

ACTEW CORPORATION

Objectives

ACTEW Corporation aims to prudently manage public assets to provide sustainable water and wastewater services in the ACT region, to optimise the return on its investments, and to ensure a safe and reliable water supply to the ACT and region. ACTEW also seeks to prudently manage its investments in electricity, gas and telecommunications to ensure appropriate returns.

2008-09 Priorities

Strategic and operational issues to be pursued in 2008-09 include:

- undertaking the detailed planning and construction work associated with enlarging the Cotter Dam to 78 gegalitres capacity;
- undertaking the work necessary to transfer water from the Murrumbidgee River, near Angle Crossing, to Googong Dam;
- progressing arrangements for purchasing water from the Murray Darling Basin, to enable the ACT to secure additional water from a source not largely dependant on local rainfall;
- undertaking detailed design work for a demonstration Water Purification Plant, to be submitted to Government;
- investigating arrangements to offset additional greenhouse gas emissions associated with the operation of the water security projects;
- monitoring the progress of implementing the Water Security Program and regularly reporting to Government - as well as keeping the community informed and engaged;
- managing water restrictions during the ongoing drought and reviewing Permanent Water Conservation Measures;
- achieving greater reliability of supply and efficiency from ACTEW's existing infrastructure;
- 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;
- ensuring capital expenditure is delivered in an efficient and cost effective manner;
- monitoring and reporting on water supply planning assumptions;
- working with the ACT Government to achieve appropriate catchment management governance and administrative arrangements in the Cotter, Googong and Murrumbidgee River catchments;
- continuing the rehabilitation of the lower Cotter catchment to improve water quality in the reservoir;
- continuing to investigate a 'smart metering' pilot program;

- engaging and educating our customers on water related issues, including ACTEW's water supply and demand initiatives;
- continuing ACTEW's contribution to the ACT community by supporting organisations, events and initiatives;
- managing ACTEW's investments in electricity, gas and telecommunications to achieve satisfactory returns; and
- developing strategies to mitigate the impact of current human resource shortages being experienced in the ACT and Australia wide.

Estimated Employment Level

2007-08 Budget		2007-08 Est. Outcome	2008-09 Budget
24	Staffing (FTE)	34	34

Special notes on ACTEW's 2008-09 Budget

- Due to timing, ACTEW's 2008-09 Budget estimates are based on the draft ICRC water and wastewater price review and not the final ICRC water and wastewater price determination, released late April 2008.
- The impact of the final ICRC water and wastewater price determination will be incorporated into ACTEW's 2008-09 Statement of Corporate Intent (SCI).
- Variations in ACTEW's estimated revenue, operating costs and capital expenditure may arise as a result of the final price determination, as well as the prolonged drought, which has led to ACTEW operating in a highly uncertain business setting.
- ACTEW's 2008-09 Budget includes borrowings, in the form of an Indexed Annuity Bond (IAB), of \$300 million in 2007-08 and \$275 million in 2008-09. These borrowings are based on preliminary estimates and will be influenced by:
 - the implications of the final ICRC pricing determination;
 - the final decisions and projects to be incorporated under the Water Security Program; and
 - the applicable dividend policy.
- Capital works associated with the Water Security Program are also incorporated in ACTEW's 2008-09 Budget, and include:
 - the Extended Cotter Dam;
 - the Murrumbidgee to Googong transfer; and
 - designing a Water Purification Plant.
- The Water Security program estimates are indicative, based on the latest available quotes. Firmer cost estimates will be determined during the 2008-09 financial year.

Changes to Appropriation

Changes to Appropriation					
	2007-08	2008-09	2009-10	2010-11	2011-12
Government Payment for Outputs	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2007-08 Budget	9,643	9,837	10,034	10,235	10,235
2008-09 Budget Technical Adjustments					
Revised Indexation of Commonwealth Government					
Funding - Assistance for Water and Sewerage	(10)	(20)	(30)	(40)	155
2008-09 Budget	9,633	9,817	10,004	10,195	10,390

