

ACTEW CORPORATION

Purpose

To provide safe, innovative and sustainable water, energy and related services to support the economic, cultural and social development of the Capital Region. In doing this, we will inspire our people to excel in the services we provide in order to be recognised by our customers, community, industry and shareholders as a highly valued business.

2013-14 Priorities

Since the return of the management, operations and maintenance of the water and sewerage business to ACTEW Corporation (ACTEW) on 1 July 2012, ACTEW has developed the strategic imperatives necessary to redefine the operating model and to reflect a greater focus on business outcomes and a greater emphasis on customer management. These imperatives include:

- being a best practice provider of safe utility services to the community;
- being a customer-centric organisation;
- having a commercial business focus that drives profit for shareholders through efficient business management;
- improving the quality of services provided to the community in an environmentally sustainable manner while driving efficiencies in operations;
- developing a culture that grows the capability of people and drives high performance;
- investigating new business opportunities; and
- continuing to develop strong relationships with government, industry and the community to build an innovative and efficient business.

Within this context, strategic and operational issues to be pursued in 2013-14 include:

- commissioning the newly completed Enlarged Cotter Dam;
- implementing the final water pricing report of the Independent Competition and Regulatory Commission (ICRC);
- articulating compliance with ACTEW's responsibilities under the *Territory-owned Corporations Act 1990*;
- continuing to contribute to the community through meaningful engagement, and to contribute to the cultural and social development of the Territory, and to those in need through support for charitable organisations;
- working with the Government to provide advice on water policy and strategic issues, and to assist with development and support of the local region;
- continuing focus on a holistic and integrated asset management strategy to ensure optimal asset performance;
- embedding a strategy across the organisation, based on customer segmentation, to provide improved services tailored to customer requirements;

- continuing active management of ACTEW's investments and supporting ActewAGL with new commercial investments; and
- maintaining liquidity for funding of capital expenditure projects and dividend payments, while maintaining an acceptable level of gearing.

ACTEW's 2013-14 Budget has been developed in a climate of uncertainty due to the planned release of the ICRC water and sewerage final pricing report on 12 June 2013. The estimates included in the budget are based on the ACTEW submission to the ICRC (provided on 12 April 2013), which vary significantly from the ICRC draft report. The final ICRC report may result in a direct decrease in profit and a possible decrease in value of ACTEW's water and sewerage assets. The final impact is not possible to quantify at present but taking note of the ICRC draft report could result in a decrease in the valuation of assets of up to \$650 million and a loss of approximately \$370 million in 2012-13 through asset impairment.

These estimates will be updated to reflect the ICRC final report and included in ACTEW's Statement of Corporate Intent.

The 2012-13 Budget was prepared prior to the integration of ActewAGL's water and sewerage business. In the 2012-13 estimated outcome, some items have been re-classified and assumptions updated to reflect the integration.

Estimated Employment Level

2011-12 Actual Outcome		2012-13 Budget ¹	2012-13 Est. Outcome	2013-14 Budget
38	Staffing (FTE)	384	390	390

Note:

1. The increase of 346 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

	2012-13 Est. Out. \$'000	2013-14 Budget \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
Government Payment for Outputs					
2012-13 Budget	10,587	10,788	10,993	11,202	11,202
2013-14 Budget Technical Adjustments					
Revised Indexation - Assistance for Water and Sewerage Services	-	(173)	(351)	(532)	(503)
2013-14 Budget	10,587	10,615	10,642	10,670	10,699

