

ACTEW CORPORATION

Objectives

The objectives of ACTEW Corporation are to supply the essential services of energy, water and waste water treatment facilities to the ACT community, efficiently promote and manage the use of energy and water, and to develop a new service, an ACT Telecommunications network.

There are also a number of wholly-owned subsidiary companies of the Corporation which are involved in related business activities, such as environmental services, bulk electricity retailing and marketing, and new business development.

ACTEW's business strategy is to establish and develop a profitable and sustainable position in its core business activities and in new business initiatives where ACTEW has expertise to market.

Nationwide micro-economic reforms mean that ACTEW will be operating in a highly uncertain business environment over the years ahead. Trends and developments that will affect ACTEW include:

- the competitive national energy market as the gas and electricity markets are fully opened up to competition and new energy suppliers emerge which will affect gross margins;
- low population growth in the ACT; and
- stringent environmental protection legislation.

The continuing structural development of ACTEW is aimed at:

- positioning ACTEW's business to compete in competitive energy markets; and
- facilitating greater transparency, accountability and performance measurement to the community and shareholders.

The budget for 1999-2000 and forward years are preliminary indicative financial outcomes and have not yet been approved by the Corporation's Board of Directors. They are draft budgets which are a reasonable reflection of the expected outcomes.

1999-2000 Highlights

Strategic and operational issues to be pursued in 1999-2000 include:

- implementing the recommendations of the Independent Pricing and Regulatory Commission;
- maximising sustainable returns for shareholders, consistent with pricing which delivers value to customers;
- actively seeking partners who can provide benefits including economies of scale and reduced risks;
- ensuring a competitive position through rigorous cost control by re-engineering core operating activities and reducing costs by a further 5% in real terms;

- increasing revenues by developing new products and services to meet identified customer needs and to commercialise new, but related, market niches and products such as TransAct and CRANOS;
- rolling out broad-band fibre-optic cable to 50% of the ACT;
- increasing from 50 to 150 hectares, the area of land irrigated by recycled water and to investigate regional water and sewerage business opportunities; and
- ensuring at least 2,500 residences are powered by renewable GreenChoice energy and to initiate at least one solar demonstration plant.

Budget Summary	1999-2000 Planned \$'000
Revenues	
• Payment for Community Service Obligations from DECS	7 839
• Payment for National Capital Planning Influences ¹	8 124
• User charges - non ACT Government (Sales)	300 744
• User charges - ACT Government (Sales)	17 230
• Other	11 017
Services	
• Cost of goods sold	108 441
• Administrative expenses (operating and asset management costs)	52 849
• Other (including: employee expenses, depreciation and interest)	115 825

1. Paid through the Chief Minister's Department to compensate for additional costs resulting from the National Capital Planning Influences on the provision of water and sewerage services.

ACTEW Corporation Operating Statement

1998-99 Budget		1998-99 Est.Outcom e \$'000	1999-00 Budget \$'000	Var %	2000-01 Estimate \$'000	2001-02 Estimate \$'000	2002-03 Estimate \$'000
Revenue							
289 080	User Charges - Non ACT Government	284 707	300 744	6	311 760	326 151	339 158
30 886	User Charges - ACT Government	32 702	33 193	2	33 615	34 000	34 262
1 800	Interest	2 400	1 500	-37	1 114	984	1 318
11 214	Other Revenue	10 734	9 517	-11	9 897	10 677	10 177
332 980	Total Revenue	330 543	344 954	4	356 386	371 812	384 915
Expenses							
58 600	Employee Expenses	52 334	49 100	-6	48 500	47 900	47 900
6 000	Superannuation Expenses	7 538	7 000	-7	6 900	6 800	6 800
36 685	Administrative Expenses	48 128	52 849	10	52 425	53 663	56 412
47 120	Depreciation and Amortisation	47 672	49 095	3	52 337	53 635	54 639
10 492	Interest	8 884	7 627	-14	26 212	26 197	25 732
103 594	Cost of Goods Sold	99 493	108 441	9	112 623	122 329	127 000
4 550	Other Expenses	2 499	3 003	20	3 037	3 068	3 099
267 041	Total Expenses	266 548	277 115	4	302 034	313 592	321 582
65 939	Operating Result Before Extraordinary Items	63 995	67 839	6	54 352	58 220	63 333
20 318	Income Tax Equivalent	19 571	21 188	8	16 201	17 316	19 341
45 621	Operating Result	44 424	46 651	5	38 151	40 904	43 992
1 177 872	Accumulated Funds - Start of Period	1 177 873	1 177 873	-	877 873	877 873	877 873
0	Distributions to Government	0	300 000	-	0	0	0
45 622	Dividend Declared	44 424	46 651	5	38 151	40 904	43 992
1 177 871	Accumulated Funds - End of Period	1 177 873	877 873	-25	877 873	877 873	877 873

