

ACTEW CORPORATION

Purpose

To manage our business in accordance with sound environmental principles and practices in order to maximise the efficiency and reliability of the supply of water and sewerage services to the ACT and region and to provide our shareholders with an acceptable return on their investment.

2011-12 Priorities

Strategic and operational issues to be pursued in 2011-12 include:

- completing construction of the Enlarged Cotter Dam and Murrumbidgee to Googong Water Transfer projects;
- assisting the ACT Government to finalise the intergovernmental agreement on water trading between the ACT and NSW, and to finalise the commercial agreement between ACTEW and Snowy Hydro Limited for the Tantangara Transfer project;
- continuing to advise and work with the ACT Government to achieve an appropriate sustainable diversion limit for the ACT in the Murray Darling Basin Plan;
- implementing recommendations of the Canberra Sewerage Strategy 2010-2060 including the development of strategic plans for the Fyshwick Sewerage Treatment Plant and the Lower Molonglo Water Quality Control Centre;
- continuing the development of strategies to address new environmental legislative requirements and a greenhouse gas abatement strategy for the water business;
- continuing the development of the 2013-18 pricing submission for consideration by the Independent Competition and Regulatory Commission;
- returning an enhanced Cotter Precinct to the community following completion of the Enlarged Cotter Dam;
- contributing to the review being undertaken by the ACT Government of *Think water, act water*;
- completing a review of water restrictions and conservation measures and presenting the findings to the ACT Government;
- continuing active management of ACTEW's investments in electricity, gas and telecommunications;
- maintaining liquidity levels through borrowings while maintaining an acceptable level of gearing; and
- continuing ACTEW's contribution to the ACT community through responsibly supporting community organisations, events and initiatives.

Estimated Employment Level

2009-10 Actual Outcome	2010-11 Budget	2010-11 Est. Outcome	2011-12 Budget
40 Staffing (FTE)	43	41	42

Changes to Appropriation

Changes to Appropriation - Controlled

Government Payment for Outputs	2010-11 Est. Out. \$'000	2011-12 Budget \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000	2014-15 Estimate \$'000
2010-11 Budget	10,195	10,390	10,587	10,788	10,788
2011-12 Budget Technical Adjustment					
Revised Indexation - Assistance for Water and Sewerage Services	-	-	-	-	205
2011-12 Budget	10,195	10,390	10,587	10,788	10,993

**ACTEW Corporation
Operating Statement**

2010-11 Budget \$'000		2010-11 Est.Outcome \$'000	2011-12 Budget \$'000	Var %	2012-13 Estimate \$'000	2013-14 Estimate \$'000	2014-15 Estimate \$'000
Income							
Revenue							
10,195	Government Payment for Outputs	10,195	10,390	2	10,587	10,788	10,993
203,946	User Charges - Non ACT Government	196,627	256,898	31	276,235	297,514	309,842
32,207	User Charges - ACT Government	25,312	34,142	35	36,084	43,481	43,821
8,750	Interest	10,772	9,596	-11	7,757	7,757	8,808
3,043	Other Revenue	3,036	3,190	5	3,253	3,317	3,383
258,141	Total Revenue	245,942	314,216	28	333,916	362,857	376,847
Gains							
0	Total Gains	0	0	-	0	0	0
258,141	Total Income	245,942	314,216	28	333,916	362,857	376,847
Expenses							
5,306	Employee Expenses	5,277	5,576	6	5,837	6,157	6,428
651	Superannuation Expenses	444	464	5	485	506	529
7,255	Supplies and Services	6,863	7,631	11	7,122	7,056	6,916
37,358	Depreciation and Amortisation	31,779	35,165	11	38,061	38,574	39,942
62,821	Borrowing Costs	58,072	74,637	29	82,468	82,825	82,982
125,799	Cost of Goods Sold	120,655	133,184	10	137,188	148,756	154,129
5,622	Other Expenses	5,564	5,703	2	5,846	5,992	6,141
244,812	Total Ordinary Expenses	228,654	262,360	15	277,007	289,866	297,067
74,161	Share of Operating Result from Joint Venture accounted for using the Equity Method	74,689	76,713	3	79,703	80,067	80,141
87,490	Operating Result From Ordinary Activities	91,977	128,569	40	136,612	153,058	159,921
27,107	Income Tax Equivalent	30,753	39,808	29	42,172	47,283	49,456
60,383	Operating Result	61,224	88,761	45	94,440	105,775	110,465
8,984	Inc/Dec in Asset Revaluation Reserve Surpluses	0	0	-	0	0	0
8,984	Total Other Comprehensive Income	0	0	-	0	0	0
69,367	Total Comprehensive Income	61,224	88,761	45	94,440	105,775	110,465

