

2005



**ACTEW**  
CORPORATION

# ANNUAL REPORT





## Our Mission

Manage our assets to maximise the efficiency, reliability and sustainability of water and wastewater services to the ACT and Region.

Achieve a satisfactory return on our water, wastewater, energy and communication investments.

Investigate opportunities for the expansion of our business into related and complementary businesses with acceptable risk and returns.

## Our Stakeholders

Our owners are entitled to a satisfactory and sustainable commercial return on their investment.

The ACT community will be supported through ACTEW's sponsorships, participation and involvement.

Our customers are entitled to services that are reliable, efficient, cost effective and sustainable.

Our professional staff to be provided a challenging, rewarding and safe workplace environment in achievement of our objectives.

## Our Values

Maintain our high standards of probity and governance.

Act fairly and professionally with our stakeholders and business partners.

Operate in a commercial manner mindful of our public accountabilities.



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ACTEW Corporation Limited (ACTEW) is a company wholly owned by the ACT Government and has assets and investments in water, sewerage, electricity, gas and telecommunications totalling \$1.4b.

ACTEW was established on 1 July 1995. As a government owned company, ACTEW has reporting and compliance obligations under the *Corporations Act 2001* and various ACT legislation.

ACTEW owns the water and wastewater business and assets in the ACT and is a 50 per cent owner of ActewAGL, a multi-utility provider of electricity and gas services, and operator of the water and sewerage business. The Corporation also holds a 24.9% interest in TransACT Communications Pty Limited, a broadband and telecommunications company.

ACTEW has three wholly owned subsidiary companies: ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.

#### Directors at 30 June 2005

Mr James G Service AO (Chairman)  
 Mr Michael B Easson AM (Deputy Chairman)  
 Mr Kevin L Neil  
 Mr Michael J Costello AO  
 Mr Edward W Mathews PSM  
 Mrs Elizabeth A Whitelaw  
 Ms Barbara M Byrne

#### Secretary

Ms Michele Norris

#### Principal Registered Office

Level 9 ActewAGL House  
 221 London Circuit  
 CANBERRA ACT 2601  
 Telephone (02) 6248 3111  
[www.actew.com.au](http://www.actew.com.au)

#### Auditor

Auditor-General of the  
 Australian Capital Territory

#### Solicitors

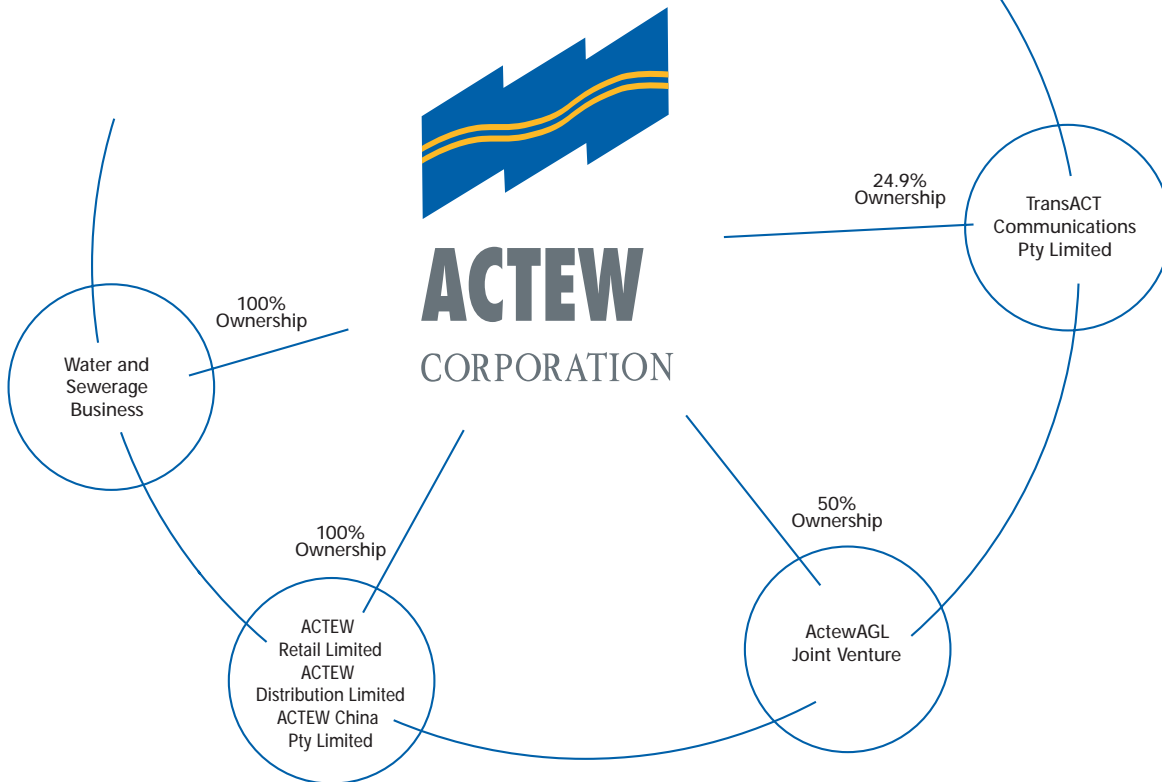
Mallesons Stephen Jaques  
 Minter Ellison

#### Bankers

Westpac Banking Corporation  
 Reserve Bank of Australia

**ABN 86 069 381 960**

## Company Profile



ACTEW owns the ACT's water and wastewater business and assets. ActewAGL operates and maintains the water and sewerage networks under the Utilities Management Agreement with ACTEW.

ACTEW has three wholly owned subsidiary companies: ACTEW Retail Limited and ACTEW Distribution Limited which are ACTEW's partnership companies in ActewAGL; and ACTEW China Pty Limited which holds business investments in the Peoples' Republic of China.

ACTEW owns 50% of ActewAGL, a multi-utility joint venture with AGL. ActewAGL is structured as two partnerships; ActewAGL Retail and ActewAGL Distribution.

ACTEW holds a 24.9% investment in TransACT Communications Pty Limited, a company building and managing an advanced broadband communications network across the ACT.

- Executed a long-term commercial contract with ActewAGL on 25 July 2005 for the operation and management of ACTEW's water and wastewater assets.
  - Culmination of the Future Water Options Project with the delivery of a recommended strategy to secure the ACT and region's long-term water supply to the ACT Government.
  - Decision to begin implementing the Cotter Googong Bulk Transfer project at a cost of up to \$20m, to supplement the ACT's water supply in the immediate future.
  - Construction was completed on water treatment facilities at Mt Stromlo and Googong at a total cost of \$55m.
- Implemented a contingency plan to secure the ACT's water supply in light of the ongoing drought, involving refurbishment of the Cotter Pump Station to make available water from Cotter Reservoir and Murrumbidgee River when required.
- Ongoing management of mandatory water restrictions, with Stage 3 restrictions applied over spring and summer, returning to Stage 2 in autumn. Approximately 25GL was saved during the year, or 37% of usage in an average year without restrictions.
- The Sponsorship and Community Support Program assisted 25 local organisations and charities.
- After tax group profit of \$71.2m combined with dividend and income tax equivalent payments to the ACT Government of \$85.6m.





## report of the chairman & managing director

During 2004–05 ACTEW continued to face a number of significant challenges. This report covers how ACTEW has reacted to these challenges and other significant matters.

### Water Supply and Strategy

The ACT has experienced in recent years two of the most severe natural climatic events, creating a need for responsive action to sustain water supply security. The current drought has been the worst in a century, being the longest in its duration, and has seen our water supply storages decline to all time lows with natural recovery not yet in sight.

On top of the extremely dry conditions, a bushfire, which started in the summer of 2002–03 in the water supply catchment sparked by lightning, was unable to be contained and reached the ACT urban areas on 18 January 2003, destroying more than 500 homes and damaging water infrastructure. The bushfire burnt most of the water catchment of the Cotter River. This critical catchment, with its protected national park, provided about 80 per cent of the ACT's annual water supply. With the ground denuded of vegetation, the runoff from the Cotter catchment was compromised and vulnerable to long-term (50 to 80 years) water quality problems after storm events.

Most of Australia has been affected by the current drought, and its impacts jeopardised security of the water supply in most capital cities. But, other capital cities are not like Canberra in terms of geography and climate, and none have had to deal with the compounding impacts on water supply of drought and bushfire.

Other Australian capital cities are located on the coast and experience more regular storm events, particularly during summer, than an inland city like Canberra. This reduces relative impacts of water restrictions as grass and vegetation is kept alive from these coastal storms. With costly impacts from water restrictions evident in the ACT, the impetus for action to improve supply reliability is far greater than that for coastal cities.

ACTEW has reacted swiftly in this environment to ensure the continuity of supply and adequate storage for the Canberra community in the following ways:

- As part of the ACT Government's water resources strategy – *Think water, act water* ACTEW released the Future Water Options report in April 2005, a study of options to provide a long-term reliable water supply to the ACT region. This report is being considered by the ACT Government with the assistance of ACTEW.

- Completion of the Stromlo Water Treatment Plant in November 2004. The success of this project has truly set a new benchmark for project planning and delivery. We would like to thank the parties involved in this project that included ActewAGL, Thames Water John Holland Joint Venture and Sinclair Knight Merz for a rapid and successful delivery of this critical project.
- Optimisation of existing infrastructure with the commencement of the Cotter Googong Bulk Transfer project which transfers excess Cotter River catchment water to the Googong Reservoir. Initial transfers of water from the Stromlo Water Treatment Plant to the Googong Reservoir commenced on 20 July 2005.
- Augmentation of the Googong Water Treatment Plant completed in December 2004.
- Completion of the Drought Contingency Plan that involved pumping water from the Cotter Reservoir, abstracting water from the Murrumbidgee River and installation of de-stratification equipment on the Cotter Reservoir to improve water quality.
- An accelerated catchment remediation project to restore catchments affected by the drought and bushfires.
- ACTEW is working with the ACT Government to achieve a reduction in per capita consumption of mains water and also on a number of water reuse projects.

Combined storage levels of water at 30 June 2005 were 44.7% (2004: 45.6%). The Canberra community has responded magnificently to the need for water restrictions and we thank them for this. As well, the management of water restrictions by our Drought Management Task Force has been excellent.



ACTEW continues to work with the ACT Government to achieve a satisfactory ACT cap for the Murray-Darling Basin and an integrated regional approach to ACT/NSW cross border water supply.

We are confident that the strategies in place and projects carried out will provide the ACT with an efficient supply of water well into the future.

### Management of ACTEW's Water and Wastewater Assets

On 25 July 2005 ACTEW concluded a Utilities Management Agreement (UMA) with ActewAGL for the management of ACTEW's water and wastewater assets.

Since the formation of the ActewAGL joint venture in October 2000 the ACTEW water and wastewater assets have been managed by ActewAGL under the terms of an Alliance agreement. ACTEW retains the ownership of the assets. The Alliance agreement was a transitional agreement to allow the parties to enter into a more commercial long-term agreement.

A detailed study was carried out of the type of contract structure drawing on domestic and international experience. Following the selection of an appropriate contract structure ACTEW appointed a probity Auditor and Advisor to ensure the negotiation process would result in a market related contract.

ACTEW considers the UMA contract will produce an optimal outcome for ACTEW plus the ACT Government and residents for the following reasons:

- the contract is long-term (16 to 20 years) and fixed price with resets around Regulatory periods;
- ACTEW continues to own the water and wastewater assets;
- risk has been allocated to the party best able to manage the risk;



- ActewAGL has the right incentives to provide effective and efficient services;
- the objectives of entering into the contract were achieved; and
- a range of key performance indicators ensure optimum performance under the contract.

## Corporate Governance

We continue to ensure that our governance practices and our Code of Conduct, which applies to Directors, management, and staff alike, meet best practice corporate governance rules and guidelines.

ACTEW will adopt reporting results consistent with International Financial Reporting Standards (IFRS).

Management of risk and responsibility for risk continued to be a major focus of the Audit and Risk Management Committee reporting to the Board during the year.

## Financial Performance, Position and Cash Flow

Group profit after tax increased from \$12.2m in 2003–04 to \$71.2m in 2004–05. The increase of \$59m in 2004–05 after tax profits was due to a number of factors including:

- ACTEW did not provide for any further diminution in the value of TransACT during the year (2004: \$40m);
- revenue was up \$10.3m mainly as a result of an increase in Regulated prices of water and wastewater services;
- operational costs increased \$3.1m mainly as a result of drought conditions and increased water abstraction charges;
- borrowing costs reduced by \$0.2m; and
- income tax expense reduced by \$11.6m mainly as a result of prior year tax adjustments upon entering the tax consolidation regime.

Operational cash flows were \$2m up on last year and ACTEW drew down \$25m in loan funds mainly to fund the capital expenditure on the Stromlo and Googong water treatment plants. Liquids reduced to \$13.5m at 30 June 2005 (2004: \$48.6m) partly as a result of water treatment plants capital expenditure.

Dividends paid to the ACT Government during the year were \$71.5m (2004: \$9.7m) and income tax equivalent payments totalled \$14.1m (2004: \$12.6m). The interim and final dividends for 2003–04 were postponed to 2004–05 to assist the financing of the new Stromlo and expanded Googong water treatment plants.

ACTEW remains in a relatively strong financial position with a gearing level of 30.8%. It is expected that this level of gearing will increase in future to finance any decisions emanating from ACTEW's *Future Water Options for the ACT Region – Implementation Plan* report of April 2005 that is being considered by the ACT Government with the assistance of ACTEW.

## ActewAGL

Profit distributions from ACTEW's 50% investment in the ActewAGL joint venture were \$48.5m during 2004–05 (2004: \$48m). Profitability was affected by regulatory price decisions. The ActewAGL investment continues to be a very profitable investment for ACTEW despite increasing levels of competition in the retail market.



## TransACT

ACTEW continues to hold a 24.9% interest in the broadband and telecommunications company TransACT Communications Pty Ltd (TransACT). Following a review of the strategic direction of TransACT, as well as the outsourcing of most operations to ActewAGL in February 2004, financial results continue to be pleasing and ACTEW continues to have confidence in TransACT despite the highly competitive environment in which it operates.

## Audit Qualification

The Auditor-General's qualifications to the accounts are discussed in the Directors' Report.

## Outlook and Priorities During 2005–06

The profits of ACTEW will continue to be subject to the prevailing weather conditions and its effects on costs, revenue and the price of water. Water prices will continue to reflect the costs of assuring a reliable supply of water to the ACT community.

Water priorities will focus on four aspects namely: implementation of decisions emanating from the April 2005 Future Water Options report, completion of the project to transfer excess water from the Cotter catchment to the Googong Reservoir, the urgent rehabilitation of the Cotter catchment and the effective management of water restrictions.

Wastewater priorities will include a review of the suitability of wastewater recycling projects plus completion of the preliminary design for the expansion of the secondary treatment facilities at Lower Molonglo Water Quality Control Centre.

Financial priorities will cover the management of risk, implementation of the Utilities Management Agreement, working with ActewAGL for effective delivery of capital expenditure projects and achieving a return on equity of approximately 12%.

## Customers

We thank all our customers who have supported ACTEW during the prolonged period of water restrictions. Without this community support it would have been difficult for ACTEW to maintain water supplies at current levels.

## Board and Staff of ACTEW

Whilst ACTEW is small in numbers consisting of seven people working on drought-related matters plus fourteen administration and management people at 30 June 2005, it does have significant responsibilities with respect to the water and wastewater assets owned and its investments in electricity, gas and environmental services through its partnership with AGL and its investment in TransACT.

This combination of large and diverse assets and high levels of responsibility and accountability for performance requires a uniquely skilled and dedicated staff.

During the year the ACTEW Board and staff have contributed magnificently despite the difficult conditions prevailing. We do thank the Board and staff for this.



**J G Service AO**  
Chairman



**Michael Costello AO**  
Managing Director



James G Service AO,  
FCPA, FCIS – Chairman

Jim Service was appointed a Director and Chairman of ACTEW on 30 June 1995 and is Deputy Chairman of the ActewAGL Joint Venture Board. He is Chairman of Tower Software Engineering Pty Limited, TransACT Communications Pty Limited, Australand Wholesale Investments Limited and Portus Pty Limited. Mr Service is Deputy Chairman of Australand Property Group, and a Director of Challenger Financial Services Group, Capital Airport Group Pty Limited, CapitaMall Trust Management Limited (Singapore) and Executive Chairman of the J G Service Pty Limited Group. His community involvements include Chairman of the ACT Salvation Army Advisory Board and a Trustee of the CFMEU Children's Healthcare Trust. He is an Adjunct Professor of the National Institute of Governance and was the 2001 Canberra Citizen of the Year.



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

Michael Easson is Chairman of the EG Property Group and an adviser to Allens Arthur Robinson. Mr Easson is a Director of the Macquarie Infrastructure Group, ING Real Estate Group, Stadium Australia Management, Sydney Light Rail and a Member of the ActewAGL Joint Venture Board. He has been a Director of ACTEW since 11 July 1995 and Deputy Chairman since 29 May 1996. Mr Easson is Chair of the ACTEW Audit and Risk Management Committee.



Kevin L Neil  
MAICD – Director

Kevin Neil was appointed a Director of ACTEW on 6 December 2000. Mr Neil is a Member of the ACTEW Audit and Risk Management Committee. He is Chief Executive Officer of Australian Air Express Pty Limited. Mr Neil is a Director of GRR Holdings Pty Limited and a Member of the Australian Institute of Company Directors.



Michael J Costello AO,  
BA, LLB – Managing Director

Michael Costello is the Managing Director of ACTEW. He is currently Chairman of Ecowise Environmental Pty Limited and a Member of the ActewAGL Joint Venture Board. Mr Costello was previously Deputy-Managing Director of the Australian Stock Exchange and a Director of Export Finance Insurance Corporation and the Australian Trade Commission. He was Chief of Staff to both the Opposition Leader, the Hon Kim Beazley MP and the former Minister for Foreign Affairs, the Hon Bill Hayden MP. Mr Costello was Secretary of the Department of Foreign Affairs and Trade and the Department of Industrial Relations. Mr Costello has held a number of diplomatic posts including Ambassador to the United Nations. He received an Order of Australia (AO) in 1996 for international relations. Mr Costello was appointed to the ACTEW Board on 14 August 2002.