ACTEW Corporation
Statement Of Financial Position

Budget as at 30/6/99 \$'000		Est.Outcome as at 30/6/99 \$'000	Planned as at 30/6/00 \$'000	Var %	Planned as at 30/6/01 \$'000	Planned as at 30/6/02 \$'000	Planned as at 30/6/03 \$'000
Current Assets							
6 197	Cash	4 761	2 000	-58	2 000	2 000	2 000
54 190	Receivables	55 089	57 447	4	58 155	58 865	60 248
6 500	Investments	14 000	20 279	45	17 683	24 369	35 152
7 010	Inventories	5 660	5 985	6	6 135	6 253	6 379
1 244	Other	2 155	1 905	-12	1 953	1 990	2 030
75 141	Total Current Assets	81 665	87 616	7	85 926	93 477	105 809
Non Current Assets							
7 523	Investments	7 099	5 670	-20	5 670	5 670	5 670
1 433 881	Property, Plant and Equipment	1 291 957	1 311 954	2	1 340 218	1 347 822	1 352 471
0	Intangibles	57	54	-5	51	48	45
23 541	Capital Works in Progress	28 014	31 539	13	31 539	31 539	31 539
56	Other	55	55	-	55	55	55
1 465 001	Total Non Current Assets	1 327 182	1 349 272	2	1 377 533	1 385 134	1 389 780
1 540 142	TOTAL ASSETS	1 408 847	1 436 888	2	1 463 459	1 478 611	1 495 589
Current Liabilities							
25 167	Creditors	20 768	21 147	2	21 351	22 092	22 806
4 092	Borrowings	4 092	4 092	-	4 092	4 092	4 092
9 339	Employee Entitlements	11 072	9 984	-10	10 275	10 578	10 893
9 255	Other Provisions	9 485	9 930	5	8 230	8 781	9 398
2 000	Other	2 150	1 150	-47	1 817	2 150	2 150
49 853	Total Current Liabilities	47 567	46 303	-3	45 765	47 693	49 339
Non Current Liabilities							
197 216	Borrowings	73 216	388 088	430	398 996	394 904	390 812
10 000	Employee Entitlements	13 500	11 500	-15	11 500	11 500	11 500
85 640	Other Provisions	82 657	99 090	20	115 291	132 607	152 031
292 856	Total Non Current Liabilities	169 373	498 678	194	525 787	539 011	554 343
342 709	TOTAL LIABILITIES	216 940	544 981	151	571 552	586 704	603 682
1 197 433	NET ASSETS	1 191 907	891 907	-25	891 907	891 907	891 907
REPRESENTED BY FUNDS EMPLOYED							
1 177 871	Accumulated Funds	1 177 873	877 873	-25	877 873	877 873	877 873
19 562	Reserves	14 034	14 034	-	14 034	14 034	14 034
1 197 433	TOTAL FUNDS EMPLOYED	1 191 907	891 907	-25	891 907	891 907	891 907

**ACTEW Corporation
Cashflow Statement**

1998-99 Budget		1998-99 Est.Outcom ^e \$'000	1999-00 Budget \$'000	Var %	2000-01 Estimate \$'000	2001-02 Estimate \$'000	2002-03 Estimate \$'000
17 800	CASH AT BEGINNING OF REPORTING PERIOD	18 942	18 761	-1	22 279	19 683	26 369
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
323 787	User Charges	334 139	337 680	1	348 768	363 963	375 647
1 700	Interest Received	2 300	1 500	-35	1 114	984	1 318
325 487	Operating Receipts	336 439	339 180	1	349 882	364 947	376 965
	Payments						
65 000	Related to Employees	59 872	56 100	-6	55 400	54 700	54 700
42 653	Related to Administration	52 716	55 871	6	52 295	53 338	56 377
10 492	Finance Costs	8 894	7 627	-14	26 212	26 197	25 732
105 117	Other	101 493	110 441	9	114 629	124 344	129 023
223 262	Operating Payments	222 975	230 039	3	248 536	258 579	265 832
102 225	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	113 464	109 141	-4	101 346	106 368	111 133
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
2 400	Proceeds from Sale of Property, Plant & Equipment	14 000	2 000	-86	2 000	2 000	2 000
500	Proceeds from Sale/Maturities of Investments	1 063	0	-100	0	0	0
2 900	Investing Receipts	15 063	2 000	-87	2 000	2 000	2 000
	Payments						
157 639	Purchase of Property, Plant and Equipment	48 887	77 325	58	76 999	57 236	54 884
0	Purchase of Investments	2 000	0	-100	0	0	0
157 639	Investing Payments	50 887	77 325	52	76 999	57 236	54 884
-154 739	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-35 824	-75 325	-110	-74 999	-55 236	-52 884
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
100 000	Borrowings Received	0	320 000	-	15 000	0	0
100 000	Financing Receipts	0	320 000	-	15 000	0	0
	Payments						
0	Distributions to Government	0	300 000	-	0	0	0
48 497	Dividends to Government	48 729	46 206	-5	39 851	40 354	43 374
4 092	Repayment of Borrowings	29 092	4 092	-86	4 092	4 092	4 092
52 589	Financing Payments	77 821	350 298	350	43 943	44 446	47 466
47 411	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	-77 821	-30 298	61	-28 943	-44 446	-47 466
-5 103	NET INCREASE/(DECREASE) IN CASH HELD	-181	3 518	#	-2 596	6 686	10 783