ACTEW Corporation Operating Statement

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
Income							
Revenue							
9,643	Government Payment for Outputs	9,633	9,817	2	10,004	10,195	10,390
179,726	User Charges - Non ACT Government	162,181	195,000	20	211,355	221,661	229,399
28,570	User Charges - ACT Government	24,639	29,299	19	31,582	33,104	34,406
1,718	Interest	2,500	11,653	366	17,232	10,574	8,102
2,709	Other Revenue	2,709	2,740	1	2,791	2,842	2,895
222,366	Total Revenue	201,662	248,509	23	272,964	278,376	285,192
Gains							
6,724	Other Gains	6,724	5,343	-21	5,405	5,884	6,031
6,724	Total Gains	6,724	5,343	-21	5,405	5,884	6,031
229,090	Total Income	208,386	253,852	22	278,369	284,260	291,223
Expenses							
3,673	Employee Expenses	4,195	4,600	10	4,851	5,084	5,325
349	Superannuation Expenses	233	274	18	289	303	315
5,281	Supplies and Services	5,320	5,717	7	7,063	7,191	7,464
29,982	Depreciation and Amortisation	29,757	32,100	8	33,954	39,763	40,528
26,106	Borrowing Costs	24,307	39,618	63	55,725	55,170	54,336
104,535	Cost of Goods Sold	101,913	113,638	12	116,764	120,426	124,020
5,116	Other Expenses	5,116	5,125	..	5,395	5,649	5,930
175,042	Total Ordinary Expenses	170,841	201,072	18	224,041	233,586	237,918
55,483	Share of Operating Result from Joint Venture accounted for using the Equity Method	68,700	61,530	-10	61,555	56,505	59,415
109,531	Operating Result From Ordinary Activities	106,245	114,310	8	115,883	107,179	112,720
36,145	Income Tax Equivalent	35,061	37,722	8	38,241	35,369	37,198
73,386	Operating Result	71,184	76,588	8	77,642	71,810	75,522

**ACTEW Corporation
Balance Sheet**

Budget as at 30/6/08 \$'000		Est.Outcome as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Var %	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000
Current Assets							
32,565	Cash and Cash Equivalents	217,093	344,805	59	162,834	116,673	78,604
27,926	Receivables	28,267	29,681	5	31,164	32,722	34,359
18,114	Other	17,525	17,525	-	17,525	17,525	17,525
78,605	Total Current Assets	262,885	392,011	49	211,523	166,920	130,488
Non Current Assets							
559,565	Investments	443,013	470,313	6	495,510	513,423	539,632
1,248,069	Property, Plant and Equipment	1,245,151	1,298,080	4	1,422,213	1,731,525	1,795,314
86,960	Capital Works in Progress	73,817	195,252	165	279,151	47,902	49,002
31,662	Tax Assets	13,234	13,234	-	13,234	13,234	13,234
443	Other	775	775	-	775	775	775
1,926,699	Total Non Current Assets	1,775,990	1,977,654	11	2,210,883	2,306,859	2,397,957
2,005,304	TOTAL ASSETS	2,038,875	2,369,665	16	2,422,406	2,473,779	2,528,445
Current Liabilities							
20,929	Payables	27,517	29,180	6	33,127	35,032	36,802
12,205	Interest Bearing Liabilities	9,863	9,488	-4	8,470	9,702	12,183
18,446	Employee Benefits	17,781	17,781	-	17,781	17,781	17,781
15,778	Other Provisions	14,414	15,495	7	15,705	14,539	15,282
0	Other	1,431	1,431	-	1,431	1,431	1,431
67,358	Total Current Liabilities	71,006	73,375	3	76,514	78,485	83,479
Non Current Liabilities							
414,741	Interest Bearing Liabilities	591,249	856,761	45	848,291	838,589	826,406
1,769	Employee Benefits	463	463	-	463	463	463
835	Other Provisions	1,671	1,671	-	1,671	1,671	1,671
373,472	Non Current Income Tax Payable	330,981	361,452	9	383,165	401,355	420,386
790,817	Total Non Current Liabilities	924,364	1,220,347	32	1,233,590	1,242,078	1,248,926
858,175	TOTAL LIABILITIES	995,370	1,293,722	30	1,310,104	1,320,563	1,332,405
1,147,129	NET ASSETS	1,043,505	1,075,943	3	1,112,302	1,153,216	1,196,040
REPRESENTED BY FUNDS EMPLOYED							
784,404	Accumulated Funds	766,672	766,672	-	766,672	766,672	766,672
362,725	Reserves	276,833	309,271	12	345,630	386,544	429,368
1,147,129	TOTAL FUNDS EMPLOYED	1,043,505	1,075,943	3	1,112,302	1,153,216	1,196,040

