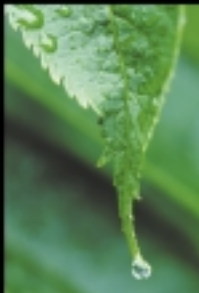
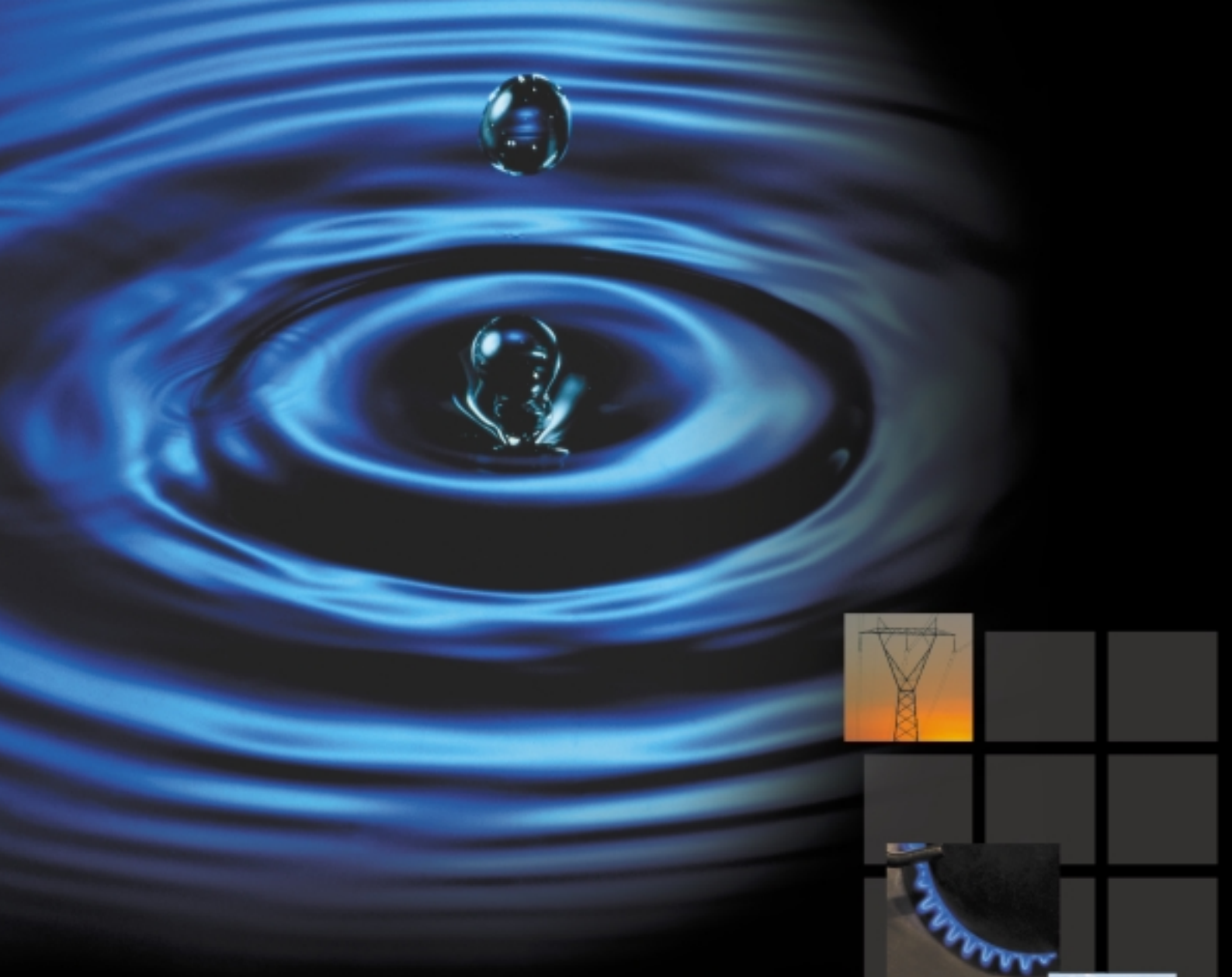


# 2001

ACTEW Corporation | Annual Report





# Vision

## Vision

To be the benchmark multi-utility operating in the public-private partnership (PPP) model

## Mission

To manage the corporation sustainably to provide quality service to our customers while building value for our owners.

# Letter to the Minister



ACTEW Corporation Ltd  
ACN 089 381 980  
ACTEW House  
225 London Circuit  
Canberra ACT 2601

CORRESPONDENCE  
GPO Box 308  
Canberra ACT 2601  
Tel (02) 6246 3111  
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Mr Gary Humphries MLA  
Chief Minister  
ACT Legislative Assembly  
London Circuit  
CANBERRA ACT 2601

Dear Chief Minister

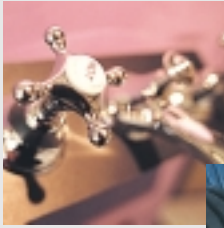
This annual report covers ACTEW Corporation's performance, key operations as an asset manager and financial statements for the year ended 30 June 2001.

The report has been prepared in accordance with the Corporations Act 2001, the *Annual Reports (Government Agencies) Act 1995*, and the *Territory Owned Corporations Act 1990*.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J G Service', written over a circular scribble.

J G Service, AM  
Chairman



# Contents

Company Profile	3
Highlights for 2000/2001	4
Chairman's Report	5
Directors' Profiles	6
Group Organisational Profile	8
Chief Executive's Report	9
Executive Team	10
Joint Venture Overview	11
Areas of Operation — A Year of Transition	13
Legislative Framework	16
Pricing	17
Environment Report	18
Financial Statements	19
Statistical Information	55
Glossary of Terms	56
Contacts	57
Index	58

# Company Profile

ACTEW Corporation Limited is a holding company with assets and investments in water, sewerage, electricity, gas and telecommunications totalling more than \$1.4b.

The Corporation is subject to the Territory Owned Corporations Act 1990 and began operations on 1 July 1995. As a public company, the Corporation also has reporting and compliance obligations under the Corporations Act 2001.

The Corporation operates under a seven person board appointed by the voting shareholders.

The voting shareholders are the Chief Minister and Deputy Chief Minister of the ACT. The term of appointment and remuneration paid to directors is determined by the voting shareholders.

The Corporation has agreed business goals with the voting shareholders. These goals are outlined in the Statement of Corporate Intent which is provided annually to the voting shareholders and tabled in the ACT Legislative Assembly.

## **The Directors at 30 June 2001**

Mr James G Service AM (Chairman)  
Mr Michael B Easson AM (Deputy Chairman)  
Mr William R Morris  
Mr Peter M Phillips  
Mrs Bettie A McNee  
Mr Kevin J Neil  
Mr Paul J Perkins

## **Secretary**

Mr Peter Carrigy-Ryan

## **Principal Registered Office**

ActewAGL House  
221–223 London Circuit  
CANBERRA ACT 2601  
Telephone (02) 6248 3111

## **Auditor**

Auditor General  
Australian Capital Territory

## **Solicitors**

ACTEW uses a number of law firms which provide legal services to the Corporation, chiefly Mallesons Stephen Jaques

## **Bankers**

Australian and New Zealand Banking Group  
Reserve Bank of Australia

## **ABN**

ABN 86 069 381 960

# Highlights for 2000/2001



We met or exceeded all objectives during an extraordinary year.

- The ActewAGL joint venture, the first multi-utility public private partnership in Australia, commenced on 3 October 2000
- The Utilities Act 2000 was passed and is being implemented, fundamentally changing the regulatory framework under which our utility responsibilities are discharged
- Group Profit after income tax equivalents was a record \$90.6m
- A capital repatriation of \$119m was made to the ACT Government
- Ordinary Dividends to the ACT Government during the year totalled \$66.6m
- We increased our investment in, and reaffirmed our commitment to TransACT Communications, a state of the art local access network carrier of broadband communications developed in Canberra
- Full compliance with environmental and licence requirements for our energy, water and sewerage facilities and operations
- Leadership in environmental management continued with specific resources in renewable energy generation and economic instruments (GreenChoice energy product)
- A range of community initiatives, charities and events benefited from our targeted sponsorship program including Floriade, the Australian Science Festival, The Royal Canberra Show, Lake Tuggeranong College Solar Car and The Smith Family
- We completed a significant project advising the 2008 Beijing Olympic Bid Committee on environmental matters
- Awarded a Special Commendation for the 2000 Annual Environment Report and a Silver Medal for excellence in our reporting of the 2000 Annual Report



# Chairman's Report



The significant event in 2000/2001 was the signing of the joint venture agreement with AGL. The joint venture "ActewAGL" commenced on 3 October 2000. As a result, a major focus of activity during the year has been implementing these new arrangements, and ensuring that stakeholders understand the nature and impact of the changes. The joint venture with AGL is beneficial for the ACT and for ACTEW. The Public Private Partnership business model provides a sustainable basis for ACTEW to be a successful multi-utility participant in water, sewerage and energy businesses in a competitive national market. I thank sincerely all those involved in the successful negotiation and implementation of the joint venture. Their dedication and efforts have played a major role in ensuring its success.

As a result of the joint venture with AGL, \$119 million capital repatriation has been made by ACTEW to the ACT Government. This payment is in addition to a dividend of \$66.6 million for the 2000/2001 year. ACTEW continues to make a significant contribution to the Territory's revenue. Our group profit after tax was \$90.6 million, compared with \$65.7 million in the previous year. While the bulk of this increase is due to tax adjustments and profits on assets transferred to the ActewAGL joint venture, it still reflects an extremely good result.

ACTEW Corporation is now the owner of a 50% share in a diversified energy business, and has retained 100% ownership of the environmentally sensitive water and sewerage assets in the ACT. The operational functions in relation to these assets are performed by ActewAGL under an alliance contract. The role of ACTEW has changed: it is now a manager of assets that deliver vital public services, rather than an operator. As a holding company, it must ensure that its shareholders, the ACT Government, continue to receive a commercial return on the funds invested. It must also prudently maintain the water and sewerage assets it owns. This will require on-going capital investment, and may mean some adjustment to the 100% dividend policy of the ACT Government. ACTEW will continue its major focus on environmental issues, and provide support to local community activities.

Water, and its effective and sustainable management, is and will continue to be a major public issue. ACTEW has been heavily involved in the discussions about allocations from the Murray-Darling Basin Cap. The discussion is about the level of diversions that will be available to the ACT in the future. The ACTEW Board believes that this matter has significant long-term implications for the Territory. The Territory's water resources are managed under an appropriate water resource management

regime, and all "caps" in relation to the Murray-Darling must be set at sustainable levels. ACTEW has provided expert assistance to the ACT Government in its negotiations with the Commonwealth and State governments on this issue.

We are in the process of negotiating a long-term water and sewerage management agreement with ActewAGL. The complexities are large, but the Board remains hopeful that a satisfactory outcome can be achieved for the benefit of the Territory.

The Utilities Act came into operation on 1 January 2001. The Act requires a utility to be licensed, and to comply with numerous conditions emanating from the statute, regulators and industry and technical codes. This increased regulatory burden will have resource and financial implications for ACTEW. For example, we estimate that new licence costs for the water and sewerage businesses under the utilities, public health and environment legislation will exceed \$636,000 annually. Licence costs for electricity and gas activities approach \$700,000 annually. There are also significant additional costs with compliance, monitoring and review.

At 30 June 2001, ACTEW has invested \$22.6 million in TransACT, a broadband fibre optic cable network. This is a major investment and, while the infrastructure development and commissioning phase provides a significant challenge, it is a project the Board believes will deliver significant advantages to the ACT. Progress on the roll-out to homes and businesses in the Territory continues successfully. However, as a result of the worldwide reduction in value of technology stocks and investments, a provision for diminution in value of the TransACT investment of \$5.7 million (25% of \$22.6 million) was created.

The shareholders appointed Kevin Neil and Paul Perkins to the Board during the year. Kevin brings a new range of commercial and business experience to our ranks. Paul is the CEO of ACTEW, having served in the organisation for a number of years. John Mackay resigned as a director following his appointment as CEO of ActewAGL.

It has been a year of change, adaptation and adjustment to new roles, responsibilities and functions for ACTEW. The Board and small team have diligently and competently made the change and adjustment.

A handwritten signature in black ink, appearing to be 'J G Service', written in a cursive style.

**J G Service AM**  
Chairman

## Directors' Profiles



**James G Service AM, Chairman,  
FAPI, FCPA, FCIS**

Jim Service is the Executive Chairman of J G Service Pty Ltd. He is also Chairman of Tower Software Engineering Pty Ltd, TransACT Communications Pty Ltd, Advance Loan Direct Pty Ltd, Australian and New Zealand Health Management Network, Salvation Army Advisory Board (ACT), Trustees Order of Australia Foundation, and the Cooperative Research Centre for Construction Innovation. He is Deputy Chairman of Australand Holdings Limited; a Director of Capital Airport Group Pty Ltd, Australian Foundation of Science, National Gallery of Australia Foundation, ACTEW Investments Pty Ltd; and a Member of the ActewAGL Joint Venture Board. Jim Service is the 2001 Canberra Citizen of the Year. He was appointed a Director and Chairman of the ACTEW Board on 30 June 1995.



**Michael B Easson AM, Deputy Chairman,  
BA (Hons), FAICD**

Michael Easson is the principal of Michael Easson Management, a consultancy providing specialist strategic services to Australian and multinational organisations, and a consultant to Corrs Chambers Westgarth. He is also the Australian representative of the US private equity firm Lombard, and Deputy President of UNICEF Australia. Michael Easson is a Director of the Macquarie Infrastructure Group, Macquarie Goodman Group, Australian Stationery Industries, InTech, Stadium Australia, York Mining, MEM Technology, ACTEW Investments Pty Ltd; and is a Member of the ActewAGL Joint Venture Board. He has been a Director of the ACTEW Board since 11 July 1995 and Deputy Chairman since 29 May 1996.



**William R Morris, AAI**

Bill Morris is the Regional General Manager Canberra/Southern New South Wales for The Smith Family and is responsible for the performance and development of the organisation in this region. Prior to commencing with The Smith Family in 1987 he worked in the insurance industry for a number of years including as Divisional Manager (ACT and Southern New South Wales) for GRE Insurance Ltd. He is Chairman of ACTEW Distribution Limited and the Miles Franklin School. He was appointed a Director of the ACTEW Board on 1 July 1995.





