darling Basin water cap;
- resolving the ownership of Googong Dam;
- liaising with the Environmental Protection Authority regarding the monitoring and future review of environmental flow levels;
- working with the Government to achieve appropriate catchment management governance and management arrangements in the Cotter, Googong and Murrumbidgee River catchments;
- continuing the rehabilitation of the Lower Cotter Catchment to improve water quality in the reservoir;
- managing water restrictions during the ongoing drought and preparing for the reintroduction of Permanent Water Conservation Measures at a time when storage levels adequately meet unrestricted demand;
- continuing to educate our customers about water quality, and ACTEW's water supply and demand initiatives; and
- continuing to contribute to the community by supporting organisations, events and initiatives that benefit the ACT.

## Estimated Employment Level

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	<b>2006-07 Est. Outcome</b>	<b>2007-08 Budget</b>
<b>Staffing (FTE)</b>	24	24

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## Changes to Appropriation

### Changes to Appropriation - Departmental

	2006-07	2007-08	2008-09	2009-10	2010-11
Government Payment for Outputs	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2006-07 Budget</b>	<b>9,444</b>	<b>9,624</b>	<b>9,808</b>	<b>10,014</b>	<b>10,014</b>
<b>2007-08 Budget Technical Adjustments</b>					
Australian Government Funding - Assistance for Water and Sewerage	(9)	19	29	20	221
<b>2007-08 Budget</b>	<b>9,435</b>	<b>9,643</b>	<b>9,837</b>	<b>10,034</b>	<b>10,235</b>

## ACTEW Corporation Operating Statement

2006-07 Budget \$'000		2006-07 Est.Outcome \$'000	2007-08 Budget \$'000	Var %	2008-09 Estimate \$'000	2009-10 Estimate \$'000	2010-11 Estimate \$'000
<b>Income</b>							
<b>Revenue</b>							
9,444	Government Payment for Outputs	9,435	9,643	2	9,837	10,034	10,235
157,059	User Charges - Non ACT Government	146,060	179,726	23	192,722	201,018	209,977
22,744	User Charges - ACT Government	24,180	28,570	18	30,199	31,543	32,758
2,015	Interest	2,951	1,718	-42	1,070	1,415	1,983
2,605	Other Revenue	2,663	2,709	2	2,758	2,808	2,858
<b>193,867</b>	<b>Total Revenue</b>	<b>185,289</b>	<b>222,366</b>	<b>20</b>	<b>236,586</b>	<b>246,818</b>	<b>257,811</b>
<b>Gains</b>							
5,260	Other Gains	5,514	6,724	22	5,343	5,405	5,884
<b>5,260</b>	<b>Total Gains</b>	<b>5,514</b>	<b>6,724</b>	<b>22</b>	<b>5,343</b>	<b>5,405</b>	<b>5,884</b>
<b>199,127</b>	<b>Total Income</b>	<b>190,803</b>	<b>229,090</b>	<b>20</b>	<b>241,929</b>	<b>252,223</b>	<b>263,695</b>
<b>Expenses</b>							
3,093	Employee Expenses	3,356	3,673	9	3,818	3,410	3,547
279	Superannuation Expenses	300	349	16	363	340	354
5,417	Supplies and Services	4,335	5,281	22	5,070	5,148	5,008
23,102	Depreciation and Amortisation	21,758	29,982	38	31,955	34,053	35,732
24,873	Borrowing Costs	26,473	26,106	-1	28,767	32,370	35,236
102,640	Cost of Goods Sold	98,078	104,535	7	112,860	114,038	118,949
3,242	Other Expenses	2,558	5,116	100	5,278	5,361	5,445
<b>162,646</b>	<b>Total Ordinary Expenses</b>	<b>156,858</b>	<b>175,042</b>	<b>12</b>	<b>188,111</b>	<b>194,720</b>	<b>204,271</b>
49,098	Share of Operating Result from Joint Venture accounted for using the Equity Method	56,479	55,483	-2	56,519	57,710	56,848
<b>85,579</b>	<b>Operating Result From Ordinary Activities</b>	<b>90,424</b>	<b>109,531</b>	<b>21</b>	<b>110,337</b>	<b>115,213</b>	<b>116,272</b>
28,242	Income Tax Equivalent	27,310	36,145	32	36,411	38,020	38,370
<b>57,337</b>	<b>Operating Result</b>	<b>63,114</b>	<b>73,386</b>	<b>16</b>	<b>73,926</b>	<b>77,193</b>	<b>77,902</b>