Edward (Ted) W Mathews  
PSM, BA – Director

Ted Mathews had twenty years experience at senior executive level with the Commonwealth Public Service including as Manager of Department of Finance Government Business Enterprise Reform Program (1986–1990), Head of the Asset Sales Task Force (1992–1993) and Head of the Commonwealth Electricity and Gas Reform Task Force (1993–1997).

From 1997 to 2001 Mr Mathews was engaged by PricewaterhouseCoopers as an adviser on energy market policy reforms, regulation and access arrangements. He was also a member of the team providing governance and probity advice.

In 2002 Mr Mathews assisted the Chairman of the ACT Commission of Audit in reviewing ACT finances and a number of government business enterprises. He was appointed a Director of ACTEW on 14 August 2002. Mr Mathews is a Member of the ACTEW Audit and Risk Management Committee.



Elizabeth A Whitelaw

BA, LLB – Director

Elizabeth Whitelaw is a senior partner at Minter Ellison Lawyers. She leads the firm's Canberra Infrastructure Team. Mrs Whitelaw has advised both government and private sector clients on acquisitions, sales, development and construction projects throughout Australia. She has held a number of positions including Chairperson of the Canberra Community and Expert Reference Group (Bush Fire Recovery Task Force), a Member of the ACT Business Canberra Advisory Board, Chairperson of the Canberra Business Council and an Honorary Ambassador for Canberra. In 1998 Mrs Whitelaw was the recipient of the Telstra ACT Business Woman of the Year Award for the private sector category for businesses with over 100 employees. She has also acted as Chairperson of the ACT Business Advisory and Regulatory Review Team, has been a member of the Salvation Army Advisory Board and the ACT Representative to the Constitutional Centenary Council. Mrs Whitelaw was appointed to the ACTEW Board on 10 December 2003.



Barbara M Byrne

FAICD – Director

Barbara Byrne had more than 38 years service in the Commonwealth Public Service and for more than twelve years has worked in voluntary positions in the strategic management of clubs and non government community organisations. She recently retired as President of the Canberra Labor Club, a position she held for seven years and as a member of the Board after thirteen years service. Ms Byrne is currently on the Regional Board of ACT AFL, President of the Weston Creek Lions Football Club and Patron of Hockey ACT. She is a past Vice President of both Volunteering ACT and Clubs ACT. In 2002 Ms Byrne was awarded the Outstanding Service to the Club Industry Award and in 2003 a Centenary Medal in recognition of her many years of voluntary work in the community. In April 2004 she was appointed an Honorary Ambassador for Canberra in recognition of her personal contribution in assisting Canberra to develop a significant business base. Ms Byrne was appointed a Director of ACTEW on 22 January 2004.

Top priorities were outlined in the 2004–05 Statement of Corporate Intent. The Corporation’s performance and achievements against these priorities are as follows:

Objectives and Priorities	Performance and Achievements
<p><b>Water Supply</b></p> <p>Complete additional water treatment facilities at Mt Stromlo and Googong.</p> <p>Provide recommendations on the options for a long-term, reliable water supply for the ACT and region.</p>	<p>Stromlo treatment plant commissioned in November 2004. Augmentation of Googong treatment plant completed in December 2004.</p> <p>Future Water Options report delivered to ACT Government, with recommendations to secure Canberra’s water supply.</p>
<p><b>Water Demand</b></p> <p>Introduce and manage water restrictions at an appropriate level and consider a level of permanent water conservation.</p> <p>Work with the ACT Government to achieve a reduction in per capita consumption of mains water by 12% by 2013 and 25% by 2023, and increased efficiency in water usage.</p>	<p>Restrictions applied throughout 2004–05 due to the ongoing drought and low water storage. Combined storage at 30 June 2005 was 44.7%, compared to 45.6% a year earlier. Water savings during the year totalled 25GL or 37% of usage in an average year without restrictions.</p> <p>ACTEW delivered a proposal for permanent water conservation measures to the ACT Government for consideration.</p> <p>Ongoing. Promotion of water conservation through joint public information initiatives and events.</p> <p>As part of the ACT Government’s programs to reduce water consumption, ACTEW, through ActewAGL, assisted in the delivery of Indoor and Outdoor Water Tune-ups. 3,200 of these water efficiency audits were carried out during the year. Some 800 rainwater tank and 530 showerhead rebates were also provided.</p>
<p><b>Wastewater</b></p> <p>Progress implementation of the Stage 2 North Canberra Effluent Reuse Scheme.</p>	<p>New water recycling facility at Fyshwick commenced delivering recycled water for irrigation of parks and ovals in North Canberra in August 2004.</p>

Objectives and Priorities	Performance and Achievements
<p><b>Water Catchments</b></p> <p>Continually monitor catchment health and the impact of the 2003 bushfires on water supply.</p> <p>Actively participate in the development of a Catchment Management Board.</p>	<p>Regular testing of quality of water in accordance with the Australian Drinking Water Guidelines, as well as screen tests for pesticides and herbicides in the Cotter Reservoir.</p> <p>Nine catchment recovery projects with a budget of \$1.2m involving online event monitoring, hydrological and hydrodynamic modelling, vegetation recovery and research with ANU to gauge long-term effects.</p> <p>Representatives in several catchment management organisations, including the Lower Cotter Working Group, Googong Foreshore Committee, Upper Murrumbidgee Catchment Coordinating Committee, as well as in the ACT Water Supply Catchment Management Group, established in September 2004.</p>
<p><b>TransACT</b></p> <p>Continue to support and monitor the roll out and delivery of TransACT's services to the community.</p>	<p>Financial results have been pleasing and the outsourcing of services to ActewAGL continues to be very effective.</p>
<p><b>Customers</b></p> <p>Consult and educate our customers about water and energy management, usage and quality.</p>	<p>Ongoing. Through the water saving campaign Stop the Drop and a public information program associated with water restrictions, including Irrigation Workshops, community presentations and participation in events.</p>
<p><b>Financial</b></p> <p>Achieve earnings before interest and tax (EBIT) of approximately \$100m.</p> <p>Achieve return on equity of approximately 13%.</p> <p>Pay shareholders a dividend out of 2004–05 profits and retained earnings of approximately \$95m.</p>	<p>EBIT of \$102m achieved in 2004–05.</p> <p>13.1% return on equity achieved in 2004–05.</p> <p>\$94m (Reduction of \$1m due to drought and other factors beyond the control of ACTEW)</p>



**Michael Costello AO,**  
BA LLB –  
Managing Director

Mr Costello was appointed Managing Director in May 2003 and is responsible for the corporate management of the company. He is a Member of the ActewAGL Joint Venture Board and Chairman of Ecowise Environmental Pty Ltd, ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.



**Mike Luddy**  
BComm –  
Chief Finance Executive

Mr Luddy commenced with ACTEW in November 2000. He is responsible for finances including planning, budgeting and reporting for the Corporation and subsidiary companies. Mr Luddy is a Director of ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.



**Aspi Baria**  
C Chem –  
Technical Specialist Water

Mr Baria commenced with ACTEW in 1989. He is responsible for management of the agreement for the operation and maintenance of the water and sewerage business, water planning, regulatory matters, capital works expenditure program and licensing and compliance matters. He is a Director of ACTEW Retail Limited and ACTEW Distribution Limited.



**Michele Norris**  
GAICD AIMM –  
Company Secretary

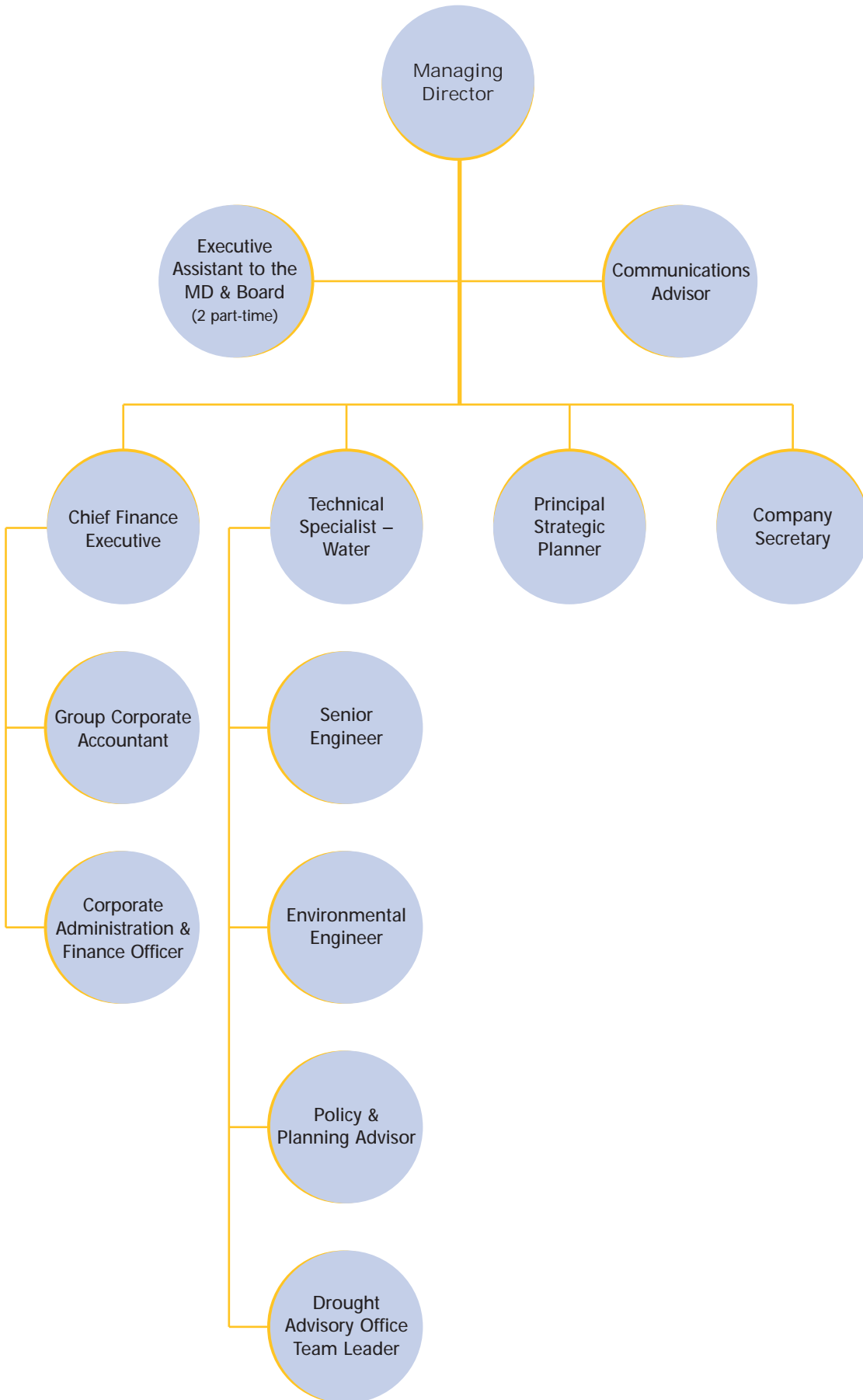
Ms Norris commenced with ACTEW in 1999 and was appointed Company Secretary in December 2003. She is responsible for the management and coordination of corporate governance, government liaison, statutory compliance and legal matters for the Corporation and subsidiary companies. Ms Norris is also Company Secretary of ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.



**Ross Knee**  
MEng (Civil) –  
Principal Strategic Planner

Mr Knee commenced with ACTEW in 2005. He is responsible for strategic planning and infrastructure development for the water business. This includes water resources, demand and catchment management, research and development, and liaison with relevant government and national organisations.





## The Board

A number of statutes and the Constitution of ACTEW govern the activities of the Company.

ACTEW's Board comprises seven

Directors: one

Executive Director

and six Non-Executive

Directors who are appointed

by the Voting Shareholders, the

Chief Minister and Deputy Chief Minister of the ACT. Profiles of the Directors can be found on page 9.

Procedures for the appointment of Directors are outlined in the *Territory Owned Corporations Act 1990* and the Company's Constitution.

The Board met fourteen times during the year. Details of Directors' attendance at the Board meetings are set out on page 34.

ACTEW 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 2004–05 Statement of Corporate Intent was tabled in the Assembly on 26 August 2004. Quarterly reports on financial and operational matters were provided to the Voting Shareholders during the year. Performance against top priorities outlined in the 2004–05 Statement of Corporate Intent is outlined on page 12.

## Audit and Risk Management

The Audit and Risk Management Committee met four times during the year. Details of Directors' attendance at the meetings are set out on page 34.

The Committee is governed by the Audit and Risk Management Committee Charter. The Committee assists the Board fulfil its legal responsibilities, strengthen the objectivity and credibility of financial reporting, the management of its business risks, the independence of the audit functions and the effectiveness of internal control systems.

ACTEW's internal audit activities are coordinated by ActewAGL's Audit Services. PricewaterhouseCoopers provides external audit services to the Corporation. Other independent auditors are engaged as appropriate. The Corporation's Auditor is the Auditor-General for the Australian Capital Territory.

During the year two internal audit reviews were undertaken. The audit report on the Licence Compliance Systems of ActewAGL Water Division noted it had not identified any material deficiencies in the operation of the framework. The second audit, the Management and Administrative Processes of Water Restrictions has been completed and the audit report is expected in August. At its meeting in May 2005, the Audit Committee approved the internal audit plan for 2005–06.

In addition the ACTEW management team assisted by a consultant carried out a complete review of the ACTEW risk register. This review encompassed the impact of the Utilities Management Agreement and the water supply and strategy work outlined above which have addressed ACTEW risk exposures in a number of key areas.

### Remuneration

The Voting Shareholders determine the terms of appointment and remuneration paid to Directors. Details of income paid to Directors is outlined on page 71.

The entire ACTEW Board meets as the Remuneration Committee. The Committee's Charter states its objective is to set the remuneration and terms and conditions for the Managing Director and to consult with the Managing Director on the annual review of performance appraisals and remuneration of Corporation staff. The Committee also liaises with the Voting Shareholders and ACT Remuneration Tribunal on matters relating to Directors' remuneration.

The Committee met on three occasions during the year. Details of Directors' attendance at the meetings are set out on page 34.



### Code of Conduct

The ACTEW Code of Conduct aims to establish a culture which respects and values each individual's contribution, promotes and rewards creativity and initiative, eliminates discrimination, and encourages maximum productivity. In order to achieve these aims, employees are required to abide by the Code of Conduct.

Breaches of the Code of Conduct and its guidelines may result in disciplinary action under the provisions of the Enterprise Agreement. An employee who believes that someone is in breach of the Code, is encouraged to discuss it with their manager. However, if they feel that it is not possible or appropriate, they can discuss the matter with a member of the Ethics Panel which is responsible for reviewing and updating the Code of Conduct, providing advice as to whether or not a potential action may be in breach of the Code, and investigating and reporting to relevant parties on possible breaches of the Code.

The Code is currently being reviewed. There were no breaches of the Code of Conduct by ACTEW staff during the year.

## Water Resources Strategy

ACTEW has continued work to deliver against the key objectives outlined in the ACT Government's water resources strategy, *Think water, act water – strategy for sustainable water resource management in the ACT*, released in April 2004.

The strategy focuses on long-term water resource management until 2050 and aims to improve water use efficiency, reduce water quality impacts, enhance ecological values in waterways and catchments and protect recreational and amenity values. The implementation plan provides an outline of ACTEW's responsibilities and the framework for reporting on progress.

One of ACTEW's key responsibilities was to report back to the ACT Government on options for a new water source to the ACT and region. Information on the Future Water Options Project is outlined below.

In August 2004, ACTEW signed a contract to a value of \$1.5 million to manage the ACT Government's water efficiency program. Since then, ACTEW has overseen the development of the program which is delivered by ActewAGL in conjunction with the private sector. This is the first initiative of a longer-term program to meet the water efficiency targets set by *Think water, act water*.

As part of *Think water, act water*, a commitment was made by the ACT Government to develop Greywater Use Guidelines. ACTEW, ActewAGL, ACT Health, ACTPLA and Environment ACT worked cooperatively on the guidelines with ACT Health as the lead agency and the guidelines were released in December 2004.

*Think water, act water* identified the need to consider regulations that support long-term water conservation without undue restriction. During the year, ACTEW developed a proposal for a set of permanent water conservation measures to be introduced as an alternative to Stage 1 water restrictions. The ACT Government is considering the proposal.

More information on *Think water, act water* can be found at [www.thinkwater.act.gov.au](http://www.thinkwater.act.gov.au).

## Future Water Options

ACTEW released its first report for the Future Water Options project, *An Assessment of the Need to Increase the ACT's Water Storage*, in December 2004. It concluded that the ACT would need more water storage sooner than previously expected unless the community was prepared to accept regular and severe water restrictions.

In early April 2005, ACTEW provided the ACT Government with its report on the study of options to provide a long-term, reliable water supply for the ACT and region as part of ACT Government's water resources.

The report, *Future Water Options for the ACT Region – Implementation Plan, A recommended strategy to increase the ACT's water supply*, included the final recommendations for ACTEW's Future Water Options project, initiated to examine three main options in detail and recommend a preferred approach to the ACT Government.



The options, and variations thereof, assessed in detail were:

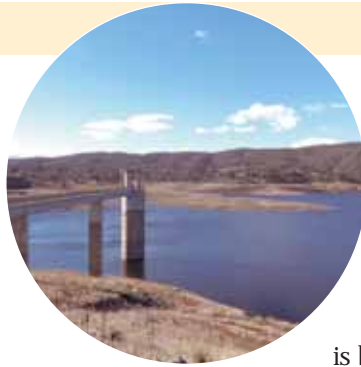
- enlarging the existing Cotter Dam;
- building a new dam on the Gudgenby River near Mount Tennent, south of Tharwa; and
- bringing water from the existing Tantangara Dam in NSW to the ACT.

