

ACTEW CORPORATION

Objectives

ACTEW Corporation aims to prudently manage public assets to provide sustainable water and sewerage services in the ACT region to maximise the return on its investments in water, sewerage, energy and communication assets.

2005-06 Highlights

Strategic and operational issues to be pursued in 2005-06 include:

- implementing decisions emanating from ACTEW's Future Water Options for the ACT Region – Implementation Plan April 2005;
- 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% by 2013 and 25% by 2023 consistent with the Think Water, Act Water strategy;
- ensuring capital expenditure is delivered in an efficient and cost-effective manner;
- examining new business opportunities;
- contributing to a satisfactory outcome for the Murray Darling Basin water cap;
- contributing to the development of revised environmental flow guidelines for the ACT;
- continuing to monitor the need and the appropriate level of water restrictions in the ACT;
- resolving the ownership transfer of the Googong Dam to the ACT;
- continuing to monitor the effects of climate change;
- identifying opportunities to increase sustainable water recycling;
- contributing to catchment management issues;
- contributing to water and wastewater policy issues at local, regional and national levels;
- consulting and educating customers about water and energy management, usage and quality; and
- continuing to contribute to the community by supporting organisations, events and initiatives that benefit the Territory.

ACTEW Corporation Operating Statement

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
Income							
Revenue							
120 541	User Charges - Non ACT Government	114 782	123 491	8	147 878	154 763	158 782
27 679	User Charges - ACT Government	27 679	28 679	4	31 580	32 666	33 466
2 244	Interest	3 150	1 508	-52	1 371	1 525	1 610
22 065	Other Revenue	13 521	17 776	31	12 350	11 232	11 056
172 529	Total Revenue	159 132	171 454	8	193 179	200 186	204 914
Gains							
0	Total Gains	0	0	-	0	0	0
172 529	Total Income	159 132	171 454	8	193 179	200 186	204 914
Expenses							
2 619	Employee Expenses	2 787	2 654	-5	2 704	2 835	2 971
176	Superannuation Expenses	154	162	5	170	178	187
3 955	Supplies and Services	3 650	3 997	10	3 622	3 606	3 631
22 239	Depreciation and Amortisation	21 039	23 318	11	24 246	25 001	25 618
23 175	Borrowing Costs	23 175	24 214	4	22 842	22 339	21 174
71 241	Cost of Goods Sold	72 113	77 285	7	82 008	83 447	86 341
123 405	Total Ordinary Expenses	122 918	131 630	7	135 592	137 406	139 922
46 961	Share of Operating Result from Joint Venture accounted for using the Equity Method	49 740	45 707	-8	46 055	50 096	52 126
96 085	Operating Result From Ordinary Activities	85 954	85 531	..	103 642	112 876	117 118
31 708	Income Tax Equivalent	28 365	28 225	..	34 202	37 249	38 648
64 377	Operating Result	57 589	57 306	..	69 440	75 627	78 470

**ACTEW Corporation
Balance Sheet**

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
Current Assets							
1 000	Cash	1 000	1 000	-	1 000	1 000	1 000
16 573	Receivables	20 096	20 600	3	21 114	21 641	22 184
22 840	Investments	29 648	7 631	-74	9 813	10 788	11 997
7 067	Other	7 473	7 473	-	7 473	7 473	7 473
47 480	Total Current Assets	58 217	36 704	-37	39 400	40 902	42 654
Non Current Assets							
348 558	Investments	351 925	355 731	1	359 286	361 881	366 007
929 513	Property, Plant and Equipment	915 845	931 893	2	934 812	937 643	936 477
10 305	Capital Works in Progress	10 305	10 305	-	10 305	10 305	10 305
12 585	Tax Assets	13 560	13 560	-	13 560	13 560	13 560
10 404	Other	13 034	13 034	-	13 034	13 034	13 034
1 311 365	Total Non Current Assets	1 304 669	1 324 523	2	1 330 997	1 336 423	1 339 383
1 358 845	TOTAL ASSETS	1 362 886	1 361 227	..	1 370 397	1 377 325	1 382 037
Current Liabilities							
14 082	Payables	18 988	17 854	-6	19 605	20 695	21 408
10 816	Interest Bearing Liabilities	10 250	11 677	14	12 272	13 556	14 906
8 702	Employee Benefits	7 567	7 567	-	7 567	7 567	7 567
22 692	Other Provisions	19 277	12 861	-33	15 288	16 525	17 094
56 292	Total Current Liabilities	56 082	49 959	-11	54 732	58 343	60 975
Non Current Liabilities							
345 432	Interest Bearing Liabilities	347 840	336 163	-3	323 891	310 333	295 429
12 810	Employee Benefits	12 976	12 976	-	12 976	12 976	12 976
2 949	Other Provisions	2 467	2 467	-	2 467	2 467	2 467
169 119	Non Current Income Tax Payable	171 277	187 418	9	204 087	220 962	237 946
530 310	Total Non Current Liabilities	534 560	539 024	1	543 421	546 738	548 818
586 602	TOTAL LIABILITIES	590 642	588 983	..	598 153	605 081	609 793
772 243	NET ASSETS	772 244	772 244	-	772 244	772 244	772 244
REPRESENTED BY FUNDS EMPLOYED							
758 871	Accumulated Funds	758 872	758 872	-	758 872	758 872	758 872
13 372	Reserves	13 372	13 372	-	13 372	13 372	13 372
772 243	TOTAL FUNDS EMPLOYED	772 244	772 244	-	772 244	772 244	772 244