**ACTEW Corporation  
Balance Sheet**

Budget as at 30/6/07 \$'000		Est.Outcome as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Var %	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000
<b>Current Assets</b>							
18,460	Cash and Cash Equivalents	30,325	32,565	7	32,800	34,519	34,398
24,369	Receivables	27,243	27,926	3	28,625	29,341	30,076
6,097	Other	18,114	18,114	-	18,114	18,114	18,114
<b>48,926</b>	<b>Total Current Assets</b>	<b>75,682</b>	<b>78,605</b>	<b>4</b>	<b>79,539</b>	<b>81,974</b>	<b>82,588</b>
<b>Non Current Assets</b>							
364,328	Investments	545,082	559,565	3	575,584	585,294	596,142
920,978	Property, Plant and Equipment	1,215,323	1,248,069	3	1,361,654	1,432,173	1,491,448
35,305	Capital Works in Progress	37,344	86,960	133	62,344	62,344	37,344
28,325	Tax Assets	31,662	31,662	-	31,662	31,662	31,662
12,894	Other	443	443	-	443	443	443
<b>1,361,830</b>	<b>Total Non Current Assets</b>	<b>1,829,854</b>	<b>1,926,699</b>	<b>5</b>	<b>2,031,687</b>	<b>2,111,916</b>	<b>2,157,039</b>
<b>1,410,756</b>	<b>TOTAL ASSETS</b>	<b>1,905,536</b>	<b>2,005,304</b>	<b>5</b>	<b>2,111,226</b>	<b>2,193,890</b>	<b>2,239,627</b>
<b>Current Liabilities</b>							
17,401	Payables	19,345	20,929	8	21,912	25,405	25,832
12,317	Interest Bearing Liabilities	11,434	12,205	7	13,793	12,302	12,763
6,095	Employee Benefits	18,446	18,446	-	18,446	18,446	18,446
16,229	Other Provisions	13,768	15,778	15	15,885	16,539	16,681
1,143	Other	0	0	-	0	0	0
<b>53,185</b>	<b>Total Current Liabilities</b>	<b>62,993</b>	<b>67,358</b>	<b>7</b>	<b>70,036</b>	<b>72,692</b>	<b>73,722</b>
<b>Non Current Liabilities</b>							
359,585	Interest Bearing Liabilities	366,946	414,741	13	470,948	513,646	525,883
13,089	Employee Benefits	1,769	1,769	-	1,769	1,769	1,769
2,461	Other Provisions	835	835	-	835	835	835
194,278	Non Current Income Tax Payable	346,864	373,472	8	398,984	414,231	424,086
<b>569,413</b>	<b>Total Non Current Liabilities</b>	<b>716,414</b>	<b>790,817</b>	<b>10</b>	<b>872,536</b>	<b>930,481</b>	<b>952,573</b>
<b>622,598</b>	<b>TOTAL LIABILITIES</b>	<b>779,407</b>	<b>858,175</b>	<b>10</b>	<b>942,572</b>	<b>1,003,173</b>	<b>1,026,295</b>
<b>788,158</b>	<b>NET ASSETS</b>	<b>1,126,129</b>	<b>1,147,129</b>	<b>2</b>	<b>1,168,654</b>	<b>1,190,717</b>	<b>1,213,332</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
778,338	Accumulated Funds	784,404	784,404	-	784,404	784,404	784,404
9,820	Reserves	341,725	362,725	6	384,250	406,313	428,928
<b>788,158</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>1,126,129</b>	<b>1,147,129</b>	<b>2</b>	<b>1,168,654</b>	<b>1,190,717</b>	<b>1,213,332</b>