Six key assumptions underpinned ACTEW's report: climate change and variability, reduced inflows to storages following the 2003 bushfires, population growth and regional supply, environmental flow releases from water storages, the frequency and severity of water restrictions and achieving the Government's targets of a 25 per cent reduction in per capita water consumption by 2023.

ACTEW recommended the implementation of the Angle Crossing Option (formerly referred to as the Virtual Tennent Option), a variation of the option of a new dam near Mount Tennent. It would involve transferring water from the Murrumbidgee River, near Angle Crossing, into Googong Reservoir via a pipeline to Burra Creek. It is expected that it would take two to three years to implement at a capital cost of up to \$40 million.

In making its recommendation, ACTEW committed to further optimising the existing infrastructure by introducing the Cotter Googong Bulk Transfer (CGBT) project. More information on this initiative is outlined below.

Based on the assumptions, the combination of the CGBT project and the recommended Angle Crossing Option would mean that the ACT should have a reliable water supply until about 2023 without the need for long periods of water restrictions.



ACTEW committed to remain ready to implement any further water supply options, such as a new dam, without delay, if the need for additional water supply is brought forward by changes in the way any of the six assumptions work out in practice.

After the delivery of the April 2005 report, Stage 2 of the Future Water Options project commenced with a priority to take steps to ensure timely implementation of any of the options. A work plan, setting out an implementation strategy for 2005–06, was developed in June 2005.

### ***Future Water Options Project***

As part of the ACT Government's water resources strategy, *Think water, act water*, ACTEW initiated the Future Water Options project to examine three main options for a long-term reliable water supply. These were identified out of an initial study of over 30 possibilities and recommended for detailed assessment.

The project team comprised of more than 20 engineers, scientists and other professionals from ACTEW, ActewAGL, technical specialists and expert consultants.

A thorough technical, environmental, social and economical analysis was undertaken for each option and up to 2000 people had contact with the project through a comprehensive community consultation program.

### **Cotter Googong Bulk Transfer project**

During the extensive studies of water supply options, an idea developed to utilise new treatment capabilities to its maximum throughout the year by transferring water not required for immediate demand to Googong, the drier of the two catchments in terms of rainfall.

In April 2005 the Board agreed in principal to the CGBT project at a capital cost of up to \$20m.

The scheme involves diverting up to 12 GL of excess water each year from the Cotter River catchment through the reticulation network into the Googong Reservoir. The transfer, expected to be operational in early 2006, will predominantly operate during the colder months. Implementation will involve:

- a bypass around the Googong Water Treatment Plant;
- recommissioning of pumps five and six at the Cotter Pump Station;
- reversing the existing Hume and/or Deakin Pump Stations to increase the capacity of the bulk supply network to pump water from Stromlo to Googong; and
- increasing the capacity of the Stromlo Water Treatment Plant.

### **Water Treatment Plants**

Projects to construct a new water treatment plant at Mt Stromlo and augment the existing plant at Googong were completed during the year, in response to the immense impact on water supply from the combination of drought and the 2003 bushfires.

Operation of the new Mt Stromlo Water Treatment Plant commenced in November 2004, sixteen months after project conception. This record time achievement – similar projects normally take two to three years to implement – was only possible with the cooperation and strong dedication of all concerned. ActewAGL



was the project manager and Thames Water and John Holland Projects were engaged as the constructors with Sinclair Knight Merz as the design team.

The result was a first-class treatment facility, providing improved water quality and a more reliable water supply to Canberra, including new possibilities to treat water from Cotter Reservoir, which had not been used since 1968 due to poor water quality.

Since completion, which came in under the \$39.3m budget, the plant has demonstrated its ability to perform well by treating raw water of poor quality drawn in part from the Cotter Reservoir.

The \$15.8m augmentation of the Googong Water Treatment Plant increased the capacity of the facility from 180 ML per day to 270 ML per day. In September 2004 the Chief Minister visited the plant to inspect the works, which were completed in December 2004 within budget.

The development of these two plants is a significant achievement, not only for engineering principles, but for customer satisfaction, environmental success and for the development of water infrastructure for the national capital.

### **Water Storages and Restrictions**

Drought conditions continued throughout the year with 591mm of rain recorded. The expected average for the year was 626mm. This followed two years of well below average rainfall.

Storages recovered during spring following above average rainfall and the reintroduction of Stage 3 restrictions. Storages peaked at 53.9% at the end of December 2004.

Combined storage at 30 June 2005 was at 44.7%, made up of 68% in Bendora, 63% in Corin, and 32% in Googong. The Cotter Reservoir, from which 2.8 GL has been used during the year as part of the Drought Contingency Plan, was at 91%.

Water to the ACT and Queanbeyan was mainly supplied from the Cotter catchment. Water from the Googong catchment was sourced during testing of the upgraded Googong Water Treatment Plant. See Figure 1 on combined storage levels.

The management of mandatory water restrictions, introduced in December 2002, continued throughout the year with ACTEW's Drought Advisory Office managing day-to-day operations.

Stage 2 restrictions were in place during autumn and winter but increased to Stage 3 on 1 September 2004 following the second driest autumn and winter period on record.

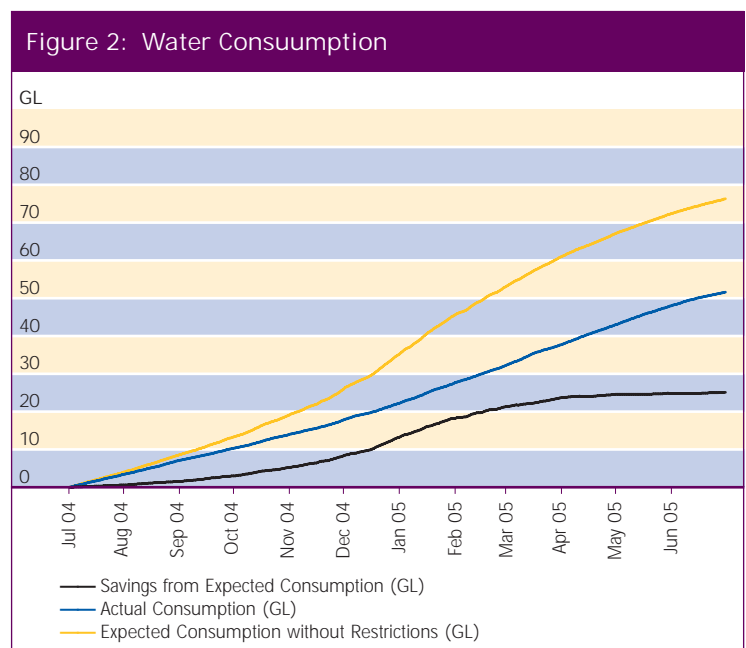
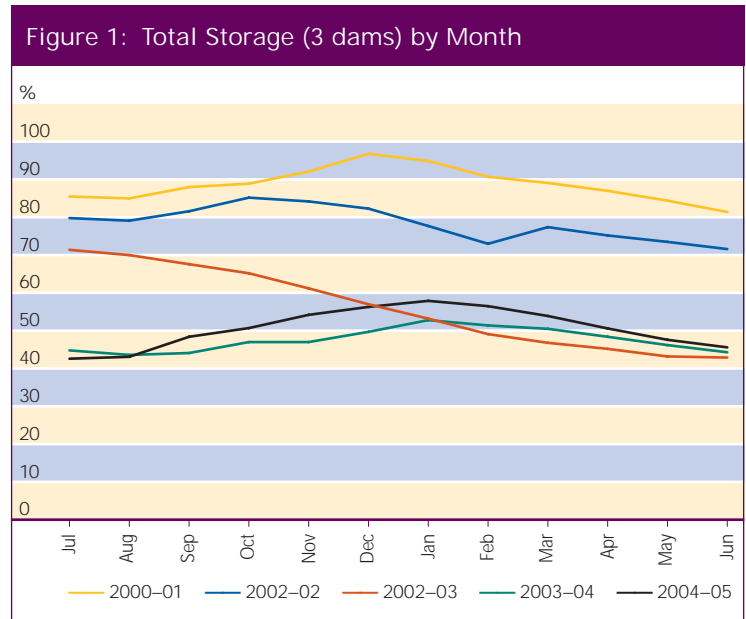
Restrictions were downgraded to Stage 2 on 1 March 2005 and remained in place while Canberra experienced another unseasonably warm and dry autumn.

The community continued to respond well to water restrictions with a total of 25GL of water saved during the year. Since the introduction of mandatory restrictions 62GL has been saved. See Figure 2 on consumption.

Market research carried out in March 2005 indicated that restrictions are having a lesser impact on residents' lifestyles than in previous years. The vast majority of residents felt the information provided about restrictions was adequate and useful in order to comply with the restrictions scheme.

Under the restrictions scheme, ACTEW is responsible for issuing infringement notices for breaches of water restrictions. During the year, 118 infringement notices were issued. Exemptions were granted in circumstances where residents and businesses demonstrated detriment from compliance with the restrictions scheme on the grounds of health or public hygiene or where compliance would be likely to cause unintended or disproportionate financial hardship. A total of 8,334 exemption applications were received during the year. Of these, 7,647 (92%) were approved.

Agreements were negotiated with 39 large water users to meet an annual reduction in consumption of 25% during Stage 2 and 40% during Stage 3 restrictions.



### **Drought Contingency Plan**

A Drought Contingency Plan, developed in early 2004, was implemented in the 2004 spring/summer to secure the supply of water to Canberra during the ongoing drought. The need for a contingency plan was foreshadowed in the April 2004 report *Options for the Next ACT Water Source*.

Contingency measures were limited to those that could be implemented in the short term and required minimal infrastructure works. They involved:

- pumping water from Cotter Reservoir – water from the reservoir had not been used since 1968 due to poor quality, but became available following the completion of the Mt Stromlo Water Treatment Plant. Pumps at the Cotter Pump Station were refurbished to allow water from the reservoir to be pumped to Mt Stromlo Water Treatment Plant;
- installation of de-stratification equipment on Cotter Reservoir to improve the overall quality of the water; and
- abstracting water from the Murrumbidgee River downstream of its confluence with the Cotter River – a new pump station was constructed on the Murrumbidgee River to enable pumping of the river water to Mt Stromlo.

The contingency measures have added up to 50 ML per day to Canberra's water supply.

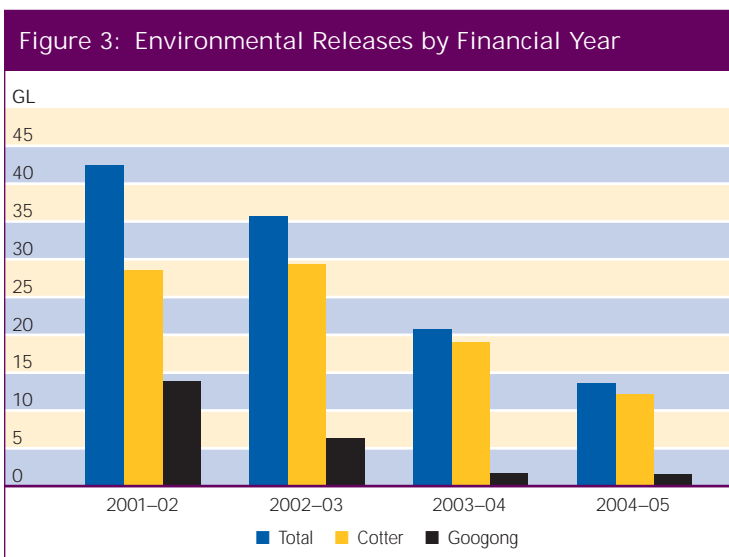
The resumption of use of water from the Cotter Reservoir commenced in December 2004. At 30 June 2005 2.8 GL had been supplied. The de-stratification unit assisted in improving water quality by increasing the oxygen level down to a depth of 10 meters. The pump station on the Murrumbidgee River was successfully tested in early 2005, however water has not yet been sourced.

### **Environmental Flows**

The *Water Resources Act 1999* requires environmental flows to be defined for all water bodies in the ACT. ACTEW releases environmental flows from its water reservoirs in compliance with the *Environmental Flow Guidelines 1999* to protect aquatic ecosystems downstream – see Figure 3.

Sustained dry weather by 2002 had markedly depleted water storages and led ACTEW to seek to reduce environmental flows under the Demonstrated Needs clause from the Environment Protection Authority. Continued drought conditions required ACTEW to gain approval to further reduce environmental flow releases from water supply dams in 2003.

ACTEW will continue to monitor developments in Environmental Flow Guidelines, which are under review and expected to be completed by the end of 2005.





## Catchment Management

Catchment management is critical for the protection of water supply, water quality and water yield and a key consideration in achieving the goal of providing a long-term, reliable source of water for the ACT and region.

In September 2004, the ACT Government established a Water Supply Catchment Management Group to provide advice to the Chief Minister on water supply catchment issues. ACTEW was a significant participant in this group, represented by the Managing Director.

ACTEW representatives also participated in other catchment management organisations including the Lower Cotter Working Group, Googong Foreshore Committee, and the Upper Murrumbidgee Catchment Coordinating Committee.

Projects to assess the impact of the January 2003 bushfires on the Cotter catchment and monitor water quality continued. Nine catchment recovery projects are in place with a budget of \$1.2m. They involve online and event monitoring, hydrological and hydrodynamic modelling, vegetation recovery and research with the Australian National University to gauge the long-term effects on the catchment.

During the year, regular testing of the quality of the water was carried out in accordance with the Australian Drinking Water Guidelines. Tests were extended to include screen tests for pesticides and herbicides in the Cotter Reservoir.



### **Lower Cotter Catchment**

ACTEW made a significant contribution to address water quality in the Lower Cotter catchment which is now a significant part of our water supply.

In the past, ACTEW and the ACT Government did not envisage using the Cotter Reservoir water to any great extent. However, the situation fundamentally changed with ACTEW drawing upon the reservoir as part of the Drought Contingency Plan. In addition to this, the implementation of the CGBT project will further increase the amount of water supplied from this area.

### **Corin and Bendora Catchments**

ACTEW worked with Environment ACT to develop a Namadgi Management Plan to provide a statutory framework for controlling activities within the Corin and Bendora catchments. The Plan will be considered by the ACT Government.

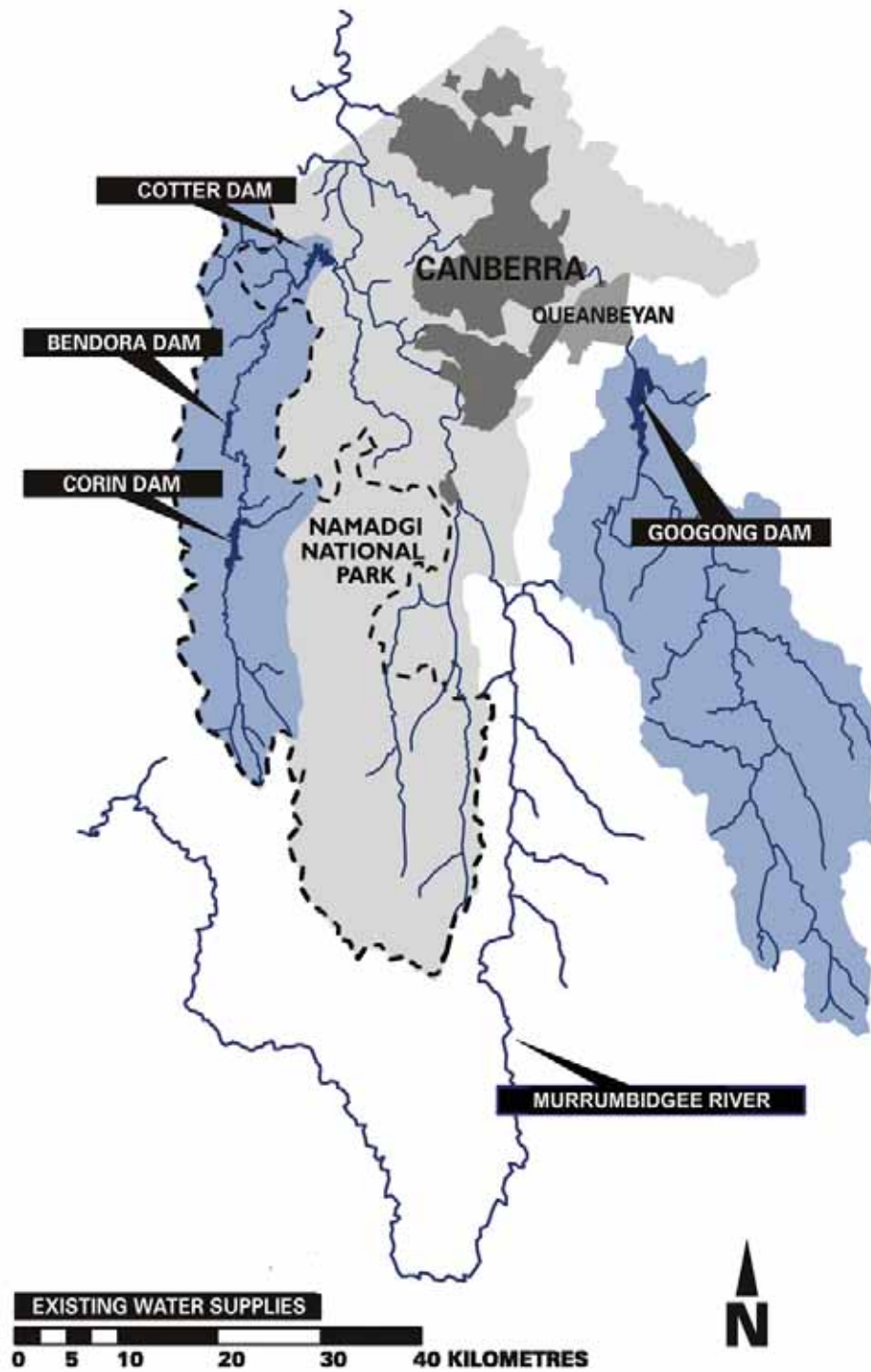
### **Googong Catchment**

Improved catchment management for the Googong catchment was foreshadowed as a consideration in the negotiation of cross border arrangements for water supply. It is expected that a cross border agreement will be finalised in the coming year.

