

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 provide our shareholders with an acceptable commercial return on their investment.

2012-13 Priorities

Strategic and operational issues to be pursued in 2012-13 include:

- completing construction of the Enlarged Cotter Dam including the return of an enhanced Cotter Precinct to the community;
- implementing the return of the management, operations and maintenance of the water and sewerage business to ACTEW with a focus on safety, security and sustainability;
- commissioning of the Murrumbidgee to Googong Water Transfer Pipeline;
- finalising the 2013-18 pricing submission to the Independent Competition and Regulatory Commission (ICRC) and continuing negotiations with the ICRC in the lead up to the release of the final determination;
- continuing the development of strategies to meet ecologically sustainable development principles and the ACT Government's greenhouse gas abatement strategy for the water and sewerage business;
- continuing active management of ACTEW's investments and supporting ActewAGL with new commercial investments;
- maintaining liquidity levels through borrowings to fund capital expenditure projects and dividend payments while maintaining an acceptable level of gearing;
- continuing ACTEW's contribution to the ACT community by supporting community organisations, events and initiatives;
- working with authorities to ensure interference or encroachment on water and sewerage assets is managed efficiently and effectively to ensure asset viability and protection;
- working with the ACT Government to develop and implement water efficiency management plans for large water users; and
- continuing the community engagement program with a particular focus on education, sustainability and the environment.

Estimated Employment Level

| 2010-11 Actual Outcome | 2011-12 Budget | 2011-12 Est. Outcome | 2012-13 Budget |
|---------------------------|-------------------|-------------------------|-------------------|
| 41 Staffing (FTE) | 42 | 40 | 384 ¹ |

Note:

- The increase of 344 FTE in the 2012-13 Budget from the 2011-12 estimated outcome is due to the integration of ActewAGL's water and sewerage business.

Changes to Appropriation

Changes to Appropriation - Controlled

| Government Payment for Outputs | 2011-12 Est. Out. \$'000 | 2012-13 Budget \$'000 | 2013-14 Estimate \$'000 | 2014-15 Estimate \$'000 | 2015-16 Estimate \$'000 |
|---|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| 2011-12 Budget | 10,390 | 10,587 | 10,788 | 10,993 | 10,993 |
| 2012-13 Budget Technical Adjustment | | | | | |
| Revised Indexation - Assistance for Water and Sewerage Services | - | - | - | - | 209 |
| 2012-13 Budget | 10,390 | 10,587 | 10,788 | 10,993 | 11,202 |

ACTEW Corporation Operating Statement

| 2011-12 Budget \$'000 | | 2011-12 Est. Outcome \$'000 | 2012-13 Budget \$'000 | Var % | 2013-14 Estimate \$'000 | 2014-15 Estimate \$'000 | 2015-16 Estimate \$'000 |
|-----------------------------|--|-----------------------------------|-----------------------------|-----------|-------------------------------|-------------------------------|-------------------------------|
| Income | | | | | | | |
| Revenue | | | | | | | |
| 10,390 | Government Payment for Outputs | 10,390 | 10,587 | 2 | 10,788 | 10,993 | 11,202 |
| 256,898 | User Charges - Non ACT Government | 223,076 | 271,627 | 22 | 306,100 | 322,174 | 338,678 |
| 34,142 | User Charges - ACT Government | 31,299 | 35,620 | 14 | 38,701 | 40,347 | 42,042 |
| 9,596 | Interest | 13,638 | 11,600 | -15 | 6,816 | 3,971 | 3,827 |
| 3,190 | Other Revenue | 3,190 | 2,998 | -6 | 3,091 | 3,187 | 3,286 |
| 314,216 | Total Revenue | 281,593 | 332,432 | 18 | 365,496 | 380,672 | 399,035 |
| 314,216 | Total Income | 281,593 | 332,432 | 18 | 365,496 | 380,672 | 399,035 |
| Expenses | | | | | | | |
| 5,576 | Employee Expenses | 5,865 | 49,241 | 740 | 51,109 | 53,074 | 55,169 |
| 464 | Superannuation Expenses | 563 | 5,210 | 825 | 5,407 | 5,621 | 5,814 |
| 7,631 | Supplies and Services | 7,423 | 31,854 | 329 | 29,272 | 29,456 | 29,802 |
| 35,165 | Depreciation and Amortisation | 41,165 | 36,225 | -12 | 40,821 | 41,925 | 43,397 |
| 74,637 | Borrowing Costs | 72,653 | 83,002 | 14 | 83,667 | 83,786 | 86,821 |
| 133,184 | Cost of Goods Sold | 127,205 | 85,126 | -33 | 70,732 | 71,504 | 72,055 |
| 5,703 | Other Expenses | 5,703 | 6,139 | 8 | 6,467 | 6,675 | 6,986 |
| 262,360 | Total Ordinary Expenses | 260,577 | 296,797 | 14 | 287,475 | 292,041 | 300,044 |
| 76,713 | Share of Operating Result from Joint Venture accounted for using the Equity Method | 80,252 | 87,541 | 9 | 75,589 | 81,541 | 82,403 |
| 128,569 | Operating Result from Ordinary Activities | 101,268 | 123,176 | 22 | 153,610 | 170,172 | 181,394 |
| 39,808 | Income Tax Equivalent | 31,842 | 38,007 | 19 | 47,454 | 52,634 | 56,112 |
| 88,761 | Operating Result | 69,426 | 85,169 | 23 | 106,156 | 117,538 | 125,282 |
| 88,761 | Total Comprehensive Income | 69,426 | 85,169 | 23 | 106,156 | 117,538 | 125,282 |