ACTEW Corporation Operating Statement

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
Income							
Revenue							
10,587	Government Payment for Outputs	10,587	10,615	..	10,642	10,670	10,699
271,627	User Charges - Non ACT Government	260,394	291,546	12	298,715	312,376	328,866
35,620	User Charges - ACT Government	38,364	41,513	8	42,721	44,534	46,431
11,600	Interest	5,500	2,990	-46	2,332	1,723	2,297
2,998	Other Revenue	10,615	8,645	-19	8,861	9,082	9,309
332,432	Total Revenue	325,460	355,309	9	363,271	378,385	397,602
Gains							
0	Other Gains	1,772	0	-100	0	0	0
0	Total Gains	1,772	0	-100	0	0	0
332,432	Total Income	327,232	355,309	9	363,271	378,385	397,602
Expenses							
49,241	Employee Expenses	51,116	53,978	6	56,038	56,913	58,454
5,210	Superannuation Expenses	5,640	5,882	4	6,107	6,202	6,370
31,854	Supplies and Services	94,378	70,743	-25	73,444	74,588	76,609
36,225	Depreciation and Amortisation	32,364	41,166	27	42,694	44,755	47,166
83,002	Borrowing Costs	75,953	76,627	1	79,915	85,062	91,961
85,126	Cost of Goods Sold	24,234	24,308	..	24,641	24,989	25,124
6,139	Other Expenses	6,139	7,492	22	7,833	8,189	8,562
296,797	Total Ordinary Expenses	289,824	280,196	-3	290,672	300,698	314,246
87,541	Share of Operating Result from Joint Venture accounted for using the Equity Method	94,496	68,949	-27	82,598	83,261	88,647
123,176	Operating Result from Ordinary Activities	131,904	144,062	9	155,197	160,948	172,003
38,007	Income Tax Equivalent	43,760	44,659	2	48,111	49,894	53,321
85,169	Operating Result	88,144	99,403	13	107,086	111,054	118,682
85,169	Total Comprehensive Income	88,144	99,403	13	107,086	111,054	118,682

ACTEW Corporation Balance Sheet

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
Current Assets							
81,242	Cash and Cash Equivalents	50,588	50,655	..	50,320	50,522	50,139
48,719	Receivables	50,279	53,798	7	57,565	61,594	65,908
19,850	Other Current Assets	16,847	16,847	-	16,847	16,847	16,845
149,811	Total Current Assets	117,714	121,300	3	124,732	128,963	132,892
Non Current Assets							
604,916	Investments	602,583	641,361	6	666,321	694,308	713,047
1,847,791	Property, Plant and Equipment	1,475,458	1,881,446	28	1,942,070	2,029,205	2,099,308
21,037	Intangibles	19,431	19,431	-	19,431	19,431	19,431
106,260	Capital Works in Progress	469,239	78,390	-83	78,390	78,390	78,390
26,630	Tax Assets	30,699	30,699	-	30,699	30,699	30,699
2,606,634	Total Non Current Assets	2,597,410	2,651,327	2	2,736,911	2,852,033	2,940,875
2,756,445	TOTAL ASSETS	2,715,124	2,772,627	2	2,861,643	2,980,996	3,073,767
Current Liabilities							
53,242	Payables	26,112	34,780	33	40,453	44,712	45,505
16,843	Interest-Bearing Liabilities	17,063	18,873	11	20,818	22,908	322,217
33,901	Employee Benefits	34,197	34,197	-	34,197	34,197	34,197
17,034	Other Provisions	17,909	20,161	13	21,697	22,491	24,016
7,689	Income Tax Payable	5,908	11,165	89	12,028	12,473	13,330
2,996	Other Liabilities	2,874	2,874	-	2,874	2,874	2,874
131,705	Total Current Liabilities	104,063	122,050	17	132,067	139,655	442,139
Non Current Liabilities							
1,347,451	Interest-Bearing Liabilities	1,366,767	1,406,283	3	1,485,282	1,597,047	1,387,334
152	Employee Benefits	140	140	-	140	140	140
1,681	Other Non Current Provisions	1,173	1,173	-	1,173	1,173	1,173
332,448	Income Tax Payable Non Current	299,963	299,963	-	299,963	299,963	299,963
1,681,732	Total Non Current Liabilities	1,668,043	1,707,559	2	1,786,558	1,898,323	1,688,610
1,813,437	TOTAL LIABILITIES	1,772,106	1,829,609	3	1,918,625	2,037,978	2,130,749
943,008	NET ASSETS	943,018	943,018	-	943,018	943,018	943,018
REPRESENTED BY FUNDS EMPLOYED							
766,670	Accumulated Funds	766,670	766,670	-	766,670	766,670	766,670
176,338	Reserves	176,348	176,348	-	176,348	176,348	176,348
943,008	TOTAL FUNDS EMPLOYED	943,018	943,018	-	943,018	943,018	943,018

