



Modified Statement of Corporate Intent

2013–14 to 2016–17

October 2013

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MODIFIED STATEMENT OF CORPORATE INTENT 2013-14 TO 2016-17

Executive Summary

ACTEW Corporation Limited (ACTEW) has responsibilities to its customers, the ACT community and the environment. ACTEW also has an obligation to maximise the sustainable return on investment delivered to its shareholders, the ACT Government. This modified Statement of Corporate Intent (SCI) details the performance targets ACTEW will strive to achieve during the 2013-14 financial year and the three years thereafter.

The original SCI for 2013-14 to 2016-17 was finalised prior to the release of the Independent Competition and Regulatory Commission’s (ICRC) Final Pricing Determination in late June 2013 in order to meet the ACT Government’s budget timetable and tabled in the Legislative Assembly in August 2013. The timing of the preparation of the SCI also impacted on the availability of estimated information on the share of profit from ActewAGL.

The original forecasts were based upon assumptions made by ACTEW prior to the release of the ICRC’s report. The original SCI noted the likely impact of the report could not be fully determined and the key financial measures in the report were subject to material change once the impact of the ICRC’s report had been determined. It noted ACTEW would provide revised financial forecasts.

The impact of the final pricing report has now been determined and resulted in revised financial budgets and forward estimates. These were approved by the ACTEW Board on 11 September 2013. The 2012-13 audited financial results and revised share of profit details from ActewAGL have also been included in the revised targets and budgets which are at pages 20 to 27.

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Managing Director's Message

This Statement of Corporate Intent documents ACTEW's aspirations for the forthcoming financial year and three years thereafter. It comes at a timely moment in our history.

During the 2012-13 financial year, ACTEW dedicated a significant portion of its corporate focus to considering the future shape of our organisation. The re-integration of the water and sewerage network operation and maintenance activities, now operating under the business name ACTEW Water, enabled us to consider potential business improvements. A regulatory pricing process compelled us to give deep thought to the financial, operational and governance future of our activities. Together with the successful completion of the new Cotter Dam and Murrumbidgee to Googong Water Transfer Pipeline, this has served as a useful catalyst for revisiting the strategic direction of our organisation.

The business transformation journey we've commenced is described in this document. That journey has yielded clear thinking on the future of our business. We are committed to being customer-centric, dynamic and sustainable, and to safety and the environment. A new organisational structure was implemented on 1 July 2013. The structure gives renewed emphasis to customers, safety, efficiency and commerciality in our operations and much of the next year will be dedicated to realising the benefits of that new structure.

At the time of writing, two reviews had been commissioned. The first, a review of ACTEW's governance arrangements, commenced in February 2013 and a final report is expected by late July 2013. The second review, of ACTEW's institutional arrangements, was initiated by the shareholders in July 2013 and a report is due to be presented to them in October 2013.

Various projects have commenced to improve the way we deliver our services. We will enhance certain core systems and asset management processes with a view to reducing business costs. We will further develop our commercial management practices and leadership capabilities. Our infrastructure investment program in locations such as Molonglo Valley will facilitate the development of the ACT and neighbouring regional areas.

The years ahead will not be without challenges. The Independent Competition and Regulatory Commission (ICRC) recently released its final report and price direction on regulated water and sewerage services in the ACT. We will need to implement the outcomes of this decision and determine any future impacts to the organisation and shareholders. Factors outside our control, such as climatic conditions and shareholder requirements, will also have the potential to influence our performance.

Despite challenges, ACTEW has an exceedingly positive outlook. The importance of our customers is fundamental to our thinking. We will take steps towards diversifying our business and supporting our local region, while remaining focussed on our core activities. We recognise the importance of our financial sustainability to our shareholders and the ACT community. A culture of new ideas, vitality and commercial focus is growing within ACTEW. I am excited by our prospects for the coming years.



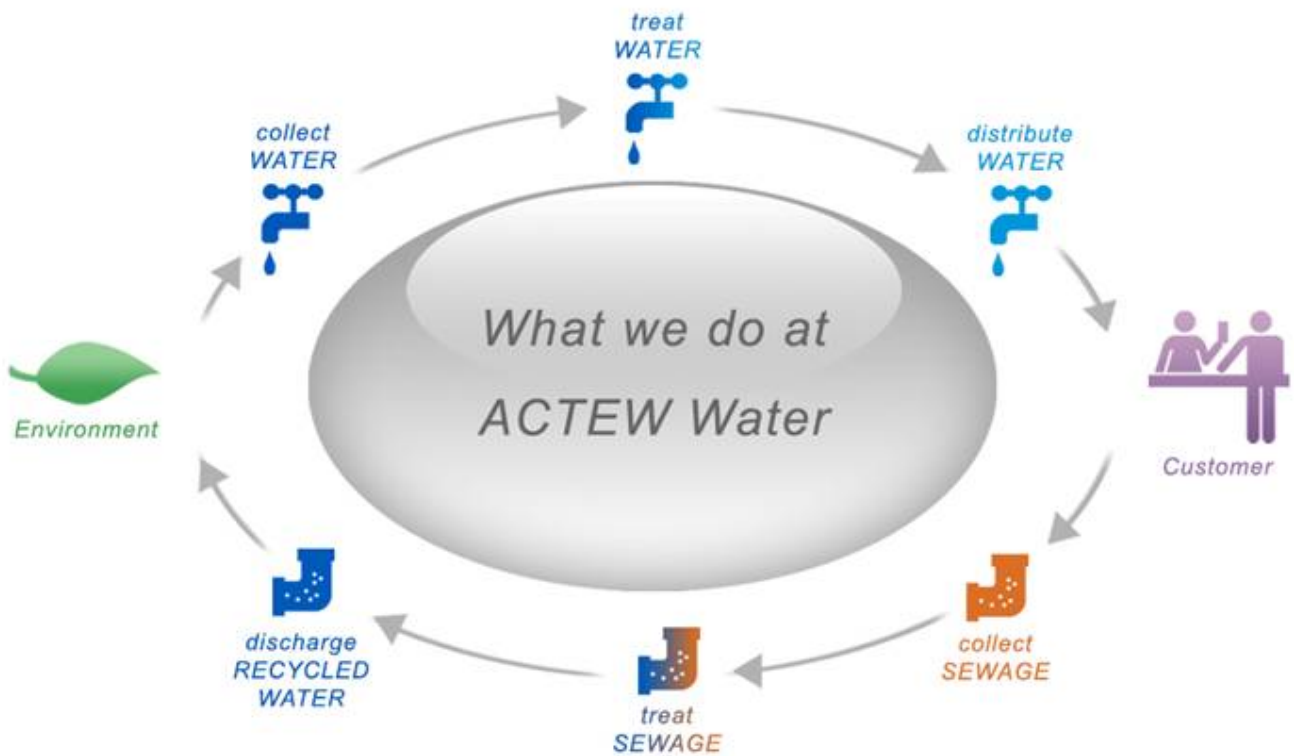
Mark Sullivan
Managing Director

About ACTEW

Main Undertakings

ACTEW undertakes two primary activities.