ACTEW Corporation Balance Sheet

| 2011-12 Budget \$'000 | | 2011-12 Est. Outcome \$'000 | Planned as at 30/6/13 \$'000 | Var % | Planned as at 30/6/14 \$'000 | Planned as at 30/6/15 \$'000 | Planned as at 30/6/16 \$'000 |
|--|--------------------------------------|-----------------------------------|------------------------------------|------------|------------------------------------|------------------------------------|------------------------------------|
| Current Assets | | | | | | | |
| 99,653 | Cash and Cash Equivalents | 243,782 | 81,242 | -67 | 50,747 | 52,392 | 56,430 |
| 43,262 | Receivables | 45,532 | 48,719 | 7 | 52,129 | 55,778 | 59,683 |
| 19,493 | Other Current Assets | 19,850 | 19,850 | - | 19,850 | 19,850 | 19,850 |
| 162,408 | Total Current Assets | 309,164 | 149,811 | -52 | 122,726 | 128,020 | 135,963 |
| Non Current Assets | | | | | | | |
| 561,834 | Investments | 556,321 | 604,916 | 9 | 622,310 | 650,635 | 681,757 |
| 1,715,632 | Property, Plant and Equipment | 1,360,207 | 1,847,791 | 36 | 1,896,659 | 1,943,379 | 1,970,397 |
| 24,463 | Intangibles | 21,037 | 21,037 | - | 21,037 | 21,037 | 21,037 |
| 184,257 | Capital Works in Progress | 482,833 | 106,260 | -78 | 92,229 | 85,542 | 83,004 |
| 18,131 | Tax Assets | 22,536 | 26,630 | 18 | 26,630 | 26,630 | 26,630 |
| 2,504,317 | Total Non Current Assets | 2,442,934 | 2,606,634 | 7 | 2,658,865 | 2,727,223 | 2,782,825 |
| 2,666,725 | TOTAL ASSETS | 2,752,098 | 2,756,445 | .. | 2,781,591 | 2,855,243 | 2,918,788 |
| Current Liabilities | | | | | | | |
| 32,540 | Payables | 66,460 | 53,242 | -20 | 57,821 | 61,375 | 63,447 |
| 15,095 | Interest-Bearing Liabilities | 15,201 | 16,843 | 11 | 18,883 | 20,921 | 23,144 |
| 20,202 | Employee Benefits | 20,253 | 33,901 | 67 | 33,901 | 33,901 | 33,901 |
| 17,752 | Other Provisions | 13,885 | 17,034 | 23 | 21,231 | 23,508 | 25,056 |
| 8,320 | Income Tax Payable | 6,779 | 7,689 | 13 | 9,691 | 11,124 | 12,086 |
| 2,194 | Other Liabilities | 2,996 | 2,996 | - | 2,996 | 2,996 | 2,996 |
| 96,103 | Total Current Liabilities | 125,574 | 131,705 | 5 | 144,523 | 153,825 | 160,630 |
| Non Current Liabilities | | | | | | | |
| 1,311,605 | Interest-Bearing Liabilities | 1,352,135 | 1,347,451 | .. | 1,351,093 | 1,407,304 | 1,456,279 |
| 82 | Employee Benefits | 152 | 152 | - | 152 | 152 | 152 |
| 1,352 | Other Non-Current Provisions | 1,681 | 1,681 | - | 1,681 | 1,681 | 1,681 |
| 315,543 | Income Tax Payable Non-Current | 329,548 | 332,448 | 1 | 341,134 | 349,273 | 357,038 |
| 1,628,582 | Total Non Current Liabilities | 1,683,516 | 1,681,732 | .. | 1,694,060 | 1,758,410 | 1,815,150 |
| 1,724,685 | TOTAL LIABILITIES | 1,809,090 | 1,813,437 | .. | 1,838,583 | 1,912,235 | 1,975,780 |
| 942,040 | NET ASSETS | 943,008 | 943,008 | - | 943,008 | 943,008 | 943,008 |
| REPRESENTED BY FUNDS EMPLOYED | | | | | | | |
| 766,670 | Accumulated Funds | 766,670 | 766,670 | - | 766,670 | 766,670 | 766,670 |
| 175,370 | Reserves | 176,338 | 176,338 | - | 176,338 | 176,338 | 176,338 |
| 942,040 | TOTAL FUNDS EMPLOYED | 943,008 | 943,008 | - | 943,008 | 943,008 | 943,008 |

