



ACTEW
CORPORATION

Statement of Corporate Intent
ACTEW Corporation Ltd

ABN 86 069 381 960

2009/10 to 2012/13

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Commercial Objectives of the Group

Our Mission

- Manage our assets to maximise the efficiency, reliability and sustainability of water and sewerage services to the ACT and Region in accordance with environmentally sustainable principles.
- Ensure a safe and reliable water supply for the ACT and Region.
- Achieve a satisfactory return on our water, sewerage, energy and communication investments.
- Investigate opportunities for the expansion of our business into related and complementary businesses with acceptable risk and returns.

Our Stakeholders

- Our owners are entitled to a satisfactory and sustainable commercial return on their investment.
- The ACT community will be supported through ACTEW's sponsorships, participation and involvement.
- Our customers are entitled to services that are reliable, efficient, cost effective and sustainable.
- Our professional staff to be provided a challenging, rewarding and safe workplace in achievement of our objectives.

Our Values

- Maintain our high standards of probity and governance.
- Act fairly and professionally with our stakeholders and business partners.
- Operate in a commercial manner mindful of our public accountabilities.

Our Top Priorities for 2009-10

Priorities

Water Supply and Demand

- Implement a diversified portfolio of water supply options to significantly improve water security for the ACT. Major projects include:
 - detailed planning, design and construction work associated with enlarging the Cotter Dam to 78 Gigalitres capacity;
 - the extraction and transfer of water from the Murrumbidgee River to Googong Reservoir; and
 - purchasing water from willing sellers (irrigators) in the Murray Darling Basin, to enable the ACT to secure additional water independent of rainfall in local catchments.
- Implement carbon abatement strategies to minimise and offset additional greenhouse gas emissions associated with the construction and operation of the water security projects.
- Monitor and report to Government progress of implementing the water security projects ensuring the community is kept informed and engaged.
- Manage and review the Permanent Water Conservation Measures and the Temporary Water Restrictions necessary for management of the current and future drought conditions.
- Work 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 and to assist with the review of *Think Water Act Water*.
- Continue to investigate and commence implementation of a ‘smart metering’ pilot program.
- Work with the ACT Government to achieve appropriate catchment management governance and administrative arrangements in the Cotter, Googong and Murrumbidgee River catchments.
- Implement source water quality protection programs in water supply catchments.

Sewerage

- Undertake a strategic review of the sewerage system to:
 - Investigate opportunities to further maximise the efficient and effective performance of the existing sewerage system with any necessary investment in capital expenditure and new technology.
 - Monitor and investigate new industry directions, practices and standards in relation to sewerage network management.
- Work with the ACT Government to develop an appropriate strategy to meet the target of 20 percent use of recycled water by 2013 and to review *Think Water Act Water*.
- Investigate options to manage total dissolved solids (including salt) concentrations associated

with the discharge from the Lower Molonglo Water Quality Control Centre.

Environment

- Investigate and develop appropriate carbon abatement strategies for ACTEW and contribute to associated business carbon abatement strategy.
- Work with the ACT Government on alternative water supplies to develop a sustainable strategy for total water cycle management.
- Continue to develop appropriate ecological monitoring programs to address expanding water operations, in particular the Cotter and Murrumbidgee Rivers and Burra Creek.
- Protect the endangered and threatened species of fish in the Cotter Reservoir and River.
- Liaise with the Environmental Protection Authority regarding environmental flow requirements in our river systems addressing ecological assessments and ongoing drought conditions.
- Monitor and report on water supply planning assumptions annually.

Investments

- Manage ACTEW's investments in electricity, gas and telecommunications to achieve satisfactory returns.
- Facilitate the implementation of the second bulk supply point for the ACT electrical network.
- Work with the ACT Government on alternate power sources to address greenhouse gas abatement policies.
- Continue to support delivery of TransACT's services to the community and monitor TransACT's performance.
- ACTEW to consider the implications of the possible divestment of Ecowise by its Joint Partner.

Customers

- Maintain a high level of customer liaison and consultation.
- Engage and educate our customers on water and sewerage related issues.
- Continue ACTEW's contribution to the ACT community by supporting organisations, events and initiatives.

Financial

- Continue to review and model the short and medium term implications of the drought continuing, the Water Security Program - Major Projects and alternate water resources on the water prices for customers, shareholders and on the financial performance and position of ACTEW.
- Manage ACTEW's liquidity position in regards to major capital expenditure works on the Water Security Program and ACTEW's general Capital Expenditure program.
- Continue to develop, refine and monitor ACTEW's risk management strategies.
- Tailor the current policies and procedures to ensure clear accountability for ACTEW's significant capital expenditure program (Water Security Program – Major Projects capital expenditure and general capital expenditure program) leading to producing information in a timely, accurate and transparent matter.
- Achieve earnings before interest and tax (EBIT) of approximately \$137.3m and declare shareholders a dividend out of 2009/10 profits of approximately \$61.5m.

Background

ACTEW Corporation Limited (ACTEW) was established as a corporation on 1 July 1995 and is the largest Government business operation in the ACT. At corporatisation in 1995 ACTEW's prime function was to provide electricity, water and sewerage services in the ACT. Since then ACTEW has experienced a number of significant changes:

- In October 2000 the ActewAGL joint venture was formed between ACTEW and The Australian Gas Light Company (AGL). This involved combining ACTEW's electricity network and retail operations with AGL's ACT and Queanbeyan gas network and retail operations in an equal partnership. The Distribution partnership operates and maintains ACTEW's water and wastewater operations under the Utilities Management Agreement (UMA). ACTEW retains ownership and strategic control of the water and sewerage assets. This joint venture reduced the risks ACTEW faced in the wholesale and retail markets for energy. In October 2006 there was a merger between AGL and Alinta GCA Limited (now known as Jemena Networks (ACT) Pty Limited), followed by a demerger resulting in a change in ownership to the ActewAGL Joint Venture. As a result AGL Energy remained 50% owner of ActewAGL Retail and Jemena Networks (ACT) Pty Ltd (Ultimately 100% owned by Singapore Power Ltd) became 50% owner of ActewAGL Distribution with ACTEW Corporation maintaining its original ownership status.
- The ACT has experienced a severe drought since 2002 as have other parts of Australia. This resulted in varying levels of water restrictions being introduced from December 2002. Inflows into our storages have been below the long term average since 1994 and **63% below** since 2001. The first quarter of 2009 was half the inflows of 2006 which were **87% below** the long term average and worst on record.
- In January 2003 bushfires ravaged the western urban edge of Canberra and resulted in severe degradation of the Cotter water catchment area. ACTEW subsequently built new water treatment plant capability at Mt Stromlo, expanded the Googong water treatment plant, installed pumps in the Murrumbidgee River and remediated the Cotter pump station allowing water to be abstracted from the Cotter reservoir and Murrumbidgee River, completed a project to transfer water from the Cotter catchment to Googong Dam and carried out significant remediation in the Cotter catchment; to manage the impacts of the bushfire and to improve water supply reliability.
- ACTEW continues to monitor water planning assumptions and assess the need for additional supply through its future water options studies and the current Water Security Program.
- The Canberra community has become acutely aware of water issues and levels of consumption.