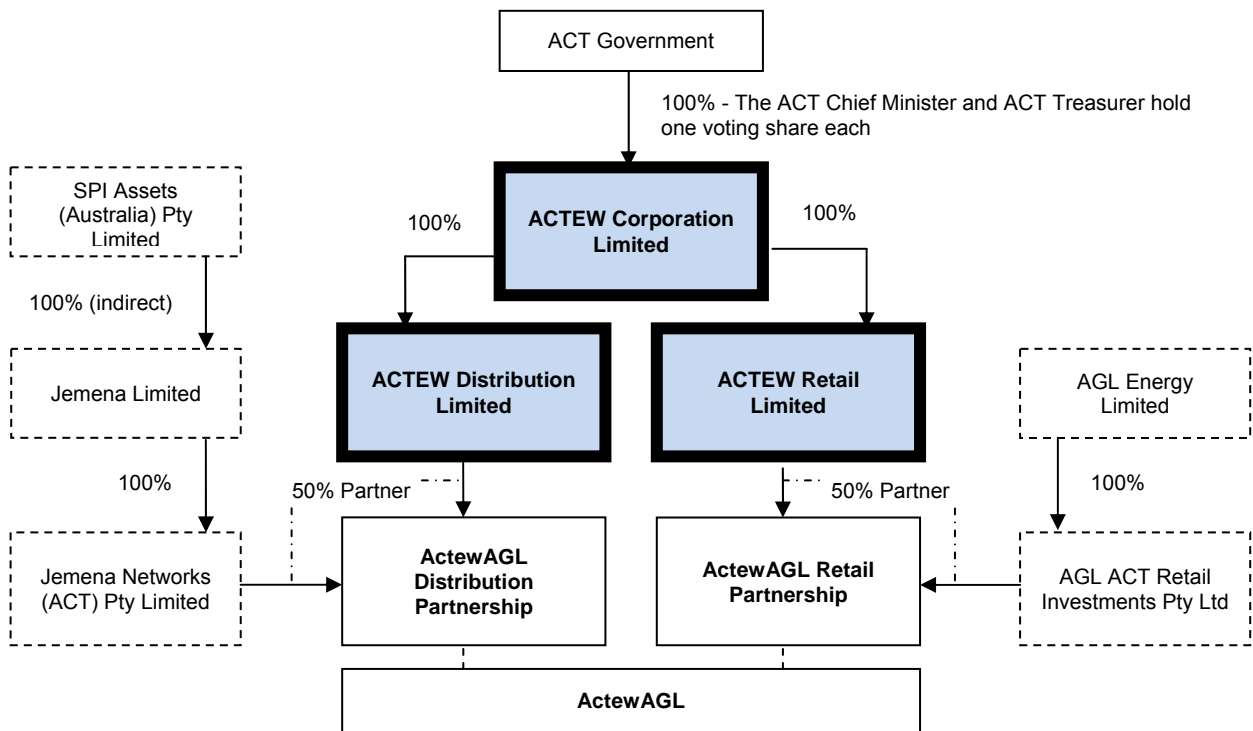
First, we are a supplier of water, sewerage and associated services. We own and operate the ACT's network of dams, water treatment plants, sewerage treatment plants, reservoirs, water and sewerage pumping stations, mains and other related infrastructure. We consistently deliver safe drinking water and reliable sewerage services to a community of over 350,000 people.



Second, ACTEW is a 50% partner in ActewAGL. ActewAGL consists of two partnerships:

- ActewAGL Distribution which owns and operates the electricity and gas distribution networks in the ACT and in certain adjacent regional centres; and
- ActewAGL Retail which sells electricity and gas to its retail and commercial customers in the ACT and surrounding region.

Ownership Structure



Key:

- = Wholly Owned ACTEW Company
- = ActewAGL Joint Venture
- = JV Partner Organisation

Note: In May 2013, Singapore Power International Pte Ltd (SPI) and State Grid International Development Limited (SGID) have entered into an agreement for SGID to purchase a 60% shareholding in SPI (Australia) Assets Pty Ltd (SPIAA). At the time of this document's publication, the shareholding transfer had not been finalised.

ACTEW's approach to managing its investment in ActewAGL is founded upon the following three principles:

1. ACTEW should at all times be an active and informed investor in ActewAGL. To this end, ActewAGL's Partnerships Board consists of six members, three of whom are ACTEW appointees;
2. The investment should deliver benefits to ACTEW which are consistent with ACTEW's main objectives under the TOC Act; and
3. Given ACTEW's reliance upon ActewAGL for the provision of corporate services, investment considerations must be viewed in the context of ACTEW's operational requirements.

Our Commercial Objectives

ACTEW's commercial objectives are set forth in the TOC Act and in the corporation's Mission and Vision, each of which is complementary to the other.



Pursuant to Section 7 of the TOC Act, ACTEW has four equally important main objectives:

- **Efficiency:** To operate at least as efficiently as any comparable business;
- **Sustainable Return:** To maximise the sustainable return to our shareholders on the investment in ACTEW;
- **Social Responsibility:** To show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests; and
- **Environment:** To operate in accordance with the objective of ecologically sustainable development where our activities affect the environment.

These objectives form the foundation upon which we conduct all of our activities.

In achieving these objectives, risk management is embedded in our structure and managed at all levels within the organisation in accordance with the approved risk management framework. Risks associated with our strategic and operational activities are outlined in detailed risk registers and there are controls in place to mitigate these risks.

The Audit and Risk Management Committee's responsibilities include determining risk policy, overseeing the management of risks, and receiving reports of regular reviews of the registers. The Committee also approves and receives reports of the annual internal audit program, and reviews and recommends approval of the annual financial statements.

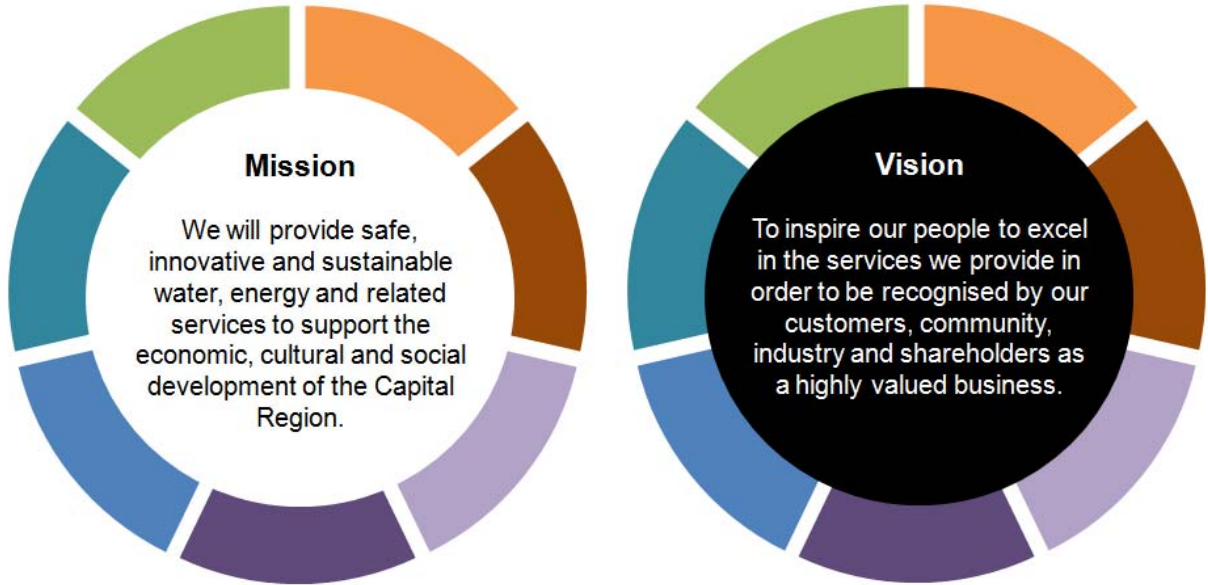
During the re-integration of the water and sewerage business and business transformation, risk management was a critical and key focus of the Board and Management for the achievement of the projects.