**Peter M Phillips, BA, Dip  
Thai Language Studies**

Peter Phillips is a Director of Endeavour Consulting Group Pty Ltd. He is Chairman of ACTEW Investments Pty Ltd and a Member of the National Executive of the Australia-Taiwan Business Council. Peter Phillips is a Director of Bobundra Pty Ltd, Auster Pty Ltd, and Northern State Developments Pty Ltd. He was Chairman of ACT Electricity and Water Authority from 1988 until corporatisation in 1995. He was appointed as an alternate Director to the ACTEW Board on 1 July 1998 and a Director on 1 July 2000.



**Bettie A McNee, LLB, FICSA,**

Bettie McNee holds a number of non-executive Director appointments. She was Group Secretary and General Counsel of Westpac Banking Corporation from 1995 to 2000. Bettie McNee is the President of the Administrative Review Council; Deputy Commissioner of the Private Health Insurance Administration Council; a Director of the Menzies Research Centre Limited, Permanent Trustee Company Limited; a Member of the ACT Remuneration Tribunal and the ActewAGL Joint Venture Board. She was appointed a Director of the ACTEW Board on 1 July 2000.



**Kevin Neil, MAICD**

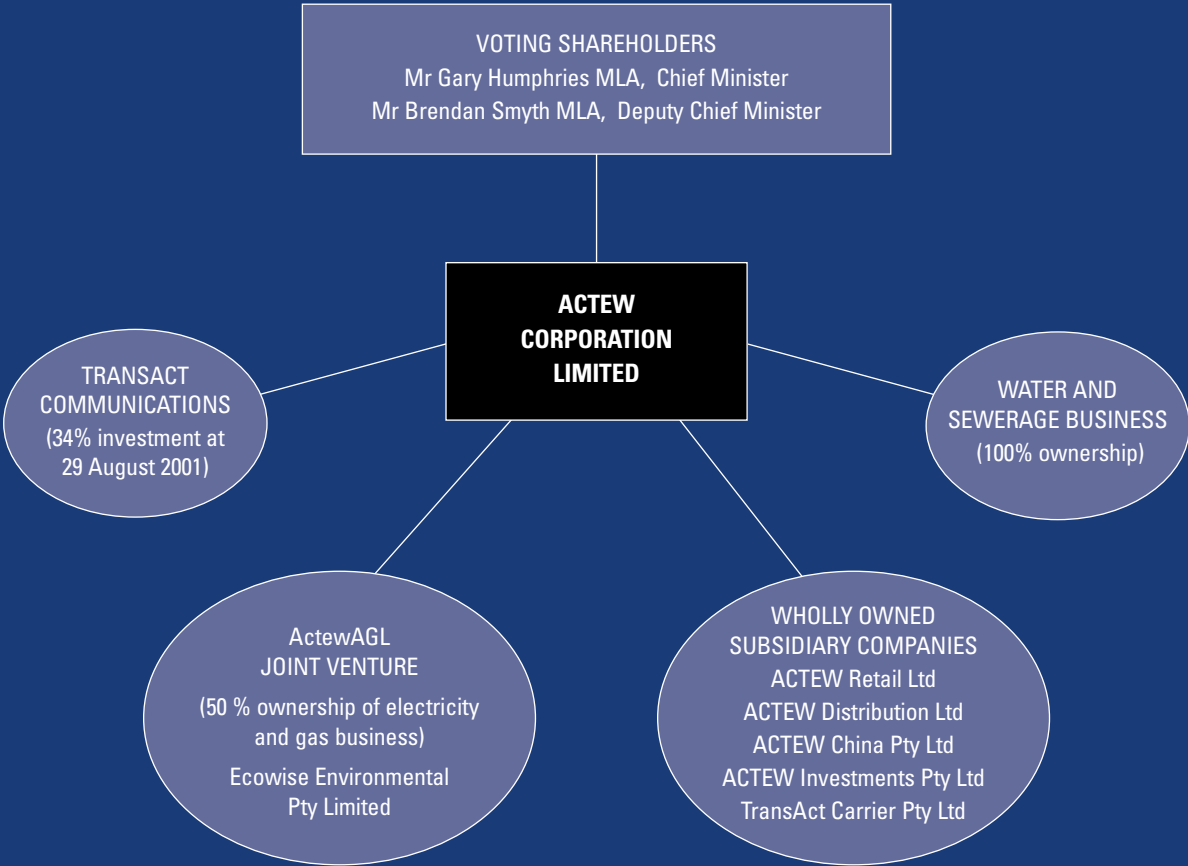
Kevin Neil is Chief Executive Officer of the Canberra Raiders, a position he has held since 1992. He is a Director of the Stadiums Authority, the ACT Liquor Licensing and Adult Services Board, the Australian Rugby League Development Foundation Board; and a Member of the Australian Institute of Company Directors. He was appointed a Director of the ACTEW Board on 6 December 2000.



**Paul J Perkins, BBus, DipLGA, AMP  
(Harv), FCPA, FAICD**

Paul Perkins was Deputy Chief Executive of ACTEW Corporation from 1991 until appointment as Chief Executive on 3 October 2000. He is Chairman of the Australian Science Festival Limited, Australian Environment Export Corporation Limited, ACTEW China Pty Ltd, ACTEW Retail Limited, and the Environmental Industry Action Agenda. He is Deputy Chair of Beijing Green World Environment Protection Technology Co Ltd. He is a Director of ACTEW Investments Pty Ltd, Australia China Holdings Pty Ltd, ACTEW Distribution Limited and Environment Business Australia; a Member of Austrade Infrastructure Advisory Board and an Honorary Ambassador for Canberra. He was appointed a Director of the ACTEW Board on 22 December 2000.

# Group Organisation Profile



# Chief Executive's Report



ACTEW Corporation entered an exciting new phase of development on 3 October 2000. Previously the operator of a combined electricity, water and sewerage utility, it is now a holding company and asset manager with energy, water and telecommunications investments. ACTEW remains the 100% owner of the water and sewerage infrastructure for the ACT and with AGL retains 50% ownership of the ActewAGL joint venture.

Financial results for the year included results of the old basis of operation for three months to the end of September and joint venture operations thereafter. Group profits after income tax equivalents was a record \$90.6 million compared with last year's \$65.7 million. It is not directly comparable with the previous year due to profit on sale of assets and tax adjustments arising from the joint venture. The results do, however, reflect buoyant trading conditions in both energy and water markets.

Financially the year was one of structural adjustment with reviews of accounting, taxation and financing policies. Future years earnings will reflect normal trading arrangements under the new joint venture.

During the year, in conjunction with officers of the joint venture, significant effort was applied to the development and implementation of the Utilities Act 2000, an integrated package of regulation of all technical and commercial areas applying to the utility operations. This legislation will fundamentally alter our relationship with the regulator, however, in the year in review there was no significant impact due to five year pricing reviews previously conducted and the fact that most requirements of the legislation affect operations from 1 July 2001.

With the establishment of a Holding Company a deal of effort has been applied to the development of appropriate governance and liaison arrangements with our unique joint venture. Whilst the operations in the first nine months have been productive beyond our expectations, significant effort will be required in the coming year to refine these processes.

Planning has commenced for a major benchmarking exercise of international best practice in water supply, wastewater treatment and re-use and renewable energy. The outcomes of this major study, to be completed during the next financial year, will form the basis of a capital investment program for the following 10–12 years, structured to ensure continued economic and environmental leadership in Canberra's water and wastewater responsibilities.

ACTEW continued its involvement in major environmental groups during the year with continued participation in environment industry associations and national initiatives.

The successful outcomes of this extraordinary year were only possible due to the focus and goodwill of all stakeholders, the ACT Government, our partner AGL, the leadership of the joint venture and our own staff team. A special thank you to all is justly deserved!

A handwritten signature in black ink, appearing to read 'Paul J Perkins', written in a cursive style.

**Paul J Perkins**  
Chief Executive

## Executive Team



### **Paul J Perkins, Chief Executive**

Paul joined the former ACT Electricity Authority in 1987 and has held a number of senior executive positions in ACTEW and its predecessors. He was appointed Chief Executive on 3 October 2000.



### **Mike Luddy, Chief Finance Executive**

Mike commenced with ACTEW in November 2000. Mike has held many senior management positions during his career, including Group Financial Controller and Company Secretary Mirvac Group and Financial Controller Swiss Aluminium Group.



### **Peter Carrigy-Ryan, Company Secretary**

Peter was appointed part-time company secretary on 3 October 2000. Peter is principal of a consultancy business, specialising in general counsel and company secretariat work. Peter is also company secretary of ACTEW's wholly owned subsidiary companies.



### **Asoka Wijeratne, Water/Regulation Manager**

Asoka commenced in Water Branch in 1988 and has held a number of senior management positions since that time, including as Manager of Lower Molonglo Water Quality Control Centre.

In addition to the Executive team, the Chief Executive is supported by a small team of managers and administrative staff, and a number of part time employees who are contracted for project related activities.

# Joint Venture Overview

## Establishment of Joint Venture

On 9 March 2000, the ACT Legislative Assembly enacted the *ACTEW/AGL Partnership Facilitation Act 2000*, the purpose of which was to facilitate the process and establishment of any future agreement between ACTEW and AGL to form a joint venture by way of partnership between subsidiaries of each company for the provision of electricity, gas, and for the undertaking of certain water and sewerage operations and maintenance activities.

The Board and AGL finalised agreement in August 2000 and the joint venture, with approval from shareholders became operational on 3 October 2000.

Under the valuation principles agreed, AGL paid an equalisation payment on settlement and subsequent adjustments totalling \$157.5 million. The initial tranche of \$119 million was remitted to the shareholders as a capital repatriation.

Under the direction of the ACTEW Board, the process followed the requirements of the legislation above and was also subject to continuous review by an independent probity auditor and a government committee. Process and issues were canvassed in the final report by the Standing Committee of Finance and Public Administration (Report No. 8 August 2000).

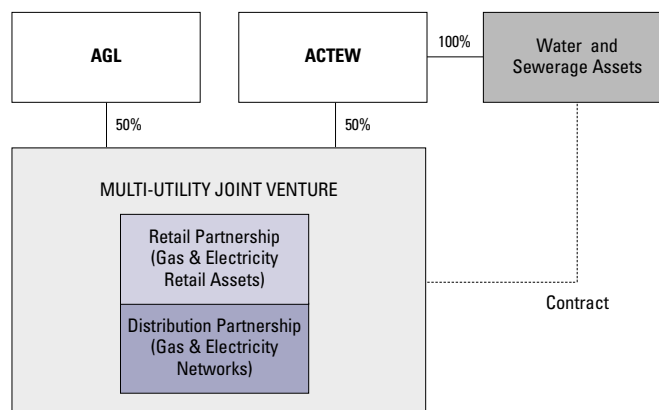
The Chair of that Committee concluded;

*“Based on the documents received in time for consideration, the Committee considers that ACTEW and its advisors have acquitted themselves professionally and effectively in partnership negotiations and to have achieved an overall outcome which is equitable to the ACT”.*

## Description

The joint venture, the first multi-utility operating as a public-private partnership in Australia, combined ACTEW's electricity network and retail operations with AGL's ACT and Queanbeyan gas network and retail operations. ACTEW and AGL each hold a 50% interest in the partnership.

It comprises two partnerships, ActewAGL Retail and ActewAGL Distribution. In each partnership 50% is held by one partner that is a subsidiary company of ACTEW Corporation, and the other 50% partner is a subsidiary company of AGL. A brief description of the two partnerships is outlined below.



*“The ActewAGL joint venture, the first multi-utility public private partnership in Australia, commenced on 3 October 2000.”*

# Joint Venture Overview

## **ActewAGL Retail**

A range of services are provided including:

- supply of gas and electricity to customers in the ACT
- supply of gas in Queanbeyan
- supply of electricity to contestable interstate customers
- billing for electricity and water customers in the ACT and contestable electricity customers in the ACT and elsewhere, and call centres

## **ActewAGL Distribution**

The role of this partnership includes:

- ownership and operation of the ACT electricity and gas distribution networks
- operation of the ACT gas network as owner
- operation of the water and sewerage services of the ACT as contractor to ACTEW Corporation

All ACTEW staff, with the exception of those remaining in the holding company were seconded to the joint venture. All employment conditions were maintained.

ACTEW Corporation remains a holding company and asset manager. The major water and sewerage assets of ACTEW Corporation are retained in the ownership of the Corporation, and thus in the ownership of the Australian Capital Territory. The water and sewerage customer base also remains with ACTEW.

ActewAGL provides water and sewerage operations and maintenance services under an alliance service agreement with ACTEW.

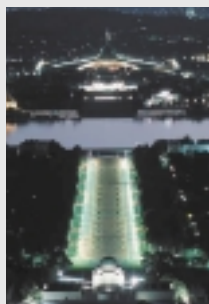
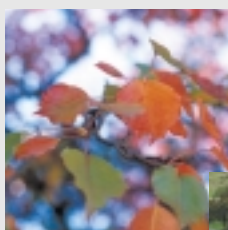
Corporate governance and management of the joint venture is established under the joint venture Umbrella Agreement. The joint venture board comprises six members, three members appointed by ACTEW and three members appointed by AGL, to manage the business of the joint venture.

The three members appointed by ACTEW are:

- Jim Service
- Michael Easson
- Bettie McNee

The three members appointed by AGL are:

- Michael Fraser (*Chairman*)
- John Fletcher
- Mark Harper



# Areas of Operation — A year of transition

In this year of significant change in our operating arrangements, it has been difficult to provide a coherent framework for reporting pre and post joint venture operations. Operating conditions and significant events are therefore treated by business segments below but at a level of detail higher than in previous years.

## Customers and the Community

During the year the approach to community relations in large part became the responsibility of the joint venture and new arrangements were put in place to better reflect the needs of shareholders and to better position the joint venture to confront local issues during a period of increased competition.

It was pleasing to note that the annual ACT Government survey at the end of the year confirmed that the community afforded the highest approval rating to our utility services.