ACTEW Corporation
Statement of Changes in Equity

| Budget as at 30/6/12 \$'000 | | Est. Outcome as at 30/6/12 \$'000 | Planned as at 30/6/13 \$'000 | Var % | Planned as at 30/6/14 \$'000 | Planned as at 30/6/15 \$'000 | Planned as at 30/6/16 \$'000 |
|--|--|---|------------------------------------|------------|------------------------------------|------------------------------------|------------------------------------|
| Opening Equity | | | | | | | |
| 766,670 | Opening Accumulated Funds | 766,670 | 766,670 | - | 766,670 | 766,670 | 766,670 |
| 166,528 | Opening Asset Revaluation Reserve | 166,528 | 166,528 | - | 166,528 | 166,528 | 166,528 |
| 8,842 | Opening Other Reserve | 9,810 | 9,810 | - | 9,810 | 9,810 | 9,810 |
| 942,040 | Balance at the Start of the Reporting Period | 943,008 | 943,008 | - | 943,008 | 943,008 | 943,008 |
| Comprehensive Income | | | | | | | |
| 88,761 | Operating Result for the Period | 69,426 | 85,169 | 23 | 106,156 | 117,538 | 125,282 |
| 88,761 | Total Comprehensive Income | 69,426 | 85,169 | 23 | 106,156 | 117,538 | 125,282 |
| 0 | Total Movement in Reserves | 0 | 0 | - | 0 | 0 | 0 |
| Transactions Involving Owners Affecting Accumulated Funds | | | | | | | |
| -88,761 | Dividend Approved | -69,426 | -85,169 | -23 | -106,156 | -117,538 | -125,282 |
| -88,761 | Total Transactions Involving Owners Affecting Accumulated Funds | -69,426 | -85,169 | -23 | -106,156 | -117,538 | -125,282 |
| Closing Equity | | | | | | | |
| 766,670 | Closing Accumulated Funds | 766,670 | 766,670 | - | 766,670 | 766,670 | 766,670 |
| 166,528 | Closing Asset Revaluation Reserve | 166,528 | 166,528 | - | 166,528 | 166,528 | 166,528 |
| 8,842 | Closing Other Reserve | 9,810 | 9,810 | - | 9,810 | 9,810 | 9,810 |
| 942,040 | Balance at the End of the Reporting Period | 943,008 | 943,008 | - | 943,008 | 943,008 | 943,008 |