Mission and Vision

Prior to 1 July 2012, the operation and maintenance of ACTEW's water and sewerage network was performed by ActewAGL. From that date, those operations and associated staff were re-integrated into ACTEW.

During the 2012-13 financial year, ACTEW undertook a business transformation process. The aim of the process was to establish a plan by which ACTEW will become an even more customer-focussed, dynamic business. That process had many facets, including a diagnostic assessment of the organisation's operations, a review of our corporate culture and management structure, and a stakeholder engagement study to obtain external feedback on ACTEW's performance.

In the context of those activities, ACTEW formulated a new corporate Mission and Vision to interpret the TOC Act specifically in the context of a water and wastewater utility. Our Mission and Vision is designed to be entirely complementary to, and read in conjunction with, our business objectives as detailed in the TOC Act.



Business and Corporate Strategies

ACTEW's corporate objectives represent our ultimate goals. To guide us in achieving those goals, we have developed a series of strategic imperatives. Those strategic imperatives will inform the structure of the operating model and the nature and scope of the specific activities we will undertake in the next financial year and three years thereafter and are outlined below.

Strategic Imperatives

ACTEW has identified seven strategic imperatives to guide the business through the period covered by this Statement of Corporate Intent and beyond. These are consistent with the strategic outcomes outlined by ACTEW for the previous financial year.



Future Activities

The nature and scope of ACTEW's expected activities in the 2013-14 financial year and the three years thereafter have been shaped by our corporate objectives and strategies. The key activities we anticipate undertaking are as follows:

1. A continuation of our core business;
2. Implementation of our new organisational structure;
3. Development of new asset and financial management systems;
4. Pursuit of new business opportunities;
5. Development of a sustainability framework;
6. Infrastructure delivery; and
7. Commissioning of water security assets.

Business Operations

Our core business is the delivery of water, sewerage and associated services to the ACT and the supply of bulk treated water to Queanbeyan. Our water and sewerage services are delivered via assets with a book value of over \$1.9 billion.

ACTEW's physical assets include:

- Water treatment plants at Mount Stromlo and Googong;
- The Googong, Cotter, Bendora and Corin Dams;
- The Lower Molonglo Water Quality Control Centre;
- Over 6,000 kilometres of water and sewerage pipes;
- The Fyshwick Sewerage Treatment Plant;
- The Murrumbidgee to Googong Water Transfer Pipeline;
- 47 water reservoirs with a total capacity of approximately 930 megalitres; and
- Over 50 water and sewerage pumping stations.

We will continue to supply safe, high quality water and sewerage services to our customers. We will strive to operate and maintain our assets in an efficient, safe manner. At the same time, we will undertake our corporate obligations with diligence.

2013-14 Priorities:

ACTEW will continue to undertake associated activities which are core to our corporate being, including:

- Undertaking our responsibilities, and acting in compliance with the TOC Act, *Utilities Act 2000 (ACT)*, *Water Resources Act 2007 (ACT)*, *Environment Protection Act 1997 (ACT)*, *Water and Sewerage Act 2000 (ACT)*, *Competition and Consumer Act 2010 (Cth)*, *Privacy Act 1988 (Cth)*, *Dam Safety Act 1978 (NSW)*, *Work Health and Safety Act 2011 (ACT)*, *Corporations Act 2001 (Cth)*, and other such relevant legislation;

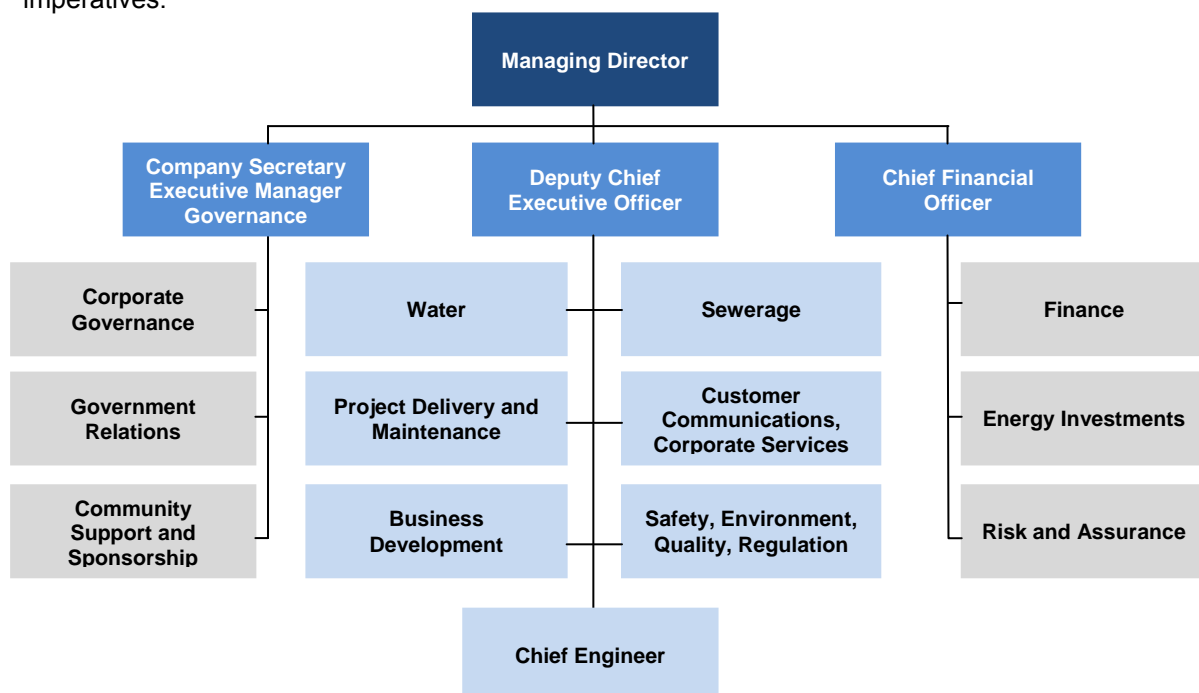
- Maintaining a commitment to good corporate governance. We will seek to improve transparency in corporate decision making and reporting while maintaining the confidence of our shareholders and the ACT public in our governance arrangements;
- Prudently managing our financial affairs. This will involve maintaining appropriate liquidity levels which allow us to fund capital expenditure projects and dividend payments while maintaining an acceptable level of debt. It will also involve implementing outcomes of the ICRC's recent pricing determination regarding water and sewerage;
- Continuing to contribute to our community through meaningful engagement. We will contribute to the cultural and social development of the ACT through community sponsorships and provide support to those in need through donations to community and charitable organisations. In 2013-14, we anticipate contributing \$500,000 through donations and sponsorships; and
- Implementing enhanced stakeholder engagement activities. This will include liaising with the ACT Government on water policy and related strategic issues.