The Chief Minister's Department has commissioned two reports to identify practical catchment management issues for discussion with NSW.

Projects being undertaken in the catchment include a sanitary survey, hydrological modelling and bathymetry of Googong Reservoir.

## ACT Water Catchment Areas



## Community Sponsorship and Consultation

ACTEW continued to provide financial support and in-kind donations to a number of programs, scholarships, events, organisations and charities which support and benefit the ACT community. The Anglicare Disadvantaged Youth Program, Variety Club, The Smith Family, Chief Minister's Command Performance, Barnardos, Floriade, Australian National Botanic Gardens, Canberra Hospital, Australian Science Festival, Salvation Army, Floriade, National Archives and the Canberra Symphony Orchestra were among twenty-five recipients of funding from ACTEW's Sponsorship and Community Support Program. In addition to supporting the local community, ACTEW also made donations to the Operation Hope and Australian Red Cross Tsunami Appeals.

As part of an ongoing community education and awareness program aimed at reducing water usage in the home and garden, Stop the Drop campaigns were run during spring/summer and in autumn. The campaigns featured water saving tips and a competition supported by promotional material and advertising.

Drought Advisory Officers attended a number of major events in the ACT including Floriade, the Canberra Home and Leisure Show, the Royal Canberra Show and the Canberra Home Expo. ACTEW's Irrigation Workshops, held at the Xeriscape Garden in Weston continued to be well attended and supported throughout the year. ACTEW matched gold coin donations received from workshop attendees and presented a cheque to the Xeriscape Garden Committee in recognition of their ongoing support.

## Assets and Infrastructure

ACTEW is committed to continual improvement and protection of its water and sewerage assets through investment in a capital works program. As the contractor to ACTEW, ActewAGL undertakes capital works associated with the water and wastewater assets and infrastructure. During the year there were 66 projects in the program at a total cost of \$16.2m.

Works to construct a new water treatment plant at Mt Stromlo and increase the capacity of the Googong Water Treatment Plant were completed at the end of 2004. The projects had been approved to manage the outcomes of the drought and the 2003 bushfires and came at a cost of \$55m. More information on the plants is at page 20.

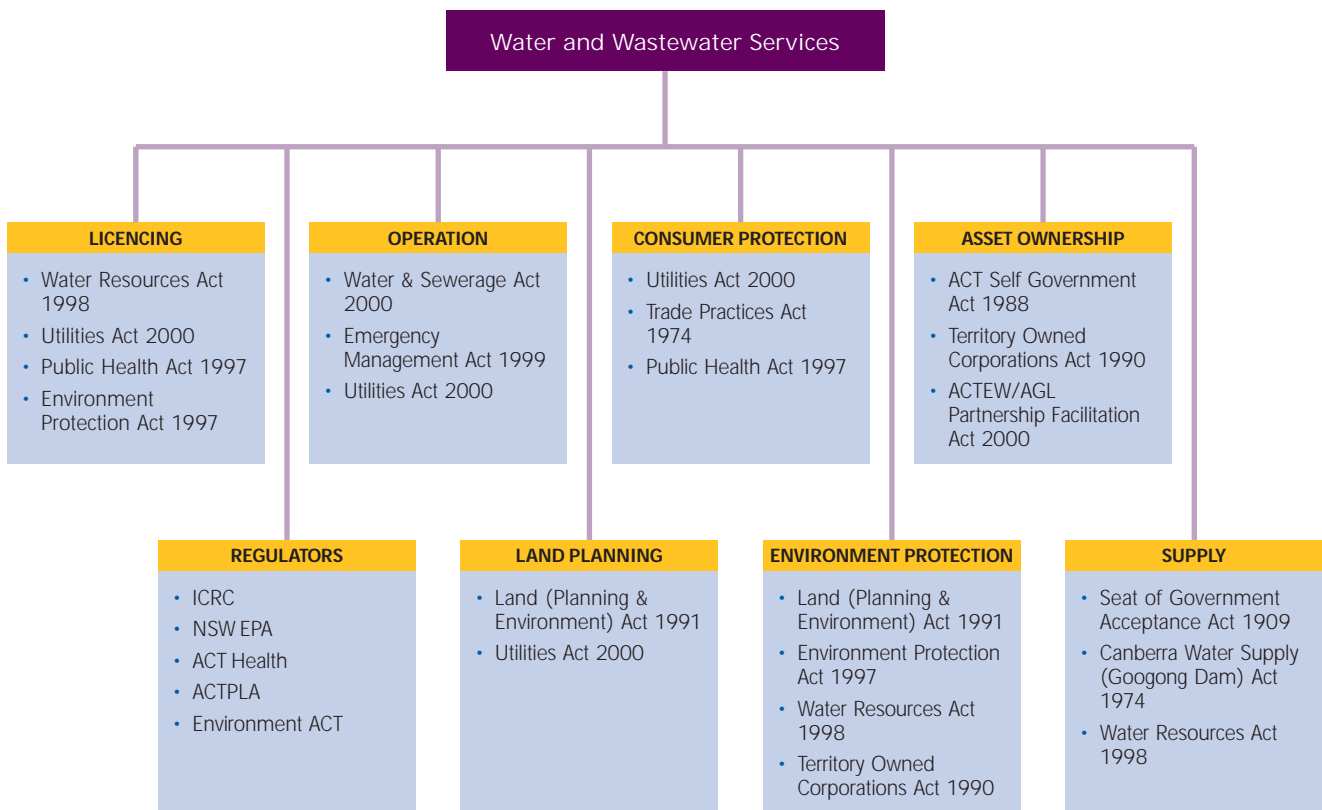
The Board approved, in principle, funds to an upper limit of \$20m for the implementation of the CGBT project. The project will enable a water transfer from the Cotter catchment to the Googong Reservoir via the existing water mains system and is expected to be operational in early 2006.

The Board approved construction of a mini hydro-generator at the Lower Molonglo Water Quality Control Centre. The project seeks to capture energy from the effluent leaving the wastewater treatment plant and would be the third hydro-generator installed by ACTEW, at a cost of \$1.2m. Planning work is expected to start in the latter half of 2005.

Works, at a cost of \$4m, to upgrade facilities at the Fyshwick Sewerage Treatment Plant were completed early in the year. The new facility can deliver up to 600 ML per year of high quality recycled water for irrigation of parks and ovals in North Canberra as part of the North Canberra Water Reuse Scheme.

## Legislative Framework

Legislation governing the supply of water and wastewater services to the ACT region is outlined below. Details of regulation and licence compliance are included in the Directors' Report on page 37.



## Statistical Information

Detailed statistical information on the water and wastewater business and assets is outlined below.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Water</b>										
Customers	116,008	117,343	118,856	120,349	122,760	124,570	126,750	129,114	131,893	134,020
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	44	44	44	42	44	45	45	45	45	45
Capacity of reservoirs (ML)	950	912	912	912	912	912	912	912	912	912
No. of pumping stations	18	17	17	17	17	21	21	21	21	23
Length of mains (km)	2,877	2,895	2,901	2,907	2,921	2,933	2,948	2,964	2,985	3,013
Max daily demand (ML)	296	349.5	406	371	331	392	415.7	366.7	323	267
Total consumption (ML)	53,254	61,810	73,009	60,361	57,929	62,834	65,904	65,567	52,262	51,719
Consumption/person p/a (kL)	174	187	220	182	176	186	194	206	156	144
Rainfall (mm)	645	674.6	438.6	688.6	666	618.2	633.2	340.2	463	593.7
<b>Sewerage</b>										
No. of customers	116,008	115,083	116,268	117,648	119,846	121,618	123,641	125,784	128,446	130,355
No. of pumping stations	29	28	28	28	28	28	28	28	26	26
Quantity of sewage treated (ML)	32,200	33,704	31,524	32,718	32,585	30,277	30,645	28,313	27,959	27,293
Max daily load (ML)	182	152	138	235	137	151	191	116	111	113
Sewage treated/person p/a (kL)	105	109	101	106	105	97	97.6	89	87	84
Length of mains (km)	2,784	2,806	2,812	2,817	2,836	2,852	2,875	2,897	2,921	2,948

### ActewAGL Joint Venture

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

ActewAGL combined ACTEW's electricity network and retail operations with AGL's ACT and Queanbeyan gas network and retail operations. ACTEW and AGL each hold a 50% interest in the joint venture. Two of ACTEW's subsidiary companies, ACTEW Distribution Limited and ACTEW Retail Limited are partnership companies in the joint venture.

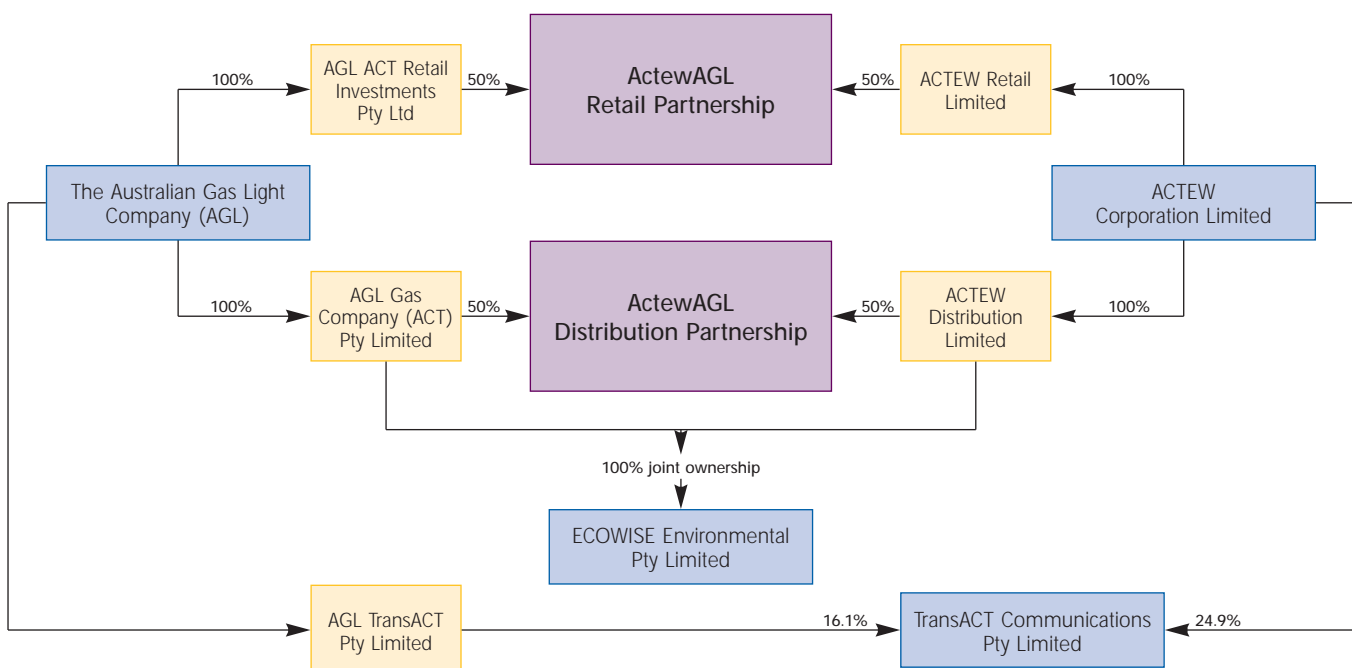
ACTEW retains ownership of the water and wastewater business and assets in the ACT.

ActewAGL operates and maintains the water and wastewater networks under a Utilities Management Agreement with ACTEW.

ActewAGL is structured as two partnerships: Distribution and Retail. ActewAGL Distribution is responsible for the network side of the energy business; operates and maintains the water and wastewater networks; provides telecommunication services under contract to TransACT Capital Communications; and provides financial, human resource, information technology and some legal services to ACTEW. ActewAGL Retail is responsible for marketing electricity, natural gas and telecommunications services (again under contract), forecasting energy needs and procuring energy supplies, billing, and the provision of customer contact retail services.

All ACTEW employees, with the exception of a small number of people who remained with the Corporation, were seconded to the Joint Venture.

### Joint Venture Structure



Management oversight of the Joint Venture is undertaken by the ActewAGL Joint Venture Board. The board comprises six members: three members appointed by the ACTEW partnership companies and three appointed by the AGL partnership companies. The members of the board at 30 June 2005 were:

Mr Michael Fraser –Chairman

Mr Jim Service AO – Deputy Chairman

Mr Ross Gersbach

Mr Michael Easson AM

Mr Phil James

Mr Michael Costello AO

ActewAGL reported a very successful year with strong financial results. Details can be found in the ActewAGL Annual Report which is available at [www.actewagl.com.au](http://www.actewagl.com.au).

### TransACT Communications Pty Limited

TransACT Communications Pty Limited (TransACT) is building and managing an advanced broadband communications network across Canberra. TransACT was officially launched in May 2000. TransACT is governed by an eight person board with directors appointed by the shareholders. ACTEW, with a 24.9% shareholding, is one of eight shareholders in the company.

The range of communications services available includes video on demand, permanent high-speed connections to the Internet, free to air and pay television services and mobile and fixed line telephony services.

The TransACT network is state of the art technology and is regarded as one of the most advanced networks in the world.

In February 2004 ActewAGL and TransACT Capital Communications Pty Limited entered into a Management Services Agreement under which ActewAGL operates the day-to-day business of TransACT including finance, administration, marketing, customer service, sales, billing networks and business systems.

TransACT employees were seconded to ActewAGL. The objective of the alliance agreement was to improve TransACT's overall performance, efficiency and financial results.

More information on TransACT can be found at [www.transact.com.au](http://www.transact.com.au).

### Ecowise Environmental Pty Limited

Ecowise Environmental Pty Limited (Ecowise) is jointly owned by the ActewAGL Distribution partnership (ACTEW Distribution Limited and AGL Gas Company (ACT) Pty Limited).

Ecowise provides essential environmental monitoring and water resources assessment services including scientific laboratory analysis, environmental data collection and water studies, aquatic ecology, water treatment consulting and geographic information systems for utilities and catchment management. It is Australia's largest provider of integrated environmental analytical, monitoring and consulting services.

In the past few years Ecowise has expanded its business and operations through the acquisition of WSL Consultants Pty Ltd and Water ECO Science Pty Limited and now has twenty offices across Australia employing more than 350 staff.

Ecowise operates under a board of 4 directors appointed by the joint owners.

More information on the operations and achievements of Ecowise during the year can be found in the ActewAGL Annual Report at [www.actewagl.com.au](http://www.actewagl.com.au) or at [www.ecowise.com.au](http://www.ecowise.com.au).

ACTEW holds a number of licences for the provision of water and wastewater services in the ACT. These services are also regulated by various legislation.

Details of ACTEW's regulation and licence compliance can be found on page 37. The legislative framework governing the supply of water and wastewater services is outlined on page 26.

Environmental management of ACTEW's water and wastewater business is undertaken by its joint venture ActewAGL and aims to achieve best environmental practice and to comply with all legislative requirements. ActewAGL is committed to ecologically and environmentally sustainable development and continues to seek initiatives that will help protect the environment.

ActewAGL's five-year Environment Management Plan 2000–2005 (EMP) addresses the water, wastewater and electricity aspects of ActewAGL's operations. The plan sets out environment policy directions and priorities.

ActewAGL's annual Environment Action Program (EAP) identifies specific tasks in line with the directions set out in the EMP.

Outcomes of the 2004–05 EAP form a significant part of the 2004–05 ActewAGL Sustainability Report. In 2004–05, a total of 60 specific tasks were identified. At 30 June 2004, 97 per cent of those tasks were either ongoing, completed or in progress. ActewAGL's 10 key priorities in the EAP 2004–05 are grouped under three headings and are listed below.

### Business commitments

1. Maintain certification against ISO 14001 for operational area environmental management systems and continue to follow the ISO 14001 model at corporate level.
2. Comply with environmental legislation, codes of practice, licences, authorisations, protection agreements, etc.
3. Promote and demonstrate waste reduction, recycling and efficiency in water and energy use throughout our facilities.
4. Continue our commitment to the ActewAGL vegetation management program.

### Community responsibilities

5. Involve the community in our environmental activities.
6. Assist customers in the efficient use of energy and water.
7. Produce an annual sustainability report.

### Broader obligations

8. Continue with/enhance the GreenChoice program.
9. Promote development of "green" energy in the ACT and surrounding region to assist compliance with the federally-mandated, additional two-percent, renewable energy target by 2010.
10. Help our owners to achieve their environmental objectives.

More detailed information and achievement against these key priorities is outlined in ActewAGL's 2004–05 Sustainability Report, available at [www.actewagl.com.au](http://www.actewagl.com.au).