ACTEW Corporation Cash Flow Statement

| 2011-12 Budget \$'000 | | 2011-12 Est. Outcome \$'000 | 2012-13 Budget \$'000 | Var % | 2013-14 Estimate \$'000 | 2014-15 Estimate \$'000 | 2015-16 Estimate \$'000 |
|---|---|-----------------------------------|-----------------------------|-------------|-------------------------------|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts | | | | | | | |
| 10,390 | Cash from Government for Outputs | 10,390 | 10,587 | 2 | 10,788 | 10,993 | 11,202 |
| 291,398 | User Charges | 254,586 | 307,057 | 21 | 344,481 | 362,058 | 380,101 |
| 9,596 | Interest Received | 13,638 | 11,600 | -15 | 6,816 | 3,971 | 3,827 |
| 31,302 | Other Receipts | 43,700 | 38,946 | -11 | 58,195 | 53,216 | 51,281 |
| 342,686 | Operating Receipts | 322,314 | 368,190 | 14 | 420,280 | 430,238 | 446,411 |
| Payments | | | | | | | |
| 5,576 | Related to Employees | 5,865 | 58,794 | 902 | 51,109 | 53,074 | 55,169 |
| 464 | Related to Superannuation | 563 | 5,210 | 825 | 5,407 | 5,621 | 5,814 |
| 4,990 | Related to Supplies and Services | 5,086 | 7,951 | 56 | 26,442 | 26,423 | 26,559 |
| 74,637 | Borrowing Costs | 72,653 | 83,002 | 14 | 83,667 | 83,786 | 86,821 |
| 178,682 | Other | 159,504 | 125,462 | -21 | 113,962 | 121,241 | 126,425 |
| 264,349 | Operating Payments | 243,671 | 280,419 | 15 | 280,587 | 290,145 | 300,788 |
| 78,337 | NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES | 78,643 | 87,771 | 12 | 139,693 | 140,093 | 145,623 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Payments | | | | | | | |
| 283,889 | Purchase of Property, Plant and Equipment and Capital Works | 225,070 | 165,251 | -27 | 73,910 | 81,433 | 69,050 |
| 283,889 | Investing Payments | 225,070 | 165,251 | -27 | 73,910 | 81,433 | 69,050 |
| -283,889 | NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES | -225,070 | -165,251 | 27 | -73,910 | -81,433 | -69,050 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Receipts | | | | | | | |
| 180,000 | Borrowings Received | 215,000 | 0 | -100 | 10,000 | 65,000 | 60,000 |
| 180,000 | Financing Receipts | 215,000 | 0 | -100 | 10,000 | 65,000 | 60,000 |
| Payments | | | | | | | |
| 83,254 | Dividends to Government | 67,372 | 82,020 | 22 | 101,958 | 115,263 | 123,734 |
| 71,939 | Repayment of Borrowings | 66,387 | 3,040 | -95 | 4,320 | 6,752 | 8,801 |
| 155,193 | Financing Payments | 133,759 | 85,060 | -36 | 106,278 | 122,015 | 132,535 |
| 24,807 | NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES | 81,241 | -85,060 | -205 | -96,278 | -57,015 | -72,535 |
| -180,745 | NET INCREASE / (DECREASE) IN CASH HELD | -65,186 | -162,540 | -149 | -30,495 | 1,645 | 4,038 |
| 280,398 | CASH AT THE BEGINNING OF REPORTING PERIOD | 308,968 | 243,782 | -21 | 81,242 | 50,747 | 52,392 |
| 99,653 | CASH AT THE END OF REPORTING PERIOD | 243,782 | 81,242 | -67 | 50,747 | 52,392 | 56,430 |

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- government payment for outputs: the increase of \$0.197 million in the 2012-13 Budget from the 2011-12 estimated outcome reflects increased Commonwealth funding due to higher indexation.
- user charges – non ACT Government:
 - the decrease of \$33.822 million in the 2011-12 estimated outcome from the original budget is due to lower than expected water consumption following increased rainfall and cooler weather; and
 - the increase of \$48.551 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to forecast increased water consumption from expected drier weather in 2012-13 compared to 2011-12.
- user charges – ACT Government:
 - the decrease of \$2.843 million in the 2011-12 estimated outcome from the original budget is due to forecast lower consumption following increased rainfall and cooler weather; and
 - the increase of \$4.321 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to forecast increased water consumption from expected drier weather in 2012-13 compared to 2011-12.
- interest:
 - the increase of \$4.042 million in the 2011-12 estimated outcome from the original budget is due to higher than expected cash balances and interest rates throughout the year; and
 - the decrease of \$2.038 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to lower cash balances throughout the year mainly as a result of expenditure on capital projects.
- employee and superannuation expenses: the increase of \$0.388 million in the 2011-12 estimated outcome from the original budget and the increase of \$48.023 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to set up costs and increased number of employees relating to the integration of ActewAGL's water and sewerage business.
- supplies and services:
 - the decrease of \$0.208 million in the 2011-12 estimated outcome from the original budget is due to decreases in legal fees and other general expenses; and
 - the increase of \$24.431 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to a reclassification of expenses from cost of goods sold as a result of the integration of ActewAGL's water and sewerage business.