**ACTEW Corporation
Cash Flow Statement**

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
9,643	Cash from Government for Outputs	9,633	9,817	2	10,004	10,195	10,390
209,553	User Charges	187,053	224,901	20	243,519	255,324	264,339
1,718	Interest Received	2,500	11,653	366	17,232	10,574	8,102
41,000	Other Revenue	56,500	41,000	-27	43,500	46,000	41,000
261,914	Operating Receipts	255,686	287,371	12	314,255	322,093	323,831
Payments							
4,022	Related to Employees	3,868	4,060	5	3,704	3,857	3,900
4,886	Related to Supplies and Services	6,151	5,393	-12	7,304	7,466	7,886
26,106	Borrowing Costs	25,331	39,618	56	55,725	55,170	54,336
126,999	Other	122,648	139,391	14	151,518	160,138	166,018
162,013	Operating Payments	157,998	188,462	19	218,251	226,631	232,140
99,901	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	97,688	98,909	1	96,004	95,462	91,691
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
770	Proceeds from Sale/Maturities of Investments	17,116	725	-96	725	725	725
770	Investing Receipts	17,116	725	-96	725	725	725
Payments							
75,621	Purchase of Property, Plant and Equipment	73,000	161,552	121	191,781	60,902	46,002
75,621	Investing Payments	73,000	161,552	121	191,781	60,902	46,002
-74,851	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-55,884	-160,827	-188	-191,056	-60,177	-45,277
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
60,000	Borrowings Received	300,000	275,000	-8	0	0	0
60,000	Financing Receipts	300,000	275,000	-8	0	0	0
Payments							
71,376	Dividends to Government	70,683	75,507	7	77,431	72,976	74,781
11,434	Repayment of Borrowings	77,267	9,863	-87	9,488	8,470	9,702
82,810	Financing Payments	147,950	85,370	-42	86,919	81,446	84,483

**ACTEW Corporation
Cash Flow Statement**

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
-22,810	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	152,050	189,630	25	-86,919	-81,446	-84,483
2,240	NET INCREASE/(DECREASE) IN CASH HELD	193,854	127,712	-34	-181,971	-46,161	-38,069
30,325	CASH AT BEGINNING OF REPORTING PERIOD	23,239	217,093	834	344,805	162,834	116,673
32,565	CASH AT THE END OF THE REPORTING PERIOD	217,093	344,805	59	162,834	116,673	78,604

ACTEW Corporation
Statement of Changes in Equity

Budget as at 30/6/08 \$'000		Est.Outcome as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Var %	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000
1,147,129	Opening Balance	1,013,230	1,043,505	3	1,075,943	1,112,302	1,153,216
	Accumulated Funds						
0	Net Effect of a Correction of an Error	2	0	-100	0	0	0
73,386	Operating Result for the Period	71,184	76,588	8	77,642	71,810	75,522
	Reserves						
0	Increase/(Decrease) in asset revaluation reserve	30,273	32,438	7	36,359	40,914	42,824
73,386	Total Income And Expense For The Period	101,459	109,026	7	114,001	112,724	118,346
	Transactions Involving Equity Holders Affecting Accumulated Funds						
-73,386	Dividend Approved	-71,184	-76,588	8	-77,642	-71,810	-75,522
1,147,129	Closing Balance	1,043,505	1,075,943	3	1,112,302	1,153,216	1,196,040

Notes to Budget Statements

Significant variations are as follows:

Operating Statement

- user charges - non ACT Government:
 - the decrease of \$17.545 million in the 2007-08 estimated outcome from the original budget is due to lower water usage as a result of Stage 3 water restrictions; and
 - the increase of \$32.819 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects the price assumptions under the draft ICRC price determination. This does not include an allowance for lower water revenue if Stage 3 water restrictions continue.
- user charges - ACT Government:
 - the decrease of \$3.931 million in the 2007-08 estimated outcome from the original budget is due to lower water usage as a result of Stage 3 water restrictions; and
 - the increase of \$4.660 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects the price assumptions under the draft ICRC price determination.
- interest:
 - the increase of \$0.782 million in the 2007-08 estimated outcome from the original budget is due to higher than expected levels of cash and cash equivalents held during the year; and