**ACTEW Corporation
Balance Sheet**

Budget as at 30/6/11 \$'000		Est.Outcome as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000	Var %	Planned as at 30/6/13 \$'000	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000
Current Assets							
239,782	Cash and Cash Equivalents	280,398	99,653	-64	52,416	74,585	54,026
41,807	Receivables	40,433	43,262	7	46,293	49,536	53,005
18,459	Other	19,493	19,493	-	19,493	19,493	19,493
300,048	Total Current Assets	340,324	162,408	-52	118,202	143,614	126,524
Non Current Assets							
555,658	Investments	516,421	561,834	9	590,887	609,754	620,195
1,453,185	Property, Plant and Equipment	1,323,988	1,715,632	30	1,861,367	1,872,834	1,884,542
31,507	Intangibles	24,463	24,463	-	24,463	24,463	24,463
503,142	Capital Works in Progress	358,929	184,257	-49	59,077	59,077	59,077
21,117	Tax Assets	18,131	18,131	-	18,131	18,131	18,131
2,564,609	Total Non Current Assets	2,241,932	2,504,317	12	2,553,925	2,584,259	2,606,408
2,864,657	TOTAL ASSETS	2,582,256	2,666,725	3	2,672,127	2,727,873	2,732,932
Current Liabilities							
68,419	Payables	62,578	32,540	-48	34,167	33,833	35,932
13,372	Interest Bearing Liabilities	13,341	15,095	13	16,707	18,649	20,785
19,156	Employee Benefits	20,202	20,202	-	20,202	20,202	20,202
12,077	Other Provisions	12,245	17,752	45	18,887	21,156	22,095
5,546	Income Tax Payable	8,967	8,320	-7	7,425	8,715	9,364
5,536	Other	2,194	2,194	-	2,194	2,194	2,194
124,106	Total Current Liabilities	119,527	96,103	-20	99,582	104,749	110,572
Non Current Liabilities							
1,283,725	Interest Bearing Liabilities	1,205,298	1,311,605	9	1,306,391	1,349,488	1,340,305
34	Employee Benefits	82	82	-	82	82	82
1,579	Other Provisions	1,352	1,352	-	1,352	1,352	1,352
379,725	Non Current Income Tax Payable	313,957	315,543	1	322,680	330,162	338,581
1,665,063	Total Non Current Liabilities	1,520,689	1,628,582	7	1,630,505	1,681,084	1,680,320
1,789,169	TOTAL LIABILITIES	1,640,216	1,724,685	5	1,730,087	1,785,833	1,790,892
1,075,488	NET ASSETS	942,040	942,040	-	942,040	942,040	942,040
REPRESENTED BY FUNDS EMPLOYED							
766,670	Accumulated Funds	766,670	766,670	-	766,670	766,670	766,670
308,818	Reserves	175,370	175,370	-	175,370	175,370	175,370
1,075,488	TOTAL FUNDS EMPLOYED	942,040	942,040	-	942,040	942,040	942,040