ACTEW Corporation
Statement of Changes in Equity

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'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
9,810	Opening Other Reserve	9,820	9,820	-	9,820	9,820	9,820
943,008	Balance at the Start of the Reporting Period	943,018	943,018	-	943,018	943,018	943,018
Comprehensive Income							
85,169	Operating Result for the Period	88,144	99,403	13	107,086	111,054	118,682
85,169	Total Comprehensive Income	88,144	99,403	13	107,086	111,054	118,682
0	Total Movement in Reserves	0	0	-	0	0	0
Transactions Involving Owners Affecting Accumulated Funds							
-85,169	Dividend Approved	-88,144	-99,403	-13	-107,086	-111,054	-118,682
-85,169	Total Transactions Involving Owners Affecting Accumulated Funds	-88,144	-99,403	-13	-107,086	-111,054	-118,682
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
9,810	Closing Other Reserve	9,820	9,820	-	9,820	9,820	9,820
943,008	Balance at the End of the Reporting Period	943,018	943,018	-	943,018	943,018	943,018

ACTEW Corporation Cash Flow Statement

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
10,587	Cash from Government for Outputs	10,587	10,615	..	10,642	10,670	10,699
307,057	User Charges	306,083	338,185	10	346,530	361,963	380,295
11,600	Interest Received	5,500	2,990	-46	2,332	1,723	2,297
38,946	Other Receipts	44,950	30,171	-33	57,637	55,274	69,908
368,190	Operating Receipts	367,120	381,961	4	417,141	429,630	463,199
Payments							
58,794	Related to Employees	51,117	53,978	6	56,038	56,913	58,454
5,210	Related to Superannuation	5,640	5,882	4	6,107	6,202	6,370
7,951	Related to Supplies and Services	69,644	69,103	-1	71,690	72,711	74,601
83,002	Borrowing Costs	75,953	76,627	1	79,915	85,062	91,961
125,462	Other	91,462	71,203	-22	79,722	82,626	86,150
280,419	Operating Payments	293,816	276,793	-6	293,472	303,514	317,536
87,771	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	73,304	105,168	43	123,669	126,116	145,663
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
0	Proceeds from Sale of Property, Plant and Equipment	11,681	0	-100	0	0	0
0	Investing Receipts	11,681	0	-100	0	0	0
Payments							
165,251	Purchase of Property, Plant and Equipment and Capital Works	160,740	49,275	-69	99,400	129,509	118,486
165,251	Investing Payments	160,740	49,275	-69	99,400	129,509	118,486
-165,251	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-149,059	-49,275	67	-99,400	-129,509	-118,486
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
0	Borrowings Received	31,000	49,000	58	90,000	125,000	103,000
0	Financing Receipts	31,000	49,000	58	90,000	125,000	103,000
Payments							
82,020	Dividends to Government	88,874	97,151	9	105,549	110,260	117,156
3,040	Repayment of Borrowings	6,288	7,675	22	9,055	11,145	13,404
85,060	Financing Payments	95,162	104,826	10	114,604	121,405	130,560
-85,060	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	-64,162	-55,826	13	-24,604	3,595	-27,560
-162,540	NET INCREASE / (DECREASE) IN CASH HELD	-139,917	67	100	-335	202	-383
243,782	CASH AT THE BEGINNING OF REPORTING PERIOD	190,505	50,588	-73	50,655	50,320	50,522
81,242	CASH AT THE END OF REPORTING PERIOD	50,588	50,655	..	50,320	50,522	50,139

Notes to Budget Statements

Significant variations are as follows:

Operating Statement

- user charges:
 - the decrease of \$8.489 million for total user charges (non ACT Government and ACT Government) in the 2012-13 estimated outcome from the original budget is due to lower than anticipated water consumption; and
 - the increase of \$34.301 million for total user charges (non ACT Government and ACT Government) in the 2013-14 Budget from the 2012-13 estimated outcome reflects ACTEW's submission to the ICRC. As 2013-14 is the start of the next regulatory period, these increases are subject to the ICRC final determination expected to be made on 12 June 2013.
- interest:
 - the decrease of \$6.1 million in the 2012-13 estimated outcome from the original budget is due to lower than expected cash balances and interest rates throughout the year; and
 - the decrease of \$2.510 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to lower cash balances throughout the year.
- other revenue: the increase of \$7.617 million in the 2012-13 estimated outcome from the original budget is mainly due to the recognition of unregulated income.
- other gains: the increase of \$1.772 million in the 2012-13 estimated outcome from the original budget is due to gifted assets from the Government, which are not normally budgeted for due to uncertainty in volumes and valuations.
- supplies and services:
 - the increase of \$62.524 million in the 2012-13 estimated outcome from the original budget is due to a reclassification of expenditure and the recognition of a contract termination payment in 2012-13 to ActewAGL upon the sale of ActewAGL's water and sewerage business. The original budget included the costs of running the water and sewerage business as costs of goods sold. These expenditures have now been recognised as supplies and services. This reclassification reflects the integration of ActewAGL's water and sewerage business and offsets with the variance for costs of goods sold below; and
 - the decrease of \$23.635 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the recognition of a contract termination payment in 2012-13 to ActewAGL upon the sale of ActewAGL's water and sewerage business.
- depreciation and amortisation: the decrease of \$3.861 million in the 2012-13 estimated outcome from the original budget and the increase of \$8.802 million in the 2013-14 Budget from the 2012-13 estimated outcome are due to timing differences for the completion and capitalisation the Enlarged Cotter Dam.