Key Linkages to Strategic Imperatives:



Organisational Structure

A new organisational structure was implemented on 1 July 2013. The structure, which accommodates approximately 370 staff, was designed to facilitate the achievement of our mission, vision and strategic imperatives:



The new structure recognises that the provision of water and sewerage services is core to our business and gives enhanced emphasis to customer relationships, safety, business development, management of our energy investments, corporate governance and government relations.

During 2013-14 and the three years thereafter, we will work to give effect to the operating principles which underpin the new structure. Key operating principles include:

- There must be accountability for safety, environmental and financial outcomes;
- We must link business outcomes to end customer needs; and
- There must be a focus across the business on achieving operational effectiveness and efficiencies.

2013-14 Priorities:

- The full implementation of the new structure and operating principles;
- The embedding of a customer strategy which aligns the provision of services with customer needs. This reflects the enhanced emphasis given to customers;
- Reflecting the importance of ACTEW's energy investments, continuing the active management of those investments and the corporate services received from ActewAGL; and
- Continuing to support ActewAGL with its commercial and investment endeavours.

Key Linkages to Strategic Imperatives:



Asset Management Systems

The ability of ACTEW to deliver consistent levels of service to its customers is dependent on the organisation's ability to effectively operate and manage its assets. The efficacy of our asset management capability also impacts upon our ability to appropriately manage our infrastructure expenditures.

An asset management and maintenance system project was recently established to enhance ACTEW’s asset management processes and systems. Over the coming three years, we expect to invest in a new asset management technology platform after a period of product identification, review and testing. Simultaneously, we will refine our asset management practices. The ultimate aim of these activities is to ensure ACTEW’s asset management strategy and operational tools are holistic and integrated. This will assist in optimising asset performance, in managing infrastructure expenditures effectively and in meeting customer service requirements.

2013-14 Priorities:

- Identification, review and testing of asset management technology platforms, leading to an investment in new asset management systems;
- Refinement of asset management practices and ensuring a holistic, integrated asset management strategy is maintained; and
- Maintaining appropriate standards of service in the management and maintenance of the water and sewerage infrastructure.

Key Linkages to Strategic Imperatives:

	<ul style="list-style-type: none">- Safety- Sustainable Business- Customer-centric Culture- Operations and Delivery
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New Business Opportunities

During 2013-14 and the three years thereafter, we will seek to diversify our revenue streams by undertaking new business activities. By doing so, ACTEW may enhance its profitability and reduce financial risks which come from having only limited revenue sources subject to a single regulator. Indirectly, such activities will enhance a culture of commerciality and efficiency within the organisation.

Much of the coming financial year will likely be dedicated to refining a business development strategy and in laying the groundwork for the future realisation of opportunities. The three main components of business development we will pursue in the coming years are:

1. **Regional Development:** Consistent with the ACT Government’s engagement with the Capital Region, ACTEW will explore options for supporting the Region through the provision of water and sewerage services. We will work with neighbouring councils to investigate potential arrangements of mutual benefit. Regional development may include pooling resources, the provision of specific operational services, and/or infrastructure ownership and development.

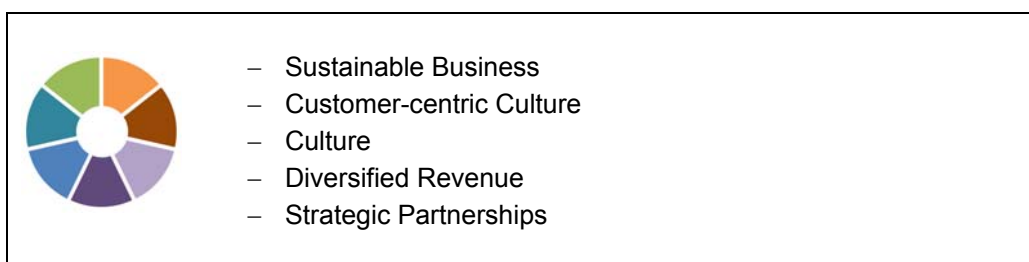
2. **New Businesses:** We may acquire businesses or assets which (i) are complementary to, or overlap with, our core activities, (ii) may enhance the provision of our existing core services; or (iii) enhance ACTEW's profitability.
3. **Organic Growth:** ACTEW may utilise existing resources in the provision of new, unregulated services.

In pursuing new business opportunities, three criteria must be met. First, the adoption of new activities must not detract from our existing core functions. Second, new businesses must, in time, be expected to deliver commercial benefits to our organisation. Third, any new activity must align with our corporate objectives and complement our existing business. We have instigated ongoing dialogue with ACT Government representatives regarding business development activities and where required by the TOC Act, will only commence new undertakings with the consent of our shareholders.

2013-14 Priorities:

- The pursuit and potential implementation of new business activities; and
- Providing assistance to the ACT Government in the development and support of the local region.

Key Linkages to Strategic Imperatives:



Development of a Sustainability Framework

ACTEW is committed to operating in a manner which is environmentally, socially, financially and culturally sustainable. In 2013-14, we will develop a sustainability framework and implement detailed sustainability reporting. A sustainability framework will provide practical tools with which we can embed the concept of sustainability across our business. It will also provide reporting mechanisms to track our sustainability performance.

In 2013-14 and the three years thereafter, we will continue to operate in accordance with the objective of ecologically sustainable development requiring ACTEW to effectively integrate environmental and economic considerations in decision-making processes, having regard to:

- The principle that, if there is a threat of serious or irreversible environmental damage, a lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation;

- The principle that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations;
- The conservation of biological diversity and ecological integrity; and
- Improving the valuation and pricing of environmental resources.

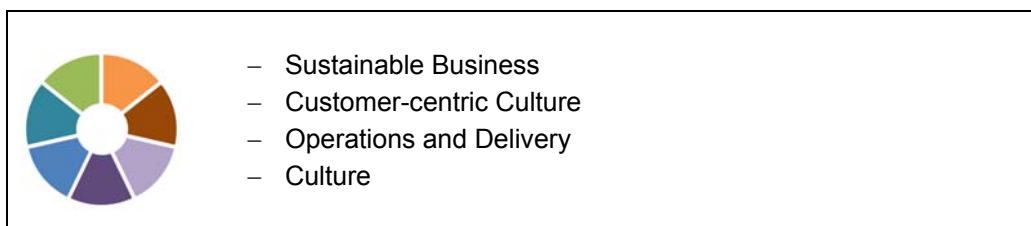
During 2013-14 and the three years thereafter, ACTEW will continue its environmental commitment through actions to:

- Reduce the environmental impacts of our operations;
- Enhance our Environmental Management System;
- Meet our development approval and licence environmental commitments;
- Collaborate on climate change adaptation and mitigation strategies;
- Move towards ACT Government targets for water use, greenhouse gas emissions and other sustainable strategies determined by Government;
- Enable a sustainable culture within our business; and
- Evaluate biosecurity threats.