ACTEW Corporation
Cash Flow Statement

2010-11 Budget \$'000		2010-11 Est.Outcome \$'000	2011-12 Budget \$'000	Var %	2012-13 Estimate \$'000	2013-14 Estimate \$'000	2014-15 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
10,195	Cash from Government for Outputs	10,195	10,390	2	10,587	10,788	10,993
236,462	User Charges	222,330	291,398	31	312,542	341,070	353,578
8,750	Interest Received	10,772	9,596	-11	7,757	7,757	8,808
39,154	Other Revenue	40,311	31,302	-22	50,651	61,199	69,700
294,561	Operating Receipts	283,608	342,686	21	381,537	420,814	443,079
	Payments						
5,787	Related to Employees	5,277	5,576	6	5,837	6,157	6,428
651	Related to Superannuation	444	464	5	485	506	529
8,276	Related to Supplies and Services	5,285	4,990	-6	4,942	4,703	5,137
62,848	Borrowing Costs	58,072	74,637	29	82,468	82,825	82,982
160,241	Other	166,951	178,682	7	179,310	193,648	200,337
237,803	Operating Payments	236,029	264,349	12	273,042	287,839	295,413
56,758	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	47,579	78,337	65	108,495	132,975	147,666
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
0	Proceeds from Sale/Maturities of Investments	3,000	0	-100	0	0	0
0	Investing Receipts	3,000	0	-100	0	0	0
	Payments						
348,479	Purchase of Property, Plant and Equipment and Capital Works	265,963	283,889	7	58,827	52,338	51,649
348,479	Investing Payments	265,963	283,889	-7	58,827	52,338	51,649
-348,479	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-262,963	-283,889	-8	-58,827	-52,338	-51,649
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
300,000	Borrowings Received	300,000	180,000	-40	0	50,000	0
300,000	Financing Receipts	300,000	180,000	-40	0	50,000	0
	Payments						
65,883	Dividends to Government	65,744	83,254	27	93,303	103,507	109,528
10,577	Repayment of Borrowings	2,795	71,939	#	3,602	4,961	7,048
76,460	Financing Payments	68,539	155,193	126	96,905	108,468	116,576
223,540	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	231,461	24,807	-89	-96,905	-58,468	-116,576
-68,181	NET INCREASE/ (DECREASE) IN CASH HELD	16,077	-180,745	#	-47,237	22,169	-20,559
307,962	CASH AT BEGINNING OF REPORTING PERIOD	264,321	280,398	6	99,653	52,416	74,585
239,781	CASH AT THE END OF THE REPORTING PERIOD	280,398	99,653	-64	52,416	74,585	54,026

ACTEW Corporation
Statement of Changes in Equity

Budget as at 30/6/11 \$'000		Est.Outcome as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000	Var %	Planned as at 30/6/13 \$'000	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000
	Opening Equity						
766,670	Opening Accumulated Funds	766,670	766,670	-	766,670	766,670	766,670
292,194	Opening Asset Revaluation Reserve	166,528	166,528	-	166,528	166,528	166,528
7,640	Opening Other Reserve	8,842	8,842	-	8,842	8,842	8,842
1,066,504	Balance at the Start of the Reporting Period	942,040	942,040	-	942,040	942,040	942,040
	Comprehensive Income						
60,383	Operating Result for the Period	61,224	88,761	45	94,440	105,775	110,465
8,984	Increase/(Decrease) in Asset Revaluation Reserve Surpluses	0	0	-	0	0	0
69,367	Total Comprehensive Income	61,224	88,761	45	94,440	105,775	110,465
0	Total Movement In Reserves	0	0	-	0	0	0
	Transactions Involving Owners Affecting Accumulated Funds						
-60,383	Dividend Approved	-61,224	-88,761	-45	-94,440	-105,775	-110,465
-60,383	Total Transactions Involving Owners Affecting Accumulated Funds	-61,224	-88,761	-45	-94,440	-105,775	-110,465
	Closing Equity						
766,670	Closing Accumulated Funds	766,670	766,670	-	766,670	766,670	766,670
301,178	Closing Asset Revaluation Reserve	166,528	166,528	-	166,528	166,528	166,528
7,640	Closing Other Reserve	8,842	8,842	-	8,842	8,842	8,842
1,075,488	Balance at the End of the Reporting Period	942,040	942,040	-	942,040	942,040	942,040

Notes to Budget Statements

Significant variations are as follows:

Operating Statement

- user charges - non ACT Government:
 - the decrease of \$7.319 million in the 2010-11 estimated outcome from the original budget is due to lower water consumption following increased rainfall and cooler weather; and
 - the increase of \$60.271 million in the 2011-12 Budget from the 2010-11 estimated outcome is mainly due to forecast increased water consumption under Permanent Water Conservation Measures (PWCM).