Main undertakings and scope of activities

ACTEW is a Territory Owned Corporation with investments in the water, sewerage, electricity, gas and telecommunications. The operation and management of the water, sewerage and electricity business is undertaken by ActewAGL under the UMA.

Water and Sewerage

The water business consists of two separate operations, water and sewerage services, and its activities can be described as follows:

- **Water** – retailing and distribution of water including billing, sales, planning, design and maintenance of the network which reticulates water from water treatment plants to customers, collection and treatment of bulk water supplies and source water quality protection activities.
- **Sewerage** - management of billing, sales, planning, design and maintenance of the network which collects and transports sewage from customer installations to sewage treatment plants and treatment of sewage, to the required environmental standards.

These activities are conducted through the Utilities Management Agreement with ActewAGL.

Energy

The energy business consists of two separate operations, energy retailing and distribution. Both are conducted under the joint venture arrangements with ACTEW Corporation holding a 50% interest in the two partnerships. AGL Energy is the 50% partner in ActewAGL Retail and Jemena Networks (ACT) the 50% partner in ActewAGL Distribution:

- **ActewAGL Retail Partnership** - retailing of electricity and gas to franchise and non-franchise customers including various support services. Retailing of telecommunications services.
- **ActewAGL Distribution Partnership** – delivery of gas and electricity including planning, design, construction, and operations of the networks and technical and management support functions.

Subsidiaries

ACTEW retains the following main subsidiaries:

- **ACTEW Retail Ltd** is the vehicle for our share of the ActewAGL retail partnership and holds all assets and liabilities relating thereto.
- **ACTEW Distribution Ltd** is the vehicle for our share of the ActewAGL Distribution partnership and holds all assets and liabilities relating thereto.

Business and Corporate Strategies

ACTEW directly and indirectly supplies five essential services predominantly to the ACT and partly in the Capital region. These services are water, sewerage, electricity, gas and telecommunications, ACTEW's business model is to out source delivery of the majority of its services:

- Water and sewerage services are delivered via the Utility Management Agreement (UMA) with the ActewAGL joint venture for the management and operation of the water and sewerage assets ACTEW holds. The ongoing and worsening drought has resulted in the need for new water supply options being developed through the ACT Water Security Major Projects and delivered through a Bulk Water Alliance consisting of ACTEW, ActewAGL, GHD, Abigroup and John Holland.
- Electricity and gas are delivered via the ActewAGL joint venture which holds the energy assets. To significantly improve the ACT's energy security ACTEW is facilitating the development of a second electricity bulk supply point at Williamsdale.
- Telecommunications services are delivered via TransACT. In February 2004 TransACT outsourced a significant portion of the retail business to ActewAGL so that it could take advantage of the available synergies with ActewAGL.

ACTEW needs to ensure these services are supplied to the community in a sustainable, reliable and cost efficient manner.

Pricing of Services

The Independent Competition and Regulatory Commission (ICRC) sets the water and sewerage prices for the ACT. The latest water and wastewater price review sets prices to mid 2013 with the potential for a limited mid-term review.

Energy network prices are set by the ICRC with the Australian Energy Regulator (AER) taking responsibility for prices for electricity networks from July 2009 and for gas networks from July 2010. Energy retail prices are sold in a competitive market. For tariff customers ActewAGL purchases energy at cost efficient prices that allow it to sell at competitive prices to retain customers.

Demand for Services

ACTEW accepts that the services it sells must be sustainable. To achieve this objective ACTEW carries out education programs for consumers to ensure the demand on our services is sustainable.

Water security program

Introduction

As a result of extensive analysis into the ACT region's water supply options over the last 5 years, ACTEW Corporation has formulated a water supply strategy that will ensure a secure ongoing water supply for the ACT community in the future.

The strategy is consistent with the ACT Government's water policy *Think water, act water – a strategy for sustainable water resources management*. The strategy defines actions to achieve sustainability objectives for water use in the ACT out to 2050, including to:

- Increase the efficiency of water use.
- Provide a long-term reliable source of water for the ACT and region.

Development of the Water Supply Strategy

In 2005, ACTEW produced the *Future Water Options* series of reports, which identified a range of measures necessary to secure water for the Capital Region.

This work was based upon six key assumptions:

- Climate variability and climate change.
- Impact of bushfires on inflows to ACT reservoirs.
- Future population growth in Canberra and Queanbeyan and the possibility of servicing additional areas.
- Reduction targets in per capita water use set by the ACT Government in *Think water, act water*.
- Environmental flow requirements.
- Acceptable levels for the duration, frequency and severity of water restrictions during times of drought.

Following 2006 when inflows into ACT dams decreased by 87% from the long term average, ACTEW undertook a further review, *Water Security for the ACT and Region, Recommendations to ACT Government*. As a result of this review in October 2007, the ACT Government announced its response to ACTEW's recommendations and agreed that:

- ACTEW immediately commence work to enlarge the Cotter Dam;
- ACTEW continue with design and planning approvals on the Murrumbidgee to Googong Transfer Project;
- ACTEW design a demonstration water purification scheme; and
- ACTEW further pursue options to transfer water to the ACT via the Tantangara transfer option.

As a result of further ACTEW analysis of the water supply strategy detailed in a report to the ACT Government in December 2008, in March 2009 the ACT Government further agreed that:

- The Murrumbidgee to Googong Transfer Project proceed.
- The Tantangara Transfer Project proceed; and
- The Water Purification Project be deferred.

Implementation

Enlarged Cotter Dam

The Enlarged Cotter Dam consists of increasing the Cotter Dam's storage capacity from 4 Gigalitres to 78 Gigalitres. The dam's enlargement will increase total storage capacity for the ACT and region water supply by 35%. It is expected that all planning approvals, including an approved Environmental Impact Statement, will be obtained by the end of July 2009. Construction will commence in late 2009, with completion by end 2011.