**ACTEW Corporation
Cashflow Statement**

1998-99 Budget		1998-99 Est.Outcom e	1999-00 Budget	Var	2000-01 Estimate	2001-02 Estimate	2002-03 Estimate
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
12 697	CASH AT THE END OF THE REPORTING PERIOD	18 761	22 279	19	19 683	26 369	37 152

Notes to the Budget Statements

Operating Statement

ACTEW has undergone a review, which reported on the options for its future structure and ownership arrangements for the business. The Legislative Assembly has decided that ACTEW is to remain in public hands. As a result, a \$300m capital return to the government is provided for in June 2000 and this is reflected in the financial statements.

The budget includes operating income, expenses and capital expenditure on environmental projects and business development activities such as CRANOS and TransAct:

- environmental projects include two mini hydro electrical generation plants and waste-water effluent reuse schemes;
- CRANOS is a waste water recycling plant which converts waste water into a resource which can be used for irrigating parks, playing fields and golf courses. ACTEW is marketing the product both locally and internationally; and
- TransAct is a fibre-optic network that aims to provide Telephone, Pay TV, Advanced Video Services and High Speed Internet services to the ACT. A trial is underway in Aranda, ACT with a full rollout in the ACT programmed to begin in 1999-2000. ACTEW is seeking business partners and this budget is put together on the assumption that ACTEW will retain a 30% interest in the project.

ACTEW will receive funding of \$7.839m in 1999-2000 for the provision of Community Service Obligations. This includes:

- \$5.5m for pensioner rebates for electricity, water and sewerage;
- \$1.403m for half the cost of additional flushing units (above two units) for schools, churches, hospitals and benevolent or charitable institutions;
- \$0.9m for half the cost of water use (over 300kL) for schools, churches and ecclesiastical establishments; and
- \$0.036m for land granted on lease under the former *Church Lands Leases Act 1924-32*.

Significant variations are as follows:

- user charges (business revenues): increase by \$16.037m in 1999-2000 mainly due to:
 - electricity retail increasing its share of interstate sales by approximately \$10m while margins are declining with increased competition; and
 - the Independent Pricing and Regulatory Commission (IPARC) determinations which allow for CPI increases in tariffs for regulated activities. This has increased water and sewerage sales by approximately \$6m;
- user charges (business revenues): increase in the forward years due to higher interstate electricity sales, increases in water and sewerage sales and the commercialisation of business development such as CRANOS and in particular TransAct. Revenue from these projects is budgeted to be realised in 1999-2000;
- administrative and other expenses: mainly consist of maintenance and operational costs for running infrastructure assets. These core operating expenses are budgeted to decrease each

year from 1999-2000. Core operating expenses have decreased by 19% in real terms since 1996-97 and are planned to be reduced by a further 5% in 1999-2000. Further real reductions have been provided for in future years. The decrease in core operating expenses have been offset by the commercialisation and operational expenses of CRANOS and TransAct;

- employee expenses: are decreasing as ACTEW becomes more efficient by eliminating non value adding activities through restructuring and consolidating its operations;
- cost of goods sold: the increase is due to expansion of electricity sales to other states and input costs increase;
- interest expenses: the increase of \$18.580m in 2000-01 relates to the borrowing to pay for the \$300m capital repatriation; and
- depreciation: the increase is due to CRANOS and TransAct assets.

Statement of Financial Position

Significant variations are as follows:

- current assets: increase due to increased core sales and from business development activities, in particular the TransAct project;
- non current assets: increase due to the capital expenditure program and the construction of the TransAct fibre-optic Telecommunications network; and
- liabilities: increase due to borrowings to fund the capital repatriation and the construction of the TransAct Telecommunications network. Shareholders funds remain unchanged as all profits are paid out as dividends.