## Branding and Imaging

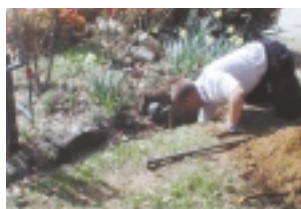
ACTEW and ActewAGL both undertook re-branding and imaging exercises to ensure the preservation of goodwill, underpin value retention of the joint venture investment and build community acceptance of the joint venture. Future focus will be on and through the ActewAGL brand.

## Water and Sewerage

ACTEW's water and sewerage assets total more than \$858m. We have contracted the management and operation of the water and sewerage business to ActewAGL. This arrangement is formalised and monitored through the Water and Sewerage Managing Contractor Alliance Agreement.

Major achievements during the year included:

- Delivery of quality of drinking water achieved 100% compliance with the Water Quality Code of Practice during a year of high demand due to drier than usual weather conditions.
- Effluent discharge from Lower Molonglo Water Quality Control Centre (LMWQCC) achieved 100% compliance and incinerator emission achieved 99.1% compliance with the Environmental Authorisation.
- A new state of the art disinfection system at LMWQCC commenced operation enabling efficient chlorination and dechlorination of the final effluent.
- The Stormwater Diversion Project Stage II at LMWQCC was completed. Rainwater and chemical spills are collected and stored in the dam avoiding run off into the river.
- The second year of the Water Meter Replacement Program was completed resulting in improved water usage data and billing. It is planned to continue this program for a further three years.
- Approximately 4.1 kms of sewer pipes were replaced using trenchless replacement techniques. This technique provides an effective solution with minimum public and environmental disturbance.



# Areas of Operation — A year of transition

- Our CRANOS® sewerage treatment technology was advanced with the first major plant in Perth sold and a commercialisation agreement entered into between ActewAGL and a major Japanese company.

## Electricity and Gas

The joint venture reported strong demand and financial results in the electricity and gas markets. We were successful in retaining a large proportion of newly contestable customers in the home market and continued successful gains in niche areas in the national electricity market.

GreenChoice energy tariffs continued to grow strongly with members increasing to 3,700 and annual sales of 27.6 GWh hours.

The joint venture is making preparations for full retail contestability in both the gas and electricity markets. Whilst the timetable for its introduction is still uncertain, appropriate systems are being developed to ensure successful implementation.

Energy network operations equally had a successful year, delivering strong financial returns within the limits imposed by the regulator. Network operations included for the first time the operation of the gas networks which, whilst operated under contract by AGL, are managed by the joint venture.

Major achievements during the year included:

- The completion of electrical reticulation to the new National Museum of Australia.



- The final stage of the Fyshwick Zone Substation was completed and commissioned.



- The completion of a major switchgear replacement program for 50HV switches.



- The construction of the Canberra primary gas main extension to the eastern gas pipeline at Hoskinstown was completed.



# Areas of Operation — A year of transition

## Other Investments

### **TransACT Communications**

At the end of the year, ACTEW held a 27% shareholding in TransACT Communications Pty Ltd, representing an investment of \$22.6m in the company. Our partners in TransACT are AGL, TVG, Marconi, ACV and a number of TransACT employees.

TransACT is a last mile carrier of broadband communications, currently engaged in the deployment of a technologically sophisticated local access network. TransACT's deployment will pass 96,000 residential homes, 10,000 small businesses and 2,000 corporate and government premises by September 2002. The TransACT network is state of the art technology and is regarded as one of the most advanced networks in the world. As well as technological advantages, the network has been designed for minimum environmental impact. When fully installed and operational the network will offer the Canberra community a full service network with telephony, data and video services over one line.

The Board recently reconfirmed its commitment and interest in the company with an increased investment.

Since 30 June 2001 ACTEW has subscribed \$16.9 million in cash for further equity and has conditionally committed to a further investment of \$20.0 million over the coming year.



### **China**

ACTEW's small investment in an Australia-China joint venture in environmental technology was not taken into the joint venture. During the year ACTEW China Pty Ltd was the lead contractor for a significant project providing environmental advice and support for the Beijing Olympic Bid Committee in their quest for the 2008 Olympic Games.

The project was completed before the end of the

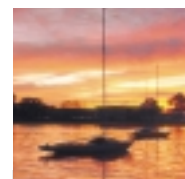
financial year and with Beijing being successful in their bid, further significant opportunities are expected.

The China based joint venture, Beijing Green World, completed several projects during the year and have agreed to jointly bid for aid-funded projects with Australian interests.

### **Employees**

On 3 October 2000 the majority of ACTEW employees (829) were seconded to the joint venture. The secondment of employees is facilitated through the ACTEW Staff Services Agreement.

The Staff Services Agreement outlines a range of Personnel Management Obligations that the joint venture must perform for the ACTEW personnel seconded to them. It also details a number of obligations in respect of management, remuneration, day-to-day supervision, training and OH&S.



# Legislative Framework

## The Utilities Act 2000

The Utilities Act 2000 was introduced into the ACT on 1 January 2001. ACTEW is bound by the Act from 1 July 2001. From that date all ACTEW businesses are required to:

- be licensed to provide utility services
- have standard customer contracts for the provision of utility services to franchise customers
- comply with the Act and technical and industry codes that have been approved by the Independent Competition and Regulatory Commission (ICRC)
- submit an annual report to the ICRC on compliance with the codes, the Act and licence conditions at the end of the financial year.

The Utilities Act regulates the provision of utility services in the ACT. The Act aims to encourage competition in the provision of utility services while preserving the quality of the services and protecting consumers' rights. The Act also contains sections to protect utility networks, and provide access by utility staff to network infrastructure on private lands. It also provides for government control over utility operations should this be required if continuation of utility services is threatened.

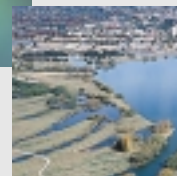
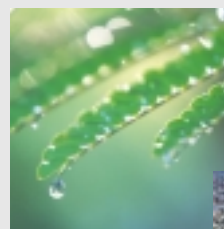
The ICRC is the main regulator for the Utilities Act in terms of licensing, customer contracts and customer relations, while the Department of Urban Services is responsible for regulation of technical aspects of utility operations.

Utility services are defined as gas, electricity, water and sewerage services that include connection, distribution and supply. Only a business that has a licence under the Utilities Act is able to provide utility services unless there is a Ministerial exemption. All the businesses within the joint venture obtained licences with effect from 1 July 2001. Prior to that date they operated with a Ministerial exemption from Utilities Act licensing, and continued under authorisations relevant to the previous legislative scheme.

Once a business is licensed to provide a utility service, it is obligated to provide that service on request to any customer for connection and any franchise customer for supply. Such services must be provided under the terms of a standard customer contract that each licensed business must prepare, subject to approval by the ICRC. A capital contribution from the customer may be applicable.

A licence holder must comply with the Utilities Act as well as the technical and industry codes approved under the Act. The codes detail the standards a utility must adhere to in order to deliver safe, reliable, high quality services to customers and consumers while providing for competition in contestable areas.

Both ACTEW and ActewAGL have dedicated large resources to the implementation of the Utilities Act because it poses substantial new compliance burdens. The ActewAGL businesses have spent the past year in consultation with government departments in preparing the legislation. Since the Act was introduced, we have successfully negotiated licences and standard customer contracts.



# Pricing

The ACT's jurisdictional regulator, the Independent Competition and Regulatory Commission (ICRC), issued a medium term price path for electricity, water and wastewater services in May 1999.

The price path is for the five years ending 30 June 2004. In May this year, the ICRC issued a Final Determination on its Review of Natural Gas Prices. This provides a medium term price path for ActewAGL's gas retail prices for the three years ending 30 June 2004.

The Final Price Direction for 2001/2002 (based on a forecast CPI of 2.25%) provides for a 5.25% increase in water revenue and a 3.25% increase in wastewater revenue. However, these revenues must be adjusted up for the difference between the 2000/2001 forecast CPI and the actual CPI. The price direction also allowed for an increase in the electricity franchise retail margin in 2001/2002 from \$7.6 million to \$7.7 million. The natural gas determination results in price reductions for domestic customers in the order of 3% to 5% below the CPI. For business customers the price reductions are up to 11%.

The Final Price Direction for 2001/2002 (based on a forecast CPI of 2.25%) provides for a 0.25% increase in network electricity revenue. However, this revenue must be adjusted up for the difference between the 2000/2001 forecast CPI and the actual CPI. ActewAGL published a full suite of network tariffs from 1 July 2001 for contestable customers.

On 28 November 2000 the ICRC released its final decision on the Access Arrangement for ActewAGL Distribution's natural gas system in the ACT, Queanbeyan and Yarrowlunla. The final Access Arrangement proposal was submitted to ICRC on 22 December 2000 and approved by the ICRC on 17 January 2001, effective from 1 February 2001. The final Access Arrangement resulted in a reduction of real network revenues of around 15.5 % between 2000 and 2004.

The implementation of the Utilities Act in 2001 has allowed greater flexibility in the water and wastewater pricing structure. For example, the basic water allowance of 1kL has been removed for 2001/2002. Further changes are being evaluated.

ACTEW Corporation determines water and wastewater prices subject to ICRC approval. ActewAGL applies these charges on behalf of ACTEW Corporation. For 2001/2002, the price step for water falls from 251kL to 225kL, providing further incentive for customers to manage their water consumption. The ICRC set the side constraint increase on water charges at 6% and on wastewater service charges at 1%, after inflation, to limit price impacts on individual customers.

As a holder of a water abstraction licence, ACTEW is required to pay a licence fee of 10c per kilolitre for abstraction from ACT dams and water catchments. In accordance with the February 2000 water abstraction charge direction from the ICRC, this charge is passed through to ACTEW customers.

The regulatory approach by ICRC provides a more commercial return on infrastructure and strong incentives to further reduce costs and deliver efficiency improvements while continuing to maintain high service and safety standards.

## Charges for our services

ActewAGL publishes a full suite of prices for all regulated services. Details are available from the joint venture website ([www.actewagl.com.au](http://www.actewagl.com.au)) or by contacting customer advisory service.



# Environment

Our major emphasis on environmental leadership continued, with most initiatives advanced through the joint venture.

Significant achievements and issues included energy efficiency commitments, which were advanced through successful demand side projects. These included SolACT photovoltaics, other research and development projects and GreenChoice tariffs.

Supply side projects included planning for new renewable energy generation sources (Googong mini-hydro, wind power) and a gas fired power station.

A recent review of the tasks outlined within the 2000/2001 Environment Action Program (EAP) indicates that all areas within the joint venture are in the process of completing, or have completed the tasks as set out in the EAP.

<b>Category</b>	<b>Number of tasks not yet started</b>	<b>Number of tasks started but not complete</b>	<b>Number of tasks completed or on-going</b>	<b>Total</b>
<b>Environmental Management Systems –</b> includes compliance with environmental legislation and integrating EAP tasks into business plans.	0	0	18	18
<b>Improving Environmental Awareness –</b> Includes developing training material and conducting information and awareness sessions.	0	0	7	7
<b>Community Consultation –</b> includes holding environmental forums, increasing GreenChoice subscriber numbers and developing an educational website.	0	0	7	7
<b>Water &amp; Energy Use – Waste Strategy –</b> includes developing strategies for reducing waste	0	0	10	10
<b>Waste &amp; Wastewater Services –</b> includes finalising a review of the Future Water Supply Strategy	0	0	7	7
<b>Greenhouse Gas Abatement Strategy Implementation –</b> includes reviewing the strategic direction in sourcing ActewAGL's energy requirements developing a "Sustainable Energy Solutions" range of products	0	0	20	20
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>69 (100%)</b>	<b>69 (100%)</b>

Certification of all operational areas under AS 9001 (Quality Management Systems) and AS14001 (Environmental Management Systems) were maintained.

Investments and initiatives for both compliance and environmental improvements in our water and sewerage operations are reported elsewhere in this report.

Our contribution to industry and national initiatives was advanced through participation in various industry associations and research bodies. Chief Executive, Paul Perkins was appointed National Chairman of the Commonwealth Government Environment Industry Development Action Agenda.

# Financial Statements

**ACTEW Corporation Limited**

**ABN 86 069 381 960**

## Financial Report

*for the year ended 30 June 2001*

The Financial Report covers both ACTEW Corporation Limited as an individual entity and the consolidated entity consisting of ACTEW Corporation Limited and its controlled entities.

ACTEW Corporation Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

ACTEW Corporation Limited  
Level 9  
ActewAGL House  
221 London Circuit  
CANBERRA CITY ACT 2601

Directors' Report	20
Directors' Declaration	24
Independent Audit Report	25
Statement of Financial Performance	26
Statement of Financial Position	27
Statement of Cash Flows	28
Notes to and Forming Part of the Financial Report	
1 Summary of Significant Accounting Policies	29
2 Revenue	34
3 Net Gains and Expenses	35
4 Income Tax Equivalents	36
5 Dividends	37
Current Assets	
6 Cash Assets	37
7 Receivables	37
8 Investments	37
9 Inventories	38
10 Other	38
Non Current Assets	
11 Investments	38
12 Investments Accounted for Using the Equity Method	38
13 Other Financial Assets	38
14 Property, Plant & Equipment	39
15 Other	40
Current Liabilities	
16 Payables	40
17 Interest Bearing Liabilities	40
18 Provisions	41
19 Other	41
Non Current Liabilities	
20 Interest Bearing Liabilities	41
21 Provisions	41
22 Other	41
Equity	
23 Contributed Equity	42
24 Reserves	42
25 Retained Profits	43
26 Financial Instruments	43
27 Remuneration of Directors	46
28 Remuneration of Auditor	46
29 Contingent Liabilities	46
30 Commitments for Expenditure	47
31 Employee Entitlements	48
32 Related Parties	48
33 Investment in Controlled Entities	50
34 Interest in Joint Ventures	51
35 Investment in Associated Entities	52
36 Non Cash Contributed Assets Received Free of Charge	52
37 Segment Information	53
38 Reconciliation of Operating Profit after Income Tax Equivalents to Net Cash Inflows from Operating Activities	54
39 Events Subsequent to Balance Date	54

# Directors' Report

The directors present their report on the financial report of ACTEW Corporation Limited (ACTEW) and the entities it controlled at the end of, or during, the year ended 30 June 2001.