**ACTEW Corporation  
Cash Flow Statement**

2006-07 Budget \$'000		2006-07 Est.Outcome \$'000	2007-08 Budget \$'000	Var %	2008-09 Estimate \$'000	2009-10 Estimate \$'000	2010-11 Estimate \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
9,444	Cash from Government for Outputs	9,435	9,643	2	9,837	10,034	10,235
181,628	User Charges	171,470	209,553	22	224,212	233,882	244,090
2,015	Interest Received	2,951	1,718	-42	1,070	1,415	1,983
43,547	Other Revenue	47,500	41,000	-14	40,500	48,000	46,000
<b>236,634</b>	<b>Operating Receipts</b>	<b>231,356</b>	<b>261,914</b>	<b>13</b>	<b>275,619</b>	<b>293,331</b>	<b>302,308</b>
<b>Payments</b>							
3,328	Related to Employees	3,656	4,022	10	4,181	3,750	3,901
5,036	Related to Supplies and Services	3,950	4,886	24	4,666	4,733	4,583
24,873	Borrowing Costs	26,473	26,106	-1	28,767	32,370	35,235
120,409	Other	112,240	126,999	13	137,685	148,550	162,599
<b>153,646</b>	<b>Operating Payments</b>	<b>146,319</b>	<b>162,013</b>	<b>11</b>	<b>175,299</b>	<b>189,403</b>	<b>206,318</b>
<b>82,988</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>85,037</b>	<b>99,901</b>	<b>17</b>	<b>100,320</b>	<b>103,928</b>	<b>95,990</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
770	Proceeds from Sale/Maturities of Investments	11,559	770	-93	770	770	770
<b>770</b>	<b>Investing Receipts</b>	<b>11,559</b>	<b>770</b>	<b>-93</b>	<b>770</b>	<b>770</b>	<b>770</b>
<b>Payments</b>							
35,857	Purchase of Property, Plant and Equipment	33,609	75,621	125	84,833	67,647	31,819
0	Purchase of Investments	1,250	0	-100	0	0	0
<b>35,857</b>	<b>Investing Payments</b>	<b>34,859</b>	<b>75,621</b>	<b>117</b>	<b>84,833</b>	<b>67,647</b>	<b>31,819</b>
<b>-35,087</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-23,300</b>	<b>-74,851</b>	<b>-221</b>	<b>-84,063</b>	<b>-66,877</b>	<b>-31,049</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
10,000	Borrowings Received	15,000	60,000	300	70,000	55,000	25,000
<b>10,000</b>	<b>Financing Receipts</b>	<b>15,000</b>	<b>60,000</b>	<b>300</b>	<b>70,000</b>	<b>55,000</b>	<b>25,000</b>
<b>Payments</b>							

**ACTEW Corporation  
Cash Flow Statement**

<b>2006-07 Budget \$'000</b>		<b>2006-07 Est.Outcome \$'000</b>	<b>2007-08 Budget \$'000</b>	<b>Var %</b>	<b>2008-09 Estimate \$'000</b>	<b>2009-10 Estimate \$'000</b>	<b>2010-11 Estimate \$'000</b>
62,115	Dividends to Government	65,399	71,376	9	73,817	76,539	77,760
11,250	Repayment of Borrowings	9,772	11,434	17	12,205	13,793	12,302
<b>73,365</b>	<b>Financing Payments</b>	<b>75,171</b>	<b>82,810</b>	<b>10</b>	<b>86,022</b>	<b>90,332</b>	<b>90,062</b>
<b>-63,365</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>-60,171</b>	<b>-22,810</b>	<b>62</b>	<b>-16,022</b>	<b>-35,332</b>	<b>-65,062</b>
<b>-15,464</b>	<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1,566</b>	<b>2,240</b>	<b>43</b>	<b>235</b>	<b>1,719</b>	<b>-121</b>
<b>33,924</b>	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	<b>28,759</b>	<b>30,325</b>	<b>5</b>	<b>32,565</b>	<b>32,800</b>	<b>34,519</b>
<b>18,460</b>	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>30,325</b>	<b>32,565</b>	<b>7</b>	<b>32,800</b>	<b>34,519</b>	<b>34,398</b>