Murrumbidgee to Googong Water Transfer

The Murrumbidgee to Googong water transfer involves the transfer of water from the Murrumbidgee River into the Googong Reservoir via a weir, pumping station and pipeline. The project will make better use of the large water storage capacity in Googong Reservoir. This is a complex multi-jurisdictional project with ACT, NSW and Commonwealth approvals required. All approvals are expected to be obtained by mid 2010, with construction taking 18 months before project completion in late 2011.

Demonstration Water Purification Scheme

The ACT Government approved the initial design phase of a Demonstration Water Purification Scheme, which is now complete. The design includes membrane filtration, reverse osmosis and ultraviolet process technology which is able to treat water to comply with the Australian Drinking Water Guidelines and other relevant standards. As a result of the ACT Government support for the Tantangara Transfer project this project has been deferred subject to a further review of the ACT water supply situation.

Tantangara Transfer

Under the Tantangara supply option, water would be transferred from the Snowy Mountains Scheme, most likely via the Tantangara Reservoir in NSW, to the ACT.

ACTEW are progressing with the necessary processes which involve:

1. purchasing water from irrigators downstream of the ACT;
2. transferring this entitlement upstream of the ACT;
3. storing the water in Tantangara Reservoir, which is situated on the upper Murrumbidgee River in the Snowy Mountains;
4. when required, releasing water from Tantangara Reservoir to the ACT; and
5. transferring the water to Googong via the Murrumbidgee to Googong transfer.

ACTEW will continue to monitor the ACT water supply situation, and, in consultation with Government, will ensure the ongoing security of supply for the region.

Carbon Offset

The ACT Government committed to voluntarily offset greenhouse gas emissions (GHG) from the operations of ACTEW's Water Security Major Projects (WSMP) in October 2007. To address this commitment ACTEW initiated an abatement strategy in February 2008 to identify GHG footprints, undertake cost effective reduction measures and select appropriate GHG offsets. ACTEW has to March 2009:

- Applied an approach to minimise GHG emissions where cost effective;
- Committed to a diversified portfolio approach to GHG offset purchases;
- Committed to pursue GHG offsets that are real, measurable, permanent, additional and independently verifiable;
- Aimed to develop GHG offsets within the ACT region;
- Supported offsetting construction and operating GHG of WSMP;
- Committed to maximising the use of biodiesel during construction;
- Committed to installing a hydro generation energy recovery scheme on the Murrumbidgee to Googong Transfer Pipeline to provide about 30 % energy recovery;
- Sought proposals from Carbon Sink Forestry providers.

The abatement strategy has successfully reduced emissions estimates by about 25% in the design phase of the Water Security Major Projects and ACTEW will offset GHG emissions from the operations as well on the construction of the WSMP.

Financial Outlook

ACTEW's financial plan for the four years 2009/10 to 2012/13 has been prepared within a framework which aims to provide commercial returns to the Shareholders. It is intended to provide immediate returns to owners in the form of dividends together with enhanced value of the business going forward.

Water Revenue Forecast Assumptions

ACTEW has budgeted for stage 3 water restrictions in 2009/10 with this revised to stage 2 water restrictions from 2010/11 to 2012/13. ACTEW reviews the water supply levels and consumption patterns on a monthly basis and considers factors such as climate and weather forecasts in determining its short and long term planning to ensure continuation of water supply to the ACT. Although ACTEW has assumed stage 2 water restriction levels from 2010 the current high climatic uncertainty could lead to varying final restriction levels.

ICRC Decision

The ICRC decision allowed a mechanism to control the risk to ACTEW during the 2009/13 regulatory period with a once off review of expenditure on some Water Security Major Projects and on under recovered revenue in the first two and a half years. This review will only impact the final two years of the price decision with no impact over the first three. ACTEW has assumed the ICRC will reset water consumption levels for the final two years at stage 2 restrictions as part of this review enabling ACTEW to recover the full annual water revenue allowance in the last two years.

As a result of the above ACTEW forecast water revenue (incl WAC & UNFT) is **\$110m** below the ICRC allowance over the five year regulatory period.

Major budget highlights

Water Security – Major Projects Capital Expenditure

ACTEW has forecast expenditure on the following projects:

- Enlarged Cotter Dam
- Murrumbidgee to Googong transfer
- Design of the Demonstration Water Purification Plant
- Tantangara Transfer Project

The figures used are the latest available forecasts at time of Budget. Final cost estimates will be determined late in the 2008-09 financial year when the Target Outturn Cost (TOC) numbers are determined.

General Capital Expenditure

Capital expenditure is forecast to remain at higher than normal levels due to the following major projects:

- Continuation of the Lower Molonglo Secondary Treatment Augmentation project
- Googong Dam Spillway Augmentation project
- Murrumbidgee to Cotter Augmentation project

Debt

The SCI includes the following borrowings:

- 2008-09 - \$200m
- 2009-10 - \$250m
- 2010-11 - \$100m

The final volume, timing and type of borrowing is highly uncertain due to the current state of financial markets plus the final determination of the Water Security Major Projects cost estimates.

Dividends

ACTEW has a 100% dividend policy with payments made as 80% (interim) and 20% (final). This policy is reviewed annually with the shareholders to ensure ACTEW has sufficient liquidity.

ActewAGL Joint Venture

ACTEW retains 50% of ActewAGL share of profits and ActewAGL's cash distributions are based on their cash flow forecast.

Revaluations

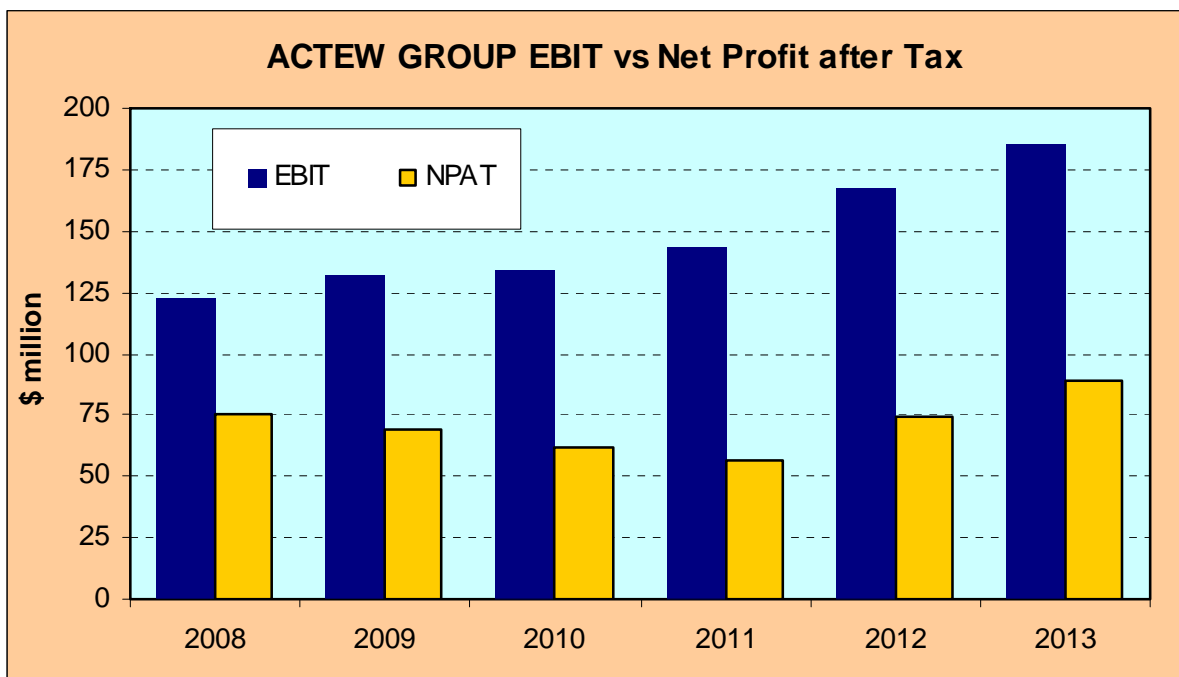
ACTEW has forecast revaluations of the water and wastewater assets plus the ActewAGL Distribution investment.

