

ACTEW CORPORATION

Objectives

ACTEW Corporation aims to prudently manage its 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.

2009-10 Priorities

Strategic and operational issues to be pursued in 2009-10 include:

- undertaking the detailed planning, design and construction work associated with enlarging the Cotter Dam to 78 gegalitres capacity, and the extraction and transfer of water from the Murrumbidgee River to Googong Reservoir;
- progressing arrangements for purchasing water from the Murray Darling Basin, to secure additional water from a source not largely dependent on local rainfall;
- investigating and implementing appropriate carbon abatement strategies for ACTEW, including water security major projects;
- addressing environmental issues associated with the water security major projects;
- monitoring and reporting to Government on the progress of the water security projects and ensuring the community is kept informed and engaged;
- working with the ACT Government to achieve appropriate catchment management governance and administrative arrangements for the Cotter, Googong and Murrumbidgee River catchments;
- implementing source water quality protection programs in water supply catchments;
- working with the ACT Government to develop an appropriate strategy to meet the *Think water, act water* target of 20 per cent use of recycled water by 2013;
- investigating options to manage total dissolved solids (including salt) concentrations associated with the discharge from the Lower Molonglo Water Quality Control Centre;
- managing and reviewing the Permanent Water Conservation Measures and the Temporary Water Restrictions necessary for management of the current drought conditions;
- working with the ACT Government to achieve a reduction in per capita mains water consumption of 12 per cent by 2013 and 25 per cent by 2023 in keeping with the targets included in *Think water, act water*;
- continuing to investigate and commence implementation of a 'smart metering' pilot program;
- managing ACTEW's investments in electricity, gas and telecommunications to achieve satisfactory returns;
- continuing ACTEW's contribution to the ACT community by supporting organisations, events and initiatives; and
- engaging and educating our customers on water and sewerage related issues.

Estimated Employment Level

| 2008-09 Budget | | 2008-09 Est. Outcome | 2009-10 Budget |
|-------------------|----------------|-------------------------|-------------------|
| 34 | Staffing (FTE) | 35 | 35 |

Special Notes on ACTEW's 2009-10 Budget

Included in the budget is capital expenditure for the following water security major projects:

- Enlarged Cotter Dam;
- Murrumbidgee to Googong transfer; and
- Tantangara transfer.

The figures used are the latest available forecasts at the time of Budget. Final cost estimates will be determined late in the 2008-09 financial year when the targeted cost of the projects (Target Outturn Cost numbers) are determined.

The 2009-10 Budget includes the following borrowing estimates:

- 2008-09 at \$200 million;
- 2009-10 at \$250 million; and
- 2010-11 at \$100 million.

The final amount, timing and type of borrowing is highly uncertain due to the current state of financial markets plus the final determination of the Water Security Major Projects cost estimates.

Changes to Appropriation

| Changes to Appropriation - Departmental | | | | | |
|---|---|--------------------------------------|--|--|--|
| Government Payment for Outputs | 2008-09 Est. Out. \$'000 | 2009-10 Budget \$'000 | 2010-11 Estimate \$'000 | 2011-12 Estimate \$'000 | 2012-13 Estimate \$'000 |
| 2008-09 Budget | 9,817 | 10,004 | 10,195 | 10,390 | 10,390 |
| 2009-10 Budget Technical Adjustment | | | | | |
| General Revenue Assistance - Revised Indexation - Assistance for Water and Sewerage Services | - | - | - | - | 260 |
| 2009-10 Budget | 9,817 | 10,004 | 10,195 | 10,390 | 10,650 |