**ACTEW Corporation**  
**Statement of Changes in Equity**

Budget as at 30/6/07 \$'000		Est.Outcome as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Var %	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000
794,158	<b>Opening Balance</b>	797,999	1,126,129	41	1,147,129	1,168,654	1,190,717
	<b>Accumulated Funds</b>						
57,337	Operating Result for the Period	63,114	73,386	16	73,926	77,193	77,902
	<b>Reserves</b>						
0	Increase/(Decrease) in asset revaluation reserve	328,353	21,000	-94	21,525	22,063	22,615
57,337	<b>Total Income And Expense For The Period</b>	391,467	94,386	-76	95,451	99,256	100,517
	<b>Transactions Involving Equity Holders Affecting Accumulated Funds</b>						
-63,337	Dividend Approved	-63,337	-73,386	-16	-73,926	-77,193	-77,902
788,158	<b>Closing Balance</b>	1,126,129	1,147,129	2	1,168,654	1,190,717	1,213,332

**Notes to the Budget Statements**

Significant variations are as follows:

*Operating Statement*

- user charges – non ACT Government:
  - the decrease of \$10.999 million in the 2006-07 estimated outcome from the original budget is due the introduction of Stage 3 Water Restrictions as the budget only assumed permanent water conservation measures. Recovery of the Utilities Network Facilities Tax (UNFT) that was included in the 2006-07 Budget has been delayed until 2007-08; and
  - the increase of \$33.666 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to the assumption of a full recovery of current pass through costs from the pricing regulator (drought and major augmentation works), general increases in water and wastewater prices (as per the regulatory decision), and the recovery of 18 months of expenditure relating to the UNFT.
- user charges – ACT Government:
  - the increase of \$1.436 million in the 2006-07 estimated outcome from the original budget is due to an underestimate in the 2006-07 Budget. The lower budget estimate resulted from a consumption model being applied, which over-calculated a reduction in Government water consumption as a result of the Water Abstraction Charge increasing from 25 cents to 55 cents per kilolitre on 1 July 2006; and
  - the increase of \$4.390 million in the 2007-08 Budget from the estimated outcome is as a result of an increase in water prices.



- interest:
  - the increase of \$0.936 million in the 2006-07 estimated outcome from the original budget is due to higher than expected levels of cash and cash equivalents being held by ACTEW; and
  - the decrease of \$1.233 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to lower cash balances being held during the year.
- other gains: the increase of \$0.254 million in the 2006-07 estimated outcome from the original budget, and the increase of \$1.210 million in the 2007-08 Budget from the 2006-07 estimated outcome are due to gifted assets given to ACTEW by the developers.
- employment and superannuation expenses:
  - the increase of \$0.284 million in the 2006-07 estimated outcome from the original budget is due to an increase in staff numbers relating to the introduction of Stage 3 Water Restrictions; and
  - the increase of \$0.366 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to full year staff costs relating to the monitoring of water restrictions and general salary increases.
- supplies and services:
  - the decrease of \$1.082 million in the 2006-07 estimated outcome from the original budget is mainly due to a reclassification of consulting costs to Costs of Goods Sold; and
  - the increase of \$0.946 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to an increase in water planning and regulatory review expenditure.
- depreciation and amortisation:
  - the decrease of \$1.344 million in the 2006-07 estimated outcome from the original budget is due to lower 2005-06 capital expenditure; and
  - the increase of \$8.224 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to increased capital expenditure and a forecast revaluation of ACTEW's water and wastewater assets.
- borrowing costs: the increase of \$1.6 million in the 2006-07 estimated outcome compared to the original budget relates to an increase in the interest rate on the Indexed Annuity Bond.
- cost of goods sold:
  - the decrease of \$4.562 million in the 2006-07 estimated outcome from the original budget is mainly due to the delay of expenditure on the Lower Cotter Catchment remediation project until 2007-08 and a decrease in the Water Abstraction Charge resulting from lower water consumption; and
  - the increase of \$6.457 million in 2007-08 Budget from the 2006-07 estimated outcome is due to higher costs for the Lower Cotter Catchment remediation works and higher costs associated with the Utilities Management Agreement.