Earnings Before Interest and Taxation (EBIT)

The following graph summarises the projected Earnings Before Interest and Tax (EBIT) and Net Profit after Tax (NPAT) during the planning period.

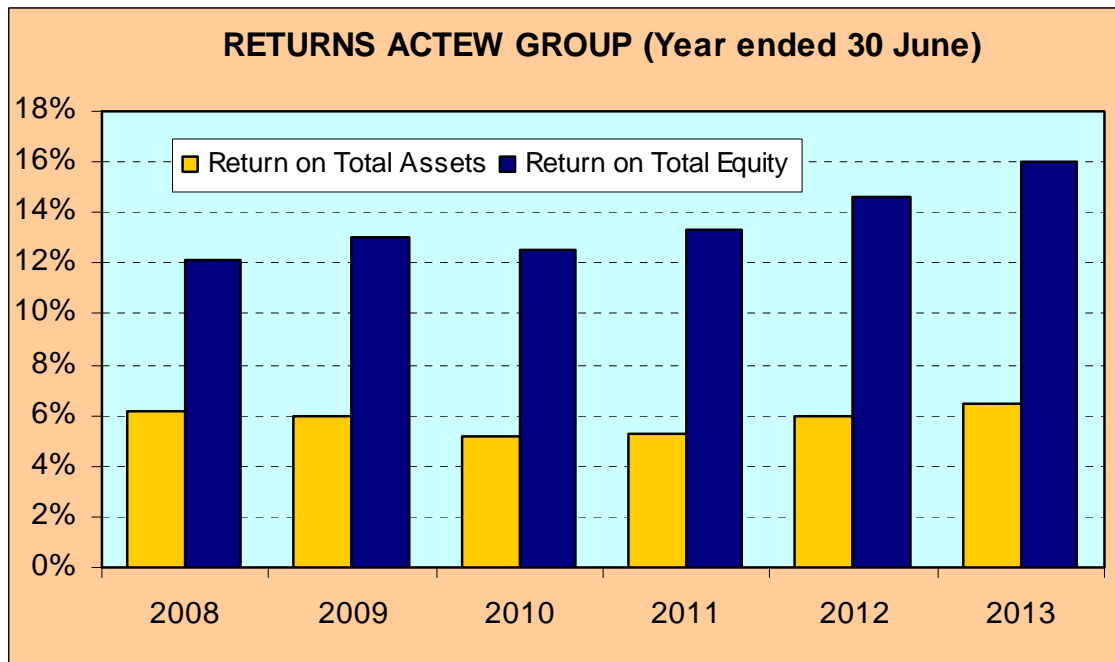
ACTEW's EBIT is forecast to steadily increase resulting from higher capital expenditure leading to a higher recovery of revenue as determined by the ICRC. EBIT does not take into account the significant increase in interest expense from ACTEW's debt program to fund the increase in capital expenditure.

NPAT is forecast to decrease in 2010 and then steadily rise till 2013. This is a direct reflection of a decrease in forecast ActewAGL profit in 2010 plus varying assumed water restriction levels. ACTEW has forecast stage 3 restrictions in 2010 with this revised for stage 2 restrictions from 2011 to 2013 with full recovery of water revenue in the final two years. The final water restriction levels are uncertain resulting in a high level of uncertainty in ACTEW's financial results. If the forecast consumption levels occur over the forecast period then approximately 41% of profits will result from the Water and Wastewater business with 59% coming from the ActewAGL Joint Venture.



Financial Returns to Shareholders

ACTEW's Return (EBIT) on Total Assets and Total Equity are projected to be as follows:

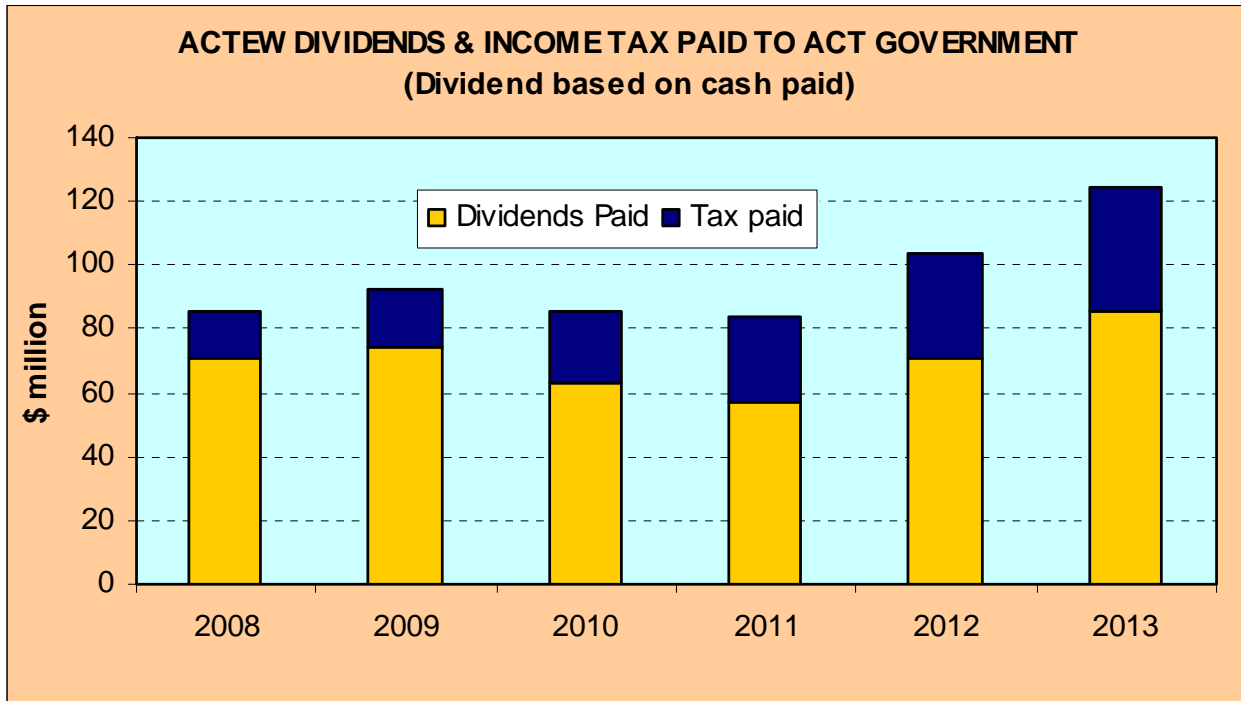


Returns on Total Equity increased in 2009 and are forecast to increase to 16% in 2013 as this ratio is based on the level of EBIT. The EBIT calculation includes a higher recovery of revenue from the significant increase in capital expenditure but does not include the interest expense from ACTEW's debt program to fund the increase.

Return on Total Assets are also based on EBIT and are forecast to fluctuate between 5% to 6%. This is due to the increase in revenue from higher capital expenditure directly leads to an increase in total assets resulting in a more consistent return.

Dividend Policy

The dividend payment, cashflow and loan debt projections incorporated in this plan are based on the current ACT Government policy of a 100% distribution of after tax profits with 80% payable in the year it is declared.



From 1998 ACTEW has paid \$1,161 million in dividends to shareholders. This includes capital repatriations of \$519 million.

2008 – 2013 Dividends

Dividends are forecast to fluctuate in future years in line with the variance in NPAT. The final dividend levels are highly uncertain since they will be impacted by water restriction levels and timing of borrowings. Approximately 59% of these dividends will result from the ActewAGL Joint Venture with only 41% resulting from the Water and Wastewater business.

Taxes Paid to ACT Government

ACTEW Corporation Ltd pays tax on income to the ACT Government under the National Tax Equivalents Regime.

Tax paid remains relatively constant until 2011 where there is a significant decrease in the level of tax depreciation. This will result in a significant increase in the level of tax paid which will continue into future years.

Capital Structure

The below chart outlines the timing of ACTEW's future debt program:

- 2008-09 - \$200m
- 2009-10 - \$250m
- 2010-11 - \$100m

These borrowings are required to fund the following expenditure:

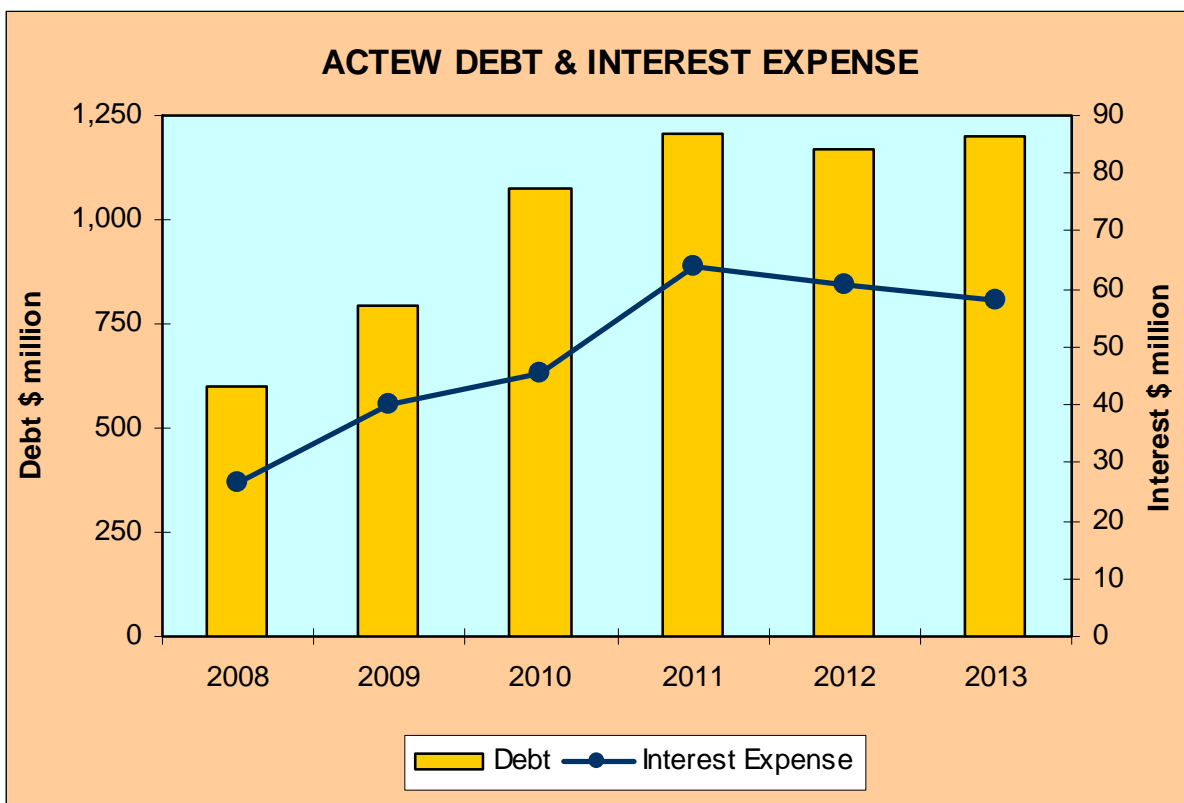
- Water Security Major Projects capital expenditure
- General capital expenditure program
- Current 100% dividend policy

As displayed in the below chart these borrowings will lead to a significant increase in the level of interest expense incurred.

The final volume, timing and type of borrowing are highly uncertain due to the current state of financial markets plus the final determination of the Water Security Major Projects cost estimates.

ActewAGL Borrowings

The chart also includes borrowings for a new ActewAGL to fund increased capital expenditure. The structure of the borrowing is for ACTEW Corporation to raise a \$200m debt facility and on-lend the funds to ActewAGL (the total borrowing is \$400m with Jemena to raise the remaining \$200m). This borrowing structure results in a non-current receivable and an interest bearing liability for ACTEW Corporation. The expectation is for ActewAGL to drawdown \$40m per year from this debt facility.