- borrowing costs: the decrease of \$7.049 million in the 2012-13 estimated outcome from the original budget is due to delays in timing of new borrowings and a reduction in borrowing costs relating to CPI linked borrowings due to lower than budgeted CPI.
- cost of goods sold: the decrease of \$60.892 million in the 2012-13 estimated outcome from the original budget is due to a reclassification of expenditure compared to the original budget. The original budget included the costs of running the water and sewerage business as costs of goods sold. These expenditures have now been recognised as supplies and services. This reclassification reflects the integration of ActewAGL's water and sewerage business.
- other expenses: the increase of \$1.353 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the increase in the utilities network facilities charge as a result of forecast increases in the length of the water and sewerage networks.
- revenue of associates and joint ventures:
 - the increase of \$6.955 million in the 2012-13 estimated outcome from the original budget is driven by a higher than expected share of profits from ACTEW's investment in ActewAGL; and
 - the decrease of \$25.547 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to the inclusion of the one-off gain on the sale of ActewAGL's water and sewerage business in the previous year and planned refresh of an information technology system by ActewAGL in 2013-14.
- income tax equivalent: the increase of \$5.753 million in the 2012-13 estimated outcome from the original budget is due to an increase in taxable income and a one-off adjustment relating to the integration of ActewAGL's water and sewerage business.

Balance Sheet

- cash and cash equivalents: the decrease of \$30.654 million in the 2012-13 estimated outcome from the original budget is due to a one-off increase in taxation paid in 2012-13 resulting from a change in taxation treatment of unread meters.
- investments: the increase of \$38.778 million in the 2013-14 Budget from the 2012-13 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 \$372.333 million in the 2012-13 estimated outcome from the original budget and the increase of \$405.988 million in the 2013-14 Budget from the 2012-13 estimated outcome are due to the timing of the capitalisation of the Enlarged Cotter Dam.

- capital works in progress:
 - the increase of \$362.979 million in the 2012-13 estimated outcome from the original budget is due to the timing of the capitalisation of the Enlarged Cotter Dam; and
 - the decrease of \$390.849 million in the 2013-14 Budget from the 2012-13 estimated outcome largely relates to the timing of the capitalisation of the Enlarged Cotter Dam.
- payables: the decrease of \$27.130 million in the 2012-13 estimated outcome from the original budget and the increase of \$8.668 million in the 2013-14 Budget from the 2012-13 estimated outcome are due to the timing of payments associated with the capital works program.
- current and non current interest bearing liabilities:
 - the increase of \$19.536 million in the 2012-13 estimated outcome from the original budget is mainly due to a one-off increase in taxation paid in 2012-13 resulting from an Australian Taxation Office decision to align the tax and accounting treatments for unread consumption; and
 - the increase of \$41.326 million in 2013-14 Budget from the 2012-13 estimated outcome is mainly due to increased borrowings related to anticipated capital expenditure.
- non current income tax payable: the decrease of \$32.485 million in the 2012-13 estimated outcome from the original budget is mainly due to a one-off increase in taxation paid in 2012-13 resulting from an Australian Taxation Office decision to align the tax and accounting treatments for unread consumption.

Statement of Changes in Equity

- dividend approved: the increase of \$2.975 million in the 2012-13 estimated outcome from the original budget is due to an increased after tax operating surplus.

Cash Flow Statement

Variances in the statement are mostly explained in the notes above.

