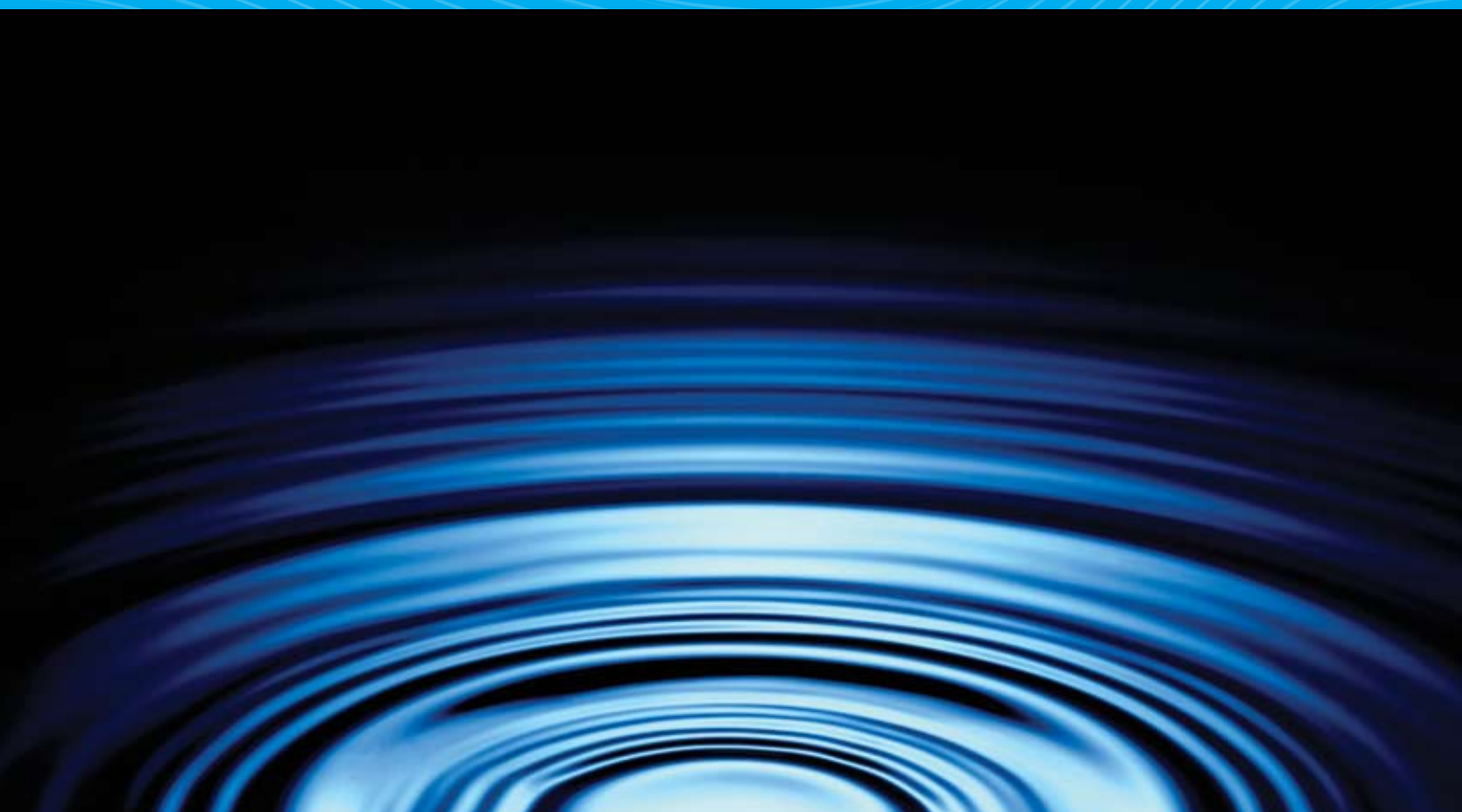


**ACTEW**  
CORPORATION

# Annual Report **2007**



# Mission Stakeholders and Values

## 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, wastewater, electricity, gas and telecommunications.

ACTEW was established on 1 July 1995 and has reporting and compliance obligations under the *Corporations Act 2001* and other legislation.

ACTEW owns the water and wastewater business and assets in the ACT and is a 50% owner of ActewAGL, a multi-utility provider of electricity and gas services, and operator of the water and wastewater business. ActewAGL operates and maintains the water and wastewater business and networks under the Utilities Management Agreement with ACTEW.

The Corporation also holds a 20.1% interest in TransACT Communications Pty Limited, a broadband and telecommunications company.

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 Distribution Limited is a joint owner of Ecowise Environmental Pty Limited.

## PRINCIPAL REGISTERED OFFICE

Level 9 ActewAGL House  
221 London Circuit  
CANBERRA ACT 2601

Postal address: GPO Box 366, Canberra ACT 2601

Telephone: (02) 6248 3111  
Facsimile: (02) 6248 3567  
Website: [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

ACN 069 381 960  
ABN 86 069 381 960

# Message from ACTEW's Chairman and Managing Director

The 2006 calendar year was the worst on record with inflows almost 90% less than average. By June 2007, water levels in our dams had dropped from 50% a year earlier to 30.8%, an all-time low.

