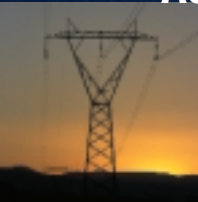


2002

annual report



ACTEW Corporation



- Vision
- To be a benchmark in the public-private partnership (PPP) model for the provision of multi-utility services.



- Mission
- To maximise return on our water, energy and communication investments.
 - To manage prudently public assets to provide water and sewerage services in the ACT Region.
 - To continue our leadership role in environmental matters beyond compliance.

Letter to the Minister

Mr Ted Quinlan MLA
Deputy Chief Minister and Treasurer
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Deputy Chief Minister

This annual report covers ACTEW Corporation's performance, key operations as asset manager and financial statements for the year ended 30 June 2002.

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', with a small horizontal line extending from the end of the signature.

J G Service AM
Chairman



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Company Profile

ACTEW Corporation Limited is a holding company with assets and investments in water, sewerage, electricity, gas and telecommunications totalling \$1.3 billion.

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

The Corporation operates under a board, the members of which are appointed by the voting shareholders. The voting shareholders are the Chief Minister and Deputy Chief Minister of the ACT. The voting shareholders determine the term of appointment and remuneration paid to directors.

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 2002

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

Secretary

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 Jacques and Minter Ellison.

Bankers

Australian and New Zealand Banking Group
Reserve Bank of Australia

Highlights for 2001–2002



- **Group Profit** after income tax equivalents was \$46.8 m
- **Dividends** paid to the ACT Government during the year totalled \$54.6 m
- **Full compliance** with environmental and licence requirements for our energy, water and sewerage facilities and operations
- **Invested** \$10.6 m on new and upgraded infrastructure assets, including;
 - Bendora Dam Spillway Bridge Strengthening
 - Reservoir Security Fencing
 - Sewer Mains Rehabilitation
 - Weston Creek Vortex Drop.
- Launch of a **major international water benchmarking project**
- **Approved \$1.9m** investment to build Googong mini-hydro plant
- **Involvement in projects including:**
 - Beijing 2008 Games Project
 - Nowra Gas undertaking
 - North Canberra effluent recycling system
 - TransACT Communication Pty Ltd
 - Filtra waste treatment technology
- A range of community initiatives, charities and events benefited from our **targeted sponsorship program** including the ACT Red Cross, Australian Science Festival, Canberra Symphony Orchestra and Hartley House.

“ These payments reflect another extremely good operating result for ACTEW during the year. ”

Chairman's Report

The joint venture between ACTEW and AGL is now firmly established and operating profitably for both companies. From ACTEW's perspective, the arrangement is delivering the financial benefits promised. During 2001–02, some \$54.6 m in dividends has been paid by ACTEW to the ACT Government. These payments reflect another extremely good operating result for ACTEW during the year.

ActewAGL operates the ACTEW owned water and sewerage storage, treatment and reticulation assets in the ACT. In 2001–02 we continued an evaluation of the most appropriate methods for the future operation of these water assets.

ACTEW has statutory responsibility for and is the holder of all necessary licences for water and sewerage under utilities, environment and health legislation. There remain a number of significant issues with water, including:

- The need for continued investment in and maintenance of infrastructure
- Increasing public awareness and acceptance of sustainable water usage practices
- Access to infrastructure assets in existing blocks and in new developments
- The impact of environmental flows on the long-term water storage capacity of the Territory

ACTEW is an investor in TransACT, a broadband fibre optic cable network and telecommunications company. In 2001–02, two new investors injected additional capital in the TransACT venture and this has provided a sustainable base for the rollout to be completed as planned. ACTEW controls 24.9% of the shareholder votes in TransACT, representing an investment of \$59.5 m. By its nature, this type of investment carries risk, but ACTEW remains confident that an important technology service will be provided successfully for the benefit of ACT residents.

In March 2002 we were saddened by the death of one of our directors, Bettie McNee. Bettie brought to the ACTEW board a tremendous breadth of legal and commercial skills. She will be missed greatly by her friends in both ACTEW and ActewAGL.

The term of Bill Morris as a director expired on 30 June 2002. Bill has been a director of ACTEW for the past seven years. Bill played a very important role in the period of negotiating the joint venture with AGL. His experience and perspective on a broad range of business, environmental and social matters have been significant for ACTEW.



Audit Qualification

The Auditor — General of the Australian Capital Territory has qualified the Financial Statements of ACTEW in respect of two aspects:

- Application of equity Accounting
- Application of UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of Non-Current Assets

ACTEW has sought legal advice on these two matters and the advice received strongly endorses the approach taken by ACTEW.

Application of Equity Accounting

In general terms Accounting Standard AASB 1016 requires a company to equity account another company if the former has “significant influence” over the latter. The standard describes a number of relevant factors to determining the existence or otherwise of “significant influence.” In the opinion of the Directors of ACTEW, and of its legal advisers, the application of those factors make it abundantly clear that, for the purpose of the standard, ACTEW does not have and is unable to exert “significant influence” over TransACT.



ACTEW supported energy efficient streetlight

The Shareholders Agreement — between all the investors in TransACT — contains a number of conditions which constrain ACTEW:

- A special resolution requires a majority of at least 70% and an ordinary resolution at least 50% majority. The voting power of ACTEW is only 24.9%;
- Major decisions by Directors require at least a 70% majority. ACTEW has only 2 Directors out of 10;
- The other substantial shareholders are significant institutions (three of them much larger than ACTEW) who will, and do bring to TransACT their own totally independent positions;
- TransACT is not reliant upon ACTEW for technical information, nor is there any material interchange of managerial personnel.

Application of UIG 11 Accounting for Contributions

In the opinion of the Directors of ACTEW, if the financial statements had been presented in accordance with the view of the Auditor General, that is, without the qualifying note, they would not have presented a true and fair view as required by S.297 of the Law.

The Directors of ACTEW consider that Contributions of Non Current Assets are on capital account not revenue account. However the financial statements have been prepared in compliance with UIG 11 and Accounting Standards.

Section 296 of the Corporations Act requires that the financial report comply with the Accounting Standards, and although section 297 requires that the financial report give a “true and fair view”, that does not affect the obligation under section 296.

Section 295(4) requires that the Directors, in their declaration (which forms part of the financial report) state whether, in their opinion, the financial statements and notes not only comply with Accounting Standards, but also present a true and fair view.

Accordingly, the Corporations Act itself recognises that compliance with the Accounting Standards may not result in the presentation of a true and fair view.

That conclusion is supported by section 295(3), which, in requiring that any notes include those required by the Accounting Standards, also requires that the notes include “any other information necessary to give a true and fair view”.

If ACTEW were a company listed on the Australian Stock Exchange it would be required when making any announcement to the market to comply with the following;

“True and fair view. If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view”.

The Auditor-General is, of course, entitled to form any opinion he wishes. The Directors — who are responsible for the accounts — have a Corporations Act duty to form their own view and express it. That is what they have done and will continue to do.

I thank my fellow directors and the team at ACTEW for their hard work and support during 2001–2002. They can be satisfied with an outstanding year.

J G Service AM
Chairman

Directors' Profiles



James G Service AM, Chairman, FAICD, 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 and the Salvation Army Advisory Board (ACT). He is Deputy Chairman of Australand Holdings Limited, a Director of Capital Airport Group Pty Ltd, Challenger International Limited, Australian Foundation of Science, National Gallery of Australia Foundation, and a Member of the ActewAGL Joint Venture Board. Jim Service was 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, 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, AAIL

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. Mr. Morris' term as director expired on 30 June 2002.

Directors' Profiles



Peter M Phillips, BA, Dip Thai Language Studies

Peter Phillips is a Director of Endeavour Consulting Group Pty Ltd. He is 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.



Kevin Neil, MAICD

Kevin Neil is the former Chief Executive Officer of Canberra Raiders, a position he 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's Barton Group. He is Deputy Chair of Beijing Green World Environment Protection Technology Co Ltd. He is a Director of ActewAGL, Australia China Holdings Pty Ltd, ACTEW Distribution Limited, a member of the Environment Business Australia Advisory Council and an Honorary Ambassador for Canberra. He was appointed a Director of the ACTEW Board on 22 December 2000.

Bettie McNee, LLB, FICA

Member until March 2002

Bettie was a director from 1 July 2000 until her passing in March 2002. She held a number of non-executive Director appointments and was Group Secretary and General Counsel of Westpac Banking Corporation from 1995 to 2000.

“The successful outcomes of this extraordinary year were achieved due to the focus and goodwill of all stakeholders.”

Chief Executive's Report

ACTEW is the licensed owner of the water and sewerage assets in the ACT, and is a 50% shareholder in the ActewAGL joint venture that operates electricity and gas businesses in the Territory. In this unique joint venture specific efforts have been made in addressing governance and reporting arrangements during the year.

Following the ACT Legislative Assembly elections in October 2001, two new Ministers became the shareholders of ACTEW — Mr. Jon Stanhope MLA as the Chief Minister and Mr. Ted Quinlan MLA as the Deputy Chief Minister. The ACTEW Board has met with the shareholders, and we have established effective processes and working relationships with their officers and departments.

Overall profit after tax for 2001–2002 was \$46.8 m and earnings before interest and tax (EBIT) was \$90.5 m. Water and sewerage operations contributed \$48.5 m to this result. Revenues in water were generally higher due to warmer and drier weather conditions in the second half of the year. Continuation, however will likely result in higher treatment and pumping costs in the next accounting period and softer revenue due to reduced consumption. From a financial perspective, the joint venture with AGL continued to perform well ahead of our expectations with gas and electricity contributing \$42.0 m to EBIT for the year. While the results in the energy business are pleasing, full retail contestability in the electricity market will have a significant impact on costs and revenues in future years.