- user charges - ACT Government:
 - the decrease of \$6.895 million in the 2010-11 estimated outcome from the original budget is a result of the impact of the wetter and cooler weather; and
 - the increase of \$8.830 million in the 2011-12 Budget from the 2010-11 estimated outcome is mainly due to forecast increased water consumption under PWCM.
- interest:
 - the increase of \$2.022 million in the 2010-11 estimated outcome from the original budget is due to higher than expected cash balances and interest rates throughout the year; and
 - the decrease of \$1.176 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to lower cash balances throughout the year mainly as a result of expenditure on capital projects.
- employment and superannuation expenses: the decrease of \$0.236 million in the 2010-11 estimated outcome from the original budget is due to the capitalisation of expenses for the Water Security Major Projects' (WSMP) staff.
- supplies and services: the increase of \$0.768 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to increases in general expenses including legal fees.
- depreciation and amortisation:
 - the decrease of \$5.579 million in the 2010-11 estimated outcome from the original budget reflects the revaluation downward of water and wastewater assets in 2009-10 and delayed timing in the completion and capitalisation of assets; and
 - the increase of \$3.386 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to the completion and capitalisation of major capital works.
- borrowing costs:
 - the decrease of \$4.749 million in the 2010-11 estimated outcome from the original budget is due to delays in the timing of new borrowings reflecting the timing of capital expenditure projects; and
 - the increase of \$16.565 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to borrowings for the capital expenditure program.
- cost of goods sold:
 - the decrease of \$5.144 million in the 2010-11 estimated outcome from the original budget is mainly due to the lower Water Abstraction Charge (WAC) expense, flowing from reduced water consumption; and
 - the increase of \$12.529 million in the 2011-12 Budget from the 2010-11 estimated outcome is mainly due to a higher WAC from increased water consumption and the standard increase in the Utilities Management Agreement with ActewAGL.
- revenue of associates and joint ventures: the increase of \$2.024 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to the expectation of modest increases in trading activity.

- income tax equivalent:
 - the increase of \$3.646 million in the 2010-11 estimated outcome from the original budget is largely due to decreased taxation allowances; and
 - the increase of \$9.055 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to an expected increase in profitability.

Balance Sheet

- cash and cash equivalents:
 - the increase of \$40.616 million in the 2010-11 estimated outcome from the original budget is mainly due to delays in the timing of capital projects; and
 - the decrease of \$180.745 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to use of the funds for capital expenditure including WSMP offset by additional borrowings (\$180 million).
- investments:
 - the decrease of \$39.237 million in the 2010-11 estimated outcome from the original budget is due to a change from the prior year's assumptions regarding annual revaluations of the ActewAGL Distribution investment; and
 - the increase of \$45.413 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to lower cash distributions from the ActewAGL investment compared to forecast profit. As ACTEW equity accounts for the investment this leads to an increase in its value.
- property, plant and equipment:
 - the decrease of \$129.197 million in the 2010-11 estimated outcome from the original budget is due to the revaluation of water and wastewater assets in 2010-11 and timing of the capitalisation of major capital works projects; and
 - the increase of \$391.644 million in the 2011-12 Budget from the 2010-11 estimated outcome largely relates to the capitalisation of the WSMP.
- capital works in progress:
 - the decrease of \$144.213 million in the 2010-11 estimated outcome from the original budget is due to the timing of major capital works including WSMP; and
 - the decrease of \$174.672 million in the 2011-12 Budget from the 2010-11 estimated outcome largely relates to the capitalisation of the major capital works and the Enlarged Cotter Dam.
- payables:
 - the decrease of \$5.841 million in the 2010-11 estimated outcome from the original budget is due to payables associated with the capital works program; and
 - the decrease of \$30.038 million in the 2011-12 Budget from the 2010-11 estimated outcome reflects the decrease in the level of capital works in progress.

- current and non current interest bearing liabilities:
 - the decrease of \$78.458 million in the 2010-11 estimated outcome from the original budget is mainly due to a variation in the timing of borrowings related to the WSMP and general capital expenditure, offset by higher cash and cash equivalents; and
 - the increase of \$108.061 million in the 2011-12 Budget from the 2010-11 estimated outcome is mainly due to increased borrowing of \$180-million for the WSMP offset by the maturation of a \$70 million borrowing.
- non current income tax payable:
 - the decrease of \$65.768 million in the 2010-11 estimated outcome from the original budget is mainly due to the revaluation downwards of water and wastewater assets in 2009-10.

Cash Flow Statement

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

- proceeds from sale or maturities of investments: the one-off increase of \$3 million in the 2010-11 estimated outcome from the original budget is due to a redemption of investments.

Statement of Changes in Equity

- dividend approved: the increase of \$0.841 million in the 2010-11 estimated outcome from the original budget and \$27.537 million in the 2011-12 Budget from the 2010-11 estimated outcome are due to increased profitability.