ACTEW Corporation Operating Statement

| 2008-09 Budget \$'000 | | 2008-09 Est.Outcome \$'000 | 2009-10 Budget \$'000 | Var % | 2010-11 Estimate \$'000 | 2011-12 Estimate \$'000 | 2012-13 Estimate \$'000 |
|-----------------------------|--|----------------------------------|-----------------------------|------------|-------------------------------|-------------------------------|-------------------------------|
| Income | | | | | | | |
| Revenue | | | | | | | |
| 9,817 | Government Payment for Outputs | 9,817 | 10,004 | 2 | 10,195 | 10,390 | 10,650 |
| 195,000 | User Charges - Non ACT Government | 178,882 | 186,735 | 4 | 218,977 | 258,076 | 272,656 |
| 29,299 | User Charges - ACT Government | 28,319 | 30,088 | 6 | 31,794 | 33,605 | 35,257 |
| 11,653 | Interest | 11,354 | 3,262 | -71 | 4,430 | 4,576 | 5,218 |
| 2,740 | Other Revenue | 2,786 | 3,575 | 28 | 4,245 | 4,916 | 5,589 |
| 248,509 | Total Revenue | 231,158 | 233,664 | 1 | 269,641 | 311,563 | 329,370 |
| Gains | | | | | | | |
| 5,343 | Other Gains | 0 | 0 | - | 0 | 0 | 0 |
| 5,343 | Total Gains | 0 | 0 | - | 0 | 0 | 0 |
| 253,852 | Total Income | 231,158 | 233,664 | 1 | 269,641 | 311,563 | 329,370 |
| Expenses | | | | | | | |
| 4,600 | Employee Expenses | 4,469 | 4,815 | 8 | 5,059 | 5,312 | 5,561 |
| 274 | Superannuation Expenses | 390 | 409 | 5 | 429 | 450 | 473 |
| 5,717 | Supplies and Services | 7,094 | 5,907 | -17 | 7,145 | 7,183 | 7,463 |
| 32,100 | Depreciation and Amortisation | 32,291 | 37,118 | 15 | 44,293 | 48,899 | 46,651 |
| 39,618 | Borrowing Costs | 39,997 | 45,486 | 14 | 63,934 | 60,750 | 57,925 |
| 113,638 | Cost of Goods Sold | 117,005 | 116,154 | -1 | 121,011 | 134,905 | 137,356 |
| 5,125 | Other Expenses | 5,147 | 5,480 | 6 | 5,699 | 5,871 | 6,013 |
| 201,072 | Total Ordinary Expenses | 206,393 | 215,369 | 4 | 247,570 | 263,370 | 261,442 |
| 61,530 | Share of Operating Result from Joint Venture accounted for using the Equity Method | 79,050 | 64,168 | -19 | 61,783 | 63,280 | 64,274 |
| 114,310 | Operating Result From Ordinary Activities | 103,815 | 82,463 | -21 | 83,854 | 111,473 | 132,202 |
| 37,722 | Income Tax Equivalent | 34,259 | 27,213 | -21 | 27,672 | 36,786 | 43,627 |
| 76,588 | Operating Result | 69,556 | 55,250 | -21 | 56,182 | 74,687 | 88,575 |

ACTEW Corporation Balance Sheet

| Budget as at 30/6/09 \$'000 | | Est.Outcome as at 30/6/09 \$'000 | Planned as at 30/6/10 \$'000 | Var % | Planned as at 30/6/11 \$'000 | Planned as at 30/6/12 \$'000 | Planned as at 30/6/13 \$'000 |
|-----------------------------------|--------------------------------------|--|------------------------------------|-----------|------------------------------------|------------------------------------|------------------------------------|
| Current Assets | | | | | | | |
| 344,805 | Cash and Cash Equivalents | 201,237 | 190,315 | -5 | 86,008 | 40,586 | 74,025 |
| 29,681 | Receivables | 39,412 | 42,171 | 7 | 45,123 | 48,282 | 51,662 |
| 17,525 | Other | 17,149 | 17,149 | - | 17,149 | 17,149 | 17,149 |
| 392,011 | Total Current Assets | 257,798 | 249,635 | -3 | 148,280 | 106,017 | 142,836 |
| Non Current Assets | | | | | | | |
| 0 | Receivables | 0 | 40,000 | 100 | 80,000 | 120,000 | 160,000 |
| 470,313 | Investments | 482,421 | 477,855 | -1 | 467,687 | 456,361 | 440,494 |
| 1,298,080 | Property, Plant and Equipment | 1,257,957 | 1,417,119 | 13 | 1,911,555 | 2,008,698 | 2,000,282 |
| 0 | Intangibles | 29,046 | 34,456 | 19 | 34,456 | 34,456 | 34,456 |
| 195,252 | Capital Works in Progress | 172,658 | 343,613 | 99 | 63,639 | 58,505 | 52,235 |
| 13,234 | Tax Assets | 19,760 | 19,760 | - | 19,760 | 19,760 | 19,760 |
| 775 | Other | 1,375 | 1,375 | - | 1,375 | 1,375 | 1,375 |
| 1,977,654 | Total Non Current Assets | 1,963,217 | 2,334,178 | 19 | 2,578,472 | 2,699,155 | 2,708,602 |
| 2,369,665 | TOTAL ASSETS | 2,221,015 | 2,583,813 | 16 | 2,726,752 | 2,805,172 | 2,851,438 |
| Current Liabilities | | | | | | | |
| 29,180 | Payables | 27,278 | 29,187 | 7 | 31,230 | 33,416 | 35,755 |
| 9,488 | Interest Bearing Liabilities | 11,027 | 6,634 | -40 | 6,764 | 9,048 | 11,398 |
| 17,781 | Employee Benefits | 17,597 | 17,597 | - | 17,597 | 17,597 | 17,597 |
| 15,495 | Other Provisions | 13,911 | 11,050 | -21 | 11,236 | 14,937 | 17,715 |
| 0 | Income Tax Payable | 4,412 | 5,341 | 21 | 6,812 | 8,660 | 9,961 |
| 1,431 | Other | 1,694 | 1,694 | - | 1,694 | 1,694 | 1,694 |
| 73,375 | Total Current Liabilities | 75,919 | 71,503 | -6 | 75,333 | 85,352 | 94,120 |
| Non Current Liabilities | | | | | | | |
| 856,761 | Interest Bearing Liabilities | 784,376 | 1,067,742 | 36 | 1,200,979 | 1,161,931 | 1,190,533 |
| 463 | Employee Benefits | 324 | 324 | - | 324 | 324 | 324 |
| 1,671 | Other Provisions | 1,506 | 1,506 | - | 1,506 | 1,506 | 1,506 |
| 361,452 | Non Current Income Tax Payable | 341,135 | 370,384 | 9 | 372,442 | 406,179 | 411,495 |
| 1,220,347 | Total Non Current Liabilities | 1,127,341 | 1,439,956 | 28 | 1,575,251 | 1,569,940 | 1,603,858 |
| 1,293,722 | TOTAL LIABILITIES | 1,203,260 | 1,511,459 | 26 | 1,650,584 | 1,655,292 | 1,697,978 |
| 1,075,943 | NET ASSETS | 1,017,755 | 1,072,354 | 5 | 1,076,168 | 1,149,880 | 1,153,460 |
| REPRESENTED BY FUNDS | | | | | | | |
| EMPLOYED | | | | | | | |
| 766,672 | Accumulated Funds | 766,672 | 766,672 | - | 766,672 | 766,672 | 766,672 |
| 309,271 | Reserves | 251,083 | 305,682 | 22 | 309,496 | 383,208 | 386,788 |
| 1,075,943 | TOTAL FUNDS EMPLOYED | 1,017,755 | 1,072,354 | 5 | 1,076,168 | 1,149,880 | 1,153,460 |