## **Directors**

The following persons were directors of ACTEW during the whole of the financial year and up to the date of this report unless otherwise indicated:

- James Glen Service, Chairman
- Michael Bernard Easson, Deputy Chairman
- Paul Joseph Perkins (appointed 22 December 2000)
- John Angus Mackay (resigned 3 October 2000)
- Bettie Anne McNee (appointed 1 July 2000)
- William Richmond Morris
- Kevin Leslie Neil (appointed 6 December 2000)
- Peter Maxwell Phillips (appointed 1 July 2000)

Refer to Annual Report for further information on directors.

## **Directors' meetings**

Twelve directors' meetings were held during the financial year, and the number attended by each of the directors was:

### **Directors' meetings**

	No. of meetings attended	Meetings eligible to attend
J G Service	10	12
M B Easson	9	12
P J Perkins	7	7
J A Mackay	3	3
B A McNee	7	12
W R Morris	12	12
K L Neil	6	7
P M Phillips	10	12

In the prior year the directors resolved that, due to a number of vacancies on the board and the board committees, all items previously referred to the committees would be considered as part of normal directors' meetings by the full board of directors.

## **Principal activities**

The principal activities of ACTEW during the year were to:

- supply energy up to 3 October 2000 when the ActewAGL joint venture was formed and the electricity business was transferred to the joint venture;
- supply water;
- promote and manage the use of energy and water;
- provide sewerage services; and
- undertake other related business or activity.

ACTEW's role is principally one of an asset manager.

## Directors' Report (continued)

The principal activities of the subsidiaries were as follows:

- **ACTEW Retail Limited** (formerly ACTEW Energy Limited) — marketing energy, providing integrated energy solutions and other services to contestable customers up to 3 October 2000, then a holding company for ACTEW's interest in the Retail Partnership of the ActewAGL joint venture;
- **ECOWISE Environmental Pty Limited** — hydrology, hydrography, scientific and laboratory services, assembly of remote area automated monitoring and measuring equipment, training and quality management up to 3 October 2000 when the company was transferred to the ActewAGL joint venture;
- **ACTEW Investments Pty Ltd** — operations ceased on 1 July 2000;
- **ACTEW China Pty Ltd** — exploring business opportunities in China;
- **ACTEW Distribution Limited (formerly ECOWISE Services Limited)** — this company was inactive up to 3 October 2000, then a holding company for ACTEW's interest in the Distribution Partnership of the ActewAGL joint venture;
- **TransAct Carrier Pty Ltd** — initially set up to hold a telecommunications carrier licence, it is now inoperative.

### Review and results of operations

Total revenue from operating activities of the group was \$256.5 million compared to \$374.7 million in the prior year. The group profit before income tax equivalents was \$83.4 million, compared with \$74.4 million in the previous year. Revenue decreased as a result of the transfer of the electricity business to the joint venture on 3 October 2000. Group profit increased mainly as a result of the profit made on the transfer of the electricity business assets to the joint venture.

A summary of the revenues and results is set out below:

	<b>2001</b>	2000
	<b>\$ million</b>	\$ million
Revenue	256.5	374.7
Profit before Income Tax Equivalents	83.4	74.4
Income Tax Equivalents	7.2	(8.7)
Profit after Income Tax Equivalents	90.6	65.7
Payments to the ACT Government:		
Dividends	66.6	65.7
Capital repaid	119.0	300.0
	185.6	365.7

### Dividends

The 1999/2000 final dividend of \$18.7 million was approved by the shareholders and paid in October 2000. The total available for 2000/2001 dividend appropriation was \$90.6 million of which \$24 million has been transferred to retained earnings as it mainly represents non cash profits on the transfer of assets to the ActewAGL joint venture. An interim dividend of \$48.0 million was paid in June 2001. The directors have recommended the payment of the 2000/2001 final dividend of \$18.6 million.

# Directors' Report (continued)

## Significant changes in the state of affairs

- On 3 October 2000 the ActewAGL joint venture was formed. ACTEW transferred its electricity business to the joint venture and The Australian Gas Light Company (AGL) transferred its ACT and Queanbeyan gas business. ACTEW now holds a 50% interest in the joint venture.
- ACTEW retains ownership of the water and sewerage assets with the ActewAGL joint venture providing contracting services through a Water & Sewerage Managing Contractor Agreement.
- All ACTEW employees with the exception of ten were seconded to the ActewAGL joint venture. Ongoing commitments to ACTEW employees are managed through a Staff Services Agreement with ActewAGL.
- Equalisation payments totalling \$157.5 million were received during the year in respect of the formation of the ActewAGL joint venture.
- ACTEW made a capital repatriation to its shareholders of \$119 million during December 2000.
- The role of ACTEW has changed from an asset operator to an asset manager.
- The Utilities Act 2000 commenced on 1 January 2001 with provisions affecting ACTEW's operations commencing on 1 July 2001. The Act requires a utility to be licensed, and to comply with numerous conditions emanating from the Statute, regulators and industry and technical codes.
- ACTEW has invested \$22.6 million in TransACT Communications Pty Ltd at 30 June 2001, the developer and owner of a broadband fibreoptic cable network. The investment consisted of startup assets and technology of \$11.0 million plus cash equity subscriptions of \$11.6 million. ACTEW was issued with 28.3 million \$1 shares in TransACT for the \$22.6 million investment.

## Matters subsequent to the end of the financial year

The following matters or circumstances have arisen since 30 June 2001:

- Since 30 June 2001 ACTEW has subscribed \$16.9 million in cash for further equity in TransACT. As well, ACTEW has conditionally committed to a further investment in TransACT of \$20.0 million over the coming year.

## Likely developments and expected results of operations

Relevant issues are treated elsewhere in this report.

## Regulation and Licence compliance

### Environmental Licence details

ACTEW is subject to environmental regulation in respect of its operations. During 2000/2001 ACTEW's compliance details were:

	Compliance rate	Target
Googong pollution control licence compliance *	100.0%	100.0%
Sewage treatment plant discharge licence compliance	100.0%	100.0%
Sewage treatment plant incinerator air emission compliance **	99.1%	100.0%

\* Googong pollution control licence period runs from 15 August 1999 to 14 August 2000.

\*\* Lower Molonglo Water Quality Control Centre's non-compliances with regard to incineration were typically due to: changes in process operating conditions; equipment malfunctions; and commissioning new process projects. Emission excesses were of short duration, generally less than one hour.

ACTEW has assessed that there are no other particular or significant environmental regulations which apply.



# Directors' Report (continued)

## **Health Licence details**

The ACT Drinking Water Quality Code of Practice was introduced by the Department of Health and Community Care during March 2000. ACTEW now holds a Drinking Water Quality Licence under the ACT Public Health Act. ACTEW's performance regarding drinking water quality appears in a monthly report on the ACTEW website ([www.actew.com.au/water/performance](http://www.actew.com.au/water/performance)).

## **Utilities Act 2000**

The Utilities Act 2000 commenced on 1 January 2001. It applies to licensed utilities. ACTEW was granted two licences by the Independent Competition and Regulatory Commission in June 2001 to provide water and sewerage services under the Act. ACTEW became subject to the Utilities Act, with effect from 1 July 2001.

## **Insurance of Officers**

ACTEW had in place during the financial year a package of insurance that included insurance for directors and officers of ACTEW, its controlled entities and the ActewAGL joint venture. The premium is included within costs of a combined liability policy and is not separately accounted for but the estimated value of the premium was \$125,000.

The policy also applies if a claim is made against directors or officers after they have left the service of ACTEW, where the claim was over events during the ACTEW service.

During the year an insurance claim against ACTEW and two former ACTEW officers was settled. Legal costs relevant to the defence of the two former officers will be claimed under the insurance policy.

## **Indemnity of Officers**

ACTEW has indemnified:

- a former officer of ACTEW in respect of his services as a director of various companies in the interest of ACTEW. The indemnity applies until 26 March 2006;
- the directors and officers of ACTEW and wholly owned subsidiaries against liabilities and legal costs arising in the course of their duties, to the extent permitted by Corporations Act 2001.
- an indemnity was granted late in the financial year to two executives of the ActewAGL joint venture for their work on behalf of ACTEW with the TransACT group, one as a director and one as acting CEO.

No liability has arisen under these indemnities as at the date of this report.

## **Rounding of amounts**

In accordance with Class Order 98/0100 issued by the Australian Securities and Investments Commission, all amounts in this report and the financial statements have been rounded to the nearest thousand dollars unless otherwise specifically stated.

Signed for and on behalf of, and in accordance with a resolution of, the Board of Directors.



**J G Service AM**

*Chairman*

29 August 2001

Canberra



**Paul J Perkins**

*Director and Chief Executive Officer*

29 August 2001

Canberra

# Directors' Declaration

The directors declare that the financial report and notes set on pages 26 to 54:

- a) comply with Accounting Standards, the Corporations Act 2001 and other professional reporting requirements; and
- b) give a true and fair view of the corporation and consolidated entity's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial report and notes are in accordance with the Corporations Act 2001. Although ACTEW has followed these reporting requirements, in particular UIG 11: Accounting for Contributions of, or Contributions for the Acquisition of Non Current Assets, the board of directors strongly disagrees with the requirements that ACTEW's non cash developer assets be treated as income. It is believed by the board of directors that the nature of this receipt is capital, not income, and should be taken directly to reserves; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**J G Service AM**

*Chairman*

*29 August 2001*

*Canberra*



**Paul J Perkins**

*Director and Chief Executive Officer*

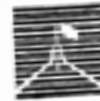
*29 August 2001*

*Canberra*



## AUDITOR-GENERAL

Australian Capital Territory



### INDEPENDENT AUDIT REPORT

To the Members of ACTEW Corporation Limited and to the Members of the Legislative Assembly for the Australian Capital Territory

#### Scope

I have audited the financial statements of ACTEW Corporation Limited (the Company) for the financial year ended 30 June 2001 including the Directors' Declaration. The Company's directors are responsible for the financial statements which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Company and the ACT Legislative Assembly.


My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements present fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law in Australia so as to present a view which is consistent with my understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial statements of ACTEW Corporation Limited are in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

  
John A. Parkinson FCPA  
3 / August 2001

Scala House, 11 Torrens Street Braddon ACT 2601 PO Box 275, Civic Square ACT 2608  
Telephone: (02) 620 70833 Facsimile: (02) 620 70826  
Office Email: auditor.general@act.gov.au

## Statements of Financial Performance

for the year ended 30 June 2001

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities excluding contributed assets received free of charge		251,431	363,321	261,373	324,593
Contributed assets received free of charge		5,113	11,410	5,113	11,410
	2	256,544	374,731	266,486	336,003
Cost of sales — electricity business		(52,029)	(111,345)	(25,119)	(111,345)
Cost of sales — water business		(5,659)	(1,192)	(5,659)	(1,192)
Employee expenses		(17,426)	(59,421)	(17,173)	(59,421)
Depreciation & amortisation expense	3	(26,381)	(47,314)	(26,287)	(46,943)
Borrowing cost expense	3	(34,341)	(16,402)	(34,308)	(16,490)
Other expenses arising from ordinary activities		(62,622)	(64,638)	(56,972)	(28,618)
Share of net profit or loss of joint ventures accounted for using the equity method	34	25,324	—	—	—
<b>Profit from ordinary activities before income tax equivalents</b>		<b>83,410</b>	<b>74,419</b>	<b>100,968</b>	<b>71,994</b>
Income tax equivalents relating to ordinary activities	4	7,214	(8,742)	25,527	(6,513)
Profit or loss/result from ordinary activities after related income tax expense (income tax revenue)		90,624	65,677	126,495	65,481
<b>Net profit</b>		<b>90,624</b>	<b>65,677</b>	<b>126,495</b>	<b>65,481</b>
Increase (decrease) in asset revaluation reserve		—	—	—	—
<b>Total changes in equity recognised in the statement of financial performance other than those resulting from transactions with owners as owners</b>		<b>90,624</b>	<b>65,677</b>	<b>126,495</b>	<b>65,481</b>

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

## Statements of Financial Position

as at 30 June 2001

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>					
Cash assets	6	834	1,350	834	18
Receivables	7	17,442	77,443	38,375	70,896
Investments	8	16,900	12,448	16,900	12,448
Inventories	9	–	7,281	–	6,861
Other	10	7,761	7,155	7,743	1,861
<b>Total Current Assets</b>		<b>42,937</b>	<b>105,677</b>	<b>63,852</b>	<b>92,084</b>
<b>NON CURRENT ASSETS</b>					
Investments	11	27,529	16,960	29,909	21,831
Investments accounted for using the equity method	12,34	364,307	–	–	–
Other financial assets	13	18,541	–	377,279	–
Property, Plant and Equipment	14	857,688	1,311,799	857,688	1,310,204
Other	15	9,890	45	9,890	–
<b>Total Non Current Assets</b>		<b>1,277,955</b>	<b>1,328,804</b>	<b>1,274,766</b>	<b>1,332,035</b>
<b>Total assets</b>		<b>1,320,892</b>	<b>1,434,481</b>	<b>1,338,618</b>	<b>1,424,119</b>
<b>CURRENT LIABILITIES</b>					
Payables	16	14,974	42,810	15,360	33,364
Interest bearing liabilities	17	19,092	19,092	19,092	19,403
Provisions	18	27,270	27,535	27,267	27,061
Other	19	1,626	11,793	1,293	10,200
<b>Total Current Liabilities</b>		<b>62,962</b>	<b>101,230</b>	<b>63,012</b>	<b>90,028</b>
<b>NON CURRENT LIABILITIES</b>					
Interest bearing liabilities	20	344,569	343,212	344,569	343,212
Provisions	21	117,118	98,795	97,758	98,470
Other	22	–	–	1,000	1,000
<b>Total Non Current Liabilities</b>		<b>461,687</b>	<b>442,007</b>	<b>443,327</b>	<b>442,682</b>
<b>Total liabilities</b>		<b>524,649</b>	<b>543,237</b>	<b>506,339</b>	<b>532,710</b>
<b>Net assets</b>	26	<b>796,243</b>	<b>891,244</b>	<b>832,279</b>	<b>891,409</b>
<b>EQUITY</b>					
Contributed equity	23	758,871	877,872	758,871	877,872
Reserves	24	13,372	13,372	13,372	13,372
Retained Profits	25	24,000	–	60,036	165
<b>Total equity</b>		<b>796,243</b>	<b>891,244</b>	<b>832,279</b>	<b>891,409</b>