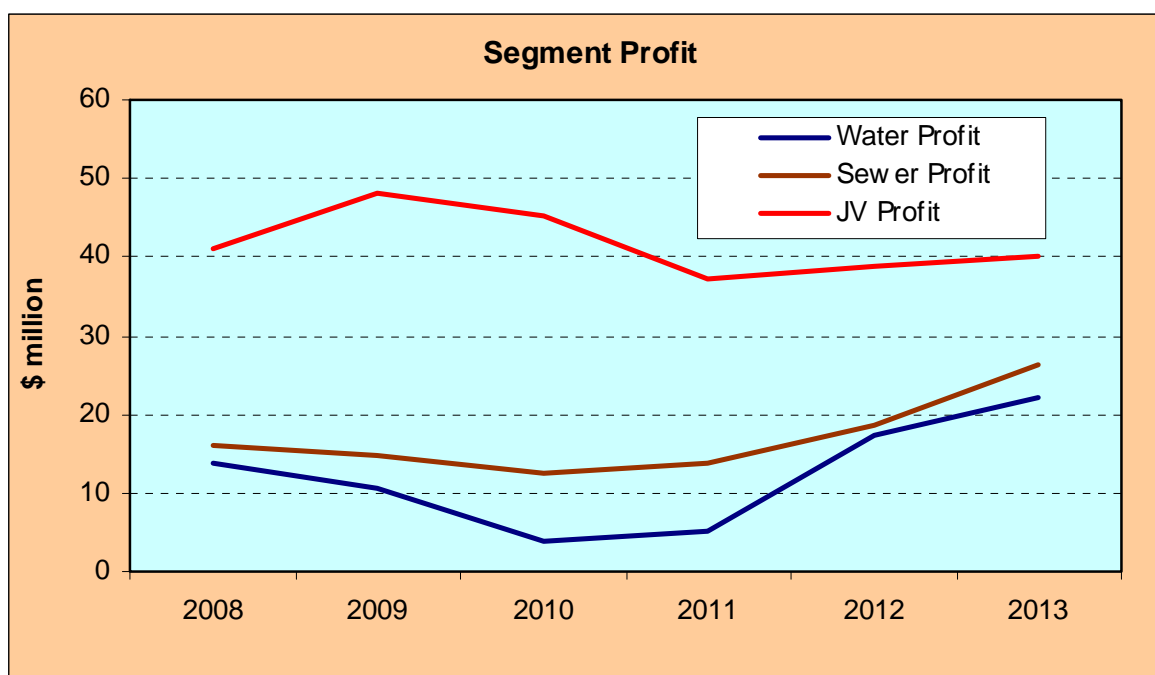


Net Profit Segments

The below chart outlines ACTEW's forecast net profit split between the water, wastewater business and the ActewAGL Joint Venture investment.

The below chart displays the majority of ACTEW's profit results from the performance of the ActewAGL Joint Venture investment.

The Water business returns are very modest due to the forecast stage 3 restrictions to 2010 with this revised for stage 2 restrictions from 2011 to 2013. ACTEW has assumed the ICRC will reset water consumption levels at stage 2 in 2012 and 2013 enabling ACTEW to recover the full annual water revenue allowance and resulting in an increase in water profit in the final two years.



NPAT Segment Split

The following table outlines the percentage split of NPAT between the Water and Wastewater business and the ActewAGL Joint Venture investment. The table demonstrates the low profit levels ACTEW generates from the water business with an average contribution of 16% over the six year period.

NPAT	2008	2009	2010	2011	2012	2013
Water	19%	15%	6%	9%	23%	25%
Wastewater	23%	20%	20%	25%	25%	30%
JV	58%	65%	74%	66%	52%	45%
Total	100%	100%	100%	100%	100%	100%

Key Non Financial Performance Targets

ACTEW has established key service performance targets as outlined below. ACTEW has consistently met or exceeded these targets in recent years and intends to continue to do this throughout the period covered by this SCI.

Performance Measure	09/10 Target	Jun 09 Actual
Electricity	Avg no. of outages per customer	<1.2 pa
	Avg duration of unplanned outages	< 40 mins
Sewerage	Disruptions per 1000 properties	< 50
	% disruptions corrected within 5 hours	> 95%
Water	Interruptions per 1000 properties	< 150 pa
	% interruptions corrected within 6 hours	> 100%
Gas	Disruptions per 1000 properties	<10 pa
	% disruptions corrected within 4 hours	> 90%
Contact Centre	% of calls answered within 20 seconds or less	80%
	% of calls abandoned	<5%
Staff Safety	Lost time injury frequency rate / million hrs worked ((a) This relates to ActewAGL. ACTEW is nil)	3.8 or fewer

(a) These performance measures will be achieved through the operations of the Joint Venture partnerships and specific measures are the subject of contractual requirements in the case of Water and Sewerage and Staff issues. Other measures relate to compliance requirements under the Consumer Protection Code and other codes within the Utilities Act 2000.

Community Service Obligations

ACTEW serves as the vehicle for delivery of a range of community service obligations (CSOs) on behalf of the Government.

The majority of the CSOs by value relate to pensioner concessions in respect of electricity, water and sewerage charges and the provision of water and sewerage services at half price to community organisations such as schools and churches. The CSOs explicitly funded by the Government are as follows:

	Budget 2009/10 \$000
Community Service Obligation	
Water Consumption of schools, etc at close to half price	2,349
Sewerage Services to schools, etc at close to half price	2,883
No charge for water or sewer rates for land granted a lease under the (since repealed) Church Land Leases Act 1924-32	88
Administration cost where rebates are funded by Govt	291
Rebate on electricity bills to health benefit card holders	4,353
Rebate on water and sewerage charges to health benefit card holders	5,258
Essential Services Consumer Council (electricity, water, gas)	239
Total	<u>\$15,461</u>

Our People

Our people are a major factor in ACTEW's ongoing success.

As at 30 June, 1,759 people were employed by ACTEW and ActewAGL. Of these, 35 are directly employed by ACTEW with 362 on secondment to either the Retail Partnership or the Distribution Partnership within the ActewAGL joint venture. Within ACTEW, 35 officers undertake a variety of financial, contract management, corporate governance, executive and administrative functions and water conservation duties.

Summary	Count	%
ACTEW Holding Company	35	2.02%
ACTEW employees seconded to ActewAGL/ECOWISE	362	21.00%
Direct ActewAGL employees	733	41.08%
Ecowise Environmental employees	398	23.14%
TransACT Holding Employees*	231	12.75%
Total number of employees	1759	100%

* Includes 55 Neighbourhood Cable Limited employees.