Towards the end of the year the Independent Competition and Regulatory Commission released its draft report on implementing full retail contestability for electricity in the ACT. The final report was issued in July 2002, and we await the outcome of Government consideration of the matter. As an investor, ACTEW does not oppose the introduction

of contestable markets, but seeks to ensure that customers are adequately protected in any new regime.

One major cost component of water and sewerage assets is insurance. ACTEW remains concerned at the cost increases that have occurred this year, and with the expectation that this will not change markedly in the near future. We have commenced a process to identify more efficient methods to manage the risks that are part of asset ownership.

ACTEW made further investments in TransACT (present investment \$59.5m). New investors were also found for the start-up broadband company which was fully funded by year end. Other minor investments included Filtra Technology and support for the ACT Beijing business development initiative.

In January 2002 ACTEW commenced the Water Benchmark Project. The objective of the study is to develop plans and strategies for the management of and investment in ACTEW's water and wastewater assets based on world best practice. Further information on the study is contained elsewhere in this Report. We maintained our participation in major national environment groups relevant to our business and corporate objectives.

The successful outcomes of this extraordinary year were achieved due to the focus and goodwill of all stakeholders, the ACT Government and partner AGL, the leadership of the joint venture, my fellow directors and our small staff team.

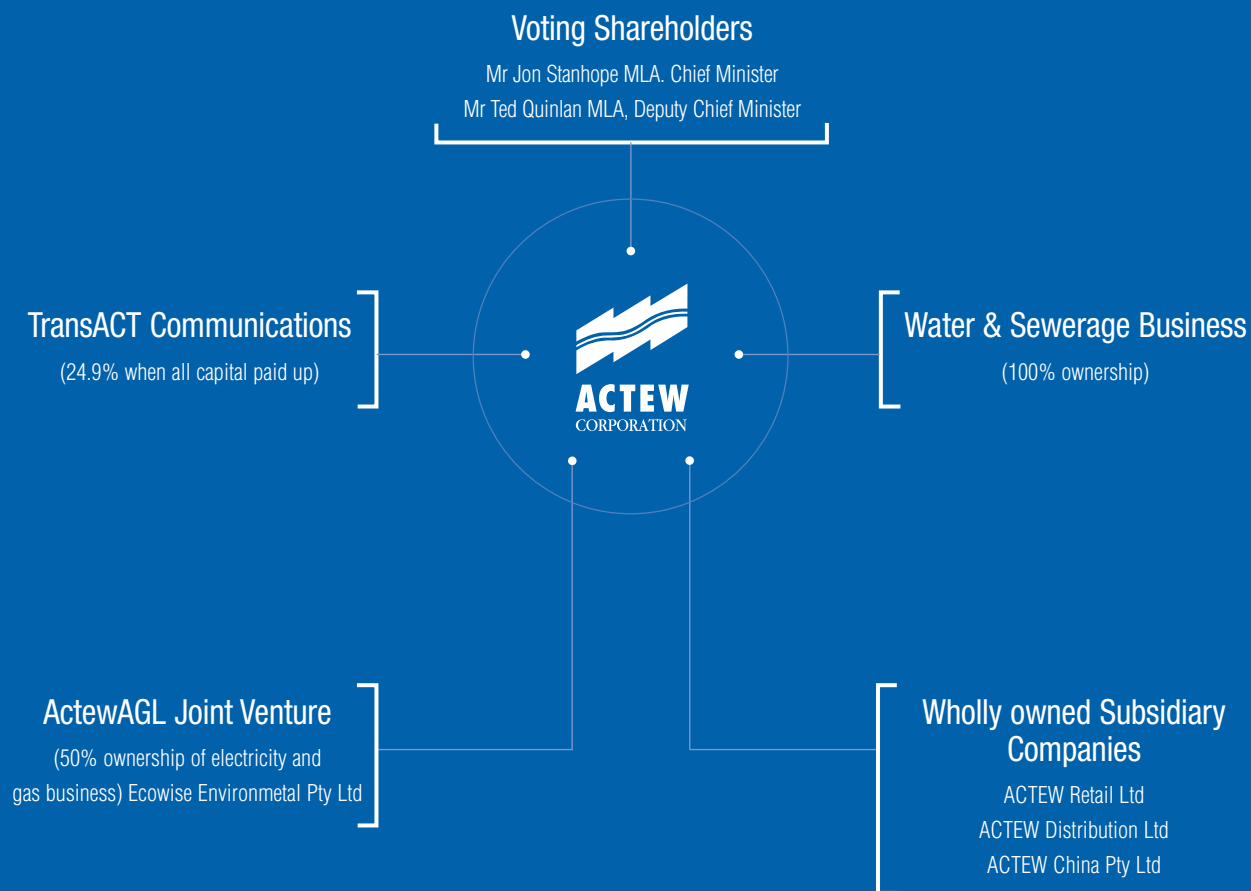


A handwritten signature in black ink, appearing to read 'Paul J Perkins', written over a horizontal line.

Paul J Perkins
Chief Executive



Group Organisational Chart



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 Capital Property Trust 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, Executive Manager Water & Regulatory Affairs

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.

“Continued support for national industry initiatives. Commitment to ACTEW maintaining its premier position on sustainability in work being done at local level.”

Performance Against Objectives



A number of strategic corporate objectives were set out in our 2001–02 Statement of Corporate Intent. Detailed below is our performance against some of these key objectives.

Priority	Performance
Implement the ActewAGL Partnership with particular emphasis on: <ul style="list-style-type: none"> • Ensuring suitable governance and reporting structures; • Supporting the appropriate positioning of the Partnership in the market; and • Ensuring the development of integrated employment conditions and cultures 	Reporting and governance arrangements reviewed. ACTEW Chief Executive appointed to ActewAGL Board Operating and reporting protocols established and implemented
We aim to manage our assets to achieve earnings before interest and tax greater than \$75m in 2001–02 We aim to pay our shareholders a dividend greater than \$40 m in 2001–02	Earnings before interest and tax \$90.2 m and dividend payments of \$54.6 m in 2001–02
As part of managing our water and sewerage assets: <ul style="list-style-type: none"> • Establish the commercial cost of operating the business • Identify and quantify the risks in the business • Agree a framework for a utility management agreement with our partners • Benchmark international best practice as basis for future investment strategy 	Work on costing and risk management completed in 2001–02. Discussions on framework initiated and specialist adviser appointed Water benchmark study tenders and shortlist finalised
Support and facilitate our ongoing investment in TransACT Communications to maximise return	Recapitalisation of TransACT in 2001–02. Supported by ACTEW
Maintain our position as a national leader in environmental management with particular focus on energy efficiency, water re-use and minimising the impact of our operations on the environment	Continued support for national industry initiatives. Commitment to ACTEW maintaining its premier position on sustainability in work being done at local level
Be involved in: the community — by providing support for initiatives and events that benefit the Canberra community; and the important public discussions about water, sustainability and the built environment	Continued support for the local cultural, charity, educational sporting and community organisations. Involved in national groups with focus on the environment and sustainability



Joint Venture Overview

On 3 October 2000, a joint venture was formed between ACTEW Corporation Ltd and The Australian Gas Light Company (AGL). The joint venture, known as ActewAGL, is the first multi-utility operating as a public private partnership in Australia.

ActewAGL combined ACTEW's electricity and network operations with AGL's ACT and Queanbeyan gas network and retail operations. ACTEW and AGL each hold a 50% interest in the partnership.

ActewAGL is organised as two partnerships, one distribution and one retail. ActewAGL Distribution is responsible for the network side of the energy business and maintains the water and sewerage networks under an alliance service agreement with ACTEW. ActewAGL Retail is responsible for customer service as well as energy trading.

All ACTEW staff excepting those remaining in the holding company, were seconded to the joint venture.

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.

Corporate governance of the joint venture is under a joint venture board which comprises six members, with three members each coming from ACTEW and ActewAGL.

The joint venture board is comprised of six members, three members from ACTEW and three from AGL. The members of the board during 2001–02 were:

- Michael Fraser (Chairman)
- Jim Service (Deputy Chairman)
- John Fletcher
- Bettie McNee (until March 2002)
- Mark Harper
- Michael Easson
- Paul J Perkins (from April 2002)

“A feature of the past year has been the relationship built up among the component parts in ACTEW, AGL and ActewAGL.”

A Year of Consolidation



The Joint Venture arrangements between ACTEW Corporation and AGL are now nearly two years old.

We can look back with some satisfaction on the way that the new structure has operated. We have fostered a unique organisation — this is the only multi-utility offering water, wastewater, electricity, gas and telecommunications services, and the only Public Private Partnership of its type in the utility sector. It is also the only utility now in joint venture with a leading energy company. ACTEW has also been efficient in keeping staff numbers below ten people, despite escalating demands on key personnel. Creation of the Joint Venture stands as a remarkable achievement.

The organisation has also maintained a successful financial operation. Although there have been other mergers in the utility industry, this one is highly unusual in paying good dividends as well as making these returns despite the disruptions during the change-over process.

A feature of the past year has been the relationship built up among the component parts in ACTEW, AGL and ActewAGL. This is well demonstrated at the Board level where the relations have been facilitated by the level of common membership between the Boards as well as their common purpose. This sense of cooperation has then impacted on both organisations and encouraged a strong coordinated effort.