**ACTEW Corporation
Cash Flow Statement**

2004-05 Budget \$'000	2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts						
149 761	144 948	153 397	6	180 712	188 710	193 555
2 244	3 150	1 508	-52	1 371	1 525	1 610
44 898	47 000	42 500	-10	42 500	47 500	48 000
196 903	195 098	197 405	1	224 583	237 735	243 165
Payments						
2 731	2 731	2 991	10	3 039	3 186	3 339
3 676	5 626	4 060	-28	3 084	3 053	3 061
23 175	23 175	24 214	4	22 842	22 339	21 174
84 277	86 443	90 865	5	98 162	103 110	107 683
113 859	117 975	122 130	4	127 127	131 688	135 257
83 044	77 123	75 275	-2	97 456	106 047	107 908
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
770	18 136	770	-96	770	770	770
770	18 136	770	-96	770	770	770
Payments						
40 824	57 559	24 090	-58	17 353	19 180	16 013
40 824	57 559	24 090	-58	17 353	19 180	16 013
-40 054	-39 423	-23 320	41	-16 583	-18 410	-15 243
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
24 768	25 000	0	-100	0	0	0
24 768	25 000	0	-100	0	0	0
Payments						
76 297	71 509	63 722	-11	67 014	74 389	77 900
9 529	9 176	10 250	12	11 677	12 273	13 556
85 826	80 685	73 972	-8	78 691	86 662	91 456
-61 058	-55 685	-73 972	-33	-78 691	-86 662	-91 456
NET INCREASE/(DECREASE) IN CASH HELD						
-18 068	-17 985	-22 017	-22	2 182	975	1 209
41 908	48 633	30 648	-37	8 631	10 813	11 788
23 840	30 648	8 631	-72	10 813	11 788	12 997

ACTEW Corporation
Statement of Changes in Equity

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
803 237	Opening Balance	804 042	772 244	-4	772 244	772 244	772 244
	Accumulated Funds						
64 377	Operating Result for the Period	57 589	57 306	..	69 440	75 627	78 470
	Reserves						
0	Increase/(Decrease) in asset revaluation reserve	-1	0	-100	0	0	0
64 377	Total Income And Expense For The Period	57 588	57 306	..	69 440	75 627	78 470
	Transactions Involving Equity Holders Affecting Accumulated Funds						
-95 371	Dividend Approved	-89 386	-57 306	36	-69 440	-75 627	-78 470
772 243	Closing Balance	772 244	772 244	-	772 244	772 244	772 244

Notes to Budget Statements

ACTEW's 2005-06 budget cycle is not complete until end of May 2005 and therefore figures supplied for 2005-06 to 2008-09 are based on the best information available at the time of preparation of the Budget statements. The figures supplied have a high level of uncertainty due to the fact that a number of significant decisions may arise from ACTEW's 'Future Water Options for the ACT Region – Implementation Plan' of April 2005. These decisions could have a significant impact on operational and capital expenditure, as well as revenue.

The continuing drought and climatic conditions may also have a significant effect on the estimates.