- depreciation and amortisation: the increase of \$6 million in the 2011-12 estimated outcome from the original budget and the decrease of \$4.940 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the de-commissioning of the Cotter Dam, which was made obsolete by the Enlarged Cotter Dam.
- borrowing costs: the decrease of \$1.984 million in the 2011-12 estimated outcome from the original budget and the increase of \$10.349 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the timing of the capital expenditure program, particularly delays associated with the Enlarged Cotter Dam.
- cost of goods sold:
 - the decrease of \$5.979 million in the 2011-12 estimated outcome from the original budget is due to lower water abstraction charge expense as a result of reduced water consumption; and
 - the decrease of \$42.079 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the reclassification of expenses to supplies and services, as a result of the integration of ActewAGL's water and sewerage business, offset by a slight increase in water abstraction charge expense as a result of forecast regular water consumption.
- other expenses: the increase of \$0.436 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to increased expenses associated with the integration of ActewAGL's water and sewerage business, particularly legal fees stemming from the transfer.
- income tax equivalent: the decrease of \$7.966 million in the 2011-12 estimated outcome from the original budget and the increase of \$6.165 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the movement in the operating result.

Balance Sheet

- cash and cash equivalents:
 - the increase of \$144.129 million in the 2011-12 estimated outcome from the original budget is due to receipt of new borrowings at the end of 2011-12; and
 - the decrease of \$162.540 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the use of funds for capital expenditure and no new borrowings.
- receivables: the increase of \$2.270 million in the 2011-12 estimated outcome from the original budget and the increase of \$3.187 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the timing associated with billing and receiving payments from outstanding invoices.
- investments:
 - the decrease of \$5.513 million in the 2011-12 estimated outcome from the original budget is due to higher cash distributions from the ActewAGL investment. As ACTEW equity accounts for the investment this leads to a decrease in its value; and

- the increase of \$48.595 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to lower cash distributions from the ActewAGL investment compared to forecast profit.
- property, plant and equipment: the decrease of \$355.425 million in the 2011-12 estimated outcome from the original budget and the increase of \$487.584 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the timing of the capitalisation of the major capital works, including primarily the Enlarged Cotter Dam and the Murrumbidgee to Googong Water Transfer Pipeline.
- intangibles: the decrease of \$3.426 million in the 2011-12 estimated outcome from the original budget is due to the revaluation of water licenses held.
- capital works in progress:
 - the increase of \$298.576 million in the 2011-12 estimated outcome from the original budget is due to the delay of the Enlarged Cotter Dam projects, partially offset by the Murrumbidgee to Googong Water Transfer Pipeline costs being below budget; and
 - the decrease of \$376.573 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the completion of capital works associated with the water security major projects.
- tax assets:
 - the increase of \$4.405 million in the 2011-12 estimated outcome from the original budget is due to higher than anticipated deferred tax assets; and
 - the increase of \$4.094 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the inclusion of deferred tax assets from the integration of ActewAGL's water and sewerage business.
- payables:
 - the increase of \$33.920 million in the 2011-12 estimated outcome from the original budget is due to payables associated with the capital works program; and
 - the decrease of \$13.218 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the decrease in the level of capital works in progress.
- current and non current interest bearing liabilities:
 - the increase of \$40.636 million in the 2011-12 estimated outcome from the original budget is due to increased borrowings of \$215 million for the water security major projects, partially offset by anticipated capital expenditure and payment of dividends to the ACT Government; and
 - the decrease of \$3.042 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the repayment of borrowings.
- current employee benefits: the increase of \$13.648 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the inclusion of employee benefits from the integration of ActewAGL's water and sewerage business.

- current and non current other provisions: the decrease of \$3.538 million in the 2011-12 estimated outcome from the original budget and the increase of \$3.149 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to movements in the dividend payment to the ACT Government as a result of the forecast operating result.
- current income tax payable: the decrease of \$1.541 million in the 2011-12 estimated outcome from the original budget and the increase of \$0.910 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the changes in taxable income, flowing from reduced water consumption in 2011-12 and forecast return to normal consumption in 2012-13.
- non current income tax payable: the increase of \$14.005 million in the 2011-12 estimated outcome from the original budget and the increase of \$2.9 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to higher forecast deferred tax liabilities.

Statement of Changes in Equity

- dividend approved:
 - the decrease of \$19.335 million in the 2011-12 estimated outcome from the original budget is due to a lower than forecast operating result from reduced water sales; and
 - the increase of \$15.743 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the forecast improved operating result from regular water sales.

Cash Flow Statement

Variations in the statement are explained in the notes above.