2013-14 Priorities:

- Developing the inaugural sustainability report and sustainability scorecard;
- Actively managing our carbon strategy;
- Continued implementation of ACTEW's source water protection strategy; and
- Reviewing existing ecological monitoring programs.

Key Linkages to Strategic Imperatives:



Infrastructure Planning and Delivery

ACTEW's asset base is continually maintained, improved and expanded as a consequence of Canberra's ongoing growth. We are also required to continually renew or augment our network as a consequence of changing regulations and the ageing characteristics of our network.

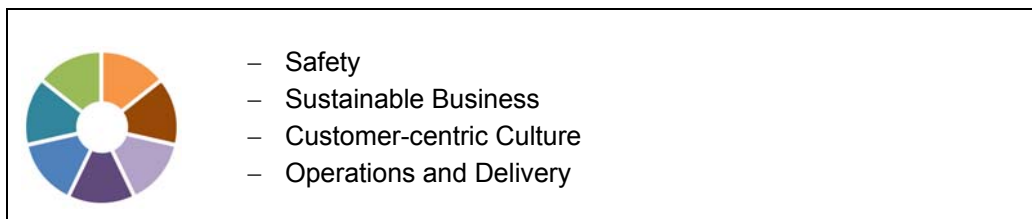
Our capital expenditure program is regularly adjusted as needs and operational constraints require. In the 2013-14 financial year, we anticipate undertaking approximately \$55 million of infrastructure works across a diverse range of asset types. Projects we expect to undertake during the year include:

- Supporting the development of Molonglo Valley through the construction of a reservoir, new water mains connections and other related infrastructure;
- Protecting the safety of our water supply by undertaking upgrades to the fluoride, powdered activated carbon and power supply systems at Googong Water Treatment Plant;
- Undertaking works in connection with the aeration and filters systems at Lower Molonglo Water Quality Control Centre;
- Refurbishing assets in nationally significant areas such as at the Commonwealth Avenue sewage pump station;
- Essential extension and refurbishment of office and operational base facilities; and
- Ongoing renewal and augmentation of network mains and water meters to reduce sewer overflows, blockages and chokes.

2013-14 Priorities:

- Ongoing delivery of approved infrastructure projects which prudently and efficiently enable ACTEW to meet customer service requirements.

Key Linkages to Strategic Imperatives:



Commissioning of Water Security Assets

During the last financial year, ACTEW effectively completed two projects to address Canberra's long-term water security needs:

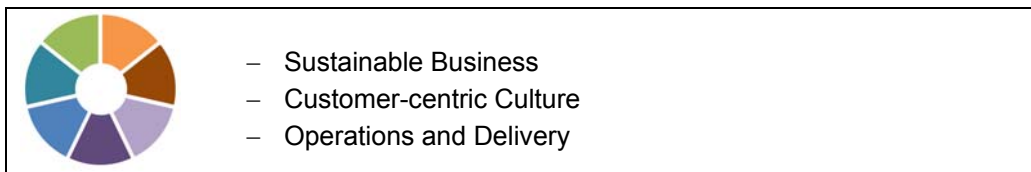
- Construction of a new Cotter Dam, increasing the Cotter Reservoir's capacity from 4 gigalitres (GL) to approximately 78GL; and
- Construction of the Murrumbidgee to Googong Water Transfer Pipeline. Designed to counter the effects of longer, more severe droughts, the pipeline allows the transfer of up to 100 megalitres of water per day from the Murrumbidgee River through a 12 kilometre underground pipeline and along Burra Creek to Googong Reservoir.

In the first quarter of 2013-14, we will complete the remaining downstream works and landscape rehabilitation at Cotter Dam. We will also undertake commissioning of Cotter Dam and maintain the Murrumbidgee to Googong Water Transfer Pipeline in 'ready-to-run' status.

2013-14 Priorities:

- Finalising downstream works, commissioning and landscape rehabilitation at Cotter Dam; and
- Maintaining the Murrumbidgee to Googong Water Transfer Pipeline in 'ready-to-run' status.

Key Linkages to Strategic Imperatives:



2013-14 Performance Targets

We are required by the TOC ACT to operate our business in a way which achieves shareholder, community and environmental outcomes. As with the prior financial year, ACTEW has adopted both financial and non-financial targets against which our performance will be measured. Those targets, when read in conjunction with our 2013-14 priorities, allow ACTEW's performance against TOC Act objectives, our Mission and Vision, and our strategic imperatives to be gauged. Our actual financial and non-financial performance is set out in ACTEW's annual report.

Key Service Delivery Targets

The table below details the key service delivery measures against which ACTEW will assess its performance. Our aim is to maintain or improve our current performance across each category during the year. At a minimum, ACTEW will seek to perform its services in a manner which achieves an outcome which is no worse than that of any other major Australian water utility.

Service Standard	2012-13 Results			2013-14 Targets		
	ACTEW Actual Result ¹	Outcome	ACTEW 2005-12 Average ²	Industry 2011-12 Average ³	ACTEW Target - Maintain	ACTEW Target - Improve ⁴
Water						
Water main breaks (per 100km of water main)	25	Improved	32	23	25-39	≤25
Average duration of an unplanned interruption – water (minutes)	119	Achieved Minimum Satisfactory Result	111	132	111-119	≤119
Average Frequency of unplanned interruption – water (per 1000 properties)	63	Improved	105	127	63-127	≤63
Number of zones where drinking water microbiological compliance is achieved (%)	100	Maintained Target Result	100	100	100	100
Real losses (L/service connection/d)	59	Improved	57	73	59-73	≤59
Sewerage						
Sewerage mains breaks and chokes (per 100km sewer main)	42	Improved	75	30	42-92	≤42
Property connection sewer breaks and chokes (per 1000 properties)	8	Improved	11	12	8-15	≤8
Average sewerage interruption (minutes)	37	Improved	36	157	37-44	≤37
Customer Satisfaction						
Water quality complaints (per 1000 properties)	0.9	Improved	1.8	2.5	0.9-2.8	≤0.9
Water service complaints (per 1000 properties)	2.0	Maintained Target Result	2.5	0.6	2.0-2.6	≤2.0
Sewerage service complaints (per 1000 properties)	1.4	Improved	1.0	0.6	1.4-2.6	≤1.4
Billing and account complaints – water and sewerage (per 1000 properties)	0.2	Improved	0.2	1.3	0.2-1.1	≤0.2
Total water and sewerage complaints (per 1000 properties)	5.0	Improved	4.4	5.5	5.0-7.5	≤5.0
Environmental						
Percentage of sewage volume treated to a compliant standard (%)	100	Improved	97.8	99.7	99	100
Percentage of biosolids reused (%)	100	Maintained Target Result	100	99	100	100
Sewer overflows reportable to the environmental regulator (no. Per 100km of sewer main)	1.9	Improved	5.6	0.5	1.9-5.6	≤1.9
Recycled water (percent of effluent recycled)	13	Improved	11	14	11-13	≥13

It is noted that the data above is derived from the National Water Commission's annual National Performance Report. Owing to the currency of data contained in the latest report, the actual results listed below relate to the 2011-12 period.