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

## Statements of Cash Flows

for the year ended 30 June 2001

	Notes	<b>Consolidated</b>		<b>ACTEW Corporation Ltd</b>	
		<b>2001</b>	2000	<b>2001</b>	2000
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
		Inflows/(Outflows)		Inflows / (Outflows)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers (inclusive of goods & services tax)		210,408	348,656	172,047	311,439
Payments to Suppliers and Employees (inclusive of goods & services tax)		(137,583)	(231,788)	(99,222)	(200,846)
Sub-Total		72,825	116,868	72,825	110,593
Interest Received		4,198	4,354	4,198	4,304
Sales tax equivalent paid		(5,095)	–	(5,095)	–
Dividends Received		–	–	1,643	5,442
Interest Paid		(27,821)	(12,694)	(27,821)	(12,785)
<b>Net Cash Inflow from Operating Activities</b>	38	<b>44,107</b>	<b>108,528</b>	<b>45,750</b>	<b>107,554</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for Property, Plant & Equipment		(17,262)	(41,063)	(17,262)	(40,924)
Payments for share purchases		(11,628)	–	(11,628)	–
Equalisation receipts from joint venture partner		157,161	–	157,161	–
Distribution received from joint venture partnerships		19,000	–	19,000	–
Proceeds from Sale of Property, Plant & Equipment		16	328	16	328
Net Proceeds/(Payments) for Investments		2,312	4,242	2,312	4,242
<b>Net Cash Outflow from Investing Activities</b>		<b>149,599</b>	<b>(36,493)</b>	<b>149,599</b>	<b>(36,354)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Borrowings		–	265,000	–	265,000
Repayment of Borrowings		(4,092)	(4,092)	(4,092)	(4,092)
Capital Repatriation to ACT Government		(119,001)	(300,000)	(119,001)	(300,000)
Dividend paid		(66,677)	(56,664)	(66,677)	(56,664)
Net Cash Outflow from Financing Activities		(189,770)	(95,756)	(189,770)	(95,756)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>3,936</b>	<b>(23,721)</b>	<b>5,579</b>	<b>(24,556)</b>
<b>Cash Held at Beginning of the Financial Year</b>		<b>13,798</b>	<b>37,519</b>	<b>12,155</b>	<b>36,711</b>
<b>CASH HELD AT END OF THE FINANCIAL YEAR</b>	<b>38</b>	<b>17,734</b>	<b>13,798</b>	<b>17,734</b>	<b>12,155</b>

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to and forming part of the financial statements

for the year ended 30 June 2001

## **Note 1: Summary of Significant Accounting Policies**

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

Although ACTEW has followed these reporting requirements, in particular UIG 11: Accounting for Contributions of, or Contributions for the Acquisition of Non Current Assets, the board of directors strongly disagrees with the requirement that ACTEW's non-cash developer contributed assets be treated as income. It is believed by the board of directors that the nature of this receipt is capital, not income, and should be taken directly to reserves.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. As a result of applying the revised Accounting Standard AASB 1018, Statement of Financial Performance, revised AASB 1034, Financial Report Presentation and Disclosures and AASB 1040, Statement of Financial Position, for the first time a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period. The operating cycle of the Group is considered to be 12 months.

### **(a) Principles of Consolidation**

The consolidated accounts incorporate the assets and liabilities of all entities controlled by ACTEW as at 30 June 2001 and the results of all controlled entities for the year then ended. ACTEW and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the group are eliminated in full.

Where control of an entity is obtained during the financial year, its results are included in the consolidated Statement of Financial Performance from the date on which control commences.

### **(b) Change in business activity**

On 3 October 2000, wholly owned subsidiaries of ACTEW formed a partnership with the Australian Gas Light Company Ltd (AGL) to take over the operations of ACTEW's electricity network and related retail operations and AGL's ACT and Queanbeyan gas network and related retail operations. This partnership also manages the water and sewerage business of ACTEW. The majority of employees of ACTEW Corporation have been seconded to the partnership. The partnership reimburses ACTEW for all costs related to these seconded employees. This has significantly changed the business of ACTEW, which now effectively operates as a holding company. ACTEW legally employs seconded employees, however, as they are seen to be employees of the partnerships from an accounting viewpoint, only the employee entitlement liabilities are disclosed in the financial report.

### **(c) Income Tax Equivalents**

The company is exempt from Federal income tax. The company is required to make an equivalent payment to the ACT Government as required by the Territory Owned Corporations Act 1990.

Tax effect accounting procedures are followed whereby the income tax equivalent expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax equivalents benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax equivalents on net cumulative timing differences are set aside to the deferred income tax equivalents and future income tax equivalents benefit accounts at the rates which are expected to apply when those timing differences reverse.

It is the policy of ACTEW and its controlled entities to transfer tax losses from 'loss' companies to 'income' companies within the group for consideration equal to the value of the income tax equivalents that would otherwise have been payable.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### **Note 1: Summary of Significant Accounting Policies (continued)**

#### **(d) Acquisitions of Assets**

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the equity instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Goodwill is brought to account on the basis described in note 1 (o) (ii).

Contributed assets provided free of charge are valued at the fair value of those assets.

#### **(e) Revenue Recognition**

Amounts disclosed as revenue from operating activities are recognised when the service is provided.

Revenue from the sale of goods or disposal of assets is only recognised when the control of goods or assets has passed to the buyer and it is probable the consideration will flow to the entity.

Contributed assets are recognised as revenue when the entity gains control of the asset and the amount of the contribution can be measured reliably.

#### **(f) Receivables**

All trade debtors are recognised at the amount receivable as they are due. Collectibility of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

#### **(g) Recoverable Amount of Non Current Assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

At 30 June 2001 ACTEW had invested \$22.6m in TransACT Communications Pty Ltd. As TransACT is a startup company, it is difficult to carry out a recoverable amount test. However, as a result of the worldwide reduction in value of technology stocks and investments, a provision for diminution in value of the TransACT investment of \$5.7m (25% of \$22.6m) was created. This provision will be reviewed annually. Refer note 11.

#### **(h) Revaluations of Non Current Assets**

Subsequent to initial recognition as assets, items of property, plant and equipment comprising a class of non current assets are held at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each item does not materially differ from its fair value at the reporting date. Assessments will be made by directors at least every three years.

The above policy was adopted with effect from 1 July 2000. The previous policy was to revalue property, plant and equipment at fair value at three yearly intervals. The changed policy has not had a material effect in the current or prior year, nor is it expected to have a material effect in subsequent financial years. The changed policy has been adopted to comply with AASB 1041 Revaluation of Non-current assets, released in December 1999 which applied for the first time to the year ended 30 June 2001.



## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 1: Summary of Significant Accounting Policies (continued)**

Revaluation increments are credited directly to the asset revaluation reserve, except when an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

Revaluations do not result in the carrying value exceeding their recoverable amount.

**(i) Investments**

Long term securities are included in the balance sheet at cost price. Short term securities are included at cost price. Interest is recognised in the profit and loss statement as it is earned.

**(j) Depreciation of Property, Plant and Equipment**

Depreciation is calculated on a straight line basis to write off the net cost or the revalued amount of each item of property, plant and equipment (except land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	10–60 years
Plant and equipment	5–25 years
System Assets	50–80 years

**(k) Leased Non-current Assets**

Operating lease payments are charged to the profit and loss statement in the periods in which they are incurred as this represents the pattern of benefits derived from the leased assets.

**(l) Non-current assets constructed by the consolidated entity**

The cost of non current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overhead.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

**(m) Trade and Other Creditors**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(n) Interest bearing liabilities**

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Annuity loans are adjusted quarterly and based to the CPI. The adjustment increases the principal of the loan and an expense is recognised in the period of the adjustment depending on the terms of the loan. Refer to note 26.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### **Note 1: Summary of Significant Accounting Policies (continued)**

#### **(o) Intangible assets and expenditure carried forward**

##### *(i) Research and Development*

Significant costs incurred on research and development projects are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. Deferred costs are amortized over the period of the expected benefit. At 30 June 2001 ACTEW's research and development costs were nil.

##### *(ii) Goodwill*

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise. The costs of acquisition are discounted as described in note 1 (d) where settlement of any part of cash consideration is deferred. At 30 June 2001 ACTEW's goodwill costs were nil.

#### **(p) Maintenance and Repairs**

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalized and depreciated in accordance with note 1 (j).

Other routine operating maintenance, repair costs and minor renewals are charged as expenses as incurred.

#### **(q) Employee Entitlements**

ACTEW staff are seconded to the ActewAGL Partnerships and all employee related expenses are billed to the partnerships. No employee related revenues or expenses are recognised in the statement of financial performance in respect of these employees. However the total employee entitlement liability, calculated as set out below, is shown as a liability of the Group, with a corresponding receivable owed by the ActewAGL Partnerships.

(i) Wages, salaries and annual leave liabilities are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) A liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### **(r) Cash**

For the purposes of the statement of cash flows, cash includes cash on hand, deposits held at call, and current investment securities which are readily convertible to cash and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

<b>Note 1: Summary of Significant Accounting Policies (continued)</b>
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**(s) Joint Ventures**

The interest in a joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realized by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred. Details relating to the partnership are set out in note 34.

**(t) Goods and Services tax**

Costs incurred to update existing systems or to design, develop and implement new systems to deal with the GST are charged as expenses as incurred, except where they result in an enhancement of future economic benefits and are recognised as an asset.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 2: Revenue

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
<b>Revenue from operating activities</b>					
Electricity Business		79,523	228,325	54,002	185,419
Water Business		56,921	46,720	56,921	46,893
Sewerage Business		53,234	52,902	53,234	52,968
Capital Contributions		5,113	4,672	5,113	4,672
Commonwealth Subvention	a	8,271	8,141	8,271	8,141
Other operating revenue		7,922	17,428	5,963	10,702
		<b>210,984</b>	<b>358,188</b>	<b>183,504</b>	<b>308,795</b>
<b>Revenue from outside the operating activities</b>					
Interest		4,204	3,756	4,157	3,693
Gain on sale of non-current assets		29,624	145	49,987	145
Dividend Revenue		–	–	19,682	3,920
Other Revenue		11,732	12,642	9,156	19,450
		<b>256,544</b>	<b>374,731</b>	<b>266,486</b>	<b>336,003</b>
<b>Revenue from ordinary activities excluding shares of equity in net profits of joint venture partnerships accounted for using the equity method</b>					

- a The Commonwealth provides financial assistance to ACTEW for disabilities associated with providing water supply and sewerage services in the ACT as they relate to an inland location and national capital influences. The assistance extends to contributions towards the operating cost of the Lower Molonglo Water Quality Control Centre, and to maintenance costs on the above standard length of water and sewer mains.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 3: Net Gains and Expenses**

	Notes	<b>Consolidated</b>		<b>ACTEW Corporation Ltd</b>	
		<b>2001</b>	2000	<b>2001</b>	2000
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Profit from ordinary activities before income tax equivalents includes the following net gains and expenses:					
<b>Net gains</b>					
Profit on sale of property, plant and equipment		29,624	145	49,987	145
Interest Revenue		4,204	3,756	4,157	3,693
<b>Expenses</b>					
Depreciation:					
System Assets		18,537	38,337	18,537	38,337
Buildings		—	883	—	883
Plant and Equipment		7,844	8,094	7,750	7,723
		26,381	47,314	26,287	46,943
Amortisation of Non Current Assets:		—	6	—	—
Productivity Bonus		—	1,950	—	1,950
<b>Provisions</b>					
Employee Entitlements (including seconded employees)		18,281	562	18,281	263
Doubtful Debts (trade and sundry)		—	279	—	88
Investment Provision for Diminution		5,657	(680)	5,657	(600)
Provision for claims		1,500	—	1,500	—
Write down of Construction in Progress Provision		500	—	500	—
Borrowing costs					
Interest Expense		34,341	16,402	34,308	16,490
Rental expense on operating leases		—	7,074	—	7,074

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 4: Income Tax Equivalents

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
The prima facie income tax equivalents, calculated at 34%, on operating profit (2000 — 36%) differs from the amount calculated on the profit. The differences are reconciled as follows:					
	a, b				
Profit from ordinary activities before income tax equivalents		83,410	74,419	100,968	71,994
Income tax calculated at 34% (2000 — 36%)		28,359	26,834	34,329	25,918
<b>Tax effect of permanent differences:</b>					
Adjustment to prior year tax effect balances		—	(232)	—	(232)
Adjustment arising from pre-incorporation provisions		(146)	(603)	(142)	(592)
Capital gain/losses on sale or disposal of non-current assets		(33)	—	(33)	—
Capital contributions		(509)	(1,682)	(509)	(1,682)
Dividends from subsidiaries		—	—	—	(1,411)
Contributed assets		(1,738)	(4,107)	(1,738)	(4,107)
Net adjustments to deferred income tax balances to reflect decrease in company tax rates	b	(3,508)	—	(2,896)	—
Accounting gain on sale not tax assessable		(10,072)	—	(16,338)	—
Research & Development Concessions		(28)	—	(28)	—
Net adjustments to deferred income tax balances to reflect establishment of joint venture		(20,272)	—	(38,490)	—
Other items (net)		733	102	318	166
<b>Income Tax Equivalents Expense Attributable to Operating Profit</b>		<b>(7,214)</b>	<b>8,742</b>	<b>(25,527)</b>	<b>6,513</b>
<b>Income tax equivalents expense comprises:</b>					
Provision attributable to current year		—	—	—	—
Provision attributable to future years:					
Future Income Tax Equivalents Benefit		3,665	(1,220)	3,665	(3,509)
Provision for Deferred Income Tax Equivalents		(10,865)	10,194	(29,178)	10,254
Under/(Over) provision in prior year		(14)	(232)	(14)	(232)
		<b>(7,214)</b>	<b>8,742</b>	<b>(25,527)</b>	<b>6,513</b>

The future income tax equivalent benefit attributable to tax losses has been brought to account as a reduction in the provision for deferred income tax equivalents liability shown in note 21. The amount of the provision for deferred income tax equivalents no longer required is:

	Notes	2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
	c	—	12,936	—	12,936

- a ACTEW is exempt from federal income tax. However, ACTEW is required to pay income tax equivalents to the ACT Government.
- b Legislation reducing the company tax rate from 36% to 34% in respect of the 2000/2001 income tax year and then to 30% from the 2001/2002 income tax year was announced on 21 September 1999 and received Royal Assent on 10 December 1999. As a consequence, deferred tax balances which are expected to reverse in the 2001/2002 or a later income tax year have been remeasured using the appropriate new rates, depending on the timing of their reversal.
- c ACTEW has transferred \$3,677,075 (1999/2000 \$6,586,350) of income tax equivalent losses to other companies within the group. These companies will provide consideration equal to the losses transferred of \$1,250,206 (34%), (1999/2000 \$2,371,086). This has been reflected in the financial statements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 5: Dividends**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Opening Balance		18,677	9,664	18,677	9,664
Retained profits at beginning of year		—	—	165	—
Amount appropriated from operating profit		90,624	65,677	126,495	65,677
		<b>109,301</b>	<b>75,341</b>	<b>145,337</b>	<b>75,341</b>
Amount retained	25	(24,000)	—	(60,036)	—
Amount paid during the year	a	(66,677)	(56,664)	(66,677)	(56,664)
<b>Closing Balance</b>		<b>18,624</b>	<b>18,677</b>	<b>18,624</b>	<b>18,677</b>

a Paid to ACT Government

**Note 6: Current Assets — Cash**

Cash At Bank	834	1,332	834	—
Cash On Hand	—	18	—	18
<b>Total Cash</b>	<b>834</b>	<b>1,350</b>	<b>834</b>	<b>18</b>

**Note 7: Current Assets — Receivables**

Electricity Business	34	51,688	34	35,097
Water Business	9,373	7,927	9,373	7,927
Sewerage Business	4,498	3,908	4,498	3,908
Other Trade Debtors	673	2,694	673	1,151
Trade Debtors — Related Parties	—	—	—	3,936
Doubtful Debts (trade debtors)	(21)	(921)	(21)	(626)
Sub total trade debtors	14,557	65,296	14,557	51,393
Sundry Debtors and Accrued Revenue	2,885	6,211	2,885	6,077
Sundry Debtors and Accrued Revenue — Related Parties	—	6,000	20,933	13,490
Doubtful Debts (sundry debtors)	—	(64)	—	(64)
Sub total sundry debtors	2,885	12,147	23,818	19,503
<b>Total Receivables</b>	<b>17,442</b>	<b>77,443</b>	<b>38,375</b>	<b>70,896</b>

**Note 8: Current Assets — Investments**

Short Term Securities	16,900	12,448	16,900	12,448
<b>Total Investments</b>	<b>16,900</b>	<b>12,448</b>	<b>16,900</b>	<b>12,448</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 9: Current Assets — Inventories

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Stores On Hand – at cost		–	4,667	–	4,478
System Spares – at cost		–	3,072	–	3,072
Work In Progress – at cost		–	231	–	–
Obsolete Inventory Provision		–	(689)	–	(689)
<b>Total Inventories</b>		<b>–</b>	<b>7,281</b>	<b>–</b>	<b>6,861</b>

### Note 10: Current Assets — Other

Prepayments		36	1,908	18	1,855
Employee entitlement receivable — related parties		7,725	5,247	7,725	6
<b>Total Other</b>		<b>7,761</b>	<b>7,155</b>	<b>7,743</b>	<b>1,861</b>

### Note 11: Non-Current Assets — Investments

Long Term Securities	a	10,238	13,047	10,238	13,047
Investments in Controlled Entities	33	–	–	2,700	5,184
Investments in Associated Entities	33	–	3,600	–	3,600
Investment in other entities		23,068	433	22,628	–
Provision for Diminution of Investment		(5,777)	(120)	(5,657)	–
<b>Total Investments</b>		<b>27,529</b>	<b>16,960</b>	<b>29,909</b>	<b>21,831</b>

a This investment includes \$5m to fully fund the public liability reserve (refer to note 22).

### Note 12: Non-Current Assets — Investments Accounted for Using the Equity Method

Investments in joint venture partnerships	34	364,307	–	–	–
		<b>364,307</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Note 13: Non-Current Assets — Other Financial Assets

Future income tax benefit		18,541	–	16,139	–
Non-interest bearing loans to subsidiaries		–	–	361,140	–
		<b>18,541</b>	<b>–</b>	<b>377,279</b>	<b>–</b>



## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 14: Non-Current Assets — Property, Plant and Equipment**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
<b>Electricity System Assets</b>					
At directors' valuation	a	—	429,316	—	429,316
At Cost		2,288	62,787	2,288	62,787
Accumulated Depreciation		—	(91,720)	—	(91,720)
Work In Progress		—	15,274	—	15,274
Net Book Value		<b>2,288</b>	<b>415,657</b>	<b>2,288</b>	<b>415,657</b>
<b>Water System Assets</b>					
At directors' valuation	b,c	484,377	462,747	484,377	462,747
At Cost		4,844	21,630	4,844	21,630
Accumulated Depreciation		(57,549)	(47,988)	(57,549)	(47,988)
Work In Progress		4,886	3,945	4,886	3,945
Net Book Value		<b>436,558</b>	<b>440,334</b>	<b>436,558</b>	<b>440,334</b>
<b>Sewerage System Assets</b>					
At directors' valuation	a	443,571	377,919	443,571	377,919
At Cost		8,731	65,652	8,731	65,652
Accumulated Depreciation		(62,901)	(53,889)	(62,901)	(53,889)
Work In Progress		11,236	10,896	11,236	10,896
Net Book Value		<b>400,637</b>	<b>400,578</b>	<b>400,637</b>	<b>400,578</b>
<b>Infrastructure Land and Buildings</b>					
At directors' valuation	b	2,855	4,937	2,855	4,937
At Cost		—	410	—	410
Accumulated Depreciation		(120)	(156)	(120)	(156)
Net Book Value		<b>2,735</b>	<b>5,191</b>	<b>2,735</b>	<b>5,191</b>
<b>Non-Infrastructure Land and Buildings</b>					
At directors' valuation	c	16,768	34,081	16,768	34,081
At Cost		—	460	—	460
Accumulated Depreciation		(1,531)	(3,857)	(1,531)	(3,857)
Work In Progress		—	177	—	177
Net Book Value		<b>15,237</b>	<b>30,861</b>	<b>15,237</b>	<b>30,861</b>
<b>Plant and Equipment</b>					
At Cost		304	29,811	304	26,676
Accumulated Depreciation		(71)	(12,780)	(71)	(11,240)
Work In Progress		—	2,147	—	2,147
Net Book Value		233	19,178	233	17,583
<b>Total Net Book Value</b>		<b>857,688</b>	<b>1,311,799</b>	<b>857,688</b>	<b>1,310,204</b>

- a The directors have reviewed the carrying amount of these assets to ensure there is no material difference between their fair value and carrying amount at balance date.
- b ACTEW does not hold title to all the assets it controls, specifically Googong Dam, situated in NSW (book value \$26.7m), and various other ACT sites under reservoirs. Steps are being taken to obtain most of the outstanding leases.
- c An independent valuation of non-infrastructure land and buildings was undertaken by McCann and Associates as at 30 June 2000 based on fair market value of existing use. The directors have reviewed the carrying amount of these assets to ensure there is no material difference between their fair value and carrying amount at balance date.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 14: Non-Current Assets — Property, Plant and Equipment (continued)

#### ASSET MOVEMENT RECONCILIATIONS

##### Consolidated & ACTEW Corporation

	Electricity	Water Sewerage	Infra-structure		Plant & Equipment	Total
			Land & buildings	Non-Infra-structure Land & buildings		
Carrying amount at 1 July 2000	415,657	440,334	400,578	5,191	30,861	1,311,799
Additions	2,288	6,284	9,478	—	—	18,050
Disposals	(410,777)	—	—	(1,961)	(15,347)	(445,280)
Depreciation expense	(4,880)	(9,560)	(9,419)	(495)	(277)	(26,381)
Provision for writedown	—	(500)	—	—	—	(500)
<b>Carrying amount at 30 June 2001</b>	<b>2,288</b>	<b>436,558</b>	<b>400,637</b>	<b>2,735</b>	<b>15,237</b>	<b>857,688</b>

### Note 15: Non-Current Assets — Other

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Employee entitlement receivable — related parties		9,890	—	9,890	—
Goodwill		—	61	—	—
Less: Accumulated Amortisation of Goodwill		—	(16)	—	—
<b>Total Other</b>		<b>9,890</b>	<b>45</b>	<b>9,890</b>	<b>—</b>

### Note 16: Current Liabilities — Payable

Trade Creditors	1,468	18,680	1,854	2,209
Productivity Bonus	—	1,950	—	1,950
Other Creditors and Accruals	9,695	22,180	9,695	21,767
Other Creditors and Accruals — Related Parties	3,811	—	3,811	7,438
<b>Total Payables</b>	<b>14,974</b>	<b>42,810</b>	<b>15,360</b>	<b>33,364</b>

### Note 17: Current Liabilities — Interest Bearing Liabilities

Loans	19,092	19,092	19,092	19,092
Bank Overdraft	—	—	—	311
<b>Total Borrowings</b>	<b>19,092</b>	<b>19,092</b>	<b>19,092</b>	<b>19,403</b>

a None of the borrowings is secured.

#### Financing Arrangements

Unrestricted access to lines of credit as approved by the ACT Government were available as follows :

Total Standby Facility	8,000	8,000	—	—
Used Standby Facility	—	—	—	—
Unused Standby Facility	8,000	8,000	—	—

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 18: Current Liabilities — Provisions**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Employee Entitlements		620	8,506	617	8,032
Employee Entitlements seconded employees		7,725	—	7,725	—
Dividend		18,624	18,677	18,624	18,677
Workers Compensation (Pre 1989)		301	352	301	352
<b>Total Provisions</b>		<b>27,270</b>	<b>27,535</b>	<b>27,267</b>	<b>27,061</b>

**Note 19: Current Liabilities — Other**

Unearned Revenue		812	4,693	812	4,613
Security Deposits Received		200	588	200	588
Sales Tax Equivalents		—	4,999	—	4,999
Other		614	1,513	281	—
<b>Total Other</b>		<b>1,626</b>	<b>11,793</b>	<b>1,293</b>	<b>10,200</b>

**Note 20: Non-Current Liabilities — Interest Bearing Liabilities**

Loans		344,569	343,212	344,569	343,212
<b>Total Borrowings</b>	a	<b>344,569</b>	<b>343,212</b>	<b>344,569</b>	<b>343,212</b>

a None of the borrowings is secured.

**Note 21: Non-Current Liabilities — Provisions**

Employee Entitlements		212	10,604	212	10,245
Employee Entitlements- seconded employees		9,890	—	9,890	—
Insurance Claims		1,500	—	1,500	—
Deferred Income Tax Equivalents		103,285	85,658	83,925	85,692
Workers Compensation (Pre 1989)		2,231	2,533	2,231	2,533
<b>Total Provisions</b>		<b>117,118</b>	<b>98,795</b>	<b>97,758</b>	<b>98,470</b>

**Note 22: Non-Current Liabilities — Other**

Intercompany Loan Liability		—	—	1,000	1,000
<b>Total Other</b>		<b>—</b>	<b>—</b>	<b>1,000</b>	<b>1,000</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 23: Contributed Equity

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
		Shares	Shares		
<b>a) Paid Up Capital</b>					
Ordinary shares fully paid		5	5	\$2.00 only	\$2.00 only
<b>Total Share Capital</b>		<b>5</b>	<b>5</b>	<b>\$2.00 only</b>	<b>\$2.00 only</b>
<b>b) Total Capital</b>					
Paid Up Capital		\$2.00 only	\$2.00 only	\$2.00 only	\$2.00 only
Contributed Capital		758,871	877,872	758,871	877,872
<b>Total Capital</b>		<b>758,871</b>	<b>877,872</b>	<b>758,871</b>	<b>877,872</b>
<b>c) Movements in contributed capital</b>					
Balance 1 July 2000		877,872	1,177,872	877,872	1,177,872
Less: Capital repayment to ACT government		(119,001)	(300,000)	(119,001)	(300,000)
		<b>758,871</b>	<b>877,872</b>	<b>758,871</b>	<b>877,872</b>

### Note 24: Reserves

Public Liability Reserve	a	5,000	5,000	5,000	5,000
Environment Improvement Reserve	b	4,820	4,820	4,820	4,820
Asset Revaluation Reserve		3,552	3,552	3,552	3,552
<b>Total Reserves</b>		<b>13,372</b>	<b>13,372</b>	<b>13,372</b>	<b>13,372</b>

#### MOVEMENTS IN RESERVES

<b>Opening Balance</b>		13,372	13,372	13,372	13,372
Transfers to/(from) Reserves					
— Environmental Works Charge Collected		—	—	—	—
— Environmental Works Expenditure		—	—	—	—
Aggregate of amounts (from) Reserves	25	—	—	—	—
<b>Closing Balance</b>		<b>13,372</b>	<b>13,372</b>	<b>13,372</b>	<b>13,372</b>

#### a Public Liability Reserve:

This reserve was established to supplement commercial insurance cover for public liability claims arising from bushfires. The reserve is funded via specific investments. There has been no movement in the reserve.

#### b Environment Improvement Reserve:

Sewerage rates from 1993 to 1999 have included an additional charge to fund a program of environmental improvement, including local waste water treatment and sustainable water reuse. The balance of funds collected from the environmental charge were appropriated to an Environment Improvement Reserve.

Opening Balance		4,820	4,820	4,820	4,820
Add: Environmental Works Charge Collected		—	—	—	—
Less: Environmental Works Program		—	—	—	—
<b>Closing Balance</b>		<b>4,820</b>	<b>4,820</b>	<b>4,820</b>	<b>4,820</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 25: Retained Profits

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the financial year		–	–	165	361
Net profits available for reserves and dividends		90,624	65,677	126,495	65,481
Total available for appropriation		90,624	65,677	126,660	65,842
Aggregate amounts transferred from reserves		–	–	–	–
Dividends provided for or paid		(66,624)	(65,677)	(66,624)	(65,677)
Retained profits at the end of the financial year		24,000	–	60,036	165

### Note 26: Financial Instruments

#### A. CPI Indexed Annuity Bond

On 17 April 2000, ACTEW borrowed \$250 million via CPI linked indexed annuity bonds, which mature on 17 April 2020. The bonds are issued paying a base coupon amount, added to which is a CPI component.