Our priorities for 2005–06 are:

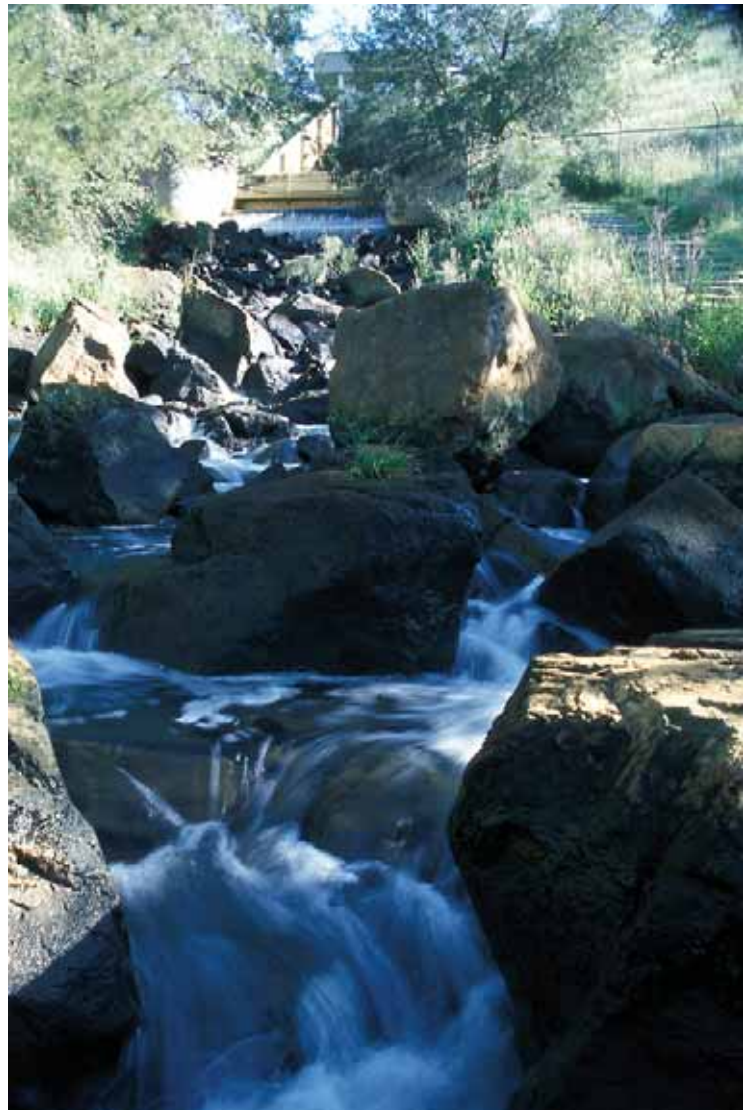
### Water Supply

- Implement decisions emanating from ACTEW's *Future Water Options for the ACT Region – Implementation Plan* report of April 2005 that is being considered by the ACT Government with the assistance of ACTEW. Until a decision is made ACTEW will:
  - Continue planning to allow for implementation of the Angle Crossing option to commence subject to final recommendation.
  - Monitor and report on key water supply planning variables.
  - Undertake additional work including technical analysis and planning on the three main water options: enlarged Cotter Dam, new Tennent Dam and transfer from Tantangara Dam in NSW.
- Commence implementation of Cotter Googong Bulk Transfer project to allow transfer of excess water from the Cotter catchment to the Googong Dam.
- Investigate opportunities to further maximise the efficiency of the existing water supply system with any necessary investment in capital expenditure.
- Liaise with the Environmental Protection Agency regarding new guidelines for environmental flows.
- Ongoing monitoring of climate change and drought effects as they affect water supply.
- Work with the ACT Government to achieve:
  - A satisfactory ACT cap for the Murray – Darling Basin.
  - The promotion of an integrated regional approach to ACT/NSW cross-border water supply and management.
  - A resolution of the ownership of Googong dam.

### Water Demand

- Introduce and manage water restrictions at an appropriate level (composition and triggers) and after community consultation consider a level of permanent water conservation.
- Work with the ACT Government to achieve a reduction in per capita consumption of mains water by 12% by 2013 and 25% by 2023 and an increase in the efficiency of water usage.

the year ahead  
2005–06



## Wastewater

- Develop a position paper and guidelines to determine the viability of use of reclaimed water to achieve the ACT Government's set target of 20 % by 2013.
- Complete the preliminary design for the expansion of the secondary treatment facilities at Lower Molonglo Water Quality Control Centre.

## Water Catchments

- Pursue vigorously the urgent rehabilitation of the Cotter catchment to reduce the turbidity in the reservoir.
- Participate in a review of current governance arrangements for the Cotter catchment, and look at implementation of current and future plans.
- Continually monitor catchment health and the effects of the January 2003 bushfires.
- Continue research and analysis to gain a more accurate understanding of the likely impacts of bushfires on water supply.
- Fund the rehabilitation of the Cotter catchment and ensure that these costs are recovered.

## TransACT

- Continue to support and monitor the roll out and delivery of TransACT's services to the community.
- Monitor its performance and have shareholder input to decision making.

## Customers

- Consult and educate our customers about water use, efficient water irrigation and energy management, usage and quality.
- Deliver products and services to our customers at a sustainable level.

## New Business

- Consult with the ACT Government on potential new growth areas.
- Identify and explore new business opportunities.

## Financial

- Implement the Utilities Management Agreement (UMA) with ActewAGL which provides for the operational management of ACTEW's water and wastewater assets by ActewAGL.
- Resolve with ACT Treasury and the Land Development Agency the process of delivery of gifted assets from new developments.
- Further improve the process whereby ActewAGL delivers capital expenditure for ACTEW.
- Continue to develop, refine and monitor the risk management strategies of ACTEW in the context of the UMA.
- Achieve earnings before interest and tax (EBIT) of approximately \$94m.
- Achieve return on equity of approximately 12%
- Declare shareholders a dividend out of 2005/06 profits of approximately \$57m with 80% payable as an interim dividend in June 2006 and 20% payable as a final dividend in October 2006.

ACTEW Corporation Limited and Controlled Entities  
**General Purpose Financial Report**  
for the year ended 30 June 2005

ABN 86 069 381 960

**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

ACTEW Corporation Limited and Controlled Entities  
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for the year ended 30 June 2005

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## Directors' Report

For the year ended 30 June 2005

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 2005.

### 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 AO, Chairman
- Michael Bernard Easson AM, Deputy Chairman
- Kevin Leslie Neil
- Michael John Costello AO
- Edward William Mathews PSM
- Elizabeth Anne Whitelaw
- Barbara Mary Byrne

Refer to page 9 for further information on directors' experience and qualifications.

### Company Secretary

Michele Norris joined ACTEW in August 1999 as Legal Compliance Education Manager. In October 2000 she was appointed Assistant Company Secretary and in December 2003, Company Secretary. Ms Norris held a number of senior management positions in public sector policy, management and executive administration with the ACT Government prior to joining ACTEW. She is responsible for the management and coordination of corporate governance, government liaison, statutory compliance and legal matters for the Corporation and subsidiary companies. Ms Norris is a Graduate of the Australian Institute of Company Directors, an Affiliate of Chartered Secretaries Australia, a Member of the Australian Institute of Management and a Justice of the Peace.

### Directors' Meetings

Fourteen directors' meetings were held during the financial year. The Audit and Risk Management Committee met four times during the year. The entire ACTEW Board met as the Remuneration Committee. The Committee met on three occasions during the year.

Director	ACTEW Board Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings
J G Service	14 <b>(14)</b>	—	3 <b>(3)</b>
M B Easson	12 <b>(14)</b>	4 <b>(4)</b>	3 <b>(3)</b>
K L Neil	12 <b>(14)</b>	3 <b>(4)</b>	3 <b>(3)</b>
M J Costello	14 <b>(14)</b>	—	3 <b>(3)</b>
E W Mathews	13 <b>(14)</b>	3 <b>(4)</b>	3 <b>(3)</b>
E A Whitelaw	14 <b>(14)</b>	—	3 <b>(3)</b>
B M Byrne	14 <b>(14)</b>	—	3 <b>(3)</b>

Figures in bold brackets indicate total number of meetings directors were eligible to attend. Actual number of meetings attended is not bracketed.

## Directors' Report

For the year ended 30 June 2005

### 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
- Undertake other related business or activity

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

The principal activities of the subsidiary companies were as follows:

- ACTEW Retail Limited – a holding company for ACTEW's interest in the Retail Partnership of the ActewAGL Joint Venture
- ACTEW Distribution Limited – a holding company for ACTEW's interest in the Distribution Partnership of the ActewAGL Joint Venture
- ACTEW China Pty Limited – a holding company for ACTEW's interest in China

### Review and results of operations

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

	<b>2005</b> <b>\$ million</b>	<b>2004</b> <b>\$ million</b>
Revenue (excludes ActewAGL joint venture profits)	159.5	149.2
Profit before income tax equivalents	89.5	42.0
Income tax equivalents	18.3	29.8
Profit after income tax equivalents	71.2	12.2
Payments to ACT Government:		
Interim dividend for current years profit	71.5	
Final dividend for previous years profit		9.7
	71.5	9.7
Tax equivalent payments	14.1	12.6
Total payments to ACT Government	85.6	22.3

Revenue is up mainly due to regulated price increases for water and sewerage.

Profit after income tax equivalents was up due to increased revenue, the increase in 2003–04 of \$40m in provision for diminution on the TransACT investment and adjustments to prior year tax effect accounting balances.

### Dividends

An interim dividend of \$71.5m (2004 interim: nil) was paid in June 2005. The Directors have recommended the payment of a 2004–05 final dividend of \$22.5m (2004 final: nil).

The interim and final dividends for 2003–04 were postponed to 2004–05 to assist the financing of the new Stromlo and expanded Googong water treatment plants.

## Directors' Report

For the year ended 30 June 2005

### Audit Qualification

The Auditor-General of the Australian Capital Territory has qualified in 2004–05 the Financial Statements of ACTEW in respect of the application of UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of Non - Current Assets.

The qualification in respect of Equity Accounting relate to prior years and not 2004–05. The matters were covered in the 2002–03 Annual Report.

With respect to UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of Non-Current Assets, 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 section 297 of Corporations Act.

The Directors of ACTEW consider that Contributions of Non Current Assets are on capital account not revenue account. These assets are not for resale like trading stock but form part of the capital base of ACTEW being fixed plant and equipment. 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".

The financial effects of treating the non cash developer assets as capital is shown at note 36 in the notes to and forming part of the Financial Report.

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 her opinion. The Directors, who are responsible for the accounts, have a Corporations Act duty to form their own opinion and express it. That is what they have done and will continue to do.

### Significant changes in the state of affairs

ACTEW borrowed \$25m in June 2005 to assist in part the financing of the new Stromlo and expanded Googong water treatment plants.

### Matters subsequent to the end of the financial year

ACTEW may review the level of water restrictions currently in place depending on climatic conditions and water storage levels and accordingly water revenue could be affected.

ACTEW executed a Utilities Management Agreement with ActewAGL on 25 July 2005 to manage the water and sewerage assets owned by ACTEW.

## Directors' Report

For the year ended 30 June 2005

### Likely developments and expected results of operations

Relevant issues are treated elsewhere in this report.

### Regulation and Licence Compliance

#### Utility Services Licence

ACTEW must comply with the obligations set out in the Utility Services Licence which was issued by the Independent Competition and Regulatory Commission (ICRC) under the *Utilities Act 2000* on 29 June 2001. In September 2004 ACTEW provided its annual report to the ICRC on its obligations under the Licence and other reporting requirements of the Act.

#### Environmental Regulations

In accordance with the ACT *Environment Protection Act 1997*, ACTEW is subject to environmental regulation in respect of its operations of the Lower Molonglo Water Quality Control Centre. ACTEW is also subject to New South Wales Environment Protection Authority (EPA) regulations for the discharge from Googong Water Treatment Plant. ACTEW complied with all reporting requirements during 2004–05. ACTEW's compliance details were:

	Compliance 2005	Compliance 2004	Target
Googong pollution control licence compliance*	100.0%	100.0%	100%
Sewage treatment discharge compliance	100.0%	99.5%	100%
Sewage treatment incinerator air emission compliance **	99.2%	99.1%	100%

\* Googong pollution control licence period runs from 15 August 2004 to 14 August 2005.

\*\*Lower Molonglo Water Quality Control Centre's non compliance with regard to incineration were typically due to: changes in process operating conditions; equipment malfunctions; and commissioning new 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 that apply.

#### Licence to Take Water

Issued by the ACT Environment Protection Authority (EPA) under the *Water Resources Act 1998*, the Licence provides for taking of water covered by water allocation and the release of environmental flows. ACTEW complied with the requirements and provided monthly reports and an annual report to the EPA detailing the flows as required in the Licence.

#### Drinking Water Utility Licence

ACTEW's licence, issued by ACT Health, authorises ACTEW to carry on the Operation of Drinking Water Utility under the *Public Health Act 1997*. ACTEW provided water in accordance with the Drinking Water Quality Code of Practice issued under this Licence. ACTEW complied with all reporting requirements.

## Directors' Report

For the year ended 30 June 2005

### 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.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position.

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.

### 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; and
- 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.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the Corporations Act 2001 is set out on page 43.

### Rounding of amounts

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

Signed for and on behalf of, and in accordance with a resolution of, the board of directors.



**J G Service AO**  
Chairman

31 August 2005  
Canberra



**Michael Costello AO**  
Managing Director

31 August 2005  
Canberra



## Directors' Declaration

for the year ended 30 June 2005

The directors declare that the financial report and notes set on pages 44 to 81:

- a) comply with Australian 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 2005 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. The financial effects of treating the non cash developer assets as capital is shown at note 36 in the notes to and forming part of the Financial Report; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**J G Service AO**  
Chairman

31 August 2005  
Canberra



**Michael Costello AO**  
Managing Director

31 August 2005  
Canberra

## Independent Audit Report



### AUDITOR-GENERAL

Australian Capital Territory



### INDEPENDENT AUDIT REPORT

ACTEW Corporation Limited

(ABN 86 069 381 960)

To the Members of the ACT Legislative Assembly and  
ACTEW Corporation Limited

#### Qualified Audit Opinion

In my opinion, except for the effect on the financial statements of the matters referred to in the following qualification paragraphs, the financial statements of ACTEW Corporation Limited (the Company) for the year ended 30 June 2005 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<sup>1</sup> financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*;
- (b) other mandatory professional reporting requirements in Australia.

This audit opinion should be read in conjunction with the following information.

#### Qualifications

##### **Unaudited information was used to equity account the investment in TransACT for the years ended 30 June 2004 and 30 June 2005**

ACTEW used TransACT's unaudited management financial statements for the years ended 30 June 2004 and 30 June 2005 to equity account the consolidated entity's share of TransACT's losses and to provide the financial information on TransACT disclosed in Note 34: 'Investment in Associates' to the financial statements. The audited information for TransACT was not available when ACTEW prepared the financial statements for the consolidated entity.

<sup>1</sup> The 'consolidated entity' is comprised of ACTEW Corporation Limited and the entities it controlled at the end of, or during, the financial years ended 30 June 2004 and 30 June 2005.

## Independent Audit Report

### **Application of UIG 11 'Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets'**

The financial statements comply with UIG 11 'Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets' (UIG 11). However, the directors have, in Note 1: 'Summary of Significant Accounting Policies', Note 36: 'Non-Cash Contributed Assets Received Free of Charge' and the Directors' Declaration, stated that they strongly disagree with recording contributed assets as revenue in accordance with UIG 11 and that this does not present a true and fair view as required by the *Corporations Act 2001*.

In my opinion, the accounting treatment, which is in accordance with UIG 11, is required for the financial statements to show a true and fair view of the Company's and the consolidated entity's financial position and performance.

### **Financial effects of the departure from AASB 1016 'Accounting for Investments in Associates' on the 2004 Statement of Financial Performance and Statement of Financial Position**

Note 34: 'Investment in Associates' discloses that the consolidated entity fully provided for the remainder of its investment in TransACT for the year ended 30 June 2004 resulting in a carrying value of \$nil.

The financial year ended 30 June 2004 was the first year that ACTEW equity accounted its investment in TransACT in accordance with AASB 1016 'Accounting for Investment in Associates'. Had the investment in TransACT been accounted for in accordance with AASB 1016 since the investment was first required to be equity accounted, then the 'provision for diminution of investments' expense charged to the consolidated entity results in the Statement of Financial Performance for the year ended 30 June 2004 would have been \$33,516,000 and not the reported amount of \$13,967,000 and the 'investments in associates equity accounted losses' would have been \$6,550,000 and not the reported amount of \$26,033,071.

## Responsibility for the Financial Statements

The Directors of ACTEW are responsible for the financial statements. This includes the responsibility for accounting policies and estimates used in the preparation of the financial statements and the maintenance of adequate accounting records and internal controls.

## Contents of the Financial Statements

The financial statements include the financial statements of the Company and the financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, and during the financial year.

The financial statements are comprised of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, the accompanying notes and the Directors' Declaration.

## The Auditor's Responsibility

My responsibility is to express an opinion on the financial statements as required by the *Corporations Act 2001*.

## The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement.

I formed the audit opinion by performing procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view that is consistent with my understanding of the Company's and the consolidated entity's financial position and performance.

## Independent Audit Report

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and, in many cases, the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

My procedures included:

- (i) examining, on a test basis, evidence supporting the amounts and other disclosures in the financial statements; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial statements.

I considered the effectiveness of internal controls when determining the nature and extent of my procedures, however the audit was not designed to provide assurance on internal controls.

My audit also did not include an evaluation of the prudence of decisions made by the Company or the consolidated entity.

### Independence

In conducting the audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



**Tu Pham**  
Auditor-General

5 September 2005

## Independent Audit Report



# AUDITOR-GENERAL

Australian Capital Territory



## AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of ACTEW Corporation Limited

In relation to the audit of the financial statements of ACTEW Corporation Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been no contraventions of auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'T. Pham'.