When the Joint Venture was formed, it was agreed that ACTEW and ActewAGL would establish a water alliance to operate the water and wastewater systems. At the end of a settling in period, responsibility would then be transferred from the alliance to ActewAGL so it could assume control for a possible 20-year contract. Creating this alliance is a key challenge given the different perspectives of the holding company and the operator.

Nowhere is the strong relationship seen more advantageously than in the activities over the water benchmarking exercise discussed elsewhere in this report. Both teams have worked very closely to ensure that the negotiations over this program have worked in a way that will be of credit to the organisations and beneficial to all parts of the water cycle. The response on both sides has been very positive.

ACTEW was faced with a significant challenge — to be established as a small holding company with operations conducted in a joint venture, and perform to the ACT Government's financial expectations. At the end of the period to date the results show that on all sides — financial, organisational, in business relationships — ACTEW has performed very successfully. It has emerged from the first full year of operations as a stronger, more resilient organisation.

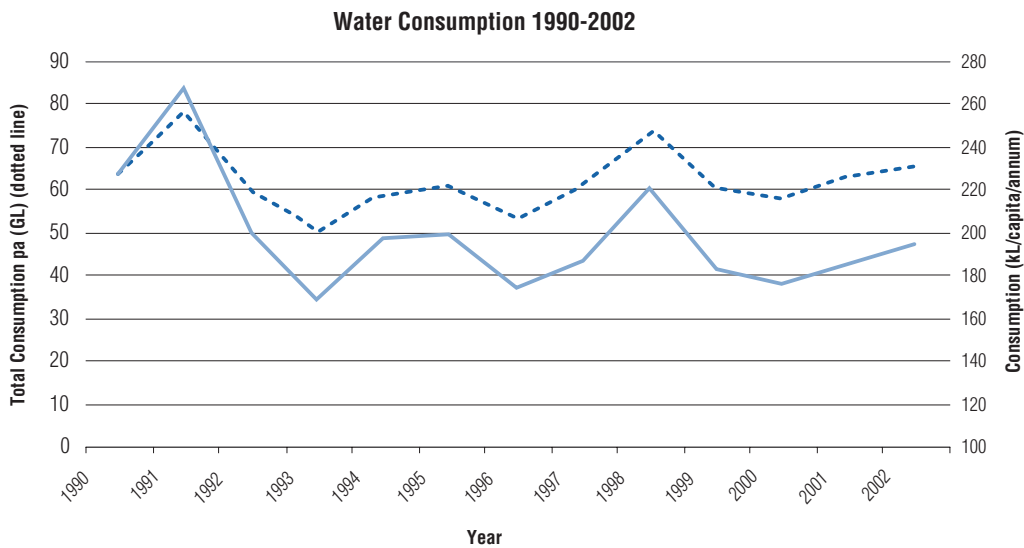


Water & Sewerage Business

Continuing dry and warm conditions resulted in higher sales volumes for water (65.9 ML) but profitability was only slightly up due to higher operating costs. Conditions necessitated the high cost use of water from Googong dam from August 2001.

In the near future results are likely to be impacted by higher cost treatment operations, lower available water storages, environmental flow requirements and the resulting need to encourage reduction in the per capita consumption.

As the sole contractor to ACTEW, ActewAGL undertakes a variety of activities associated with the Water and Sewerage business. As part of a strategy to continually improve and protect our assets, each year we invest heavily on a capital works program. Set out below are some of the key projects that ActewAGL has been involved with over the past 12 months.





Bendora Dam Spillway Bridge Strengthening

One of ACTEW's major water supply assets, Bendora Dam, was constructed in 1958-61. The dam and the bridge were in need of strengthening to provide safe access for maintenance purposes. In addition, the existing steelwork needed painting after 40 years. The framework of scaffolding required for the access to the bridge work was supported on giant pontoons floating on the dam surface. Maintaining the water level steady was a demanding exercise. The work was fully encapsulated with a ventilation system to prevent any contamination of the water supply.

Sewer Mains Rehabilitation

A total of 4,365 metres of sewer mains were replaced during this year with a total project value of \$1.6 m. The proactive replacement of critical sewers prevents emergency collapses and the ensuing loss of service and inconvenience to our customers. Maintenance records and closed circuit television inspection of sewers are used to assist in assessing and identifying the sewers that need replacement.

Weston Creek Vortex Drop

The vortex drop is a specially designed structure to smooth the flow of sewage from a higher to lower level and in the process minimise the generation of odour and potentially acidic gases.

This drop is at the confluence between two main trunk sewers at Weston Creek. The concrete chambers of the drop and the pipelines had suffered severe corrosion from the gases generated by the sewage. The restoration work will involve structural reinstatement, application of epoxy

coatings inside the sewers and the installation of a ventilation system.

Reservoir Security Fencing

The local service reservoirs form an integral part of the distribution of drinking water to the suburbs. Safeguarding the reservoirs and the supply of water to the customers is a continuing obligation of ACTEW. In light of the recent events around the world, ACTEW has accelerated the process of providing secure fencing around the reservoirs to prevent wilful tampering.

Water Meter Replacement

This programme is in its third year and saw the replacement of 12,500 meters. The reactive replacement program reduces maintenance service of old meters and improves the accuracy of the water meter fleet. The customers benefit by having easy access to the new stopcock valve for isolation of the meter which is now above ground.

EIMCS

The LMWQCC Electrical, Instrumentation, Monitoring & Control Systems project completed another planned stage this year. When completed, the project will deliver a fully integrated controlling system based on a distributed network of programmable logic controllers accessed by a network of SCADA workstations. This will enable provision of on-line real time data for the purpose of monitoring and controlling plant operations.

“ACTEW has sought to deliver a service that is ecologically sustainable, that meets the community's expectations and is still commercially viable.”

Strategic Water Benchmarking Study

ACTEW Corporation recognises that good environmental management is good business, especially for essential service utilities. ACTEW has sought to deliver a service that is ecologically sustainable, that meets the community's expectations and is still commercially viable.

ACTEW operates its business across the total water cycle from the water catchment through to final release to the environment. In December 2001, ACTEW initiated a major study into the implications of its business on the total water cycle. Known as the Benchmark Project, the study will form a sound basis for input to government policy considerations, development of strategic directions of ACTEW's water business and an integrated capital investment program for infrastructure and systems.

The objectives of the project are:

- To establish appropriate strategic performance targets for ACTEW's water cycle business;
- To recommend strategic planning options for ACTEW's water cycle business, responding to the strategic performance targets; and
- To recommend options for an integrated action plan and capital investment program.

ACTEW will engage external consultants with specialist expertise in the water industry and benchmarking to study world best practices and evaluate ACTEW's performance against these practices. The results of the study will benefit ACTEW and its customers by targeting environmental and commercial sustainability.

Reinforcing its past record of developing its strategic directions, ACTEW will call on the resources of the community to provide input and raise issues that are important to them.

At the launch of the study, Professor Peter Cullen from the Cooperative Research Centre for Freshwater Ecology endorsed ACTEW's approach and sees this study as a necessary step in identifying the optimal approach to conserving the environment whilst providing water and wastewater services to the community of Canberra.

Expressions of Interest for the study were received in March 2002 from over 30 firms and consortia. Assessment of these submissions resulted in short listing of three top-scoring submissions. The short listed consortia have been invited to prepare final proposals.





Pricing

The ACT's jurisdictional regulator, the Independent Competition and Regulatory Commission (ICRC), issued a five-year price path for its electricity, water and wastewater services in May 1999, ending 30 June 2004. ICRC allows ActewAGL and ACTEW to structure its tariffs annually within the revenue cap determined by ICRC as long as certain side constraints that minimise the impact of price increases on customers are not exceeded. In May 2001, the ICRC issued a Final Determination on its Review of Natural Gas Prices. This provided a three-year price path for ActewAGL's gas retail prices, ending 30 June 2004. The determination sets out the allowed movement in the individual tariffs.

The Final Price Direction for 2002–03 (based on a forecast CPI of 2.5%) provides for a 5.5% nominal increase in water revenue and a 3.5% nominal increase in wastewater revenue. However, these revenues must be adjusted for the difference between the 2001–2002 forecast CPI and the actual CPI. The price direction also allowed for an increase in the electricity franchise retail margin in 2002–2003 from \$7.7 million to \$8 million.

The natural gas determination (based on a CPI of 3.1%) results in a nominal increase of 3.1% on supply charges and 2.1% on energy charges in 2002–03. In addition, the ICRC allowed ActewAGL to pass through the costs relating to full retail contestability in the gas retail industry, resulting in adjustments to natural gas prices on 1 May 2002 and 1 July 2002.

The Final Price Direction for 2002–03 (based on a forecast CPI of 2.5%) provides for a 0.5 % increase in network electricity revenue. However, this revenue must be adjusted for the difference between the 2001–02 forecast CPI and the actual CPI.

ACTEW Corporation determines water and wastewater prices subject to ICRC approval. ActewAGL applies these charges on behalf of ACTEW Corporation. For 2002–03, the price step for water falls from 225kL per annum to 200kL per annum, 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 Corporation is required to pay a licence fee of 10c per kilolitre to the ACT Government for water abstracted 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 Corporation customers.

Charges for our services

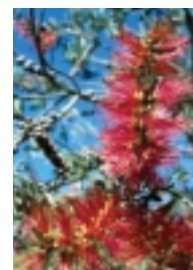
ActewAGL publishes a full suite of prices for all regulated services. Details are available from the joint venture website (www.actewagl.com.au) or by contacting the customer advisory service.

“ Significant contributions to industry and national initiatives were advanced throughout the year. ”

Environment

Major emphasis on environmental leadership continued throughout 2001–02, with most initiatives performed within the joint venture.