Principal and interest payments are made quarterly with the interest component directly reflecting movements in the CPI.

As at 30 June 2001 the principal outstanding was \$255,909,144.

#### B. Credit Risk Exposures

The credit risk on financial assets of the group which have been recognised on the balance sheet is generally the carrying amount net of any provisions for doubtful debts.

#### C. Interest Rate Risk Exposures

Exposures to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the group intends to hold fixed rate exposures to maturity.

2001 (Consolidated)	Notes	Floating Interest Rate \$'000	Fixed Interest Maturing In:			Non-Interest Bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>Financial Assets</b>							
Cash	6	834	–	–	–	–	834
Receivables	7	–	–	–	–	25,185	25,185
Investments	8,11	16,900	–	–	–	–	16,900
Other	10,13	–	–	–	–	9,890	9,890
		17,734	–	–	–	35,075	52,809
Weighted average interest rate		5.09%					
<b>Financial Liabilities</b>							
Borrowings	17,20	320,124	4,092	39,445	–	–	363,661
Accounts Payable	16	–	–	–	–	14,974	14,974
Other Liabilities	19	–	–	–	–	1,626	1,626
		320,124	4,092	39,445	–	16,600	380,261
Weighted average interest rate		5.74%	11.36%	11.36%			
Net Financial Assets (Liabilities)		(302,390)	(4,092)	(39,445)	–	18,475	(327,452)

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 26: Financial Instruments (continued)

2000 (Consolidated)	Notes	Floating Interest Rate \$'000	Fixed Interest Maturing In:			Non- Interest Bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>Financial Assets</b>							
Cash	6	1,350	—	—	—	—	<b>1,350</b>
Receivables	7	—	—	—	—	77,443	<b>77,443</b>
Investments	8,11	29,408	—	—	—	—	<b>29,408</b>
Other	10,13	—	—	—	—	7,155	<b>7,155</b>
		30,758	—	—	—	84,598	<b>115,356</b>
Weighted average interest rate		5.24%					
<b>Financial Liabilities</b>							
Borrowings	17,20	320,124	4,092	38,088	—	—	<b>362,304</b>
Accounts Payable	16	—	—	—	—	42,810	<b>42,810</b>
Other Liabilities	19	—	—	—	—	11,793	<b>11,793</b>
		320,124	4,092	38,088	—	54,603	<b>416,907</b>
Weighted average interest rate		6.09%	11.36%	11.36%			
Net Financial Assets (Liabilities)		<b>(289,366)</b>	<b>(4,092)</b>	<b>(38,088)</b>	—	<b>29,995</b>	<b>(301,551)</b>

### Reconciliation of Net Financial Liabilities to Net Assets

	Notes	Consolidated	
		2001 \$'000	2000 \$'000
Net financial liabilities as above		(327,452)	(301,551)
Non-financial assets and liabilities			
Inventories	9	—	7,281
Property, Plant and Equipment	14	857,688	1,311,799
Investments		391,836	—
Future Income Tax Benefit		18,541	—
Other Assets	10,15	18	45
Provisions	18,21	(144,388)	(126,330)
Net assets per balance sheet		<b>796,243</b>	<b>891,244</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 26: Financial Instruments (continued)

#### D. Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists.

The carrying amounts and net fair values of financial assets and liabilities are as follows :

	<b>2001</b>	<b>2001</b>	2000	2000
	Carrying	Net Fair	Carrying	Net Fair
	Amount	Value	Amount	Value
	\$'000	\$'000	\$'000	\$'000
<b>On-balance sheet financial assets</b>				
Receivables	25,185	25,185	77,443	77,443
Investments	16,900	16,900	29,408	29,408
Cash	834	834	1,350	1,350
Other	9,890	9,890	7,155	7,155
	<b>52,809</b>	<b>52,809</b>	<b>115,356</b>	<b>115,356</b>
<b>On-balance sheet financial liabilities</b>				
Borrowings	363,661	363,661	362,304	362,304
Accounts Payable	14,974	14,974	42,810	42,810
Other Liabilities	1,626	1,626	11,793	11,793
	<b>380,261</b>	<b>380,261</b>	<b>416,907</b>	<b>416,907</b>

The method adopted in determining net fair value was to consider the costs which would be incurred in exchanging or settling the financial instrument.

Significant assumptions in determining net fair value are that all entities within the consolidated ACTEW group are going concerns, and that the instruments would be traded in an active and liquid market.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 27: Remuneration of Directors

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities:		<b>452</b>	<b>518</b>	<b>452</b>	<b>493</b>
Income band:	Number	Number	Number	Number	
\$10,000 – \$19,999	1	–	1	–	
\$20,000 – \$29,999	3	4	3	4	
\$30,000 – \$39,999	1	2	1	1	
\$50,000 – \$59,999	1	1	1	1	
\$100,000 – \$109,999	1	–	1	–	
\$160,000 – \$169,999	1	–	1	–	
\$310,000 – \$319,999	–	1	–	1	

### Note 28: Remuneration of Auditor

Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:

Auditors of ACTEW Corporation Ltd

Parent Entity	54	147	54	147
Controlled Entities	26	37	26	–
Financial services to group entities	122	–	122	–
<b>Total Remuneration of Auditor</b>	<b>202</b>	<b>184</b>	<b>202</b>	<b>147</b>

There were no other services provided by the auditor of the parent entity.

### Note 29: Contingent Liabilities

There are a number of public liability claims pending which cannot be measured reliably. Should these claims be successful the Corporation estimates that the contingent liability will not exceed \$190,000.

There are a couple of pending actions against the Corporation. At this stage it is not possible to quantify these actions. However, they are not expected to be significant.



## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 30: Commitments for Expenditure**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
<b>A Capital &amp; Other Expenditure Commitments:</b>					
Total capital & other expenditure contracted for at balance date but not provided for in accounts payable:					
Within 1 year	a	71,252	8,692	71,252	10,079
Later than 1 year but not later than 5 years	a	101,975	2,655	101,975	2,689
		<b>173,227</b>	<b>11,347</b>	<b>173,227</b>	<b>12,768</b>
<b>B Lease Commitments:</b>					
Total lease expenditure contracted for at balance date but not provided for in accounts payable:					
Within 1 year		46	4,719	46	4,708
Later than 1 year but not later than 5 years		184	6,554	184	6,544
Later than 5 years		–	270	–	270
		<b>230</b>	<b>11,543</b>	<b>230</b>	<b>11,522</b>
<b>C Remuneration Commitments:</b>					
Commitments for the payment of salaries and other remuneration under long-term employment contracts, but not recognised as liabilities payable:					
Within 1 year		6,770	8,080	6,770	8,080
Later than 1 year but not later than 5 years		15,646	21,275	15,646	21,275
		<b>22,416</b>	<b>29,355</b>	<b>22,416</b>	<b>29,355</b>
<b>D Remuneration Commitment receivable:</b>					
Commitments receivable for salaries and other remuneration under long-term employment contracts of employees seconded to the joint venture partnerships:					
Within 1 year		6,016	–	6,016	–
Later than 1 year but not later than 5 years		13,246	–	13,246	–
		<b>19,262</b>	<b>–</b>	<b>19,262</b>	<b>–</b>

- a ACTEW has an Alliance Contract with ActewAGL to operate the water and sewerage infrastructure owned by ACTEW. The majority of these expenditure commitments relate to this Contract.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 31: Employee Entitlements

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Employee Entitlement Liability:	a				
Accrued wages & salaries		566	3,497	566	3,497
Current provisions — ACTEW	18	620	8,506	617	8,032
Current provisions — staff seconded to Joint Venture	18	7,725	—	7,725	—
Non-current provisions — ACTEW	21	212	10,604	212	10,245
Non-current provisions — staff seconded to Joint Venture	21	9,890	—	9,890	—
<b>Aggregate Employee Entitlement Liability</b>		<b>19,013</b>	<b>22,607</b>	<b>19,010</b>	<b>21,774</b>

Employees at 30 June 2001 were 845 persons, including seconded employees to the ActewAGL Joint Venture.

Of these persons only 10 work directly for ACTEW.

- a Employees of ACTEW Corporation Ltd may contribute to the Commonwealth Superannuation Scheme or to the Commonwealth Public Sector Superannuation Scheme at various percentages of their wages and salaries. ACTEW Corporation Ltd contributes to these schemes at rates related to employee contributions. Both schemes provide benefits to contributors on retirement, disability, or death. ACTEW Corporation Ltd's contributions to the schemes are legally enforceable. ACTEW Corporation Ltd has no unfunded superannuation liability obligations.

At the formation of the Joint Venture with AGL on 3 October 2000, ACTEW entered into an agreement with the Joint Venture board of management whereby ACTEW employees would be seconded to the Joint Venture. The joint venture reimburses ACTEW for all employee related costs associated with these staff.

### Note 32: Related Parties

#### DIRECTORS and DIRECTOR-RELATED ENTITIES

##### Directors

The following persons were directors of ACTEW Corporation Ltd during the whole of the financial year and up to the date of this report: JG Service, MB Easson, WR Morris, BA McNee and PM Phillips.

The following persons were directors of ACTEW Corporation Ltd during the financial year, but not for the whole financial year: PJ Perkins, JA Mackay and KL Neil.

Any transaction with directors or in which directors are interested, are conducted on an arms-length basis in the normal course of business and on commercial terms and conditions.

##### Remuneration Benefits

Information on remuneration benefits of directors is disclosed in Note 27.

##### Retirement Benefits

There were no retirement benefits paid to directors as at 30 June 2001 or 30 June 2000.

##### Loans to Directors

There were no loans to any directors as at 30 June 2001 or 30 June 2000.

##### Shares, Units, Options and Other Equity Instruments of Directors

There have been no directors who have owned shares, units, options and other equity instruments during the financial year with related entities.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 32: Related Parties (continued)

#### Other

A number of directors and executives of ACTEW are also directors of various subsidiaries, who deal with ACTEW and each other. A subsidiary company ACTEW China Pty Ltd had a contractual arrangement for the provision of specialist services with Endeavour Consulting Group Pty Ltd, in respect of a project in China. A director of ACTEW Corporation Ltd, Mr Peter Phillips is a director of Endeavour. Fees totalling \$131,225 were paid to Endeavour under normal terms and conditions (2000: nil).

Some operational arrangements exist between ACTEW Corporation Limited and the ActewAGL partnerships. These include an arrangement for the management of the water and sewerage assets owned by ACTEW Corporation Limited and an agreement relating to the secondment of ACTEW Corporation Limited staff to the partnerships. These services are billed between the parties on a monthly cost basis.

#### WHOLLY-OWNED GROUP

The wholly-owned group consists of ACTEW Corporation Ltd and its wholly-owned controlled entities. These entities are ACTEW Investments Pty Ltd, ACTEW Retail Ltd, ACTEW Distribution Ltd, TransACT Carrier Pty Ltd and ACTEW China Pty Ltd (note 33).

The results of the ActewAGL Joint venture which is 50% owned by ACTEW Corporation through its subsidiaries, ACTEW Retail Ltd and ACTEW Distribution Ltd is accounted for using the equity method. ACTEW Corporation Ltd has several operational arrangements with its controlled entities.

These arrangements are as follows: Leased office machines, computers, and telecommunications equipment (at market rates); Leased motor vehicles (at market rates); Assigned staff (at cost); Apprentices (at cost); Electricity (at market rates); Water & Sewerage services (at market rates); Communications (at cost); Materials (at cost); Insurance (at cost); Bank services (at cost); Legal services (at market rates) and Other (at cost).

#### ACTEW Corporation Ltd

<b>2001</b>	2000
<b>\$'000</b>	<b>\$'000</b>

Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with related parties in the wholly-owned group were as follows:

Dividend Revenue	19,682	3,920
Interest Expense	—	88

Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date:

Current Receivables	752	11,426
Current Accounts Payables and Other	752	7,438
Non Current Payables (loan)	1,000	1,000
Non Interest bearing loans	361,140	—

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 32: Related Parties (continued)

#### Controlling Entity

The ultimate parent entity in the wholly-owned group is ACTEW Corporation Ltd.

The ultimate parent entity is the ACT Government which owns 100% (2000: 100%) of the issued ordinary shares of ACTEW Corporation Ltd.

#### Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

- a) Controlled Entities — Note 33
- b) Associated Entities — Note 35

#### ACTEW Corporation Ltd

<b>2001</b>	2000
<b>\$'000</b>	\$'000

#### Other related parties

Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties:

##### Joint venture partnership

Operating expenses	39,988	—
--------------------	--------	---

Aggregate amounts receivable from and payable to joint venture partnerships at balance date:

Current Receivables	7,525	—
Current Accounts Payables and Other	11,336	—
Non-current Receivables	9,890	—
Non-current Accounts Payables and Other	9,890	—

### Note 33: Investment in Controlled Entities

	<b>Country of Incorporation</b>	<b>Class of shares</b>	<b>Equity Holding</b>	<b>Cost \$000</b>
ACTEW Distribution Ltd (formerly Ecowise Services Ltd)	Australia	Ordinary	100%	400
ACTEW Retail Ltd (formerly ACTEW Energy Ltd)	Australia	Ordinary	100%	1,000
ACTEW Investments Pty Ltd	Australia	Ordinary	100%	1,000
ACTEW China Pty Ltd	Australia	Ordinary	100%	300
TransAct Carrier Pty Ltd	Australia	Ordinary	100%	0 <sup>a</sup>
				<b><u>2,700</u></b>

a Amount is \$2.00

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 34: Interests in Joint Ventures

ACTEW Retail Ltd and ACTEW Distribution Ltd have entered into joint venture partnerships with AGL Ltd to manage and market the network and retail operations of the ACT electricity network and the ACT and Queanbeyan gas networks.