**Tu Pham**  
Auditor-General

31 August 2005

ACTEW Corporation Limited and Controlled Entities  
**Statement of Financial Performance**  
for the year ended 30 June 2005

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities (excluding gifted assets received free of charge)		<b>149,540</b>	140,958	<b>201,030</b>	187,472
Gifted assets received free of charge	36	<b>9,980</b>	8,208	<b>9,980</b>	8,208
	3	<b>159,520</b>	149,166	<b>211,010</b>	195,680
Cost of sales		<b>9,572</b>	7,716	<b>9,572</b>	7,716
Administration and other costs		<b>4,355</b>	5,127	<b>4,355</b>	5,127
Depreciation & amortisation expense		<b>20,900</b>	19,962	<b>20,900</b>	19,962
Borrowing cost expense		<b>22,560</b>	22,797	<b>22,560</b>	22,797
Project related expenses		<b>62,070</b>	61,278	<b>62,070</b>	61,278
Provision for diminution of investments	12, 34	<b>(18,689)</b>	13,967	—	40,000
Investments in associates equity accounted losses	12, 34	<b>18,689</b>	26,033	—	—
Other expenses arising from ordinary activities		<b>2,562</b>	2,149	<b>2,545</b>	2,118
Share of net (profit) of joint ventures accounted for using the equity method	35	<b>(51,986)</b>	(51,885)	—	—
<b>Profit from ordinary activities before income tax expense</b>	4	<b>89,487</b>	42,022	<b>89,008</b>	36,682
Income tax expense relating to ordinary activities	5	<b>18,291</b>	29,846	<b>27,596</b>	11,017
<b>Profit from ordinary activities after income tax expense</b>		<b>71,196</b>	12,176	<b>61,412</b>	25,665

The above statement of financial performance should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities  
**Statement of Financial Position**  
as at 30 June 2005

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>					
Cash assets	7	539	948	539	948
Receivables	8	22,811	19,765	78,243	79,628
Investments	9	12,942	47,685	12,942	47,685
Other	10	6,271	7,307	6,271	7,307
<b>Total Current Assets</b>		<b>42,563</b>	75,705	<b>97,995</b>	135,568
<b>NON CURRENT ASSETS</b>					
Investments	11	20,674	17,436	22,074	18,836
Investments accounted for using the equity method	12	352,221	348,735	—	—
Other financial assets	13	—	—	317,184	309,742
Property, plant and equipment	14	923,190	886,090	923,190	886,090
Other	15	12,521	12,834	12,521	12,834
Deferred tax assets	16	12,157	13,559	12,157	13,559
<b>Total Non Current Assets</b>		<b>1,320,763</b>	1,278,654	<b>1,287,126</b>	1,241,061
<b>TOTAL ASSETS</b>		<b>1,363,326</b>	1,354,359	<b>1,385,121</b>	1,376,629
<b>CURRENT LIABILITIES</b>					
Payables	17	15,872	35,310	15,708	26,312
Interest bearing liabilities	18	10,087	7,859	10,087	7,859
Provisions	19	29,050	7,567	29,050	7,567
Other	20	1,102	1,375	1,102	1,375
<b>Total Current Liabilities</b>		<b>56,111</b>	52,111	<b>55,947</b>	43,113
<b>NON CURRENT LIABILITIES</b>					
Interest bearing liabilities	21	347,840	334,408	347,840	334,408
Provisions	22	178,159	163,799	160,707	145,873
<b>Total Non Current Liabilities</b>		<b>525,999</b>	498,207	<b>508,547</b>	480,281
<b>TOTAL LIABILITIES</b>		<b>582,110</b>	550,318	<b>564,494</b>	523,394
<b>NET ASSETS</b>		<b>781,216</b>	804,041	<b>820,627</b>	853,235
<b>EQUITY</b>					
Contributed equity	23	758,871	758,871	758,871	758,871
Reserves	24	13,372	13,372	13,372	13,372
Retained Profits	25	8,973	31,798	48,384	80,992
<b>TOTAL EQUITY</b>		<b>781,216</b>	804,041	<b>820,627</b>	853,235

The above statement of financial position should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities

Statement of Cash Flows

for the year ended 30 June 2005

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers (inclusive of goods & services tax)		<b>143,549</b>	134,849	<b>143,549</b>	134,832
Payments to suppliers and employees (inclusive of goods & services tax)		<b>(80,921)</b>	(74,596)	<b>(80,921)</b>	(74,579)
Sub-Total		<b>62,628</b>	60,253	<b>62,628</b>	60,253
Interest received		<b>3,601</b>	2,764	<b>3,601</b>	2,764
Income tax equivalents paid		<b>(14,062)</b>	(12,615)	<b>(14,062)</b>	(12,615)
Dividends received		—	—	<b>46,492</b>	29,037
Borrowing Costs		<b>(22,992)</b>	(23,254)	<b>(22,992)</b>	(23,254)
<b>Net Cash Inflow from Operating Activities</b>	37 (a)	<b>29,175</b>	27,148	<b>75,667</b>	56,185
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant & equipment		<b>(53,754)</b>	(37,056)	<b>(53,754)</b>	(37,056)
Loans to related parties		—	—	<b>(46,492)</b>	(29,037)
Distribution received from joint venture partnerships		<b>48,500</b>	48,000	<b>48,500</b>	48,000
Proceeds from sale of property, plant & equipment		<b>7</b>	27	<b>7</b>	27
Net proceeds/(payments) for investments		<b>(3,239)</b>	(5,667)	<b>(3,239)</b>	(5,667)
<b>Net Cash Outflow from Investing Activities</b>		<b>(8,486)</b>	5,304	<b>(54,978)</b>	(23,733)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		<b>(9,341)</b>	(9,055)	<b>(9,341)</b>	(9,055)
New Loans		<b>25,000</b>	—	<b>25,000</b>	—
Dividend paid		<b>(71,500)</b>	(9,700)	<b>(71,500)</b>	(9,700)
<b>Net Cash Outflow from Financing Activities</b>		<b>(55,841)</b>	(18,755)	<b>(55,841)</b>	(18,755)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(35,152)</b>	13,697	<b>(35,152)</b>	13,697
<b>Cash Held at Beginning of the Financial Year</b>		<b>48,633</b>	34,936	<b>48,633</b>	34,936
<b>CASH HELD AT END OF THE FINANCIAL YEAR</b>	37 (b)	<b>13,481</b>	48,633	<b>13,481</b>	48,633

The above statement of cash flows should be read in conjunction with the accompanying notes.



### **Note 1: Summary of significant accounting policies**

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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 gifted 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. Some amounts have been reclassified to ensure comparability with the current reporting period. The operating cycle of the Group is considered to be 12 months.

#### **(a) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by ACTEW Corporation Ltd as at 30 June 2005 and the results of all controlled entities for the year then ended. ACTEW Corporation Ltd 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.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated financial statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Investments in joint ventures are accounted for as set out in note 1(s).

#### **(b) Business activity**

On 3 October 2000, wholly owned subsidiaries of ACTEW Corporation formed a partnership with Australian Gas Light Company Ltd 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 Corporation. The majority of employees of ACTEW Corporation have been seconded to the partnership. The partnership reimburses ACTEW Corporation for all costs related to these seconded employees. This has significantly changed the business of ACTEW Corporation, which now effectively operates as a holding company. ACTEW Corporation 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.

**Note 1: Summary of significant accounting policies** *(continued)*

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**(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.

***Tax consolidation legislation***

ACTEW Corporation implemented tax consolidation legislation as of 1 July 2003. The Australian Taxation Office was notified on lodgement of the tax return.

As a consequence, ACTEW Corporation, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime. The impact on the income tax expense for the year is disclosed in note 5.

**(d) Acquisitions of assets**

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

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

**(e) Revenue recognition**

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

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

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

**(f) Receivables**

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

**Note 1: Summary of significant accounting policies** *(continued)*

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**(g) Recoverable amount of non current assets**

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

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

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present values using a market-determined, risk-adjusted discount rate of 7.7% (2004 – 7.0%).

At 30 June 2005, ACTEW had invested \$59.5 million in TransACT Communications Pty Ltd. The provision for diminution and equity accounted losses of the TransACT investment is \$59.5 million (30 June 2004: \$59.5million). This provision is reviewed annually. Refer note 12.

**(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. Annual assessments will be made by directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that 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 and short-term securities are included in the statement of financial position at cost price. Interest is recognised in the statement of financial performance 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 – 80 years
System Assets	50 – 80 years

**Note 1: Summary of significant accounting policies** *(continued)*

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**(k) Leased non-current assets**

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

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

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

**(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.

Indexed 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 notes 18 and 21.

**(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 amortised over the period of the expected benefit.

*(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.

**(p) Maintenance and repairs**

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

**Note 1: Summary of significant accounting policies** *(continued)*

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**(q) Employee entitlements**

ACTEW Corporation staff are seconded to the ActewAGL Joint Venture Partnership and all employee related expenses are billed to the partnership. 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 Partnership.

*(i) Wages, salaries and annual leave*

These 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. Liabilities for wages and salaries, including non-monetary benefits, annual leave and expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service and sick leave*

A liability for long service and sick 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 and for long service leave 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

**(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**

*(i) Joint venture partnership*

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 in the statement of financial performance, and the share 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 unrealised loss that provides evidence of the impairment of an asset transferred. Details relating to the partnership are set out in note 35.

*(ii) Joint venture operations*

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements. Details of the joint venture are set out in note 35.

**Note 1: Summary of significant accounting policies** *(continued)*

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**(t) Dividends**

ACTEW Corporation's 2004/05 dividend policy is an 80% interim and 20% final dividend payment of profit from ordinary activities after income tax expense. The 80% interim dividend payment is based on estimated profit since this is not confirmed until after 30 June 2005. This payment is made to ACT Treasury at the end of June of the current financial year and the interim payment in October of the following financial year. This policy is reviewed each financial year with ACT Treasury.

**(u) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred. ACTEW only incurs borrowing costs on short and long term borrowings.

## **Note 2: Segment information**

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### **Business segments**

The consolidated entity is organised into the following divisions by product and service type:

#### ***Water and wastewater***

The supply of water and the provision of sewerage services.

#### ***Investments***

This segments includes activities of the wholly owned 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.

### **Secondary Reporting – geographic segments**

The Australian Capital Territory and the surrounding area is the predominant geographic segment.

### **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 and consolidated entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, and other assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on a reasonable estimate of usage. Segment liabilities consist primarily of trade and other creditors and employee entitlements. 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 “arm’s length” basis and are eliminated on consolidation.

#### **c) Equity accounted investments**

The consolidated entity owns 100% of ACTEW Retail 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 2: Segment information (continued)**

**Primary reporting – business segments**

<b>2005</b>	<b>Water &amp; Waste Water \$'000</b>	<b>Investments \$'000</b>	<b>Consolidated \$'000</b>
Sales to external customers	143,845	—	143,845
Intersegment sales	—	—	—
<b>Total sales revenue</b>	<b>143,845</b>	<b>—</b>	<b>143,845</b>
Share of net profits of associates and joint venture partnership	—	51,986	51,986
Other revenue	11,682	3,993	15,675
<b>Total segment revenue</b>	<b>155,527</b>	<b>55,979</b>	<b>211,506</b>
<b>Segment result</b>	<b>36,456</b>	<b>53,031</b>	<b>89,487</b>
Profit before ordinary activities before income tax expense			89,487
Income tax expense			(18,291)
<b>Net profit</b>			<b>71,196</b>
<b>Segment assets</b>	<b>961,004</b>	<b>390,165</b>	<b>1,351,169</b>
Unallocated assets			12,157
<b>Total assets</b>			<b>1,363,326</b>
<b>Segment liabilities</b>	<b>523,899</b>	<b>58,211</b>	<b>582,110</b>
Unallocated liabilities			—
<b>Total liabilities</b>			<b>582,110</b>
<b>Investments in associates and joint venture partnership</b>	<b>—</b>	<b>352,221</b>	<b>352,221</b>
<b>Acquisition of property, plant and equipment</b>	<b>46,883</b>	<b>608</b>	<b>47,491</b>
<b>Depreciation and amortisation</b>	<b>20,485</b>	<b>415</b>	<b>20,900</b>
<b>Other non-cash expenses</b>	<b>(1,271)</b>	<b>—</b>	<b>(1,271)</b>



Notes to and Forming Part of the Financial Report  
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**Note 2: Segment information** *(continued)*

**Primary reporting – business segments**

<b>2004</b>	<b>Water &amp; Waste Water \$'000</b>	<b>Investments \$'000</b>	<b>Consolidated \$'000</b>
Sales to external customers	136,196	—	136,196
Intersegment sales	—	—	—
<b>Total sales revenue</b>	<b>136,196</b>	<b>—</b>	<b>136,196</b>
Share of net profits of associates and joint venture partnership	—	51,885	51,885
Other revenue	9,489	3,481	12,970
<b>Total segment revenue</b>	<b>145,685</b>	<b>55,366</b>	<b>201,051</b>
<b>Segment result</b>	<b>29,662</b>	<b>12,360</b>	<b>42,022</b>
Profit before ordinary activities before income tax expense			42,022
Income tax expense			(29,846)
<b>Net profit</b>			<b>12,176</b>
<b>Segment assets</b>	<b>957,642</b>	<b>383,158</b>	<b>1,340,800</b>
Unallocated assets			13,559
<b>Total assets</b>			<b>1,354,359</b>
<b>Segment liabilities</b>	<b>495,286</b>	<b>55,032</b>	<b>550,318</b>
Unallocated liabilities			—
<b>Total liabilities</b>			<b>550,318</b>
<b>Investments in associates and joint venture partnership</b>	<b>—</b>	<b>348,735</b>	<b>348,735</b>
<b>Acquisition of property, plant and equipment</b>	<b>43,123</b>	<b>—</b>	<b>43,123</b>
<b>Depreciation and amortisation</b>	<b>19,544</b>	<b>418</b>	<b>19,962</b>
<b>Other non-cash expenses</b>	<b>217</b>	<b>40,000</b>	<b>40,217</b>

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 3: Revenue**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Revenue from operating activities</b>					
Water business		65,459	62,460	65,459	62,460
Sewerage business		68,675	64,225	68,675	64,225
Contributed assets received free of charge		9,980	8,208	9,980	8,208
Commonwealth subvention	a	9,051	8,865	9,051	8,865
Other operating revenue		—	85	—	85
		<b>153,165</b>	143,843	<b>153,165</b>	143,843
<b>Revenue from outside the operating activities</b>					
Interest		3,375	2,996	3,375	2,996
Gain from disposal of property, plant and equipment	b	7	27	7	27
Dividend revenue		—	—	51,490	46,514
Other non-operating revenue		2,973	2,300	2,973	2,300
		<b>159,520</b>	149,166	<b>211,010</b>	195,680
<b>Revenue from ordinary activities excluding shares of equity in net profits of joint venture partnerships accounted for using the equity method</b>					
		<b>159,520</b>	149,166	<b>211,010</b>	195,680

- 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.
- b. Proceeds from disposal of property, plant and equipment.

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 4: Operating profit from ordinary activities**

Operating profit from ordinary activities includes the revenues disclosed in Note 3 above and the following specific net expenses:

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Expenses</b>				
Cost of sales	<b>9,572</b>	7,716	<b>9,572</b>	7,716
Borrowing cost expense	<b>22,560</b>	22,797	<b>22,560</b>	22,797
Depreciation:				
Water system assets	<b>10,892</b>	10,131	<b>10,892</b>	10,131
Sewerage system assets	<b>9,593</b>	9,413	<b>9,593</b>	9,413
Infrastructure land and buildings	<b>23</b>	23	<b>23</b>	23
Non-infrastructure land and buildings	<b>362</b>	362	<b>362</b>	362
Plant and equipment	<b>30</b>	33	<b>30</b>	33
Total Depreciation	<b>20,900</b>	19,962	<b>20,900</b>	19,962
Provisions				
Employee Entitlements (including seconded employees)	<b>(1,271)</b>	217	<b>(1,271)</b>	217
Provision for diminution of investments	<b>(18,689)</b>	13,967	—	40,000
Investments in associates – equity accounted losses	<b>18,689</b>	26,033	—	—
Rental expenses relating to operating leases	<b>88</b>	122	<b>88</b>	122

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 5: Income tax equivalents**

The income tax equivalents, calculated at 30% on operating profit differs from the amount calculated on the profit. The differences are reconciled as follows:

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Profit from ordinary activities before income tax equivalents		<b>89,487</b>	42,022	<b>89,008</b>	36,682
Income tax calculated at 30%		<b>26,846</b>	12,608	<b>26,702</b>	11,004
<b>Tax effect of permanent differences:</b>					
Adjustment to prior year tax effect balances		<b>(8,755)</b>	4,933	<b>218</b>	(39)
Research & Development Concessions		<b>(131)</b>	(43)	<b>(131)</b>	(43)
Amortisation of deferred tax balances on disposal of assets		<b>(475)</b>	—	—	—
Non-assessable income		<b>(7)</b>	(109)	<b>(7)</b>	(109)
Non-deductible expenses		<b>441</b>	12,464	<b>226</b>	12,208
Other items (net)		<b>372</b>	(7)	—	—
Dividend Rebate		—	—	<b>(15,447)</b>	(22,658)
Income tax expense attributable to profit from ordinary activities before income tax consolidation		<b>18,291</b>	29,846	<b>11,561</b>	363
Profit from ordinary activities before income tax equivalents - tax consolidated group		—	—	<b>51,490</b>	51,373
Income tax calculated at 30%		—	—	<b>15,448</b>	15,412
<b>Tax effect of permanent differences:</b>					
Adjustment to prior year tax effect balances		—	—	—	(4)
Non-deductible expenses		—	—	<b>215</b>	257
Other items (net)		—	—	<b>372</b>	(129)
Movements resulting from tax consolidation		—	—	—	(4,882)
<b>Income tax equivalents – tax consolidated (excl parent entity)</b>		—	—	<b>16,035</b>	10,654
<b>Income tax equivalents attributable to operating profit</b>		<b>18,291</b>	29,846	<b>27,596</b>	11,017
<b>Income tax expense comprises:</b>					
Provision for income tax payable		<b>11,025</b>	24,380	<b>10,882</b>	8,789
Future Income Tax Equivalents Benefit		<b>1,402</b>	(5,916)	<b>1,402</b>	(10,336)
Provision for Deferred Income Tax Equivalents	22	<b>14,619</b>	11,424	<b>15,094</b>	12,606
Under/(Over) provision in prior year		<b>(8,755)</b>	(42)	<b>218</b>	(42)
		<b>18,291</b>	29,846	<b>27,596</b>	11,017

1. ACTEW is exempt from federal income tax. However, ACTEW is required to pay income tax equivalents to the ACT Government.