A review of the tasks set out in the ActewAGL Environment Action Program 2001–02 showed that at 30 June 2002 almost all of the tasks set out in the EAP were under way, on-going or completed.



Category	Number of tasks identified	Number of tasks under way, on-going or completed
Business commitments — includes: <ul style="list-style-type: none"> maintaining certification against international standards complying with environmental legislation promoting sustainable use of resources in our facilities developing a vegetation management program. 	15	15
Community responsibilities — includes: <ul style="list-style-type: none"> involving the community in our activities helping our customers to use resources wisely reporting our environmental performance. 	8	8
Broader obligations — includes: <ul style="list-style-type: none"> working towards a gas-fired generator continuing with and promoting the GreenChoice program promoting the development of green energy sources in the ACT. 	11	10
Totals	34	33
Percentage of tasks under way, on-going or completed at 30 June 2002		97%

More detailed information is available in the separate ActewAGL Annual Environment Report 2002.

Certification of all operational areas under AS 9001 (Quality Management Systems) and AS 14001 (Environmental Management Systems) was maintained through ActewAGL.

Significant contributions to industry and national initiatives were advanced throughout the year. Following his appointment as National Chairman of the Commonwealth Government Environment Industry Action Agenda, Chief Executive, Paul Perkins was appointed Chairman of The Barton Group to oversee the implementation of the Action Agenda recommendations. Additionally, Mr. Perkins was invited to participate on two Prime Ministerial task forces.

ACTEW Corporation Limited
ABN 86 069 381 960

Financial Statements

for the year ended 30 June 2002

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

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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 2002.

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
- Michael Costello (appointed 14 August 2002)
- Ted Mathews (appointed 14 August 2002)
- Bettie Anne McNee (deceased 11 March 2002)
- William Richmond Morris (term expired 30 June 2002)
- Kevin Leslie Neil
- Peter Maxwell Phillips

Refer to Annual Report for further information on directors.

Directors' meetings

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

	No. of meetings attended	Meetings eligible to attend
J G Service	11	11
M B Easson	10	11
P J Perkins	11	11
B A McNee	—	7
W R Morris	11	11
K L Neil	8	11
P M Phillips	10	11

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 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** — a holding company for ACTEW's interest in the Retail Partnership of the ActewAGL Joint Venture;
- **ACTEW Investments Pty Ltd** — operations ceased on 1 July 2000 and deregistration approval received 4 June 2002;
- **ACTEW China Pty Ltd** — exploring business opportunities in China;
- **ACTEW Distribution Limited** — a holding company for ACTEW's interest in the Distribution Partnership of the ActewAGL Joint Venture;
- **TransACT Carrier Pty Ltd** — operations ceased during the year and deregistration effected 5 November 2001.

Review and results of operations

Total revenue from operating activities of the group was \$142.7 million compared to \$256.5 million in the prior year. The group profit before income tax equivalents was \$72.8 million, compared with \$83.4 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 decreased mainly as a result of non recurring transactions (profit made on the transfer of the electricity business assets to the joint venture and tax adjustments) associated with the formation of the ActewAGL joint venture on 3 October 2000. A summary of the revenues and results is set out below:

	2002	2001
	\$ million	\$ million
Revenue (excludes ActewAGL Joint Venture profits)	142.7	256.5
Profit before Income Tax Equivalents	72.8	83.4
Income Tax Equivalents	26.0	(7.2)
Profit after Income Tax Equivalents	46.8	90.6
Payments to the ACT Government:		
Dividends	54.6	66.6
Capital repaid		119.0
	54.6	185.6

Dividends

The 2000/2001 final dividend of \$18.6 million was approved by the shareholders and paid in October 2001. The total available for 2001/2002 dividend appropriation was \$46.9 million. An interim dividend of \$36.0 million was paid in June 2002. The directors have recommended the payment of the 2001/2002 final dividend of \$10.9 million.

Audit Qualification

The Auditor — General's qualifications to the accounts are discussed in the Chairman's report.

Significant changes in the state of affairs

ACTEW has invested \$59.5 million in TransACT Communications Pty Ltd at 30 June 2002, 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 \$48.5 million. During the year a number of additional investors took up significant investments in TransACT. ACTEW has underwritten a \$25 million standby debt facility for TransACT to be arranged with a bank.

Directors' Report (continued)

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2002.

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 2001/2002 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 **	99.5%	100.0%

* Googong pollution control licence period runs from 15 August 2001 to 14 August 2002.

** 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.

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).

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.

Directors' Report (continued)

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 to an executive of the ActewAGL joint venture for work on behalf of ACTEW with the TransACT group, as a director.

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.



Michael B Easson, AM

Acting Chairman

18 September 2002

Canberra



Paul J Perkins

Director and Chief Executive Officer

18 September 2002

Canberra

Directors' Declaration

The directors declare that the financial report and notes set on pages 29 to 60:

- 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 2002 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.



Michael B Easson, AM

Acting Chairman

18 September 2002

Canberra



Paul J Perkins

Director and Chief Executive Officer

18 September 2002

Canberra

Independent Audit Report



AUDITOR-GENERAL

Australian Capital Territory



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 2002. The Company's directors are responsible for the financial statements which include 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 as to whether the financial report is 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 Act 2001 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.

Qualifications

1. Application of Equity Accounting

The Company holds an investment in an associate, TransACT Communications Pty Limited (TransACT), however the Company has not accounted for this investment in accordance with AASB 1016 Accounting for Investments in Associates (AASB 1016). As a result, the Company has not recorded its share of TransACT's losses for the year ended 30 June 2001 or 2002. The Company's share of TransACT's net loss after tax and accumulated losses for the year ended 30 June 2002 would be \$10,557,000 after allowing for the provision for diminution recorded at 30 June 2001 (refer paragraph below). Had the investment been accounted for in accordance with AASB 1016 then the net profit after tax of the consolidated entity would have been \$36,271,000 and the carrying amount of the investment in TransACT would be \$43,335,000.

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Independent Audit Report (continued)

The Company should also have recorded its share of TransACT's accumulated losses for the year ended 30 June 2001. This adjustment was not considered material as the Company raised a provision for diminution against the investment in TransACT of \$5,657,000 at 30 June 2001 which approximated the Company's share of TransACT's losses for that year.

In addition to the material misstatement in the net profit and non current assets 'Investments' balances at 30 June 2002, the following disclosures required by AASB 1016 have not been made:

Required disclosure	Details to be disclosed
Share of the associate's operating losses before income tax on the face of the statement of financial performance	\$10,557,000
Share of the associate's income tax benefit attributable to operating losses	Nil
Accumulated losses as at the beginning and end of the financial year which are attributable to the associate	Beginning of year \$5,657,000 End of year \$16,214,000
Principal activities of the associate	Development and operation of a high speed full service network capable of delivering a broad array of telephony, data and video services
The Company's ownership interest and voting power as at the associate's reporting date	Ownership interest 32.8% Voting power 24.9%
The Company's share of associate's capital commitments contracted for	\$10,843,000
The Company's share of associate's other expenditure commitments contracted for, other than for the supply of inventories	\$3,000,000
The Company's contingent liabilities that arise because the Company is severally liable for all the liabilities of an associate	\$49,000
Schedule setting out the movements in the carrying amount of investments in the associate, separately identifying the carrying amount as at the beginning and end of the financial year, and the amounts of new investments, share of loss and other movements	Beginning of year \$16,971,000 Additional investment \$36,921,000 Share of loss (\$10,557,000) End of year \$43,335,000
Financial effects of events or transactions which have occurred after the reporting date of an associate and which could materially affect the financial position or operating performance of that associate for the next financial year	Nil
Disclosure of the share of net profit of associates reported by segment required in the segment information note	Investments segment Share of net profits of associates and joint venture partnerships \$31,423,000
Disclosure of share of losses of associates in the note for reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities	Share of losses of associate not received as dividends \$10,557,000

Independent Audit Report (continued)

2. Application of UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets.

While the financial statements comply with UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets (UIG 11), the directors have included in the financial statements, specifically in the directors declaration and note 35, comments to the effect that they strongly disagree with recording contributed assets as revenue in accordance with UIG 11.

In my opinion, the accounting treatment, which is in accordance with UIG 11, is required for the financial report to show a true and fair view and is not misleading.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial statements of ACTEW Corporation Limited are in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2002 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
19 September 2002

Statements of Financial Performance

for the year ended 30 June 2002

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities excluding contributed assets received free of charge		134,385	251,431	163,189	261,373
Contributed assets received free of charge		8,341	5,113	8,341	5,113
	2	142,726	256,544	171,530	266,486
Cost of sales — electricity business		—	52,029	—	25,119
Cost of sales — water business		5,869	5,659	5,869	5,659
Employee expenses		3,648	17,426	2,986	17,173
Depreciation & amortisation expense	3	20,108	26,381	20,108	26,287
Borrowing cost expense	3	25,996	34,341	25,996	34,308
Project related expenses		51,514	40,344	51,514	40,344
Other expenses arising from ordinary activities		4,709	22,278	4,631	16,628
Share of net loss /(profit) of joint ventures accounted for using the equity method		(41,980)	(25,324)	—	—
Profit from ordinary activities before income tax equivalents		72,862	83,410	60,426	100,968
Income tax expense /(revenue) relating to ordinary activities	4	26,034	(7,214)	13,539	(25,527)
Profit or loss/resulting from ordinary activities after related income tax expense (income tax revenue)		46,828	90,624	46,887	126,495
Net profit		46,828	90,624	46,887	126,495
Total changes in equity recognised in the statement of financial performance other than those resulting from transactions with owners as owners		46,828	90,624	46,887	126,495