Both entities have a 50% participating interest in the respective joint ventures. Information relating to the joint venture partnership, presented in accordance with the accounting policy described in note 1(s) is set out below:

	Consolidated		ACTEW Corporation Ltd	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
<b>Retained profits attributable to the partnership</b>				
At the beginning of the financial year	–	–	–	–
At the end of the financial year	25,324	–	–	–
<b>Movement in carrying amount of investment in the partnership</b>				
Carrying amount at the beginning of the financial year				
New capital invested	357,505	–	–	–
Share of operating profits before tax	25,324	–	–	–
Distributions received	(19,000)	–	–	–
Carry amount reflected in the net assets of the partnership	363,829	–	–	–
Stamp duty capitalised	478	–	–	–
Carrying amount at the end of the financial year	364,307	–	–	–
<b>Share of partnerships assets and liabilities</b>				
Current assets	70,798	–	–	–
Non-current assets	338,123	–	–	–
Total assets	408,921	–	–	–
Current liabilities	39,091	–	–	–
Non-current liabilities	6,001	–	–	–
Total liabilities	45,092	–	–	–
Net assets	363,829	–	–	–
<b>Share of partnership's revenues, expenses and results</b>				
Revenues	166,611	–	–	–
Expenses	141,287	–	–	–
Operating profit before tax	25,324	–	–	–
<b>Share of partnership's commitments</b>				
Lease commitments	655	–	–	–
Remuneration commitments	9,631	–	–	–
Total expenditure commitments	10,286	–	–	–
Capital and other commitments	5,518	–	–	–
	15,804	–	–	–
<b>Contingent liabilities relating to joint ventures</b>				

Each of the partners in the ActewAGL Joint Venture are jointly and severally liable for the debts of the partnership. The assets of the partnership exceed its debts. The partnerships have a number of public liability claims pending. Should these claims be successful the liability of the partners is not considered to exceed \$100,000.

A bank guarantee has been provided by ActewAGL Distribution Partnership in relation to a contract between Ecowise Environmental Pty Ltd and another party for consulting services.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 35: Investment in Associated Entities

Name of Company	Principal Activity	Ownership Interest/ Voting Power	Carrying Amount	
			ACTEW Corporation Ltd	
			2001	2000
			\$'000	\$'000
TransACT Communications Pty Ltd	Communication Services (a)	50%	—	3,000
			—	<b>3,000</b>

(a) The ownership interest in TransACT Communications Pty Ltd has reduced to 26.8% and it is now disclosed as an investment in "other entities"

Under the revised AASB1016 Accounting for Investments in Associates, all investments in associated entities are initially valued at cost. In subsequent years that investment should be adjusted under the equity accounting method. As the investments in associated entities are considered immaterial they are valued at cost.

### Note 36: Non Cash Contributed Assets Received Free of Charge

An amount of \$5.1 million in non-cash developer assets were received free of charge by ACTEW Corporation Ltd during 2000/2001 (1999/2000 \$11.4 million). This amount was brought to account as an addition to revenue, in accordance with accounting standards and other reporting requirements (Urgent Issues Group Consensus Views).

Although ACTEW has followed these reporting requirements, the directors of the company strongly disagree that these non-cash developer assets be treated as revenue. It is believed that the nature of the receipt is capital, not revenue, and should be taken directly to reserves.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

### Note 37: Segment Information

#### 2001

Industry segments	Water &			Totals	Eliminations	Consolidated
	Electricity	Waste Water	Other			
	2001	2001	2001			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>						
Sales to Outside Customers	79,523	109,954	2,554	192,031	–	192,031
Intersegment Sales	–	201	592	793	(793)	–
Other Revenue	–	–	64,513	64,513	–	64,513
Total Revenue	<b>79,523</b>	<b>110,155</b>	<b>67,659</b>	<b>257,337</b>	<b>(793)</b>	<b>256,544</b>
<b>Segment Results Before Tax</b>	<b>25,855</b>	<b>35,815</b>	<b>21,998</b>	<b>83,668</b>	<b>(258)</b>	<b>83,410</b>
<b>Segment Assets</b>	<b>3,524</b>	<b>1,289,332</b>	<b>28,037</b>	<b>1,320,892</b>	<b>–</b>	<b>1,320,892</b>

#### 2000

Industry segments	Water &			Totals	Eliminations	Consolidated
	Electricity	Waste Water	Other			
	2000	2000	2000			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>						
Sales to Outside Customers	228,309	99,886	8,583	336,778	–	336,778
Intersegment Sales	1,936	233	8,753	10,922	(10,922)	–
Other Revenue	11,421	11,336	3,786	26,543	–	26,543
Total Revenue	<b>241,666</b>	<b>111,455</b>	<b>21,122</b>	<b>374,243</b>	<b>(10,922)</b>	<b>363,321</b>
<b>Segment Results Before Tax</b>	<b>48,354</b>	<b>42,531</b>	<b>(16,466)</b>	<b>74,419</b>	<b>–</b>	<b>74,419</b>
<b>Segment Assets</b>	<b>476,875</b>	<b>888,926</b>	<b>68,680</b>	<b>1,434,481</b>	<b>–</b>	<b>1,434,481</b>

- The major activities/services from which the above segments derive revenue are:
  - \* Electricity — supply of electricity.
  - \* Water & waste water — supply of water and provision of sewerage services.
  - \* Other — includes corporate amounts, activities of the wholly-owned subsidiaries, the provision of communication services, other related business and activities (such as innovative sewage treatment technology).
- The Australian Capital Territory is the only predominant geographic segment.
- Inter-segment pricing is on an “arms-length” basis.

## Notes to and forming part of the financial statements

for the year ended 30 June 2001

**Note 38: Reconciliation of Operating Profit after Income Tax Equivalents to Net Cash Inflows from Operating Activities**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
<b>A. Reconciliation of operating profit after income tax equivalents to net cash flows from operations</b>					
Operating profit after income tax equivalents		90,624	65,677	126,495	65,481
Depreciation and amortisation		26,381	47,320	26,381	46,943
Net Gain on sale of assets		(29,623)	(145)	(50,087)	(145)
Contributed assets received free of charge		(5,113)	(11,410)	(5,113)	(11,410)
Profit from joint venture partnership		(25,324)	–	–	–
Investment writedown		5,657	543	5,657	743
CPI adjustment to debt		5,449	–	5,449	–
<b>Changes in Operating Assets and Liabilities :</b>					
(Increase)/Decrease in Prepayments		–	(1,418)	–	(1,420)
(Increase)/Decrease in Receivables		(27,045)	(9,047)	(56,284)	(195)
(Increase)/Decrease in Inventory		440	(1,445)	20	(1,586)
(Increase)/Decrease in Future Income					
Tax Benefits Equivalents		(18,496)	27	(16,139)	–
(Increase)/Decrease in Other Assets		3,857	(5,236)	(941)	5
Increase/(Decrease) in Payables		(538)	13,452	8,983	(117)
Increase/(Decrease) in Provisions		484	(2,060)	1,280	(2,036)
Increase/(Decrease) in Provision for Deferred					
Income Tax Equivalents		23,080	8,853	3,720	8,886
Increase/(Decrease) in Other Liabilities		(5,726)	3,417	(3,671)	2,405
<b>Net Cash Provided by Operating Activities</b>		<b>44,107</b>	<b>108,528</b>	<b>45,750</b>	<b>107,554</b>

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the year, as shown in the statement of cash flows, is reconciled to the related items in the Balance Sheet as follows:

Cash	6	834	1,350	834	18
Investments	8	16,900	12,448	16,900	12,448
Bank Overdraft	15	–	–	–	(311)
		<b>17,734</b>	<b>13,798</b>	<b>17,734</b>	<b>12,155</b>

**Note 39: Events Subsequent to Balance Date**

Since 30 June 2001 ACTEW has subscribed \$16.9 million in cash for further equity in TransACT. As well, ACTEW has conditionally committed to a further investment in TransACT of \$20.0 million over the coming year.



# Statistical Information

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Electricity</b>										
Number of customers										
Franchise Domestic	101,920	105,595	109,005	112,762	114,778	116,129	117,690	118,986	115,655	122,664
Other	11,770	12,170	12,674	11,953	11,952	11,876	11,962	12,615	18,205	12,000
Non Franchise	–	–	–	–	–	–	–	–	–	927
Total	113,690	117,765	121,679	124,715	126,730	128,005	129,652	131,601	133,860	135,591
Mains in Service (km)										
Overhead										
132kV	156	156	163	172	172	160	160	160	160	160
66kV	7	7	7	8	8	8	8	8	8	8
22kV	24	24	24	24	24	24	24	24	24	24
11kV	1222	1223	1223	1371	1370	1369	1370	1375	1355	1355
Low voltage	1299	1300	1300	1301	1300	1301	1301	1300	1300	1300
Underground										
132kV	3	3	3	3	3	3	3	3	3	3
66kV	–	–	–	–	–	–	–	–	–	–
22kV	2	2	2	2	2	2	2	2	2	2
11kV	1073	1115	1155	1184	1207	1225	1261	1287	1295	1310
Low voltage	643	709	760	792	831	853	886	913	920	950
Electricity										
Substations	3392	3492	3583	3684	3726	3773	3811	3811	3897	4014
132kV	1114	1169	1228	1228	1228	1228	1228	1228	1228	1228
66kV	57	57	57	57	57	57	57	57	58	58
22kV	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98	19.98
11kV and below	1262.5	1329.12	1359.1	1394.8	1421.1	1451.3	1480	1488	1496	1547
<b>Water</b>										
Customers	100,819	105,634	108,421	113,371	116,008	117,343	118,856	120,349	122,760	124,570*
No. of dams	4	4	4	4	4	4	4	4	4	4
Capacity of dams (GL)	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4
Number of reservoirs	42	42	43	43	43	44	44	44	44	44
Capacity of reservoirs (ML)	939	939	950	950	950	912	912	912	912	912
No. of pumping stations	18	18	18	18	18	17	17	17	17	21
Length of mains (km)	2631	2694	2793	2830	2877	2895	2901	2907	2921	2933
Max daily demand (ML)	399	298	378	332	296	349.5	406	371	331	392
Total consumption (ML)	60,048	50,160	59,388	60,572	53,254	61,810	73,009	60,361	57,929	62,834
Consumption/person p/a (kL)	200.2	167.9	197.1	199.2	174	187	220	182	175.5	185.6
Rainfall (mm)	672.4	767.8	566.4	586.6	645	674.6	438.6	688.6	666	618.2
<b>Sewerage</b>										
No. of customers	100,819	105,634	108,421	113,371	116,008	115,083	116,268	117,648	119,846	121,618*
No. of pumping stations	30	31	30	29	29	28	28	28	28	28
Quantity of sewage treated (ML)	33,164	34,765	32,718	30,065	32,200	33,704	31,524	32,718	32,585	30,277
Max daily load (ML)	223.4	178.9	209.6	256.9	182	152	138	235	137	151.4
Sewage treated/person p/a (kL)	111	115	109	98	105	109	101	106	105.2	97
Length of mains (km)	2669	2704	2737	2774	2784	2806	2812	2817	2836	2852
<b>Gas **</b>										
No. of customers	–	–	–	–	–	–	–	–	–	84,571
Length of mains (km)	–	–	–	–	–	–	–	–	–	3520
Qty of gas supplied (TerraJoules)	–	–	–	–	–	–	–	–	–	3665

\* Until 1995/96 a common figure was used for water and sewerage customers. From 1996/97 separate calculations of sewer properties connected and water customers, including standpipe customers and sporting field irrigation, have been provided.

\*\* Statistics for Gas commenced in 2000/2001 in association with the ActewAGL joint venture.

# Glossary of Terms

V	<b>volt</b> — the unit of electrical potential or electromotive force
W	<b>watt</b> — a measure of the power present when a current of one ampere flows under a pressure of one volt through a resistance of 1 ohm
kW	<b>kilowatt</b> = 1,000 watts
kWh	<b>kilowatt hour</b> — the standard unit of energy which represents the consumption of electrical energy at the rate of one kilowatt over a period of one hour
kV	<b>kilovolt</b> = 1,000 volts
kVA	<b>kilovolt ampere</b> — a unit of apparent power in an alternating current circuit, equal to 1,000 volt amperes
MW	<b>megawatt</b> = 1,000 kilowatts
MWh	<b>megawatt hours</b> = 1,000 kilowatt hours
GWh	<b>gigawatt hour</b> = 1 million kilowatt hours
kL	<b>kilolitre</b> = 1 thousand litres
ML	<b>megalitre</b> = 1 million litres
GL	<b>gigalitre</b> = 1 thousand million litres
TJ	<b>terrajoule</b> = 1000 gigajoules

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## Acknowledgments

### Photography:

Leigh Atkinson, Imagemakers Photography, Cameron Major

### Design and production:

The Communication Co.

# Index

<b>A</b>		<b>L</b>	
ActewAGL Distribution.....	12	Legislative framework.....	16
ActewAGL Joint Venture.....	11	<b>N</b>	
ActewAGL Retail.....	12	Non current assets.....	38
Assets current.....	37	Non current liabilities.....	41
Assets non current.....	38	<b>P</b>	
Auditor General's Report.....	25	Pricing.....	17
<b>B</b>		<b>R</b>	
Board of directors.....	6	Related parties.....	49
<b>C</b>		Remuneration of directors.....	46
Chairman's Report.....	5	Remuneration of auditors.....	46
Chief Executive's Report.....	9	Reserves.....	42
Company Profile.....	3	Revenue.....	34
Contacts List.....	57	<b>S</b>	
Current liabilities.....	40	Sponsorship.....	4
<b>D</b>		Statements of Financial Performance.....	26
Directors' Declaration.....	24	Statements of Financial Position.....	27
Directors' Meetings.....	20	Statistics Information.....	55
Directors' Profiles.....	6	<b>T</b>	
Directors' Report.....	20	TransACT Communications.....	15
Dividends.....	21	<b>U</b>	
<b>E</b>		Utilities Act.....	16
Electricity & Gas.....	14	<b>W</b>	
Environment.....	18	Water and Sewerage.....	13
Executive Team.....	10	Water quality.....	13
<b>G</b>			
Glossary of Terms.....	56		
GreenChoice.....	14		
Group Organisational Profile.....	8		
<b>H</b>			
Highlights.....	4		
<b>I</b>			
Income tax equivalents.....	36		
<b>J</b>			
Joint venture.....	11		



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