¹ The National Water Commission's *National Performance Report 2011-12* is the most recently available such report. As such, 'actual results' relates to the 2011-12 financial year.

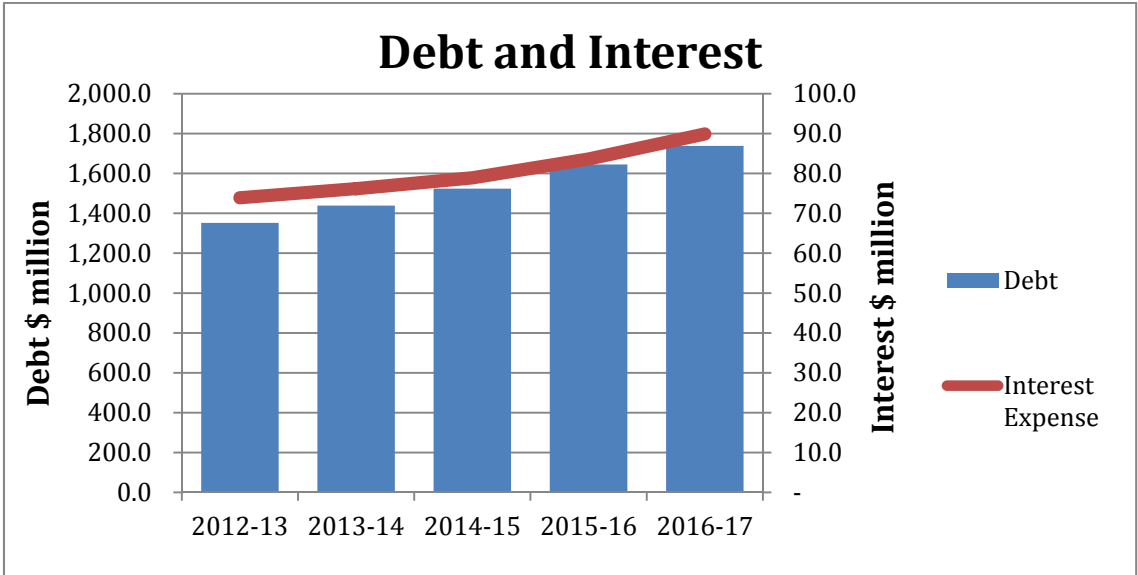
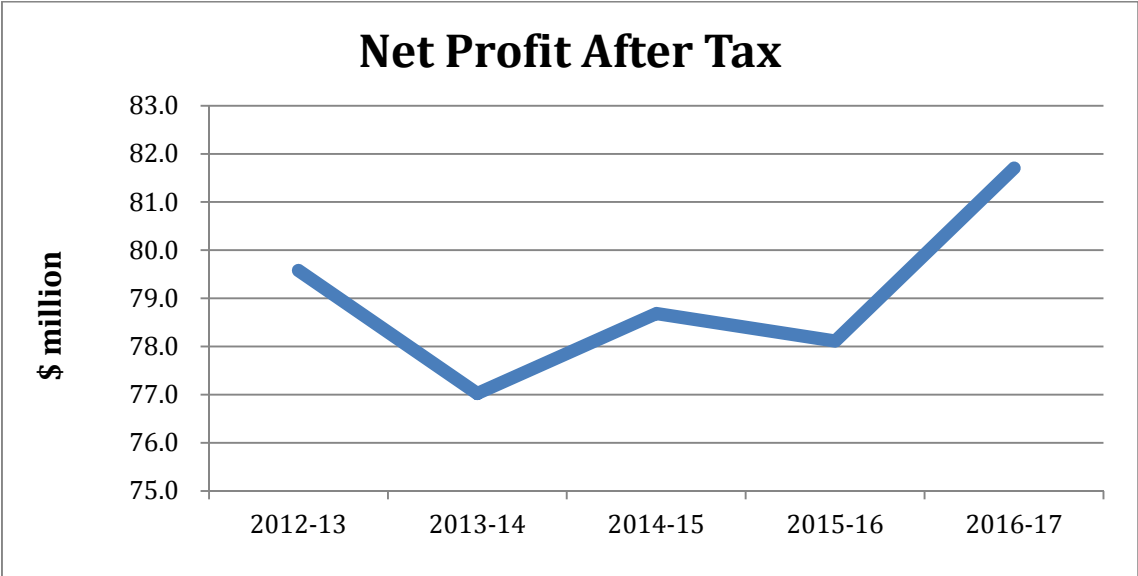
² Where data has not been recorded in all years from 2005-06 to 2011-12, the average from years in which data was recorded has been used.

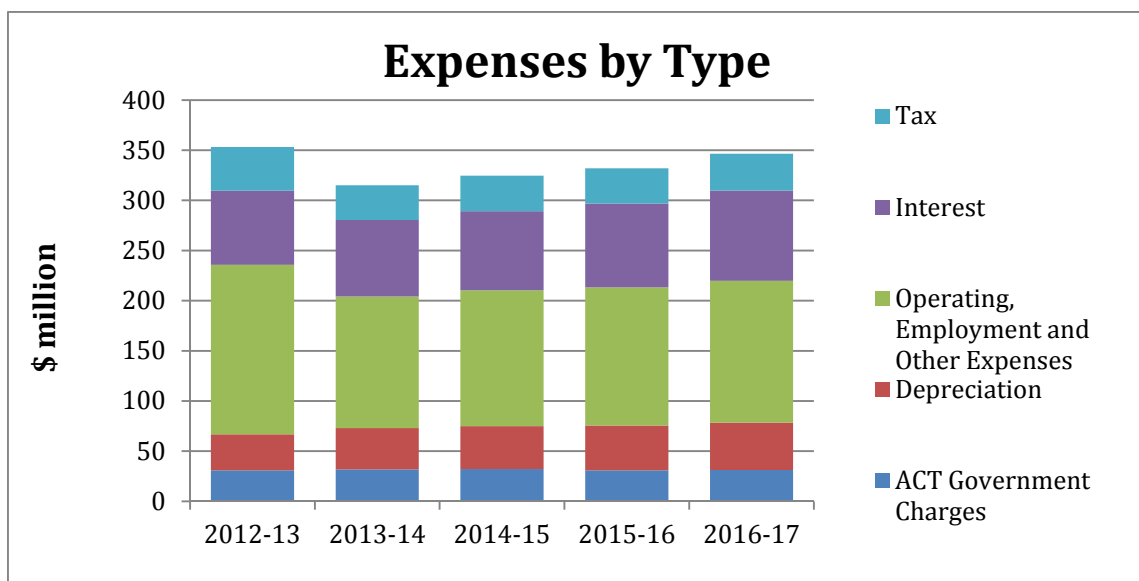
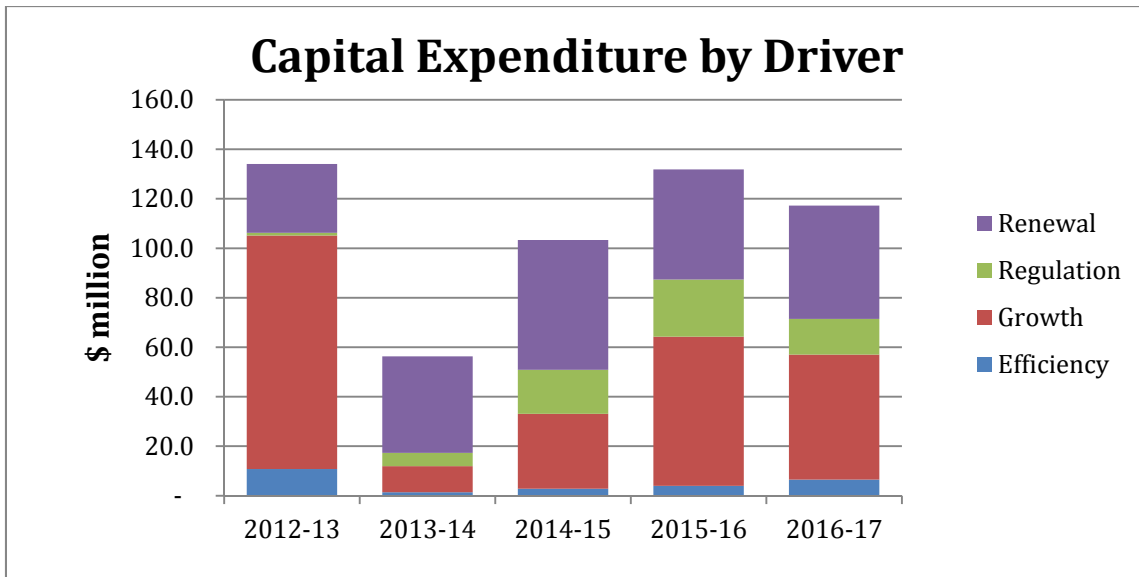
³ The "industry" is comprised of major Australian water utilities (i.e. those with more than 100,000 customers).