ACTEW Corporation Cash Flow Statement

| 2008-09 Budget \$'000 | | 2008-09 Est.Outcome \$'000 | 2009-10 Budget \$'000 | Var % | 2010-11 Estimate \$'000 | 2011-12 Estimate \$'000 | 2012-13 Estimate \$'000 |
|-----------------------------|---|----------------------------------|-----------------------------|-------------|-------------------------------|-------------------------------|-------------------------------|
| | CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| | Receipts | | | | | | |
| 9,817 | Cash from Government for Outputs | 9,817 | 10,004 | 2 | 10,195 | 10,390 | 10,650 |
| 224,901 | User Charges | 207,409 | 217,640 | 5 | 252,063 | 293,438 | 310,123 |
| 11,653 | Interest Received | 11,354 | 3,262 | -71 | 4,430 | 4,576 | 5,218 |
| 41,000 | Other Revenue | 52,873 | 74,309 | 41 | 77,400 | 79,915 | 85,254 |
| 287,371 | Operating Receipts | 281,453 | 305,215 | 8 | 344,088 | 388,319 | 411,245 |
| | Payments | | | | | | |
| 3,786 | Related to Employees | 4,053 | 4,386 | 8 | 4,611 | 4,841 | 5,066 |
| 274 | Related to Superannuation | 390 | 409 | 5 | 429 | 450 | 473 |
| 5,393 | Related to Supplies and Services | 7,094 | 5,907 | -17 | 7,145 | 7,183 | 7,463 |
| 39,618 | Borrowing Costs | 39,997 | 45,486 | 14 | 63,934 | 60,750 | 57,925 |
| 139,391 | Other | 139,034 | 140,588 | 1 | 150,891 | 171,853 | 180,069 |
| 188,462 | Operating Payments | 190,568 | 196,776 | 3 | 227,010 | 245,077 | 250,996 |
| 98,909 | NET CASH INFLOW/(OUTFLOW FROM OPERATING ACTIVITIES | 90,885 | 108,439 | 19 | 117,078 | 143,242 | 160,249 |
| | CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| | Receipts | | | | | | |
| 725 | Proceeds from Sale/Maturities of Investments | 2,678 | 0 | -100 | 0 | 0 | 0 |
| 725 | Investing Receipts | 2,678 | 0 | -100 | 0 | 0 | 0 |
| | Payments | | | | | | |
| 161,552 | Purchase of Property, Plant and Equipment and Capital Works | 214,990 | 300,222 | 40 | 258,755 | 40,914 | 31,964 |
| 161,552 | Investing Payments | 214,990 | 300,222 | 40 | 258,755 | 40,914 | 31,964 |
| -160,827 | NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES | -212,312 | -300,222 | -41 | -258,755 | -40,914 | -31,964 |
| | CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| | Receipts | | | | | | |
| 275,000 | Borrowings Received | 200,000 | 250,000 | 25 | 100,000 | 0 | 0 |
| 275,000 | Financing Receipts | 200,000 | 250,000 | 25 | 100,000 | 0 | 0 |
| | Payments | | | | | | |
| 75,507 | Dividends to Government | 74,596 | 58,112 | -22 | 55,996 | 70,986 | 85,798 |
| 9,863 | Repayment of Borrowings | 6,404 | 11,027 | 72 | 6,634 | 76,764 | 9,048 |
| 85,370 | Financing Payments | 81,000 | 69,139 | -15 | 62,630 | 147,750 | 94,846 |
| 189,630 | NET CASH INFLOW/(OUTFLOW FROM FINANCING ACTIVITIES | 119,000 | 180,861 | 52 | 37,370 | -147,750 | -94,846 |
| 127,712 | NET INCREASE/ (DECREASE) IN CASH HELD | -2,427 | -10,922 | -350 | -104,307 | -45,422 | 33,439 |
| 217,093 | CASH AT BEGINNING OF REPORTING PERIOD | 203,664 | 201,237 | -1 | 190,315 | 86,008 | 40,586 |
| 344,805 | CASH AT THE END OF THE REPORTING PERIOD | 201,237 | 190,315 | -5 | 86,008 | 40,586 | 74,025 |