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 6: Dividends**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Opening balance		—	9,700	—	9,700
Amount appropriated from operating profit		<b>71,196</b>	—	<b>61,412</b>	—
		<b>71,196</b>	9,700	<b>61,412</b>	9,700
Amount transferred from retained profits		<b>22,825</b>	—	<b>32,609</b>	—
Amount paid during the year		<b>(71,500)</b>	(9,700)	<b>(71,500)</b>	(9,700)
Closing balance	19	<b>22,521</b>	—	<b>22,521</b>	—

**Note 7: Current assets – cash assets**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank	<b>539</b>	948	<b>539</b>	948
<b>Total cash assets</b>	<b>539</b>	948	<b>539</b>	948

**Note 8: Current assets – receivables**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Water business	<b>14,006</b>	11,694	<b>14,006</b>	11,694
Sewerage business	<b>4,968</b>	4,953	<b>4,968</b>	4,953
Other trade debtors	<b>2,740</b>	2,077	<b>2,740</b>	2,077
Doubtful debts (trade debtors)	<b>(29)</b>	(14)	<b>(29)</b>	(14)
Sub total trade debtors	<b>21,685</b>	18,710	<b>21,685</b>	18,710
Sundry debtors and accrued revenue	<b>1,126</b>	1,055	<b>1,126</b>	1,055
Sundry debtors and accrued revenue – related parties	—	—	<b>55,432</b>	59,863
Sub total sundry debtors	<b>1,126</b>	1,055	<b>56,558</b>	60,918
<b>Total receivables</b>	<b>22,811</b>	19,765	<b>78,243</b>	79,628

**Note 9: Current assets – investments**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Short term securities	<b>12,942</b>	47,685	<b>12,942</b>	47,685
<b>Total investments</b>	<b>12,942</b>	47,685	<b>12,942</b>	47,685

ACTEW Corporation Limited and Controlled Entities  
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**Note 10: Current assets – other**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Prepayments	15	29	15	29
Employee entitlement receivable -related parties	6,256	7,278	6,256	7,278
<b>Total other assets</b>	<b>6,271</b>	<b>7,307</b>	<b>6,271</b>	<b>7,307</b>

**Note 11: Non-current assets – investments**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Long term securities	20,674	17,436	20,674	17,436
Investments in controlled entities	—	—	1,700	1,700
Investment in other entities	440	440	—	—
Investment provision for diminution	(440)	(440)	(300)	(300)
<b>Total investments</b>	<b>20,674</b>	<b>17,436</b>	<b>22,074</b>	<b>18,836</b>

**Note 12: Non-current assets – investments accounted for using the equity method**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investments in joint venture partnerships	35	352,221	348,735	—	—
Investment in TransACT at cost	34	59,549	59,549	59,549	59,549
Investment provision for diminution	34	(14,827)	(33,516)	(59,549)	(59,549)
Investments in associates – equity accounted losses	34	(44,722)	(26,033)	—	—
<b>Total investments using equity method</b>		<b>352,221</b>	<b>348,735</b>	<b>—</b>	<b>—</b>

**Note 13: Non-current assets – other financial assets**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-interest bearing loans to subsidiaries	—	—	317,184	309,742
<b>Total other financial assets</b>	<b>—</b>	<b>—</b>	<b>317,184</b>	<b>309,742</b>

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 14: Non-current assets – property, plant and equipment**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Water System Assets</b>					
At directors' valuation	a,b,c	484,377	484,377	484,377	484,377
At cost		92,664	33,814	92,664	33,814
Accumulated depreciation		(98,828)	(87,936)	(98,828)	(87,936)
Work in progress		26,267	39,743	26,267	39,743
Net book value		504,480	469,998	504,480	469,998
<b>Sewerage System Assets</b>					
At directors' valuation	a	443,571	443,571	443,571	443,571
At cost		49,054	38,652	49,054	38,652
Accumulated depreciation		(101,048)	(91,455)	(101,048)	(91,455)
Work in progress		9,863	8,336	9,863	8,336
Net book value		401,440	399,104	401,440	399,104
<b>Infrastructure Land and Buildings</b>					
At directors' valuation	a,b	2,856	2,855	2,856	2,855
At cost		—	—	—	—
Accumulated depreciation		(214)	(191)	(214)	(191)
Work in progress		—	—	—	—
Net book value		2,642	2,664	2,642	2,664
<b>Non-Infrastructure Land and Buildings</b>					
At directors' valuation	c	16,768	16,768	16,768	16,768
At cost		120	120	120	120
Accumulated depreciation		(2,983)	(2,621)	(2,983)	(2,621)
Work in progress		668	48	668	48
Net book value		14,573	14,315	14,573	14,315
<b>Plant and Equipment</b>					
At cost	a	435	359	435	359
Accumulated depreciation		(380)	(350)	(380)	(350)
Net book value		55	9	55	9
<b>Total property, plant and equipment</b>		<b>923,190</b>	<b>886,090</b>	<b>923,190</b>	<b>886,090</b>

- a The directors have reviewed the carrying amount of these assets to ensure there is no material difference between their fair value and carrying amount at balance date.
- b ACTEW does not hold title to all the assets it controls. Specifically Googong Dam, situated in NSW (book value \$26.5m), and various other ACT sites under reservoirs. Steps are being taken to obtain most of the outstanding leases.
- c An independent valuation of non-infrastructure land and buildings was undertaken by McCann and Associates as at 30 June 2003 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.

**Note 14: Non-current assets – property, plant and equipment (continued)**

**Asset movement reconciliations**

**Consolidated & ACTEW Corporation**

Reconciliations of the carrying amounts of each class of property, plant and equipment and construction in progress at the beginning and end of the financial year are set out below:

	Water \$'000	Sewerage \$'000	Infra- structure land & buildings \$'000	Non-infra- structure land & buildings \$'000	Plant & equipment \$'000	Total \$'000
<b>Assets at cost or valuation</b>						
Opening written down value at 1 July 2004	430,255	390,768	2,665	14,268	9	<b>837,965</b>
Construction capitalised	54,244	5,030	—	—	—	<b>59,274</b>
Gifted assets	4,621	5,359	—	—	—	<b>9,980</b>
Transfers / adjustments	(15)	13	—	—	76	<b>74</b>
Depreciation expense	(10,892)	(9,593)	(23)	(362)	(30)	<b>(20,900)</b>
Closing written down value at 30 June 2005	<b>478,213</b>	<b>391,577</b>	<b>2,642</b>	<b>13,906</b>	<b>55</b>	<b>886,393</b>
<b>Construction in progress</b>						
Opening balance at 1 July 2004	39,743	8,336	(1)	47	—	<b>48,125</b>
Additions	40,027	6,856	-	608	—	<b>47,491</b>
Transfers/adjustments	741	(299)	1	12	—	<b>455</b>
Construction capitalised	(54,244)	(5,030)	—	—	—	<b>(59,274)</b>
Closing balance at 30 June 2005	<b>26,267</b>	<b>9,863</b>	<b>—</b>	<b>667</b>	<b>—</b>	<b>36,797</b>
Closing written down value at 30 June 2005	<b>504,480</b>	<b>401,440</b>	<b>2,642</b>	<b>14,573</b>	<b>55</b>	<b>923,190</b>



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**Note 15: Non-current assets – other**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee entitlement receivable - related parties	12,521	12,834	12,521	12,834
<b>Total other</b>	<b>12,521</b>	<b>12,834</b>	<b>12,521</b>	<b>12,834</b>

**Note 16: Non-current assets – deferred tax assets**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Future income tax benefit	12,157	13,559	12,157	13,559
<b>Total deferred tax assets</b>	<b>12,157</b>	<b>13,559</b>	<b>12,157</b>	<b>13,559</b>

**Note 17: Current liabilities – payables**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade creditors	84	376	84	376
Other creditors and accruals	14,319	21,674	14,299	21,649
Income tax payable	1,469	13,260	1,325	4,287
<b>Total payables</b>	<b>15,872</b>	<b>35,310</b>	<b>15,708</b>	<b>26,312</b>

**Note 18: Current liabilities – interest bearing liabilities**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Loans	10,087	7,859	10,087	7,859
<b>Total borrowings</b>	<b>10,087</b>	<b>7,859</b>	<b>10,087</b>	<b>7,859</b>

**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	8,000	8,000
Used standby facility	—	—	—	—
Unused standby facility	8,000	8,000	8,000	8,000

Notes to and Forming Part of the Financial Report  
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**Note 19: Current liabilities – provisions**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee entitlements	26	18	15	18	15
Employee entitlements seconded employees	26	6,257	7,278	6,257	7,278
Dividend	6	22,521	—	22,521	—
Workers compensation (Pre 1989)		254	274	254	274
<b>Total provisions</b>		<b>29,050</b>	<b>7,567</b>	<b>29,050</b>	<b>7,567</b>

**Movements in consolidated current provisions**

Movements in each class of provisions during the financial year are set out below.

	Employee Entitlements \$'000	Employee Entitlements Seconded Employees \$'000	Dividend \$'000	Worker's Compensation \$'000	Total \$'000
Carrying amount at the beginning of the financial year	15	7,278	—	274	7,567
Provisions accrued	10	2,343	94,021	1	96,375
Provisions paid	(7)	(3,364)	(71,500)	(21)	(74,892)
Carrying amount at the end of the financial year	18	6,257	22,521	254	29,050

**Note 20: Current liabilities – other**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unearned revenue	1,097	1,370	1,097	1,370
Security deposits received	5	5	5	5
<b>Total other</b>	<b>1,102</b>	<b>1,375</b>	<b>1,102</b>	<b>1,375</b>

Notes to and Forming Part of the Financial Report  
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**Note 21: Non-current liabilities – interest bearing liabilities**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Loans		347,840	334,408	347,840	334,408
<b>Total borrowings</b>	a,b	<b>347,840</b>	<b>334,408</b>	<b>347,840</b>	<b>334,408</b>

a. None of the borrowings are secured.

b. The main portion of total borrowings is for a CPI linked indexed annuity bond which ACTEW borrowed \$250 million on 17 April 2000 and maturing 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 the movements in the CPI.

As at 30 June 2005 the total principal outstanding was \$ 241,206,547 (2004 – \$246,455,124).

**Note 22: Non-current liabilities – provisions**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee entitlements	26	202	142	202	142
Employee entitlements- seconded employees	26	12,521	12,834	12,521	12,834
Insurance losses		835	835	835	835
Deferred income tax equivalents		162,975	148,356	145,523	130,430
Workers compensation (Pre 1989)		1,626	1,632	1,626	1,632
<b>Total provisions</b>		<b>178,159</b>	<b>163,799</b>	<b>160,707</b>	<b>145,873</b>

**Movements in consolidated non-current provisions**

Movements in each class of provisions during the financial year are set out below.

	Employee Entitlements \$'000	Employee Entitlements Seconded Employees \$'000	Insurance Losses \$'000	Deferred Income Tax Equivalents \$'000	Worker's Compensation (Pre 1989) \$'000	Total
Carrying amount at the beginning of the financial year	142	12,834	835	148,356	1,632	163,799
Provisions accrued	139	665	—	14,619	(6)	15,417
Provisions paid	(79)	(978)	—	—	—	(1,057)
Carrying amount at the end of the financial year	202	12,521	835	162,975	1,626	178,159

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 23: Contributed equity**

	Consolidated		ACTEW Corporation Ltd	
	2005 Shares	2004 Shares	2005	2004
<b>a) Paid up capital:</b>				
Ordinary shares fully paid	5	5	\$1.50 only	\$1.50 only
<b>Total share capital</b>	<b>5</b>	<b>5</b>	<b>\$1.50 only</b>	<b>\$1.50 only</b>
<b>b) Total capital</b>				
Paid up capital	758,871	758,871	758,871	758,871
<b>Total capital</b>	<b>758,871</b>	<b>758,871</b>	<b>758,871</b>	<b>758,871</b>

**Note 24: Reserves**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
General insurance reserve	a	9,820	9,820	9,820	9,820
Asset revaluation reserve	b	3,552	3,552	3,552	3,552
<b>Total reserves</b>		<b>13,372</b>	<b>13,372</b>	<b>13,372</b>	<b>13,372</b>

There were no transfers to/from reserves during the year.

(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 during 2001/02 previous reserves made for the environment and bushfires were amalgamated into a general insurance reserve.

(b) *Asset Revaluation Reserve*

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(h).

**Note 25: Retained profits**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Retained profits at the beginning of the financial year	31,798	19,622	80,992	55,327
Net profits available for reserves and dividends	71,196	12,176	61,413	25,665
Total available for appropriation	102,994	31,798	142,405	80,992
Aggregate amounts transferred from reserves	—	—	—	—
Dividends provided for or paid	(94,021)	—	(94,021)	—
<b>Retained profits at the end of the financial year</b>	<b>8,973</b>	<b>31,798</b>	<b>48,384</b>	<b>80,992</b>

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 26: Employee benefits**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Employee benefit and related on-costs liabilities (a)</b>					
Other creditors – current		531	475	531	475
Current provisions – ACTEW	19	18	15	18	15
Current provisions – seconded employees	19	6,257	7,278	6,257	7,278
Non-current provisions – ACTEW	22	202	142	202	142
Non-current provisions – seconded employees	22	12,521	12,834	12,521	12,834
<b>Aggregate employee benefit and related on-costs liabilities</b>		<b>19,529</b>	<b>20,744</b>	<b>19,529</b>	<b>20,744</b>
<b>Employee numbers</b>					
Working directly for ACTEW (including the drought task force)		21	18	21	18
Seconded to ActewAGL		507	560	507	560
		<b>528</b>	<b>578</b>	<b>528</b>	<b>578</b>

(a) Employees at 30 June 2005 were 528, including seconded employees to the ActewAGL Joint Venture. Of these employees, 21 work directly for ACTEW including 7 employed specifically on drought related matters. 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 Limited 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.

The weighted average discount rate used on long service and sick leave calculation is 5.16%. The source is the RBA: Indicative Mid Rates of Selected Commonwealth Government Securities 30 June 2005.

## **Note 27: Financial instruments**

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### **A. Off-balance-sheet derivative instruments**

#### *Liability interest rate swap contract*

ACTEW's loan 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 at the reporting date is included in Trade Creditors. At 30 June 2005 the notional principal amount is \$70 million (2004 – \$70 million) and the interest rate swap contract will expire within 7 years (2004 – 8 years).

### **B. Credit risk exposures**

The credit risk on financial assets of the group, which have been recognised on the statement of financial position, 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 by maturing periods is set out in the following table. 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 Report  
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**Note 27: Financial instruments** (continued)

2005 (Consolidated)	Notes	Fixed Interest Maturing In:					Total \$'000
		Floating Interest Rate \$'000	1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	
<b>Financial assets</b>							
Cash	7	539	—	—	—	—	539
Receivables	8	—	—	—	—	22,811	22,811
Investments	9,11	33,616	—	—	—	—	33,616
Other	10,15	—	—	—	—	18,777	18,777
		<b>34,155</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>41,588</b>	<b>75,743</b>
Weighted average interest rate		<b>6.16%</b>					
<b>Financial liabilities</b>							
Borrowings	18,21	336,207	4,092	16,369	1,259	—	357,927
Accounts payable	17	—	—	—	—	15,872	15,872
Other liabilities	20	—	—	—	—	5	5
		<b>336,207</b>	<b>4,092</b>	<b>16,369</b>	<b>1,259</b>	<b>15,877</b>	<b>373,804</b>
Weighted average interest rate		<b>6.13%</b>	<b>11.36%</b>	<b>11.36%</b>			
Net financial assets (liabilities)		<b>(302,052)</b>	<b>(4,092)</b>	<b>(16,369)</b>	<b>(1,259)</b>	<b>25,711</b>	<b>(298,061)</b>
<b>2004 (Consolidated)</b>							
<b>Financial assets</b>							
Cash	7	948	—	—	—	—	948
Receivables	8	—	—	—	—	19,765	19,765
Investments	9,11	65,121	—	—	—	—	65,121
Other	10,15	—	—	—	—	20,112	20,112
		<b>66,069</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>39,877</b>	<b>105,947</b>
Weighted average interest rate		5.74%					
<b>Financial liabilities</b>							
Borrowings	18,21	316,455	4,092	16,369	5,351	—	342,267
Accounts payable	17	—	—	—	—	35,310	35,310
Other liabilities	20	—	—	—	—	5	5
		<b>316,455</b>	<b>4,092</b>	<b>16,369</b>	<b>5,351</b>	<b>35,315</b>	<b>377,582</b>
Weighted average interest rate		7.13%	11.36%	11.36%			
Net financial assets (liabilities)		<b>(250,386)</b>	<b>(4,092)</b>	<b>(16,369)</b>	<b>(5,351)</b>	<b>4,562</b>	<b>(271,636)</b>

ACTEW Corporation Limited and Controlled Entities  
**Notes to and Forming Part of the Financial Report**  
for the year ended 30 June 2005

**Note 27: Financial instruments** *(continued)*

	Notes	Consolidated	
		2005	2004
		\$'000	\$'000
<b>Reconciliation of net financial liabilities to net assets</b>			
Net financial liabilities as above		<b>(298,061)</b>	(271,636)
Non-financial assets and liabilities			
Property, plant and equipment	14	<b>923,190</b>	886,090
Investments	12	<b>352,221</b>	348,735
Future income tax benefit	16	<b>12,157</b>	13,559
Other assets	10	<b>15</b>	29
Unearned revenue	20	<b>(1,097)</b>	(1,370)
Provisions	19,22	<b>(207,209)</b>	(171,366)
Net assets per statement of financial position		<b>781,216</b>	804,041

**D. Net fair value of financial assets and liabilities**

The net fair value of cash, cash equivalents, 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 method adopted in determining net fair value was to consider the costs that would be incurred in exchanging or settling the financial instrument.

Significant assumptions in determining net fair value are that the consolidated ACTEW Group is a going concern, and that the instruments would be traded in an active and liquid market.



Notes to and Forming Part of the Financial Report  
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**Note 28: Remuneration of directors**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities:	<b>694</b>	912	<b>694</b>	912
Income band :	<b>Number</b>	Number	<b>Number</b>	Number
\$0 – \$9,999	—	2	—	2
\$10,000 – \$19,999	—	1	—	1
\$20,000 – \$29,999	—	3	—	3
\$30,000 – \$39,999	<b>5</b>	—	<b>5</b>	—
\$40,000 – \$49,999	—	1	—	1
\$60,000 – \$69,999	<b>1</b>	—	<b>1</b>	—
\$300,000 – \$309,999	—	1	—	1
\$450,000 – \$459,999 (a)	<b>1</b>	1	<b>1</b>	1

(a) 2003/04 includes a retirement payment.