Commitments to Our People

For all employees, including those seconded to the joint venture, the following commitments are provided to our people.

We will continue to encourage and assist ActewAGL to:

- provide a safe, healthy and non-discriminatory work environment
- give our people challenges and the chance to develop their skills
- encourage our staff to identify and seize business opportunities and to be innovative in improving efficiency
- consult with and involve our staff and their unions in decisions on workplace change
- develop an enjoyable and satisfying working environment

ACTEW Corporation Ltd Group		2008	2009	2010	2011	2012	2013
Income Statement		Actual	Forecast	Budget	Forecast	Forecast	Forecast
Year Ended 30 June:		\$000	\$000	\$000	\$000	\$000	\$000
Revenue							
Water Business	a	75,097	120,646	124,031	149,572	181,263	187,530
Sewerage Business	a	80,821	86,555	92,792	101,200	110,418	120,383
Interest Income		4,044	11,354	3,262	4,430	4,576	5,218
Commonwealth Subvention		9,643	9,817	10,004	10,195	10,390	10,650
ACT Government Revenue	b	29,321	0	0	0	0	0
JV Income		69,345	79,050	73,519	61,783	63,280	64,274
Other Revenue		2,840	2,786	3,575	4,245	4,916	5,589
		<u>271,111</u>	<u>310,208</u>	<u>307,183</u>	<u>331,424</u>	<u>374,843</u>	<u>393,644</u>
Expenditure							
ACT Government Charges	b	27,742	28,140	28,905	32,380	32,814	33,244
Depreciation		29,464	32,291	37,118	44,293	48,899	46,651
Employment Costs		5,251	6,364	6,527	6,797	7,185	7,583
Water operating costs	c	76,912	94,013	92,729	94,330	107,962	110,125
Other Expenses	d	4,730	5,589	4,604	5,836	5,760	5,914
		<u>144,099</u>	<u>166,397</u>	<u>169,883</u>	<u>183,635</u>	<u>202,620</u>	<u>203,517</u>
Profit before Interest and Tax		127,012	143,811	137,300	147,789	172,223	190,127
Interest		<u>26,654</u>	<u>39,997</u>	<u>45,486</u>	<u>63,934</u>	<u>60,750</u>	<u>57,925</u>
Profit before Tax & Gifted Assets		100,358	103,814	91,814	83,854	111,473	132,202
Gifted Assets		<u>9,039</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Profit before Tax		109,397	103,814	91,814	83,854	111,473	132,202
Tax Expense		<u>33,500</u>	<u>34,259</u>	<u>30,299</u>	<u>27,672</u>	<u>36,786</u>	<u>43,627</u>
Net Profit after Tax		<u>75,897</u>	<u>69,556</u>	<u>61,515</u>	<u>56,182</u>	<u>74,687</u>	<u>88,575</u>
Transfer to/(from) Retained Profits		0	0	0	0	0	0
Profits available for Dividends		75,897	69,556	61,515	56,182	74,687	88,575
Notes:							
a Water and sewerage revenue is based on the ICRC final decision adjusted for water restriction levels							
b This includes revenue/costs for the Water Abstraction Charge and Utilities Networks Facilities Tax							
c This is the fixed component of the UMA Contract with ActewAGL to manage the water and sewerage business.							
d This includes ACTEW Corporation admin expenses, lease costs for 6 Mort street commencing 2011 plus advertising costs for the Water Conservation Office.							

ACTEW Corporation Ltd Group		2008	2009	2010	2011	2012	2013
Balance Sheet		Actual	Forecast	Budget	Forecast	Forecast	Forecast
As at 30 June:		\$000	\$000	\$000	\$000	\$000	\$000
	NOTES						
Current Assets							
Cash & cash equivalents		204,664	201,237	198,989	92,728	47,306	80,745
Receivables	a	36,834	39,412	42,171	45,123	48,282	51,662
Other	c	17,149	17,149	17,149	17,149	17,149	17,149
Total Current Assets		258,647	257,798	258,309	155,000	112,737	149,556
Non Current Assets							
Non-current securities		15,001	13,323	13,323	13,323	13,323	13,323
Investments in Other Entities	d	437,291	469,099	458,092	447,924	436,598	420,731
Receivables (ActewAGL)	b	0	0	40,000	80,000	120,000	160,000
FITB - Non Current		19,760	19,760	19,760	19,760	19,760	19,760
Other	c	1,375	30,421	35,831	35,831	35,831	35,831
Property, Plant & Equipment	e	1,276,960	1,430,613	1,760,733	1,975,195	2,067,204	2,052,517
Total Non Current Assets		1,750,387	1,963,216	2,327,739	2,572,033	2,692,716	2,702,162
Total Assets		2,009,034	2,221,014	2,586,048	2,727,033	2,805,454	2,851,718
Current Liabilities							
Accounts Payable		25,493	27,278	29,187	31,230	33,416	35,755
Dividends Payable		18,951	13,911	12,303	11,236	14,937	17,715
Tax Payable		3,420	4,412	6,042	6,812	8,660	9,961
Borrowings		6,404	11,027	6,634	6,764	9,048	11,398
Provisions	c	17,597	17,597	17,597	17,597	17,597	17,597
Other		1,694	1,694	1,694	1,694	1,694	1,694
Total Current Liabilities		73,559	75,919	73,457	75,334	85,352	94,120
Non Current Liabilities							
Borrowings (ACTEW)		595,403	784,376	1,027,742	1,120,979	1,041,931	1,030,533
Borrowings (ActewAGL)	b	0	0	40,000	80,000	120,000	160,000
Deferred Tax Liability		324,429	341,135	370,665	372,723	406,460	411,775
Provisions	c	1,830	1,830	1,830	1,830	1,830	1,830
Total Non Current Liabilities		921,662	1,127,341	1,440,237	1,575,531	1,570,221	1,604,138
Total Liabilities		995,221	1,203,260	1,513,694	1,650,865	1,655,573	1,698,258
Net Assets		1,013,813	1,017,755	1,072,354	1,076,168	1,149,880	1,153,460
Equity							
Capital		758,871	758,871	758,871	758,871	758,871	758,871
Retained Profits		7,801	7,801	7,801	7,801	7,801	7,801
Reserves		247,141	251,083	305,682	309,496	383,208	386,788
Net Equity		1,013,813	1,017,755	1,072,354	1,076,168	1,149,880	1,153,460
Notes:							
a Mainly debtors for water and sewerage sales.							
b This is a borrowing for ActewAGL where ACTEW Corporation will raise the debt facility and on lend the funds to ActewAGL.							
c These items include costs for ACTEW employees seconded to ActewAGL.							
d Mainly the investment in the ActewAGL Joint Venture.							
e Property, plant and equipment assets are predominately water and sewerage assets.							