⁴ Unusual external events beyond ACTEW's control may cause non-typical variances, either positive or negative, to ACTEW's performance in a service delivery category in any given year. To negate the effect of non-typical events, "improve" for the purposes of this paper means to improve upon (i) the mid-point between our current performance and our average performance, and, (ii) where practical, to maintain a result which is better than the industry average. Note, however, that (a) there may exist peculiar geographic or other factors which practically limit the extent to which performance may be improved, and (b) there may be significant cost implications associated with improving against current performance, resulting in such improvements being undesirable. Improvements need to be justified on a benefit cost basis. For example, ACTEW's Sewer Breaks and Chokes have reduced substantially over the preceding years following implementation of a revised maintenance programme. However, achieving an industry average may be uneconomical due to the ACT's semi arid climate and clay soils when compared to other capital cities.

Financial Performance Targets

The following graphs and tables depict certain key financial targets against which ACTEW will assess its financial performance during the 2013-14 financial year and the three years thereafter. Assumptions and risk factors are also discussed below.





Financial Performance Tables

Table 1

ACTEW Corporation Ltd Group		2013	2014	2015	2016	2017
Income Statement		Actual	Revised Budget	Forecast	Forecast	Forecast
Year Ended 30 June:		\$000	\$000	\$000	\$000	\$000
Revenue						
Water Business	a	167,700	182,771	188,051	183,378	188,994
Sewerage Business	a	132,177	105,154	110,336	121,284	127,262
Interest Income		5,607	2,990	2,332	1,723	2,297
Commonwealth Subvention		10,587	10,852	11,123	11,401	11,687
ActewAGL Joint Venture Income		97,790	81,689	82,598	83,261	88,647
Other Revenue		12,057	8,645	8,861	9,082	9,309
		425,918	392,101	403,300	410,129	428,196
Expenditure						
ACT Government Charges	b	30,930	31,876	32,217	30,864	31,237
Depreciation		35,917	41,166	42,694	44,755	47,166
Employment Costs	c	60,986	68,338	70,948	72,134	74,088
Water Operating Costs	d	92,402	55,777	57,908	58,875	60,470
Impairment		4,927	0	0	0	0
Other Expenses	e	10,551	7,113	6,583	6,693	6,874
		235,713	204,270	210,350	213,321	219,835
EBIT		190,205	187,831	192,951	196,808	208,361
Interest Expense		73,863	76,203	78,919	83,603	89,949
EBT & Gifted Assets		116,342	111,628	114,031	113,205	118,411
Gifted Assets		4,736	0	0	0	0
EBT		121,078	111,628	114,031	113,205	118,411
Tax Expense		41,498	34,605	35,350	35,094	36,708
NPAT		79,580	77,024	78,682	78,112	81,704
Transfer to/(from) Retained Profits		0	0	0	0	0
Profits available for Dividends		79,580	77,024	78,682	78,112	81,704
Notes:						
a Water and sewerage revenue is based on the ICRC final decision adjusted for water consumption levels.						
b This includes Water Abstraction Charges and Utilities Networks Facilities Tax.						
c It is assumed that ACTEW Corporation staffing levels remain at current levels.						
d This includes the operation and maintenance costs for the water business and water security operational costs.						
e This includes administration expenses including lease, legal and sponsorship expenses.						

Table 2

ACTEW Corporation Ltd Group		2013	2014	2015	2016	2017	
Balance Sheet		Notes	Actual	Revised Budget	Forecast	Forecast	Forecast
As at 30 June:			\$000	\$000	\$000	\$000	\$000
Current Assets							
Cash & cash equivalents			83,744	50,734	50,094	50,950	50,150
Receivables	a		53,818	57,585	61,616	65,929	70,544
Other	b		15,716	16,051	16,051	16,051	16,051
Total Current Assets			153,278	124,370	127,762	132,930	136,746
Non Current Assets							
Non-current securities			468	468	468	468	468
Investments in Other Entities	c		601,287	640,476	665,437	693,424	712,163
FITB - Non Current			26,310	26,310	26,310	26,310	26,310
Intangibles (Water Licences)			27,066	27,066	27,066	27,066	27,066
Property, Plant & Equipment	d		2,025,593	2,040,930	2,103,369	2,194,262	2,268,521
Other			2,112	2,112	2,112	2,112	2,112
Total Non Current Assets			2,682,836	2,737,363	2,824,761	2,943,642	3,036,640
Total Assets			2,836,114	2,861,733	2,952,523	3,076,572	3,173,386
Current Liabilities							
Accounts Payable			47,526	51,005	57,925	63,535	65,632
Dividends Payable			79,580	15,405	15,736	15,622	16,341
Tax Payable			7,841	8,651	8,837	8,773	9,177
Borrowings			17,392	18,873	20,818	22,908	322,217
Provisions	b		26,385	25,231	23,641	21,404	21,404
Other			3,495	3,495	3,495	3,495	3,495
Total Current Liabilities			182,219	122,660	130,451	135,736	438,261
Non Current Liabilities							
Borrowings (ACTEW)			1,335,105	1,420,283	1,503,282	1,622,047	1,416,334
Deferred Tax Liability			313,625	313,625	313,625	313,625	313,625
Provisions			10,337	10,337	10,337	10,337	10,337
Total Non Current Liabilities			1,659,067	1,744,245	1,827,244	1,946,009	1,740,296
Total Liabilities			1,841,286	1,866,905	1,957,695	2,081,744	2,178,558
Net Assets			994,828	994,828	994,828	994,828	994,828
Equity							
Capital			758,871	758,871	758,871	758,871	758,871
Retained Profits			7,801	7,801	7,801	7,801	7,801
Reserves			228,156	228,156	228,156	228,156	228,156
Net Equity			994,828	994,828	994,828	994,828	994,828
Notes:							
a Mainly debtors for water and sewerage sales.							
b These items include costs for ACTEW employees seconded to ActewAGL.							
c Mainly investment in the ActewAGL Joint Venture.							
d Property, plant and equipment assets are predominantly water and sewerage assets.							