Significant variations are as follows:

Operating Statement

- user charges – non ACT Government: the decrease of \$5.759m in the 2004-05 estimated outcome from the original budget is due to mandatory Stage 2 and 3 water restrictions being in place as a result of decreasing water levels. Revenue for 2005-06 takes into account water restrictions and therefore similar water consumption to 2004-05. The increase of \$8.709m in the 2005-06 Budget from the 2004-05 estimated outcome is due to an increase in water prices, customer growth and some recovery of lost revenue through assumed ICRC pricing determinations. It is also assumed that there is a return to normal water consumption from 2006-07 onwards and additional recovery of lost water revenue in 2006-07 and 2007-08. This, combined with higher prices, has led to a significant increase in water revenue from 2006-07 onwards;
- interest revenue: variations in interest revenue are directly correlated to the level of cash and cash equivalent investments held by ACTEW;

- other revenue: the decrease of \$8.544m in the 2004-05 estimated outcome from the original budget is due to a reduced level of gifted asset transfers from the Land Development Agency (LDA). The level of gifted assets transferred to ACTEW is determined by the LDA's land release program. The increase of \$4.255m in the 2005-06 Budget from the 2004-05 estimated outcome is due to a higher level of gifted asset transfers;
- employee expenses: the increase of \$0.168m in the 2004-05 estimated outcome from the original budget is due to the drought taskforce team continuing at a higher level of activity than previously anticipated. The taskforce is expected to continue at this level in 2005-06, and alter its purpose to water conservation in later years;
- supplies and services: the decrease of \$0.305m in the 2004-05 estimated outcome from the original budget is due to the capitalisation of expenses relating to the ACTEW Asset Data Capture project;
- depreciation and amortisation: the decrease of \$1.2m in the 2004-05 estimated outcome from the original budget is due to a lower level of gifted asset transfers in both 2003-04 and 2004-05 and lower 2003-04 capital expenditure than anticipated. The increase in the 2005-06 Budget and outyears is due to depreciation for the new Stromlo and Googong water treatment plant expansions;
- cost of goods sold: the increase of \$0.872m in the 2004-05 estimated outcome from the original budget is mainly due to unbudgeted pumping costs from the Cotter Dam and the Murrumbidgee River and higher fixed expenses for the water and sewerage businesses than initially budgeted. This is partially offset by lower water abstraction charge revenue resulting from water restrictions. The increase of \$5.172m in the 2005-06 Budget from the 2004-05 estimated outcome is mainly due to the increase in the water abstraction charge revenue and pumping costs, which is consistent with the expectation that water consumption will return to normal levels in 2006-07;
- share of operating result from joint venture: the increase of \$2.779m in the 2004-05 estimated outcome from the original budget is due to favourable weather conditions, fewer customers than budgeted changing to other providers, and improved operational performance of the ActewAGL joint venture (JV). In 2005-06, a number of the JV's favourable electricity purchasing contracts expire resulting in lower dividends to ACTEW from the JV; and
- income tax equivalent: the decrease of \$3.343m in the 2004-05 estimated outcome from the original budget is due to lower profit.

Balance Sheet

- current receivables: the increase of \$3.523m in the 2004-05 estimated outcome from the original budget reflects an increase in water and sewerage prices;
- current and non current investments: the increase of \$10.175m in the 2004-05 estimated outcome from the original budget is mainly due to greater distributions received from the JV. The decrease of \$22.017m in current investments in the 2005-06 Budget from the 2004-05 estimated outcome is due to the range of payments expected by ACTEW in that period;
- property, plant and equipment: the decrease of \$13.668m in the 2004-05 estimated outcome compared to the original budget is mainly due to lower gifted asset transfers;

- current and non current interest bearing liabilities: the increase of \$1.8m in the 2004-05 estimated outcome from the original budget is due to higher levels of inflation on the indexed annuity bond debt. The increase of \$1.427m in current interest bearing liabilities in the 2005-06 Budget from the 2004-05 estimated outcome is due to interest liabilities related to an expected additional \$25m borrowing by ACTEW in 2004-05; and
- current other provisions: the decrease of \$3.4m in the 2004-05 estimated outcome from the original budget is mainly due to a lower estimated 2004-05 operating result leading to a lower final declared dividend. The decrease of \$6.416m in the 2005-06 Budget from the 2004-05 estimated outcome is due to a lower final declared dividend (see below under Statement of Changes in Equity).

Statement of Changes in Equity

- dividend approved: the decrease of \$5.985m in the 2004-05 estimated outcome from the original budget is mainly due to a decrease in revenue as a result of water restrictions and less than budgeted gifted assets. This is partially offset by a lower tax expense, higher sewerage revenue and JV profits. The 2004-05 dividend is estimated to be \$89.386m, which comprises the total 2004-05 forecast profit (\$57.589m) and the 2003-04 retained profits (\$31.797m). The payment of the retained profits amount largely reflects an agreed deferral of past years dividend payments to assist ACTEW in funding urgent water filtration infrastructure. The decrease of \$32.080m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the dividend being restricted to the usual 100% of operating profit.