ACTEW Corporation Statement of Changes in Equity

| Budget as at 30/6/09 \$'000 | | Est.Outcome as at 30/6/09 \$'000 | Planned as at 30/6/10 \$'000 | Var % | Planned as at 30/6/11 \$'000 | Planned as at 30/6/12 \$'000 | Planned as at 30/6/13 \$'000 |
|-----------------------------------|--|--|------------------------------------|-----------|------------------------------------|------------------------------------|------------------------------------|
| 1,043,505 | Opening Balance | 1,013,812 | 1,017,755 | .. | 1,072,354 | 1,076,168 | 1,149,880 |
| | Accumulated Funds | | | | | | |
| 0 | Net Effect of a Correction of an Error | 2 | 0 | -100 | 0 | 0 | 0 |
| 76,588 | Operating Result for the Period | 69,556 | 55,250 | -21 | 56,182 | 74,687 | 88,575 |
| | Reserves | | | | | | |
| 32,438 | Increase/(Decrease in asset revaluation reserve | 3,941 | 54,599 | # | 3,814 | 73,712 | 3,580 |
| 109,026 | Total Income And Expense For The Period | 73,499 | 109,849 | 49 | 59,996 | 148,399 | 92,155 |
| | Transactions Involving Equity Holders Affecting Accumulated Funds | | | | | | |
| -76,588 | Dividend Approved | -69,556 | -55,250 | -21 | -56,182 | -74,687 | -88,575 |
| 1,075,943 | Closing Balance | 1,017,755 | 1,072,354 | 5 | 1,076,168 | 1,149,880 | 1,153,460 |

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges — non ACT Government:
 - the decrease of \$16.118 million in the 2008-09 estimated outcome from the original budget is due to the original budget being based on the Independent Competition and Regulatory Commission (ICRC) draft decision while the estimated outcome is based on the ICRC final decision adjusted for stage 3 water restrictions; and
 - the increase of \$7.853 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to the impact of the ICRC final decision;
- user charges — ACT Government:
 - the decrease of \$0.980 million in the 2008-09 estimated outcome from the original budget is due to lower water usage as a result of stage 3 water restrictions; and
 - the increase of \$1.769 million in the 2009-10 Budget from the 2008-09 estimated outcome is a result of the ICRC final decision;
- interest:
 - the decrease of \$0.299 million in the 2008-09 estimated outcome from the original budget is due to lower than expected interest rate levels; and
 - the decrease of \$8.092 million in the 2009-10 Budget from the 2008-09 estimated outcome is a result of expected lower interest rates for the full financial year;

•

employment and superannuation expenses: the increase of \$0.365 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to the retention of staff;