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

Statements of Financial Position

as at 30 June 2002

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash assets	6	504	834	504	834
Receivables	7	17,144	17,442	40,835	38,375
Investments	8	15,957	16,900	15,957	16,900
Other	9	7,065	7,761	7,065	7,743
Total Current Assets		40,670	42,937	64,361	63,852
NON CURRENT ASSETS					
Investments	10	59,712	27,529	61,112	29,909
Investments accounted for using the equity method	11,34	349,787	364,307	–	–
Other financial assets	12	–	–	345,808	361,140
Property, plant and equipment	13	853,869	857,688	853,869	857,688
Other	14	10,061	9,890	10,061	9,890
Deferred tax assets	15	11,893	18,541	8,461	16,139
Total Non Current Assets		1,285,322	1,277,955	1,279,311	1,274,766
TOTAL ASSETS		1,325,992	1,320,892	1,343,672	1,338,618
CURRENT LIABILITIES					
Payables	16	13,382	14,974	13,356	15,360
Interest bearing liabilities	17	6,138	19,092	6,138	19,092
Provisions	18	18,471	27,270	18,471	27,267
Other	19	852	1,626	1,704	1,293
Total Current Liabilities		38,843	62,962	39,669	63,012
NON CURRENT LIABILITIES					
Interest bearing liabilities	20	353,884	344,569	353,884	344,569
Provisions	21	137,081	117,118	117,840	97,758
Other	22	–	–	–	1,000
Total Non Current Liabilities		490,965	461,687	471,724	443,327
TOTAL LIABILITIES		529,808	524,649	511,393	506,339
NET ASSETS		796,184	796,243	832,279	832,279
EQUITY					
Contributed equity	23	758,871	758,871	758,871	758,871
Reserves	24	13,372	13,372	13,372	13,372
Retained Profits	25	23,941	24,000	60,036	60,036
TOTAL EQUITY		796,184	796,243	832,279	832,279

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 2002

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
		Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers (inclusive of goods & services tax)		131,305	210,408	130,688	172,047
Payments to Suppliers and Employees (inclusive of goods & services tax)		(66,934)	(137,583)	(66,071)	(99,222)
Sub-Total		64,371	72,825	64,617	72,825
Interest Received		1,387	4,198	1,387	4,198
Sales tax equivalents paid		–	(5,095)	–	(5,095)
Dividends Received		–	–	19,626	1,643
Interest Paid		(25,541)	(27,821)	(25,541)	(27,821)
Net Cash Inflow from Operating Activities	38	40,217	44,107	60,089	45,750
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for Property, Plant & Equipment		(10,846)	(17,262)	(10,846)	(17,262)
Payments for share purchases		(36,921)	(11,628)	(36,921)	(11,628)
Loans to related parties		–	–	(19,872)	–
Equalisation receipts from joint venture partner		–	157,161	–	157,161
Distribution received from joint venture partnerships		56,500	19,000	56,500	19,000
Proceeds from Sale of Property, Plant & Equipment		2,029	16	2,029	16
Net Proceeds / (Payments) for Investments		4,418	2,312	4,418	2,312
Net Cash Outflow from Investing Activities		15,180	149,599	(4,692)	149,599
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Borrowings		(2,046)	(4,092)	(2,046)	(4,092)
Capital Repatriation to ACT Government		–	(119,001)	–	(119,001)
Dividend paid		(54,624)	(66,677)	(54,624)	(66,677)
Net Cash Outflow from Financing Activities		(56,670)	(189,770)	(56,670)	(189,770)
NET INCREASE/(DECREASE) IN CASH HELD		(1,273)	3,936	(1,273)	5,579
Cash Held at Beginning of the Financial Year		17,734	13,798	17,734	12,155
CASH HELD AT END OF THE FINANCIAL YEAR	38	16,461	17,734	16,461	17,734

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 2002

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. 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 2002 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 2002

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 recognized 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 recognized 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 2002 ACTEW had invested \$59.5m 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 was created at 30 June 2001. This provision is reviewed annually. Refer note 10.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 1: Summary of Significant Accounting Policies (continued)

(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.

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.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 1: Summary of Significant Accounting Policies (continued)

(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.

(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 2002 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 2002 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.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 1: Summary of Significant Accounting Policies (continued)

(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.

(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 realised by the joint venture partnership on consumption or sale, unless they relate to an unrealized 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 recognized as an asset.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 2: Revenue

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Revenue from operating activities					
Electricity Business		140	79,523	140	54,002
Water Business		62,790	56,921	62,790	56,921
Sewerage Business		56,775	53,234	56,775	53,234
Contributed assets received free of charge		8,341	5,113	8,341	5,113
Commonwealth Subvention	a	8,352	8,271	8,352	8,271
Other operating revenue		2,457	7,922	1,765	5,963
		138,855	210,984	138,163	183,504
Revenue from outside the operating activities					
Interest		1,359	4,204	1,359	4,157
Gain on sale of non-current assets		2,029	29,624	2,029	49,987
Dividend Revenue		-	-	29,496	19,682
Other Revenue		483	11,732	483	9,156
Revenue from ordinary activities excluding shares of equity in net profits of joint venture partnerships accounted for using the equity method					
		142,726	256,544	171,530	266,486

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 2002

Note 3: Operating Profit

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Profit from ordinary activities before income tax equivalents					
includes the following net gains and expenses:					
Net gains					
Profit on sale of property, plant and equipment		2,029	29,624	2,029	49,987
Interest revenue		1,359	4,204	1,359	3,693
Expenses					
Depreciation:					
System Assets		18,574	18,537	18,574	18,537
Plant and Equipment		1,534	7,844	1,534	7,750
		20,108	26,381	20,108	26,287
Provisions					
Employee Entitlements (including seconded employees)		18,447	18,281	18,447	18,281
Investment Provision for Diminution		320	5,657	300	5,657
Provision for diminution of assets		2,899	500	2,899	500
Provision for claims		–	1,500	–	1,500
Borrowing costs					
Interest Expense		25,996	34,341	25,996	34,308

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 4: Income Tax Equivalents

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
The prima facie income tax equivalents, calculated at 30%, on operating profit (2001 — 34%) differs from the amount calculated on the profit. The differences are reconciled as follows:	a, b				
Profit from ordinary activities before income tax equivalents		72,862	83,410	60,426	100,968
Income tax calculated at 30% (2001 — 34%)		24,548	28,359	18,128	34,329
Tax effect of permanent differences:					
Adjustment to prior year tax effect balances		2,114	—	1,804	—
Adjustment arising from pre-incorporation provisions		—	(146)	—	(142)
Capital gain/losses on sale or disposal of non-current assets		—	(33)	—	(33)
Capital contributions		—	(509)	—	(509)
Dividends from subsidiaries		—	—	(5,905)	—
Contributed assets		—	(1,738)	—	(1,738)
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 deductible		—	(10,072)	—	(16,338)
Research & Development Concessions		(58)	(28)	(58)	(28)
Net adjustments to deferred income tax balances to reflect establishment of joint venture		—	(20,272)	—	(38,490)
Other items (net)		(570)	733	(430)	318
Income Tax Equivalents Expense /(Revenue) Attributable to Operating Profit		26,034	(7,214)	13,539	(25,527)
Income tax equivalents expense comprises:					
Provision for income tax payable		3,118	—	—	—
Future Income Tax Equivalents Benefit		2,706	3,665	(6,480)	3,665
Provision for Deferred Income Tax Equivalents		18,096	(10,865)	18,215	(29,178)
Under/(Over) provision in prior year		2,114	(14)	1,804	(14)
		26,034	(7,214)	13,539	(25,527)

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of a sufficient amount to enable the benefit from the deductions for the losses to be realised, or
 - (ii) the losses are transferred to an eligible entity in the consolidated entity, and
 - (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
 - (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.
- 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 to 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 as at 30 June 2002 are measured at 30%.
 - c ACTEW has transferred \$45,495,571 (2000–2001 \$3,677,075) of income tax equivalent losses to other companies within the group. These companies will provide consideration equal to the losses transferred of \$13,648,671 (30%), (2000–2001 \$1,250,206). This has been reflected in the financial statements.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 5: Dividends

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Opening Balance		18,624	18,677	18,624	18,677
Retained profits at beginning of year		–	–	–	165
Amount appropriated from operating profit	25	46,828	90,624	46,887	126,495
		65,452	109,301	65,511	145,337
Amount transferred from / (to) retained profits	25	59	(24,000)	–	(60,036)
Amount paid during the year	(a)	(54,624)	(66,677)	(54,624)	(66,677)
Closing Balance		10,887	18,624	10,887	18,624

(a) Paid to ACT Government

Note 6: Current Assets — Cash Assets

Cash At Bank	504	834	504	834
Cash On Hand	–	–	–	–
Total Cash	504	834	504	834

Note 7: Current Assets — Receivables

Electricity Business	–	34	–	34
Water Business	9,605	9,373	9,605	9,373
Sewerage Business	4,988	4,498	4,988	4,498
Other Trade Debtors	1,360	673	1,383	673
Doubtful Debts (trade debtors)	(10)	(21)	(10)	(21)
Sub total trade debtors	15,943	14,557	15,966	14,557
Sundry Debtors and Accrued Revenue	1,201	2,885	1,201	2,885
Sundry Debtors and Accrued Revenue - Related Parties	–	–	23,668	20,933
Sub total sundry debtors	1,201	2,885	24,869	23,818
Total Receivables	17,144	17,442	40,835	38,375

Note 8: Current Assets — Investments

Short Term Securities	15,957	16,900	15,957	16,900
Total Investments	15,957	16,900	15,957	16,900