Table 3

ACTEW Corporation Ltd Group	2013	2014	2015	2016	2017
Cashflow	Actual	Revised Budget	Forecast	Forecast	Forecast
Year Ended 30 June:	\$000	\$000	\$000	\$000	\$000
Cash Flow from Operations					
Receipts from customers	313,334	303,654	314,340	320,832	332,637
Payments to suppliers and employees	(165,038)	(161,580)	(166,381)	(167,737)	(169,388)
Tax paid	(57,050)	(33,795)	(35,163)	(35,158)	(36,304)
Interest received	6,426	2,990	2,332	1,723	2,297
Interest Paid	(73,558)	(76,203)	(78,919)	(83,603)	(89,949)
Net Cash In/(out)flow from operating activities	24,114	35,067	36,208	36,058	39,292
Cash Flow from Investing Activities					
JV Distribution Received	48,950	42,500	57,637	55,274	69,908
Payments for Property, Plant and Equipment	(154,418)	(55,702)	(101,080)	(133,106)	(122,610)
Proceeds from sale of Intangibles	0	0	0	0	0
Payments for Intangibles	(540)	0	0	0	0
Investments (net)	114	0	0	0	0
Net cash In/(out)flow from investing activities	(105,894)	(13,202)	(43,443)	(77,832)	(52,703)
Cash Flow from Financing Activities					
Repayment of Borrowings	(6,622)	(7,675)	(9,055)	(11,145)	(13,404)
New Borrowings	0	94,000	94,000	132,000	107,000
Dividends paid	(18,359)	(141,199)	(78,350)	(78,226)	(80,985)
Net cash In/(out)flow from financing activities	(24,981)	(54,874)	6,595	42,630	12,611
Net cash movement	(106,761)	(33,010)	(640)	856	(800)
Opening cash balance	190,505	83,744	50,734	50,094	50,950
Closing cash balance	83,744	50,734	50,094	50,950	50,150

Table 4

ACTEW Corporation Ltd Group		2013	2014	2015	2016	2017
Financial Ratios		Actual	Revised Budget	Forecast	Forecast	Forecast
Year Ended 30 June:		\$000	\$000	\$000	\$000	\$000
Profitability						
Return on Total Assets	a	6.5 %	6.5 %	6.5 %	6.3 %	6.5 %
Return on Equity	b	18.6 %	18.6 %	19.2 %	19.6 %	20.7 %
Profit Margin	c	43.9 %	47.5 %	47.5 %	47.8 %	48.4 %
Liquidity						
Current Ratio	d	84.1 %	101.4 %	97.9 %	97.9 %	31.2 %
Cash Position	e	8.5 %	5.1 %	5.1 %	5.2 %	5.1 %
Receivables Turnover	f	6.2	5.3	5.2	4.9	4.8
Financial Stability						
Debt Ratio	g	64.9 %	65.2 %	66.3 %	67.7 %	68.7 %
Gearing Ratio	h	57.6 %	59.1 %	60.5 %	62.3 %	63.6 %
Capital Ratio	i	136.0 %	144.7 %	153.2 %	165.4 %	174.8 %
Debt						
Interest Cover Ratio	j	2.5	2.4	2.4	2.3	2.3
Formula:						
Profitability						
Return on Total Assets	a	$\frac{\text{EBIT (minus interest revenue)}}{\text{Total assets}}$				
Return on Equity	b	$\frac{\text{EBIT (minus interest revenue)}}{\text{Total equity}}$				
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	$\frac{\text{Total revenue excludes subvention, interest income and JV income}}{\text{Average receivables for period}}$				
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	$\frac{\text{EBIT (minus interest revenue)}}{\text{Annual interest payments}}$				

Assumptions and Important Notes

It is important to note the following in regards to financial forecasts contained in this document:

– *Assumptions and Risk Factors*

The revised budget and forecasts for operational and capital expenditure for the first two years are based on the ICRC's final pricing determination. Years three and four are based on ACTEW's assumptions.

The forecasts contained in this document are also subject to potentially significant variation arising from factors outside ACTEW's control. These factors include:

- **Climatic Conditions:** Ordinary variability in climatic conditions may result in material variations to ACTEW's water consumption forecasts. In turn, this may affect the financial forecasts contained in this document. Longer term, the impact of climate change may make the task of predicting the ACT's future water usage difficult, adding further uncertainty to ACTEW's revenue forecasts. Extreme weather events may result in financial losses and delays in our operations.

Furthermore, climatic conditions may materially influence the performance of ACTEW's investment in ActewAGL. For example, cooler than anticipated summers may reduce electricity demands while milder winters may reduce demand for gas for heating purposes.

- **ActewAGL's Operations:** In addition to climatic conditions, competitive, regulatory and other influences may impact the profitability of ActewAGL. In turn, this may affect the financial return to ACTEW. The financial targets set forth in this document are in part based upon forecasts of ActewAGL financial performance provided by ActewAGL to ACTEW.
- **Financial Markets and Capital Structure:** In the future, ACTEW will need to source new debt and/or refinance existing debt. Movements in market interest rates will impact ACTEW's future financial performance. The 100% dividend policy under which ACTEW operates will also influence ACTEW's future capital structure and, in turn, future financial performance.

– *Reporting*

ACTEW provides an annual report to its shareholders each year in accordance with the TOC Act. These annual reports, this Statement of Corporate Intent and other information about ACTEW may be found on our website at www.actew.com.au.

– *Indicative Figures*

Forecasts, estimates and targets contained in this document are indicative only. Information in this presentation, including forecast financial information, should not be considered as advice or a recommendation or an offer or solicitation to enter into any commercial arrangement with ACTEW. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner.

– *Accounting Policies*

Details of our significant accounting policies can be found in the Notes to the Consolidated Financial Statements in the Annual Report.

– *Community Service Obligations*

ACTEW provides a range of community service obligations (CSOs) on behalf of the ACT Government. These CSOs are social, rather than commercial, in nature and are explicitly funded by the ACT Government. The majority of CSOs by value relate to pensioner concessions in connection with electricity, water and sewerage charges. Water and sewerage services are also provided at a 50% price discount to community organisations such as schools and churches. These are forecast to total \$11.7 million in 2013-14.