- supplies and services:
 - the increase of \$1.377 million in the 2008-09 estimated outcome compared to the original budget mainly due to a \$1 million endowment payment to the ANU for a perpetual PhD for water sustainability research; and
 - the decrease of \$1.187 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to the one-off ANU endowment payment in 2008-09;
- depreciation and amortisation:
 - the increase of \$0.191 million in the 2008-09 estimated outcome compared to the original budget is due to higher levels of capital expenditure; and
 - the increase of \$4.827 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to higher levels of capital expenditure on the Water Security Major Projects and general capital expenditure;
- borrowing costs: the increase of \$5.489 million in the 2009-10 Budget compared to the 2008-09 estimated outcome is due to a forecast new borrowing of \$200 million in late 2008-09;
- cost of goods sold:
 - the increase of \$3.367 million in the 2008-09 estimated outcome compared to the original budget is mainly due to a \$6 million provision transferring costs incurred for the water purification plant from capital expenditure to operational expenditure. This has been partially offset by a lower water abstraction charge than budgeted due to stage 3 water restrictions; and
 - the decrease of \$0.851 million in 2009-10 Budget from the estimated outcome is due to increased water operating costs offset by the one-off provision for the water purification plant in 2008-09;
- revenue of associates and joint ventures: the increase of \$17.520 million in the 2008-09 estimated outcome compared to the original budget is due to favourable price and volume variances in the ActewAGL Retail partnership plus profit from the sale of ActewAGL House;
- income tax equivalent:
 - the decrease of \$3.463 million in the 2008-09 estimated outcome from the original budget is due to a decrease in expected profit; and
 - the decrease of \$7.046 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to a decrease in the expected profit.

Balance Sheet

- cash and cash equivalents : the decrease of \$143.568 million in the 2008-09 estimated outcome from the original budget is due to a lower level of forecast borrowing (from \$275 million to \$200 million) and a higher level of capital expenditure payments;
- current receivables: the increase of \$9.731 million in the 2008-09 estimated outcome from the original budget reflects higher actual receivables plus the impact of the ICRC final decision;
- non current receivables: the increase of \$40 million in the 2009-10 Budget from the estimated outcome reflects a possible new borrowing for ActewAGL currently under consideration. The proposed structure of the borrowing is for ACTEW to raise the debt facility and on-lend the funds to ActewAGL;
- investments:
 - the increase of \$12.108 million in the 2008-09 estimated outcome compared to the original budget is due to ACTEW holding more non-cash securities than budgeted; and
 - the decrease in the ActewAGL investment in future years is due to higher forecast cash distributions than profit as the Joint Venture is accounted for using the equity method;
- property, plant and equipment:
 - the decrease of \$40.123 million in the 2008-09 estimated outcome compared to the original budget is due to a revaluation of property, plant and equipment now forecast to occur in 2009-10; and
 - the large increase in future years relates to an extensive general and water security major projects capital expenditure program plus forecast revaluations for CPI;
- capital works in progress:
 - the decrease of \$22.594 million in the 2008-09 estimated outcome from the original budget reflects the forecast capitalisation of assets; and
 - the increase of \$170.955 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to expenditure on the water security major projects (enlarged Cotter Dam, Murrumbidgee to Googong transfer and Tantangara transfer) plus the general capital expenditure program;
- current and non current interest bearing liabilities:
 - the decrease of \$70.846 million in the 2008-09 estimated outcome from the original budget is mainly due to a lower level of new borrowing; and
 - the increase of \$278.973 million in 2009-10 Budget from the estimated outcome is from a forecast new borrowing of \$250 million and, subject to the Treasurer's agreement, a \$40 million drawdown for the ActewAGL debt facility, partially offset by repayment of borrowings;
-

Non current income tax payable:

- the decrease of \$20.317 million in the 2008-09 estimated outcome from the original budget is due to no revaluation of ACTEW's property, plant and equipment being undertaken during the year plus a decrease in operating profit before tax; and
- the constant increase in future years is due to revaluations of property, plant and equipment and ACTEW's investment in the ActewAGL Distribution partnership.

Cash Flow Statement

Variations in the statement are mostly explained in the notes above. Other variations include:

- other revenue:
 - the increase of \$11.873 million in the 2008-09 estimated outcome compared to the original budget is due to an increase in ActewAGL profit; and
 - the increase of \$21.436 million in the 2009-10 Budget from the estimated outcome is due to repayment by ActewAGL of borrowings to fund their capital expenditure program.

Statement of Changes in Equity

- dividend approved: the decrease of \$7.032 million in the 2008-09 estimated outcome from the original budget reflects the operating result.