Note 9: Current Assets — Other

Prepayments	9	36	9	18
Employee entitlement receivable -related parties	7,056	7,725	7,056	7,725
Total Other	7,065	7,761	7,065	7,743

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 10: Non-Current Assets — Investments

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Long Term Securities		5,820	10,238	5,820	10,238
Investments in Controlled Entities	33	—	—	1,700	2,700
Investment in Other Entities		59,989	23,068	59,549	22,628
Investment Provision for Diminution		(6,097)	(5,777)	(5,957)	(5,657)
Total Investments		59,712	27,529	61,112	29,909

Note 11: Non-Current Assets — Investments Accounted for Using the Equity Method

Investments in joint venture partnerships	34	349,787	364,307	—	—
		349,787	364,307	—	—

Note 12: Non-Current Assets — Other Financial Assets

Non-interest bearing loans to subsidiaries		—	—	345,808	361,140
		—	—	345,808	361,140

Note 13: Non-Current Assets — Property, Plant and Equipment

Electricity System Assets

At directors' valuation	a	—	—	—	—
At Cost		—	2,288	—	2,288
Accumulated Depreciation		—	—	—	—
Work In Progress		—	—	—	—
Net Book Value		—	2,288	—	2,288

Water System Assets

At directors' valuation	b,c	484,377	484,377	484,377	484,377
At Cost		15,998	4,844	15,998	4,844
Accumulated Depreciation		(67,644)	(57,549)	(67,644)	(57,549)
Work In Progress		5,299	4,886	5,299	4,886
Net Book Value		438,030	436,558	438,030	436,558

Sewerage System Assets

At directors' valuation	a	443,571	443,571	443,571	443,571
At Cost		20,300	8,731	20,300	8,731
Accumulated Depreciation		(72,436)	(62,901)	(72,436)	(62,901)
Work In Progress		6,606	11,236	6,606	11,236
Net Book Value		398,041	400,637	398,041	400,637

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 13: Non-Current Assets — Property, Plant and Equipment (continued)

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Infrastructure Land and Buildings					
At directors' valuation	b	2,855	2,855	2,855	2,855
At Cost		–	–	–	–
Accumulated Depreciation		(144)	(120)	(144)	(120)
Net Book Value		2,711	2,735	2,711	2,735
Non-Infrastructure Land and Buildings					
At directors' valuation	c	16,768	16,768	16,768	16,768
At Cost		120	–	120	–
Accumulated Depreciation		(1,897)	(1,531)	(1,897)	(1,531)
Work In Progress		–	–	–	–
Net Book Value		14,991	15,237	14,991	15,237
Plant and Equipment					
At Cost		412	304	412	304
Accumulated Depreciation		(316)	(71)	(316)	(71)
Work In Progress		–	–	–	–
Net Book Value		96	233	96	233
Total Net Book Value		853,869	857,688	853,869	857,688

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 zone sub-stations and 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 2002

Note 13: Non-Current Assets — Property, Plant and Equipment (continued)

ASSET MOVEMENT RECONCILIATIONS

Consolidated & ACTEW Corporation

	Electricity	Water	Sewerage	Infra- structure Land & buildings	Non-infra- structure Land & buildings	Plant & Equipment	Total
Assets at Cost or Valuation							
Carrying amount at 1 July 2001	2,288	431,672	389,401	2,735	15,237	233	841,566
Capitalised	—	5,792	8,115	—	120	(86)	13,941
Gifted Assets	—	3,762	4,579	—	—	—	8,341
Provision for writedown	—	(688)	(1,088)	—	—	—	(1,776)
Transfers / adjustments	(2,288)	2,288	—	—	—	—	—
Depreciation expense	—	(10,095)	(9,572)	(24)	(366)	(51)	(20,108)
Carrying amount at 30 June 2002	—	432,731	391,435	2,711	14,991	96	841,964
Construction in Progress							
Carrying amount at 1 July 2001	—	4,886	11,236	—	—	—	16,122
Net Additions	—	6,969	3,844	—	120	(86)	10,847
Capitalised	—	(5,792)	(8,115)	—	(120)	86	(13,941)
Provision for writedown	—	(764)	(359)	—	—	—	(1,123)
Carrying amount at 30 June 2002	—	5,299	6,606	—	—	—	11,905
Carrying amount at 30 June 2002	—	438,030	398,041	2,711	14,991	96	853,869

Note 14: Non-Current Assets — Other

Employee entitlement receivable — related parties	10,061	9,890	10,061	9,890
Total Other	10,061	9,890	10,061	9,890

Note 15: Non-Current Assets — Deferred tax Assets

Future income tax benefit	11,893	18,541	8,461	16,139
	11,893	18,541	8,461	16,139

Note 16: Current Liabilities — Payables

Trade Creditors	855	1,468	829	1,854
Other Creditors and Accruals	12,527	9,695	12,527	9,695
Other Creditors and Accruals — Related Parties	—	3,811	—	3,811
Total Payables	13,382	14,974	13,356	15,360

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 17: Current Liabilities — Interest Bearing Liabilities

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Loans		6,138	19,092	6,138	19,092
Bank Overdraft		—	—	—	—
Total Borrowings	a	6,138	19,092	6,138	19,092

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	—	—

Note 18: Current Liabilities — Provisions

Employee Entitlements	215	620	215	617
Employee Entitlements seconded employees	7,056	7,725	7,056	7,725
Dividend	10,887	18,624	10,887	18,624
Workers Compensation (Pre 1989)	313	301	313	301
Total Provisions	18,471	27,270	18,471	27,267

Note 19: Current Liabilities — Other

Unearned Revenue	852	812	852	812
Security Deposits Received	—	200	—	200
Intercompany Loan	—	—	852	—
Other	—	614	—	281
Total Other	852	1,626	1,704	1,293

Note 20: Non-Current Liabilities — Interest Bearing Liabilities

Loans		353,884	344,569	353,884	344,569
Total Borrowings	a	353,884	344,569	353,884	344,569

a None of the borrowings is secured.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 21: Non-Current Liabilities — Provisions

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Employee Entitlements		233	212	233	212
Employee Entitlements — seconded employees		10,061	9,890	10,061	9,890
Insurance losses		1,500	1,500	1,500	1,500
Deferred Income Tax Equivalents		123,159	103,285	103,918	83,925
Workers Compensation (Pre 1989)		2,128	2,231	2,128	2,231
Total Provisions		137,081	117,118	117,840	97,758

Note 22: Non-Current Liabilities — Other

Intercompany Loan Liability	—	—	—	1,000
Total Other	—	—	—	1,000

Note 23: Contributed equity

	Shares	Shares		
a) Paid Up Capital				
Ordinary shares fully paid	5	5	\$2.00 only	\$2.00 only
Total Share Capital	5	5	\$2.00 only	\$2.00 only
b) Total Capital				
Paid Up Capital	\$2.00 only	\$2.00 only	\$2.00 only	\$2.00 only
Contributed Capital	758,871	758,871	758,871	758,871
Total Capital	758,871	758,871	758,871	758,871
c) Movements in contributed capital				
Balance 1 July 2001	758,871	877,872	758,871	877,872
Less: contribution to ACT government	—	(119,001)	—	(119,001)
	758,871	758,871	758,871	758,871

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 24: Reserves

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
General Insurance Reserve	a	9,820	9,820	9,820	9,820
Asset Revaluation Reserve		3,552	3,552	3,552	3,552
Total Reserves		13,372	13,372	13,372	13,372
Movements in Reserves					
Opening Balance		13,372	13,372	13,372	13,372
Transfers to/(from) Reserves					
— Public Liability Reserve		(5,000)	(5,000)	(5,000)	(5,000)
— Environmental Improvement Reserve		(4,820)	(4,820)	(4,820)	(4,820)
— General Insurance Reserve		9,820	9,820	9,820	9,820
Aggregate of amounts (from) Reserves		—	—	—	—
Closing Balance		13,372	13,372	13,372	13,372

a General Insurance Reserve

Due to the difficulty in attaining certain categories of insurance, the restrictions on cover, and of the increases in excesses that are applicable even when cover can be obtained, it is considered prudent to maintain a reasonable financial capacity to manage risks that may arise, and accordingly the existing reserves made for the environment and for bushfires be amalgamated into a General Insurance Reserve.

Note 25: Retained Profits

Retained profits at the beginning of the financial year	24,000	—	60,036	165
Net profits available for reserves and dividends	46,828	90,624	46,887	126,495
Total available for appropriation	70,828	90,624	106,923	126,660
Aggregate amounts transferred from reserves	—	—	—	—
Dividends provided for or paid	(46,887)	(66,624)	(46,887)	(66,624)
Retained profits at the end of the financial year	23,941	24,000	60,036	60,036

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 26: Financial Instruments

A. Off-Balance-Sheet Derivative Instruments

Liability Interest Rate Swap Contract

The loan of ACTEW from the ACT Government bears a variable interest rate based upon the 90 day bank bill swap reference rate (BBSW). An interest rate swap was entered into to exactly hedge the underlying exposure to fluctuating interest rates given ongoing volatility prevailing in the financial markets. Accordingly ACTEW has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates each 90 days and to pay interest at a fixed rate of 6.15% on a notional face value equivalent to the loan principal outstanding. The contract is settled on a net basis and the net amount payable is the net amount payable at the reporting date is included in Trade Creditors.