- the increase of \$9.153 million in the 2008-09 Budget from the 2007-08 estimated outcome is due to higher levels of cash and cash equivalents resulting from new borrowings (\$300 million IAB).
- employment and superannuation expenses: the increase of \$0.406 million in the 2007-08 estimated outcome from the original budget is due to the employment of additional staff for the water security projects as well as increased cost involved in retaining existing staff in a competitive labour market.
- supplies and services: the increase of \$0.397 million in the 2008-09 Budget compared to the 2007-08 estimated outcome is due to higher legal expenses.
- borrowing costs: the increase of \$15.311 million in the 2008-09 Budget compared to the 2007-08 estimated outcome is due to ACTEW's new borrowings.
- depreciation and amortisation:
 - the decrease of \$0.225 million in the 2007-08 estimated outcome compared to the original budget is due to a lower than expected revaluation of property, plant and equipment; and
 - the increase of \$2.343 million in the 2007-08 Budget from the 2007-08 estimated outcome is due to annual revaluations of property, plant and equipment, as well as increased levels of capital expenditure.
- cost of goods sold:
 - the decrease of \$2.622 million in the 2007-08 estimated outcome compared to the original budget is mainly due to lower water usage leading to smaller than budgeted Water Abstraction expenditure, as well as delays in expenditure for the Lower Cotter Catchment remediation project, partially offset by increased water pumping costs from the Cotter and Murrumbidgee River; and
 - the increase of \$11.725 million in the 2008-09 Budget from the 2007-08 estimated outcome is due to increased water operating costs, as derived from the draft ICRC water and wastewater price review.
- revenue of associates and joint ventures: the increase of \$13.217 million in the 2007-08 estimated outcome compared to the original budget is due to favourable price and volume variances in the ActewAGL JV Retail partnership.
- income tax equivalent: the decrease of \$1.084 million in the 2007-08 estimated outcome from the original budget is due to a slightly lower profit result.

Balance Sheet

- cash and cash equivalents: the increase of \$184.528 million in the 2007-08 estimated outcome from the original budget is due to new borrowings (\$300 million IAB), partially offset by repayment of the commercial paper (\$65 million) and prior year budgeted borrowings (\$60 million).
- current receivables: the increase of \$0.341 million in the 2007-08 estimated outcome from the original budget reflects the increase in water and wastewater prices as per the 2007-08 ICRC price determination.

- investments:
 - the decrease of \$116.552 million in the 2007-08 estimated outcome compared to the original budget is due to ACTEW only revaluing the investment in the ActewAGL Distribution Partnership. The investment in the ActewAGL Retail Partnership was not revalued, resulting in a lower total revaluation; and
 - the increase of \$27.3 million in the 2008-09 Budget from the 2007-08 estimated outcome is due to an increase in the value of the ActewAGL Distribution Partnership.
- property, plant and equipment:
 - the decrease of \$2.918 million in the 2007-08 estimated outcome compared to the original budget is due to a lower revaluation outcome than budgeted, partially offset by an increase in forecast capitalised assets, leading to a decrease in capital works in progress; and
 - the increase of \$52.929 million in the 2008-09 Budget from the 2007-08 estimated outcome is due to anticipated capital works, including the Water Security Program and an annual revaluation using CPI.
- capital works in progress:
 - the decrease of \$13.143 million in the 2007-08 estimated outcome compared to the original budget is mainly due to minor delays in the Lower Molonglo Treatment Works project; and
 - the increase of \$121.435 million in the 2008-09 Budget from the 2007-08 estimated outcome is due to expenditure on the Water Security Program (extended Cotter dam, Murrumbidgee to Googong transfer and design of a water purification plant) plus anticipated capital works, as per the draft ICRC water and wastewater pricing review.
- interest bearing liabilities:
 - the increase of \$176.508 million in the 2007-08 estimated outcome from the original budget is due to new borrowings; and
 - the increase of \$265.512 million in the 2008-09 Budget from the estimated outcome is due to new borrowings (\$275 million IAB).
- non-current tax liability:
 - the decrease of \$42.491 million in the 2007-08 estimated outcome from the original budget is due to ACTEW only revaluing the investment in the ActewAGL Distribution Partnership as noted above; and
 - the increase of \$30.471 million in the 2008-09 Budget from the estimated outcome is due to an annual revaluation of property, plant and equipment and of ACTEW's investment in the ActewAGL Distribution Partnership.

Statement of Changes in Equity

- dividend approved: the decrease of \$2.202 million in the 2007-08 estimated outcome compared to the original budget is due to a lower than budgeted operating result as noted above.