ACTEW Corporation Ltd Group Cashflow Year Ended 30 June:	NOTES	2008 Actual \$000	2009 Forecast \$000	2010 Budget \$000	2011 Forecast \$000	2012 Forecast \$000	2013 Forecast \$000
Cash Flow from Operations							
Receipts from customers		188,812	217,226	227,643	262,259	303,828	320,772
Payments to suppliers and employees		(117,033)	(132,321)	(130,856)	(137,299)	(151,535)	(154,527)
Tax paid		(14,829)	(18,250)	(22,538)	(26,479)	(32,792)	(38,544)
Interest received		3,386	11,354	3,262	4,430	4,576	5,218
Interest Paid		(27,170)	(39,997)	(45,486)	(63,934)	(60,750)	(57,925)
Net Cash In/(out)flow from operating activities		33,166	38,012	32,025	38,977	63,328	74,994
Cash Flow from Investing Activities							
JV Distribution Received		56,500	52,873	90,100	77,400	79,915	85,254
Payments for Property, Plant and Equipment		(63,100)	(185,944)	(294,812)	(258,755)	(40,914)	(31,964)
Payments for intangibles		0	(29,046)	(5,410)	0	0	0
Investments (net)		2,115	1,678	0	0	0	0
Net cash In/(out)flow from investing activities		(4,485)	(160,439)	(210,122)	(181,355)	39,001	53,290
Cash Flow from Financing Activities							
Repayment of Borrowings		(76,573)	(6,404)	(11,027)	(6,634)	(76,764)	(9,048)
New Borrowings	a	300,000	200,000	250,000	100,000	0	0
Capital repatriation		0	0	0	0	0	0
Dividends paid		(70,683)	(74,596)	(63,123)	(57,249)	(70,986)	(85,798)
Net cash In/(out)flow from financing activities		152,744	119,000	175,850	36,117	(147,750)	(94,846)
Net cash movement		181,425	(3,427)	(2,248)	(106,261)	(45,421)	33,439
Opening cash balance		23,239	204,664	201,237	198,989	92,728	47,306
Closing cash balance		204,664	201,237	198,989	92,728	47,306	80,745
Notes							
a These are borrowings to fund the Water Security Major Projects and general capital expenditure program.							

ACTEW Corporation Ltd Group	2008	2009	2010	2011	2012	2013
Capital Expenditure	Actual	Forecast	Budget	Forecast	Forecast	Forecast
Year Ended 30 June:	\$000	\$000	\$000	\$000	\$000	\$000
Utilities Infrastructure						
Water	40,355	118,232	250,519	232,585	15,962	9,651
Sewerage	22,593	62,263	44,038	21,911	24,688	22,041
Other	152	5,450	255	4,260	265	272
	<u>63,100</u>	<u>185,944</u>	<u>294,812</u>	<u>258,755</u>	<u>40,914</u>	<u>31,964</u>
Gifted Assets	9,039	0	0	0	0	0
Total of new assets	<u>72,139</u>	<u>185,944</u>	<u>294,812</u>	<u>258,755</u>	<u>40,914</u>	<u>31,964</u>

ACTEW Corporation Ltd Group	2008	2009	2010	2011	2012	2013
Payments to the ACT	Actual	Forecast	Budget	Forecast	Forecast	Forecast
Year Ended 30 June:	\$000	\$000	\$000	\$000	\$000	\$000
Dividends						
Interim Dividend for Current Year Profits	13,736	18,951	13,911	12,303	11,236	14,937
Final Dividend for Previous Year Profits	56,947	55,645	49,212	44,946	59,750	70,860
	<u>70,683</u>	<u>74,596</u>	<u>63,123</u>	<u>57,249</u>	<u>70,986</u>	<u>85,798</u>
Tax Equivalent paid	14,829	18,250	22,538	26,479	32,792	38,544
Total	<u>85,512</u>	<u>92,845</u>	<u>85,662</u>	<u>83,728</u>	<u>103,778</u>	<u>124,342</u>

ACTEW Corporation Ltd Group		2008	2009	2010	2011	2012	2013
Financial Ratios		Actual	Forecast	Budget	Forecast	Forecast	Forecast
Year Ended 30 June:		\$000	\$000	\$000	\$000	\$000	\$000
Profitability							
Return on Total Assets	a	6.1 %	6.0 %	5.2 %	5.3 %	6.0 %	6.5 %
Return on Equity	b	12.1 %	13.0 %	12.5 %	13.3 %	14.6 %	16.0 %
Profit Margin	c	46.0 %	44.3 %	44.1 %	43.8 %	45.3 %	47.6 %
Liquidity							
Current Ratio	d	351.6 %	339.6 %	351.6 %	205.8 %	132.1 %	158.9 %
Cash Position	e	21.7 %	21.1 %	19.8 %	9.9 %	5.3 %	8.2 %
Receivables Turnover	f	6.1	5.5	5.4	5.8	6.4	6.3
Financial Stability							
Debt Ratio	g	49.5 %	54.2 %	58.5 %	60.5 %	59.0 %	59.6 %
Gearing Ratio	h	37.2 %	43.9 %	50.0 %	52.9 %	50.5 %	51.0 %
Capital Ratio	I	59.4 %	78.2 %	100.2 %	112.2 %	101.8 %	104.2 %
Debt							
Interest Cover Ratio	j	4.8	3.6	3.0	2.3	2.8	3.3

Formula:

Profitability

Return on Total Assets	a	$\frac{\text{EBIT (before gross interest expense \& excl abn items)}}{\text{Total assets}}$
Return on Equity	b	$\frac{\text{EBIT (before gross interest expense \& excl abn items)}}{\text{Total equity}}$
Profit Margin	c	$\frac{\text{EBIT (minus interest revenue)}}{\text{Revenue (minus interest revenue)}}$

Liquidity

Current Ratio	d	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Cash Position	e	$\frac{\text{Cash + investments}}{\text{Total assets}}$
Receivables Turnover	f	$\frac{\text{Total revenue excludes subvention, interest income and profit share}}{\text{Average receivables for period}}$

Financial Stability

Debt Ratio	g	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Gearing Ratio	h	$\frac{\text{Total long term debt}}{\text{Long term debt + equity}}$
Capital Ratio	I	$\frac{\text{Total long term debt}}{\text{Equity}}$

Debt

Interest Cover Ratio	j	$\frac{\text{EBIT (before gross interest expense \& excl abn items)}}{\text{Annual interest payments}}$
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