At 30 June 2002 the notional principal amount is \$70 million and the interest rate swap contract will expire within 10 years

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 2002 the principal outstanding was \$253,979,831 (2000–01 \$255,573,060)

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.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 26: Financial Instruments (continued)

2002 (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		
Financial Assets							
Cash	6	504	–	–	–	–	504
Receivables	7,9	–	–	–	–	24,212	24,212
Investments	8	15,957	–	–	–	–	15,957
Other	14	–	–	–	–	10,061	10,061
		16,461	–	–	–	34,273	50,734
Weighted average interest rate		4.74%					
Financial Liabilities							
Borrowings	17,20	323,980	6,138	29,904	–	–	360,022
Accounts Payable	16	–	–	–	–	13,382	13,382
Other Liabilities	19	–	–	–	–	852	852
		323,980	6,138	29,904	–	14,234	374,256
Weighted average interest rate		4.79%	11.36%	11.36%			
Net Financial Assets (Liabilities)		(307,519)	(6,138)	(29,904)	–	20,039	(323,522)
2001 (Consolidated)							
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		
Financial Assets							
Cash	6	834	–	–	–	–	834
Receivables	7,9	–	–	–	–	25,185	25,185
Investments	8	16,900	–	–	–	–	16,900
Other	14	–	–	–	–	9,890	9,890
		17,734	–	–	–	35,075	52,809
Weighted average interest rate		5.09%					
Financial Liabilities							
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 2002

Note 26: Financial Instruments (continued)

Reconciliation of Net Financial Liabilities to Net Assets

	Notes	Consolidated	
		2002	2001
		\$'000	\$'000
Net financial liabilities as above		(323,522)	(327,452)
Non-financial assets and liabilities			
Property, Plant and Equipment	13	853,869	857,688
Investments		409,487	391,836
Future Income Tax Benefit		11,893	18,541
Other Assets	9	9	18
Provisions	18,21	(155,552)	(144,388)
Net assets per balance sheet		796,184	796,243

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

	2002	2002	2001	2001
	Carrying	Net Fair	Carrying	Net Fair
	Amount	Value	Amount	Value
	\$'000	\$'000	\$'000	\$'000
On-balance sheet financial assets				
Receivables	24,212	24,212	25,185	25,185
Investments	15,957	15,957	16,900	16,900
Cash	504	504	834	834
Other	10,061	10,061	9,890	9,890
	50,734	50,734	52,809	52,809
On-balance sheet financial liabilities				
Borrowings	360,022	360,022	363,661	363,661
Accounts Payable	13,382	13,382	14,974	14,974
Other Liabilities	852	852	1,626	1,626
	374,256	374,256	380,261	380,261

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 2002

Note 27: Remuneration of Directors

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'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:		490	452	490	452
Income band:	Number	Number	Number	Number	
\$10,000 – \$19,999	–	1	–	1	
\$20,000 – \$29,999	1	3	1	3	
\$30,000 – \$39,999	1	1	1	1	
\$40,000 – \$49,999	2	–	2	–	
\$50,000 – \$59,999	–	1	–	1	
\$60,000 – \$69,999	1	–	1	–	
\$80,000 – \$89,999	1	–	1	–	
\$100,000 – \$109,999	–	1	–	1	
\$160,000 – \$169,999	–	1	–	1	
\$280,000 – \$289,999	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	53	54	53	54
Controlled Entities	27	26	27	26
Financial Services to Group Entities	38	122	38	122
Total Remuneration of Auditor	118	202	118	202

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 liability will not be significant.

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.

ACTEW Corporation Ltd has underwritten a \$25 million standby debt facility for Transact to be arranged with a bank.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 30: Commitments for Expenditure

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
A. Capital & Other Expenditure Commitments:					
Total capital & other expenditure contracted for at balance date but not provided for in accounts payable:					
Within 1 year	a	61,132	71,252	61,132	71,252
Later than 1 year but not later than 5 years	a	66,301	101,975	66,301	101,975
		127,433	173,227	127,433	173,227
B. Lease Commitments:					
Total lease expenditure contracted for at balance date but not provided for in accounts payable:					
Within 1 year		61	46	61	46
Later than 1 year but not later than 5 years		136	184	136	184
Later than 5 years		–	–	–	–
		197	230	197	230
C. Remuneration Commitments:					
Commitments for the payment of salaries and other remuneration under long-term employment contracts, but not recognised as liabilities payable:					
Within 1 year		7,398	6,770	7,398	6,770
Later than 1 year but not later than 5 years		15,672	15,646	15,672	15,646
		23,070	22,416	23,070	22,416
D. Remuneration Commitment receivable:					
Commitments receivable for salaries and other remuneration under long-term employment contracts of employees seconded to the joint venture partnerships:					
Within 1 year		6,052	6,016	6,052	6,016
Later than 1 year but not later than 5 years		12,917	13,246	12,917	13,246
		18,969	19,262	18,969	19,262

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 2002

Note 31: Employee Entitlements

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Employee Entitlement Liability:	a				
Accrued wages & salaries		296	566	296	566
Current provisions — ACTEW	17	215	620	215	617
Current provisions — staff seconded to Joint Venture	17	7,056	7,725	7,056	7,725
Non-current provisions — ACTEW	20	233	212	233	212
Non-current provisions — staff seconded to Joint Venture	20	10,061	9,890	10,061	9,890
Aggregate Employee Entitlement Liability		17,861	19,013	17,861	19,010

a Employees at 30 June 2002 were 689 persons, including seconded employees to the ActewAGL Joint Venture. Of these persons only 10 work directly for ACTEW.

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 names of persons who were directors of ACTEW Corporation Ltd at any time during the financial year are as follows:

JG Service, MB Easson, PM Phillips, K Neil, PJ Perkins, WR Morris (term expired 30 June 2002) and BA McNee (until 11 March 2002).

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 2002 or 30 June 2001.

Loans to Directors

There were no loans to any directors as at 30 June 2002 or 30 June 2001.

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 2002

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 \$170,360 were paid to Endeavour under normal terms and conditions (2001: \$131,255).

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 and an agreement relating to the secondment of ACTEW Corporation 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, 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

2002	2001
\$'000	\$'000

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	29,496	19,682
------------------	--------	--------

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

Current Receivables	23,668	752
Current Accounts Payables and Other	23,668	752
Current Liabilities (Other)	852	—
Non Current Payables (loan)	—	1,000
Non Interest bearing loans	345,808	361,140

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% (2001: 100%) of the issued ordinary shares of ACTEW Corporation Ltd.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 32: Related Parties (continued)

ACTEW Corporation Ltd

2002	2001
\$'000	\$'000

Ownership Interests in Related Parties

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

Controlled Entities — Note 33

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	50,852	39,988
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current Receivables	7,056	7,525
Current Accounts Payables and Other	7,056	11,336
Non-current Receivables	10,061	9,890
Non-current Accounts Payables and Other	10,061	9,890

Note 33: Investment in Controlled Entities

Name of Entity	Country of incorporation	Class of shares	Equity Holding	2002 Cost	2001 Cost
ACTEW Distribution Ltd	Australia	Ordinary	100%	400	400
ACTEW Retail Ltd	Australia	Ordinary	100%	1,000	1,000
ACTEW Investments Pty Ltd	Australia	Ordinary	100%	0	1,000
ACTEW China Pty Ltd	Australia	Ordinary	100%	300	300
Provision for diminution of investment in ACTEW China Pty Ltd				(300)	—
				<u>1,400</u>	<u>2,700</u>

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Retained profits attributable to the partnership				
At the beginning of the financial year	24,912	–	–	–
At the end of the financial year	66,217	24,912	–	–
Asset revaluation reserve attributable to the partnership				
At the beginning of the financial year	–	–	–	–
At the end of the financial year	–	–	–	–
Movement in carrying amount of investment in the partnership				
Carrying amount at the beginning of the financial year	390,791	–	–	–
New capital invested	–	384,979	–	–
Share of operating profits before tax	41,305	24,812	–	–
Distributions received	(56,500)	(19,000)	–	–
Carry amount reflected in the net assets of the partnership	375,596	390,791	–	–
Stamp duty capitalised	479	479	–	–
Unrealised profit on transfer of asset	(27,475)	(27,475)	–	–
Less amortisation of unrealised profit	1,187	512	–	–
Carrying amount at the end of the financial year	349,787	364,307	–	–
Share of partnerships assets and liabilities				
Current assets	64,964	103,500	–	–
Non-current assets	367,237	365,174	–	–
Total assets	432,201	468,674	–	–
Current liabilities	50,281	71,899	–	–
Non-current liabilities	6,324	5,896	–	–
Total liabilities	56,605	77,795	–	–
Net assets	375,596	390,879	–	–
Share of partnership's revenues, expenses and results				
Revenues	244,077	166,199	–	–
Expenses	202,772	141,287	–	–
Operating profit before tax	41,305	24,912	–	–

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 34: Interests in Joint Ventures

	Consolidated		ACTEW Corporation Ltd	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Share of partnership's commitments				
Lease commitments	7,666	655	–	–
Remuneration commitments	20,490	9,631	–	–
Total expenditure commitments	28,156	10,286	–	–
Capital and other commitments	22,232	5,518	–	–
	50,388	15,804	–	–

Contingent liabilities relating to joint ventures

Each of the partners in the ActewAGL partnership 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.

Note 35: Non Cash Contributed Assets Received Free of Charge

An amount of \$8.3 million in non-cash developer assets were received free of charge by ACTEW Corporation Ltd during 2001–2002 (2000–2001: \$5.1 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 2002

Note 36: Segment Information

Business Segments

The consolidated entity is organised on a global basis into the following divisions by product and service type

Water and waste water

The supply of water and provision of sewerage services

Investments

This segment includes activities of the wholly owned partnership subsidiaries, and investing activities of the parent company.