**Note 29: Remuneration of auditors**

	Consolidated		ACTEW Corporation Ltd	
	2005 \$	2004 \$	2005 \$	2004 \$
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 (ACT Auditor General)				
Audit or review of financial reports of the parent entity	<b>111,300</b>	99,200	<b>111,300</b>	99,200
Audit or review of financial reports of controlled entities	<b>20,550</b>	18,950	<b>20,550</b>	18,950
<b>Total remuneration of auditor</b>	<b>131,850</b>	118,150	<b>131,850</b>	118,150
Remuneration for taxation services				
PricewaterhouseCoopers (Contract Auditor for the ACT Auditor General, acting in its own capacity in providing these services)	<b>14,300</b>	9,180	<b>14,300</b>	9,180
<b>Total remuneration of taxation services</b>	<b>14,300</b>	9,180	<b>14,300</b>	9,180

**Note 30: Commitments for expenditure**

		Consolidated		ACTEW Corporation Ltd	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
<b>a) Capital and other expenditure commitments:</b>					
Total capital and other expenditure contracted for at balance date but not provided for in accounts payable :					
Within 1 year	a	<b>79,766</b>	73,883	<b>79,766</b>	73,883
Later than 1 year but not later than 5 years	a	<b>130,718</b>	—	<b>130,718</b>	—
		<b>210,484</b>	73,883	<b>210,484</b>	73,883
<b>b) Lease commitments:</b>					
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:					
Within 1 year	b	<b>64</b>	54	<b>64</b>	54
Later than 1 year but not later than 5 years	b	<b>70</b>	35	<b>70</b>	35
		<b>134</b>	89	<b>134</b>	89
<b>c) Remuneration commitments:</b>					
Commitments for the payment of salaries and other remuneration under long-term employment contracts, in existence at reporting date, but not recognised as liabilities payable:					
Within 1 year		<b>642</b>	1,102	<b>642</b>	1,102
Later than 1 year but not later than 5 years		<b>6,073</b>	6,464	<b>6,073</b>	6,464
		<b>6,715</b>	7,566	<b>6,715</b>	7,566
<b>d) Remuneration commitment receivable:</b>					
Commitments receivable for salaries and other remuneration under long-term employment contracts of employees seconded to the joint venture partnerships:					
Within 1 year		<b>312</b>	881	<b>312</b>	881
Later than 1 year but not later than 5 years		<b>319</b>	2,910	<b>319</b>	2,910
		<b>631</b>	3,791	<b>631</b>	3,791

- ACTEW has a contract with ActewAGL to operate the water and sewerage infrastructure owned by ACTEW. The majority of these expenditure commitments relate to this contract.
- Lease commitments are for computer equipment and motor vehicles. ACTEW's PC and other IT equipment are leased through ActewAGL's agreement with Computer Fleet and the Commonwealth Bank. ACTEW's motor vehicle fleet is leased through Rhodium Asset Solutions, an ACT Government owned business. The lease expires 29 April 2007.

### **Note 31: Contingent liabilities**

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There are a number of public liability claims pending which cannot be measured reliably. Should these claims be successful the Corporation estimates the liability will not be significant.

There are also a couple of pending actions against the Corporation. Should these actions be successful, the Corporation estimates the liability will not be significant.

ACTEW Corporation Ltd has underwritten a \$25 million (2004 - \$25 million) standby debt facility for TransACT Communications.

### **Note 32: Related parties**

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#### **Directors and director-related entities**

The names of persons who were directors of ACTEW Corporation Ltd at any time during the financial year and up to the date of the report: JG Service, MB Easson, Kevin Neil, Michael Costello, Ted Mathews, Elizabeth Whitelaw, Barbara Byrne.

Any transactions 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 28.

#### **Retirement benefits**

No retirement benefits were paid in 2005 to directors (2004 - Paid to a director).

#### **Loans to board members**

There were no loans to any directors as at 30 June 2005.

#### **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 parties.

#### **Other**

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 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 Retail Ltd, ACTEW Distribution Ltd and ACTEW China Pty Ltd. 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 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); bank services (at cost); legal Services (at market rates) and other (at cost).

**Note 32: Related parties** *(continued)*

	ACTEW Corporation Ltd	
	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Aggregate amounts included in the determination of operating profit that resulted from transactions with related parties in the wholly-owned group were as follows were as follows:		
Dividend revenue	<b>51,490</b>	46,493
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables	<b>55,432</b>	59,863
Current payables and other	<b>22,521</b>	—
Non interest bearing loans	<b>317,184</b>	309,742

**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% (2004 – 100%) of the issued ordinary shares of ACTEW Corporation Ltd.

**Ownership interests in related parties**

Interests held in the following classes of related parties are set out in the following notes: Controlled Entities – Note 33.

	ACTEW Corporation Ltd	
	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
<b>Other related parties</b>		
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	<b>62,007</b>	61,278
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	<b>6,257</b>	7,278
Current accounts payables and other	<b>6,257</b>	7,278
Non-current receivables	<b>12,521</b>	12,834
Non-current accounts payables and other	<b>12,521</b>	12,834

ACTEW Corporation Limited and Controlled Entities

Notes to and Forming Part of the Financial Report  
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**Note 33: Investment in controlled entities**

Name of Entity	Country of Incorporation	Class of shares	Equity Holding	Equity Holding	Cost of Investment	Cost of Investment
			2005 %	2004 %	2005 \$'000	2004 \$'000
ACTEW Distribution Ltd	Australia	Ordinary	100%	100%	400	400
ACTEW Retail Ltd	Australia	Ordinary	100%	100%	1,000	1,000
ACTEW China Pty Ltd	Australia	Ordinary	100%	100%	300	300
Provision for diminution of investment in ACTEW China Pty Ltd					(300)	(300)
					<b>1,400</b>	<b>1,400</b>

Notes to and Forming Part of the Financial Report  
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**Note 34: Investments in associates**

Name of Company	Ownership Interest	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
TransACT Communications Pty Limited	24.9%				
<b>Movement in carrying amount of investments in associates</b>					
Carrying amount at the beginning of financial year		59,549	59,549	—	—
Prior year equity accounted losses		(26,033)	(19,483)	—	—
Current year equity accounted losses and prior year adjustments		(18,689)	(6,550)	—	—
Provision for diminution		(14,827)	(33,516)	—	—
Carrying amount at end of financial year		—	—	—	—
<b>Share of associates expenditure commitments</b>					
Lease commitments		984	2,211	—	—
Remuneration commitments		381	768	—	—
Total expenditure commitments		1,365	2,979	—	—
Capital and other commitments		14,311	136	—	—
		15,676	3,115	—	—
<b>Share of associates assets and liabilities</b>					
Current assets		2,451	7,260	—	—
Non-current assets		24,847	38,468	—	—
Total assets		27,298	45,728	—	—
Current liabilities		2,434	5,377	—	—
Non-current liabilities		10,589	7,388	—	—
Total liabilities		13,023	12,765	—	—
Net assets		14,275	32,963	—	—
<b>Share of associates revenues, expenses and results</b>					
Revenues		10,290	8,095	—	—
Expenses		28,941	14,645	—	—
Operating profit before tax		(18,651)	(6,550)	—	—

1. Following the outsourcing of the majority of the TransACT services to ActewAGL during 2003/04 ACTEW equity accounted TransACT for the first time from 1 July 2003.
2. TransACT Communications Pty Limited financial data is based on TransACT management accounts as at 30 June 2005.

Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 35: Interests in joint ventures**

**Joint Venture Partnership**

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Retained profits attributable to the partnership</b>				
At the beginning of the financial year	<b>161,148</b>	109,263	—	—
At the end of the financial year	<b>213,134</b>	161,148	—	—
<b>Movement in carrying amount of investment in the partnership</b>				
Carrying amount at the beginning of the financial year	<b>373,477</b>	370,142	—	—
Share of operating profits before tax	<b>51,986</b>	51,335	—	—
Distributions received	<b>(48,500)</b>	(48,000)	—	—
Carry amount reflected in the net assets of the partnership	<b>376,963</b>	373,477	—	—
Stamp duty capitalised	<b>479</b>	479	—	—
Unrealised profit on transfer of asset	<b>(27,475)</b>	(27,475)	—	—
Less amortisation of unrealised profit	<b>2,254</b>	2,254	—	—
Carrying amount at the end of the financial year	<b>352,221</b>	348,735	—	—
<b>Share of partnerships assets and liabilities</b>				
Current assets	<b>61,477</b>	63,441	—	—
Non-current assets	<b>381,712</b>	374,054	—	—
Total assets	<b>443,189</b>	437,495	—	—
Current liabilities	<b>57,622</b>	55,509	—	—
Non-current liabilities	<b>9,447</b>	8,509	—	—
Total liabilities	<b>67,069</b>	64,018	—	—
Net assets	<b>376,120</b>	373,477	—	—
<b>Share of partnership's revenues, expenses and results</b>				
Revenues	<b>284,294</b>	273,639	—	—
Expenses	<b>232,308</b>	221,754	—	—
Operating profit before tax	<b>51,986</b>	51,885	—	—
<b>Share of partnership's commitments</b>				
Lease commitments	<b>10,434</b>	5,374	—	—
Remuneration commitments	<b>24,684</b>	23,196	—	—
Total expenditure commitments	<b>35,118</b>	28,570	—	—
Capital and other commitments	<b>56,736</b>	29,514	—	—
	<b>91,854</b>	58,084	—	—

**Note 35: Interests in joint ventures (continued)**

**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 insurance claims pending at year end. Should these claims be successful the joint venture must pay the first \$25,000 of each claim. The contingent liability for the joint venture is estimated to be \$856,111 at 30 June 2005.

At year end, there is a potential liability arising from litigation against contracts entered into in previous years. The Directors do not believe that this liability is likely to eventuate.

**Joint venture operation**

ACTEW Corporation and ActewAGL have entered into a joint venture operation called Majura Rise where the parties have agreed to acquire two blocks of land for the purpose of constructing on each block a dwelling that will demonstrate energy efficiency and water minimisation methods. Both entities have a 50% participating interest in the respective joint venture which has a total budget of two million dollars. The consolidated entity's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(s).

	Consolidated		ACTEW Corporation Ltd	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Current assets	52	—	52	—
Non-current assets	398	—	398	—
Share of assets employed in joint venture	450	—	450	—

**Note 36: Non-cash contributed assets received free of charge**

An amount of \$10.0 million in non-cash developer assets were received free of charge by ACTEW Corporation Ltd during 2004-2005 (2003-2004 – \$8.2 million). This amount was brought to account as an addition to revenue, in accordance with Australian 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. Below are the adjustments if gifted assets was taken directly to reserves.

	Consolidated		ACTEW Corporation Ltd	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
<b>Net profit (including gifted assets)</b>	<b>71,196</b>	12,176	<b>61,412</b>	25,665
Write back gifted assets transferred directly to equity	(9,980)	(8,208)	(9,980)	(8,208)
<b>Net profit (excluding gifted assets)</b>	<b>61,216</b>	3,968	<b>51,432</b>	17,457



Notes to and Forming Part of the Financial Report  
for the year ended 30 June 2005

**Note 37: Reconciliation of operating profit to net cash inflows from operating activities**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>(a) Reconciliation of operating profit after income tax expense to net cash flows from operations:</b>					
Operating profit		71,196	12,176	61,412	25,665
Depreciation and amortisation		20,900	19,962	20,900	19,962
Loss/(gain) on disposal of property, plant and equipment		(7)	(27)	(7)	(27)
Contributed assets received free of charge		(9,980)	(8,208)	(9,980)	(8,208)
Profit from Joint Venture Partnership		(51,986)	(51,885)	—	—
Share of losses from investments in associates		—	26,033	—	—
Investment writedown		—	13,967	—	40,000
Asset writedown		(13)	—	(13)	—
Capitalisation of Labour		(224)	—	(224)	—
Provision for doubtful debts		15	(5)	15	(5)
Capital contributions		(19)	(24)	(19)	(24)
<b>Changes in operating assets and liabilities:</b>					
(Increase)/decrease in receivables		(3,046)	(4,195)	(8,076)	(34,169)
(Increase)/decrease in future income tax benefit		1,401	(1,155)	1,401	(5,135)
(Increase)/decrease in other financial assets		1,036	(204)	1,036	(204)
(Increase)/decrease in other assets		313	(249)	313	(249)
Increase/(decrease) in payables		(13,460)	9,625	(4,615)	6,926
Increase/(decrease) in provisions		(1,297)	(310)	(1,297)	(311)
Increase/(decrease) in provision for deferred income tax equivalents		14,619	11,413	15,094	12,596
Increase/(decrease) in other liabilities		(273)	234	(273)	(632)
<b>Net cash inflows from operating activities</b>		<b>29,175</b>	<b>27,148</b>	<b>75,667</b>	<b>56,185</b>

**(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 statement of financial performance as follows:

Cash assets	7	539	948	539	948
Investments	9	12,942	47,685	12,942	47,685
		<b>13,481</b>	<b>48,633</b>	<b>13,481</b>	<b>48,633</b>

### **Note 38: Events subsequent to balance date**

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The Australian Financial Reporting Council (FRC) has determined that Australian entities must prepare their financial statements under International Financial Reporting Standards (IFRS) as adopted by the Australian Accounting Standards Board from 1 January 2005. This will involve completing a first time set of financial statements under IFRS for the financial year ended 30 June 2006. Refer to note 39.

On the 25th July 2005, ACTEW Corporation Limited (ACTEW) and ActewAGL entered into a Utility Management Agreement (UMA) which requires ActewAGL for a fee to undertake the utility management of ACTEW's water and sewerage business other than strategic services that ACTEW conducts itself. ACTEW retains ownership of the water and sewerage assets. The UMA specifies service standards acceptable to both parties delivering this function and is for a term of between 16-20 year's. Financial aspects of the UMA are effective 1 July 2004.

### **Note 39: Implementation of international financial reporting standards**

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The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS.

ACTEW Corporation Ltd is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to AIFRS. The first financial statements prepared under AIFRS principles will be for the year ended 30 June 2006. In accordance with AIFRS, the comparative financial statements for that period will be restated from 1 July 2004, most adjustments required on transition will be made, retrospectively, against opening retained earnings as at 1 July 2004.

ACTEW Corporation Ltd has a project manager to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project manager is also responsible for keeping abreast of developments in AIFRS. The project manager reports regularly to the Chief Finance Executive and the Audit and Risk Management Committee. The project manager is also responsible for keeping abreast of developments in AIFRS. A detailed timetable for managing the transition has been prepared and is currently on schedule.

The AIFRS have been analysed and the necessary accounting policy changes that will be required have been identified. In some cases choices of accounting policies are available, including elective exemptions under Australian Accounting Standard AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for ACTEW Corporation Ltd.

The known or reliably estimable impacts on the financial reports as at the date of transition and for the year ended 30 June 2005 had they been prepared using AIFRS are set out in the table and narrative below.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the International Accounting Standards Board. Therefore, until ACTEW Corporation Ltd prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

**Note 39: Implementation of international financial reporting standards (continued)**

**Reconciliation of equity as presented under AGAAP to that under AIFRS**

	Consolidated	ACTEW Corporation Ltd
Year ended 30 June 2005	\$'000	\$'000
<b>Total equity under AGAAP</b>	<b>781,216</b>	<b>853,235</b>
<b>Adjustments to retained earnings (net of tax)</b>		
Reserves	(3,552)	(3,552)
Retained profits	3,552	3,552
<b>Total equity under AIFRS</b>	<b>781,216</b>	<b>853,235</b>

**Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005**

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

**Notes explaining the impacts**

- Under AIFRS, AASB 116 requires all revaluation increments and decrements to be accounted for on an asset specific basis. As a result, decrements would be charged as an expense unless there is a credit balance in the Asset Revaluation Reserve that specifically relates to that asset. Under existing AGAAP, revaluation increments and decrements within a class of assets are offset against one another, with net increments credited to the Asset Revaluation Reserve and a net decrement being charged as an expense. ACTEW Corporation cannot specifically identify the assets to which the existing Asset Revaluation Reserve relates to. As a result, ACTEW Corporation will be adopting the exemption available within AASB 1 and transferring the balance of the Asset Revaluation Reserve to retained profits.
- Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of its fair value less cost to sell and value in use. ACTEW's current policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. ACTEW's assets were tested for impairments part of the cash-generating unit to which they belong. The results of the impairment test indicated no impairment required under AIFRS, as at 30 June 2005.
- The group will be taking advantage of the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous AGAAP to the comparative information of the financial instruments within the scope of AASB132 and AASB 139 for the 30 June 2006 financial report. From 1 July 2005 short terms investments will be measured at fair value through the profit and loss rather than at cost and receivables recoverability will be assessed based on an incurred model rather than through general provisioning. No other material impacts are expected from the adoption of AASB 139.  
Under AASB 132, the current classification of financial instruments issued by entities in the consolidated group would not change.
- ACTEW Corporation Ltd is subject to AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.
- Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current AGAAP treatment which gross proceeds from sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit and loss of this difference is nil. The impact of this change in classification is not expected to be material.

# glossary of terms and acronyms

## Terms

<b>kL</b>	kilolitre = one thousand litres
<b>ML</b>	megalitre = one million litres
<b>GL</b>	gigalitre = one thousand million litres
<b>km</b>	kilometre
<b>p/a</b>	per annum
<b>mm</b>	millimetre
<b>m</b>	million
<b>b</b>	billion

## Acronyms

<b>ACTPLA</b>	ACT Planning and Land Authority
<b>AGL</b>	The Australian Gas Light Company
<b>ICRC</b>	Independent Competition and Regulatory Commission
<b>LMWQCC</b>	Lower Molonglo Water Quality Control Centre
<b>EPA</b>	Environment Protection Authority
<b>PPP</b>	public-private partnership

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