- other expenses:
  - the decrease of \$0.684 million in the 2006-07 estimated outcome from the original budget is due to an overestimation of the UNFT in the original Budget; and
  - the increase of \$2.558 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to the UNFT charge being based on a full year compared to six months in 2006-07.
- share of operating result from joint venture: the increase of \$7.381 million in the 2006-07 estimated outcome from the original budget is mainly due a better than expected performance by the Retail Partnership.
- income tax equivalent:
  - the decrease of \$0.932 million in the 2006-07 estimated outcome from the original budget is due to a partial refund of 2006 income tax (lowering the tax paid), partially offset by an increase in net profit before tax (increasing the tax paid); and
  - the increase of \$8.835 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to an increase in net profit.

### *Balance Sheet*

- cash and cash equivalents: the increase of \$11.865 million in the 2006-07 estimated outcome from the original budget is due to additional borrowings to cover an increased capital expenditure program in 2007-08.
- current receivables: the increase of \$2.874 million in the 2006-07 estimated outcome from the original budget reflects the increase in water and wastewater prices as per the regulatory price decision.
- other current assets: other current assets relates to employment entitlements for ACTEW employees seconded to ActewAGL. The increase of \$12.017 million in the 2006-07 estimated outcome compared to the original budget results from the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS) where long service leave greater than 10 years has been transferred from non-current to current.
- investments: the increase of \$180.754 million in the 2006-07 estimated outcome from the original budget relates to a forecast revaluation of the ActewAGL Joint Venture Investment.
- property, plant and equipment:
  - the increase of \$294.345 million in the 2006-07 estimated outcome from the original budget is mainly due to a revaluation of ACTEW's water and wastewater assets; and
  - the increase of \$32.746 million in the 2007-08 Budget from the 2006-07 estimated outcome relates to an increased capital expenditure program and an annual revaluation of ACTEW's water and wastewater assets.
- non-current interest bearing liabilities: the increase of \$47.795 million in the 2007-08 Budget compared to the 2006-07 estimated outcome is due to debt to fund capital expenditure for the Lower Molonglo Secondary Treatment Augmentation and Cotter Googong Bulk Transfer (CGBT) Phase II including the Extended Cotter Googong Bulk Transfer (ECGBT).

- capital works in progress: the increase of \$49.616 million in the 2007-08 Budget compared to the 2006-07 estimated outcome is due to capital expenditure for the Lower Molonglo Secondary Treatment Augmentation and CGBT Phase II and ECGBT, which are expected to be capitalised in the following year.
- non-current income tax payable:
  - the increase of \$152.586 million in the 2006-07 estimated outcome compared to the original budget mainly relates to the tax effect resulting from the revaluation of ACTEW's Water and Wastewater assets and the ActewAGL Joint Venture Investment; and
  - the increase of \$26.608 million in the 2007-08 Budget compared to the 2006-07 estimated outcome is the tax effect from the revaluation of ACTEW's water and wastewater assets by CPI plus the difference between tax expense and tax paid.
- current and non-current interest bearing liabilities: the increase of \$6.478 million in the 2006-07 estimated outcome from the original budget is mainly due to increased borrowings to cover increased future capital expenditure.

*Statement of Changes in Equity*

- dividend approved: the increase of \$10.049 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to the higher level of operating profit in 2007-08 reflecting the variations described for the operating statement.