Unallocated

This segment includes corporate activities, activities of the wholly owned subsidiaries.

None of these activities constitutes a separately reportable segment.

Geographical Segments

The Australian Capital Territory is the only predominant geographic segment.

2002

Industry Segments	Water & Waste Water 2002 \$'000	Investments 2002 \$'000	Discontinued segment Electricity 2002 \$'000	Totals 2002 \$'000	Inter- segment eliminations/ unallocated	Consolidated 2002 \$'000
					2002 \$'000	
Operating Revenue						
Sales to Outside Customers	141,894	–	–	141,894	832	142,726
Total sales revenue	141,894	–	–	141,894	832	142,726
Shares of net profits of associates and joint venture partnerships	–	41,980	–	41,980	–	41,980
Total Segment Revenue	141,894	41,980	–	183,874	832	184,706
Segment Results Before Tax	30,770	41,955	–	72,725	136	72,861
Segment assets	909,993	403,679	–	1,313,672	–	1,313,672
Unallocated assets						12,320
Total Assets						1,325,992
Segment liabilities	406,623	19	–	406,642	–	406,642
Unallocated liabilities						123,166
Total Liabilities						529,808
Investments in associates and joint venture partnerships	–	349,787	–	349,787	–	349,787
Acquisition of property, plant and equipment, and other non-current segment assets	19,188	36,921	–	56,109	–	56,109
Depreciation and amortisation	20,108	–	–	20,108	–	20,108
Net cash inflow from operating activities	40,217	–	–	40,217	–	40,217

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 36: Segment Information (continued)

2001

Industry Segments	Water &	Investments	Discontinued	Totals	Inter-	Consolidated
	Waste Water		segment		segment	
	2001	2001	Electricity	2001	eliminations/ unallocated	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue						
Sales to Outside Customers	109,954	–	79,523	189,477	–	189,477
Intersegment Sales	201	–	–	201	(201)	–
Gain on sale of non-current assets	–	29,624	–	29,624	–	29,624
Other Revenue	–	–	–	–	37,443	37,443
Total sales revenue	110,155	29,624	79,523	219,302	37,242	256,544
Shares of net profits of associates and joint venture partnerships	–	25,324	–	25,324	–	25,324
Total Segment Revenue	–	25,324	–	25,324	–	25,324
Segment Results Before Tax	35,815	24,957	25,855	86,627	(3,217)	83,410
Segment Assets	917,229	381,598	3,524	1,302,351	–	1,302,351
Unallocated assets						18,541
Total Assets						1,320,892
Segment liabilities Assets	421,351	13	–	421,364		421,364
Unallocated liabilities						103,285
Total Liabilities						524,649
Investments in associates and joint venture partnerships	–	364,307	–	364,307	–	364,307
Acquisition of property, plant and equipment, and other non-current segment assets	20,087	21,628	2,288	44,003	–	44,003
Depreciation and amortisation	21,501	–	4,880	26,381	–	26,381
Net cash inflow from operating activities	25,615	–	18,492	44,107	–	44,107

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting, which has been applied for the first time in the year 2002. The business segments identified in the primary reporting disclosures and the geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 36: Segment Information (continued)

Segment revenues, expenses and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and borrowings.

Segment assets and liabilities do not include income taxes

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

(c) Equity accounted investments

The consolidated entity owns 100% of ACTEW Retail Pty Ltd and ACTEW Distribution Ltd. These entities 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. These investments are accounted for using the equity method.

These investments are included in other segments because their activities are dissimilar to the other reportable business segments.

Note 37: Discontinuing Operation

On 3 October 2000 a division, Electricity, was transferred to the joint venture.

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

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
A Reconciliation of operating profit after income tax equivalents to net cash flows from operations					
Operating profit after income tax equivalents		46,828	90,624	46,887	126,495
Depreciation and amortisation		20,108	26,381	20,108	26,381
Net Gain on sale of assets		(2,029)	(29,623)	(2,029)	(50,087)
Contributed assets received free of charge		(8,341)	(5,113)	(8,341)	(5,113)
Profit from joint venture partnership		(41,980)	(25,324)	—	—
Investment writedown		320	5,657	300	5,657
Asset writedown		2,899	—	2,899	—
Provision for Doubtful debts		(12)	—	(12)	—
Capital Contributions		(19)	—	(19)	—
CPI adjustment to debt		(1,593)	5,449	(1,593)	5,449

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 2002

Note 38: Reconciliation of Operating Profit After Income Tax Equivalents to Net Cash Inflows from Operating Activities (continued)

	Notes	Consolidated		ACTEW Corporation Ltd	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Changes in Operating Assets and Liabilities :					
(Increase)/Decrease in Receivables		330	(27,045)	(2,435)	(56,284)
(Increase)/Decrease in Inventory		-	440	-	20
(Increase)/Decrease in Future Income Tax Benefits Equivalents		6,646	(18,496)	7,678	(16,139)
(Increase)/Decrease in Other Financial Assets		-	-	(21,411)	-
(Increase)/Decrease in Other Assets		525	3,857	507	(941)
Increase/(Decrease) in Payables		(1,592)	(538)	(2,005)	8,983
Increase/(Decrease) in Provisions		(973)	484	(969)	1,280
Increase/(Decrease) in Provision for Deferred Income Tax Equivalents		19,874	23,080	19,993	3,720
Increase/(Decrease) in Other Liabilities		(774)	(5,726)	531	(3,671)
Net Cash Provided by Operating Activities		40,217	44,107	60,089	45,750

B Reconciliation of cash

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	504	834	504	834
Investments	8	15,957	16,900	15,957	16,900
Bank Overdraft	16	-	-	-	-
		16,461	17,734	16,461	17,734

Note 39: Events Subsequent to Balance Date

There were no events occurring after balance date.

Statistical Information

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Electricity										
Number of customers										
Franchise Domestic	105,595	109,005	112,762	114,778	116,129	117,690	118,986	115,655	122,664	124,521
Other	12,170	12,674	11,953	11,952	11,876	11,962	12,615	18,205	12,000	11,985
Non Franchise									927	1,342
Total	117,765	121,679	124,715	126,730	128,005	129,652	131,601	133,860	135,591	137,848
Mains in Service (km)										
Overhead										
132kV	156	163	172	172	160	160	160	160	160	160
66kV	7	7	8	8	8	8	8	8	8	8
22kV	24	24	24	24	24	24	24	24	24	24
11kV	1,223	1,223	1,371	1,370	1,369	1,370	1,375	1,355	1,355	1,355
Low voltage	1,300	1,300	1,301	1,300	1,301	1,301	1,300	1,300	1,300	1,300
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	1,115	1,155	1,184	1,207	1,225	1,261	1,287	1,295	1,310	1,333
Low voltage	709	760	792	831	853	886	913	920	950	989
Electricity										
Substations	3,492	3,583	3,684	3,726	3,773	3,811	3,811	3,897	4,014	4,014
132kV	1,169	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228
66kV	57	57	57	57	57	57	57	58	58	58
22kV	20	20	20	20	20	20	20	20	20	20
11kV and below	1329.12	1359.1	1394.8	1421.1	1451.3	1480	1488	1496	1547	1,565
Water										
Customers	105,634	108,421	113,371	116,008	117,343	118,856	120,349	122,760	124,570*	126,750
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	43	43	43	44	44	44	44	42	44
Capacity of reservoirs (ML)	939	950	950	950	912	912	912	912	912	912
No. of pumping stations	18	18	18	18	17	17	17	17	21	21
Length of mains (km)	2,694	2,793	2,830	2,877	2,895	2,901	2,907	2,921	2,933	2,948
Max daily demand (ML)	298	378	332	296	349.5	406	371	331	392	415.7
Total consumption (ML)	50,160	59,388	60,572	53,254	61,810	73,009	60,361	57,929	62,834	65,904
Consumption/person p/a (kL)	167.9	197.1	199.2	174	187	220	182	175.5	185.6	193.7
Rainfall (mm)	767.8	566.4	586.6	645	674.6	438.6	688.6	666	618.2	633.2
Sewerage										
No. of customers	105,634	108,421	113,371	116,008	115,083	116,268	117,648	119,846	121,618	123,641*
No. of pumping stations	31	30	29	29	28	28	28	28	28	28
Quantity of sewage treated (ML)	34,765	32,718	30,065	32,200	33,704	31,524	32,718	32,585	30,277	30,645
Max daily load (ML)	178.9	209.6	256.9	182	152	138	235	137	151.4	190.6
Sewage treated / person p/a (kL)	115	109	98	105	109	101	106	105.2	97	97.6
Length of mains (km)	2,704	2,737	2,774	2,784	2,806	2,812	2,817	2,836	2,852	2,875
Gas **										
No. of customers									84,571	88,711
Length of mains (km)									3,520	3,583
Qty of gas supplied (TerraJoules)									3,665	6,628
Trunk receiving stations									3	5
District regulating stations									69	74

* 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.

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Glossary of Terms

V	volt — the unit of electrical potential or electromotive force
W	watt — 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	kilowatt = 1,000 watts
kWh	kilowatt hour — 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	kilovolt = 1,000 volts
kVA	kilovolt ampere — a unit of apparent power in an alternating current circuit, equal to 1,000 volt amperes
MW	megawatt = 1,000 kilowatts
MWh	megawatt hours = 1,000 kilowatt hours
GWh	gigawatt hour = 1 million kilowatt hours
kL	kilolitre = 1 thousand litres
ML	megalitre = 1 million litres
GL	gigalitre = 1 thousand million litres
TJ	terrajoule = 1000 gigajoules



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