Welcome to ACTEW's Annual Report 2007. This has been a significant year in the ACT's water history and one of the toughest ever recorded for the region in terms of water security.

The ACT has now experienced several years of drought and during this time inflows into our catchments have been down by 63% from the long-term average. The 2006 calendar year was the worst on record with inflows almost 90% less than average.

By June 2007, water levels in our dams had dropped from 50% a year earlier to 30.8%, an all-time low. In these unprecedented and uncertain conditions, water security understandably became an increasing concern as the year progressed. While the year ended on a more positive note, with above average June rainfall and some welcome inflows into our storages, the state of our water situation remains very serious.

ACTEW has spent the year responding to the challenges posed by climate change and variability and is working hard to secure water supply for the ACT and region into the future.

We commenced the extraction of water from the Murrumbidgee River to help supplement our water supply. We made recycled water available free of charge from Lower Molonglo Water Quality Control Centre (LMWQCC) to help reduce use of potable water when tough new Stage 3 Water Restrictions were introduced. We also commenced preparations for Stage 4 Water Restrictions, the highest level of the ACT's Water Restriction Scheme, which may be needed in the coming year if dam levels again reach critically low levels.

In addition, during the year we began conducting an extensive water security review that will examine all of the water supply options available to the ACT. This built on our *Future Water Options* studies of 2004-05. In July 2007 we will deliver recommendations to the ACT Government on measures that can be taken to strengthen and diversify our water sources and, in doing so, provide greater long-term water security for the region.

It has been a challenging year, but we are confident that the groundwork that has been laid over the past twelve months will ensure a secure water future for the region.

## FINANCIAL PERFORMANCE, POSITION AND CASH FLOW

ACTEW recorded a strong profit after tax of \$64.4m in 2006-07. This was an increase of \$3.9m compared to 2005-06. Factors affecting the profit include:

- revenue was up \$16.2m mainly from an increase in the recovery of the water abstraction charge (WAC) levied by the ACT Government, from 25c to 55c;
- operational costs increased \$21.5m mainly due to increased water costs in securing the water supply, and an increase in the WAC charge levied from the ACT Government, from 25c to 55c;
- borrowing costs increased by \$2.8m; and
- income tax expense decreased by \$12.1m mainly as a result of a lower tax expense on calculation of the annual tax return, and a lower profit before tax than prior year.

ACTEW drew down \$15m in borrowings to fund increased future capital expenditure. Liquids decreased to \$23.2m at 30 June 2007 (2006: \$28.8m) mainly as a result of more long term securities.

Dividends paid to the ACT Government during the year were \$65.4m (2006: \$68.3m) and income tax equivalent payments totalled \$11.6m (2006: \$11.6m).

ACTEW undertook a revaluation of its water and wastewater assets. This was undertaken under a depreciable replacement cost method resulting in a final valuation of \$2.3b (water - \$1.2b, wastewater - \$1.1b). The valuation of these assets recorded in this financial report is based on a directors'

valuation that applies a recoverable amounts test based on expected net cashflows to be generated discounted to present value. The outcome of this test resulted in a valuation to \$1.2b which is reflected in the financial statements.

ACTEW also revalued its interest in the ActewAGL Distribution partnership.

The valuation method used was also based on expected net cashflows to be generated discounted to present value. This resulted in a revaluation of \$56.8m to be reflected in ACTEW's financial statements.

ACTEW remains in a relatively strong financial position with a gearing level of 27 per cent. It is expected that this level of gearing will increase in future to finance capital expenditure to secure the water supply.

### ActewAGL

The ActewAGL joint venture continues to be a successful investment for ACTEW with joint venture income of \$54.2m, \$1.5m above prior year, despite the increased levels of competition in the retail market.

Cash distributions from ACTEW's 50% investment in the ActewAGL joint venture were \$48.5m during 2006-07 (2005-06: \$45.0m).

### TransACT

In 2006-07 TransACT Communications Pty Ltd (TransACT) underwent a share restructure and capital raising in which ACTEW invested \$1.3m. The process resulted in a decrease in interest to 20.1% from 24.9% in the broadband and telecommunications company. TransACT entered into an outsourcing partnership with ActewAGL in February 2004 which has resulted in strong growth. ACTEW continues to have confidence in TransACT despite the highly competitive environment in which it operates.

## BOARD AND STAFF

Unfortunately ACTEW lost one of its longest-serving and most dedicated staff members in May 2007 with the unexpected passing of Aspi Baria. A tireless advocate for water security and a leading water expert, Aspi leaves a legacy that will be long-remembered by the Board and staff of ACTEW and the people of Canberra.

The ACTEW Board and staff rose to the challenges of a tough year with dedication and enthusiasm. Their many achievements and contributions throughout the year are valued, appreciated and commended.



Jim Service AO  
Chairman



Michael Costello AO  
Managing Director

The prolonged drought has had a dramatic impact on the ACT's water storage levels with inflows to dams decreasing by 63% since 2001. In 2006 inflows reached record lows when they were just 13% of the long-term average.

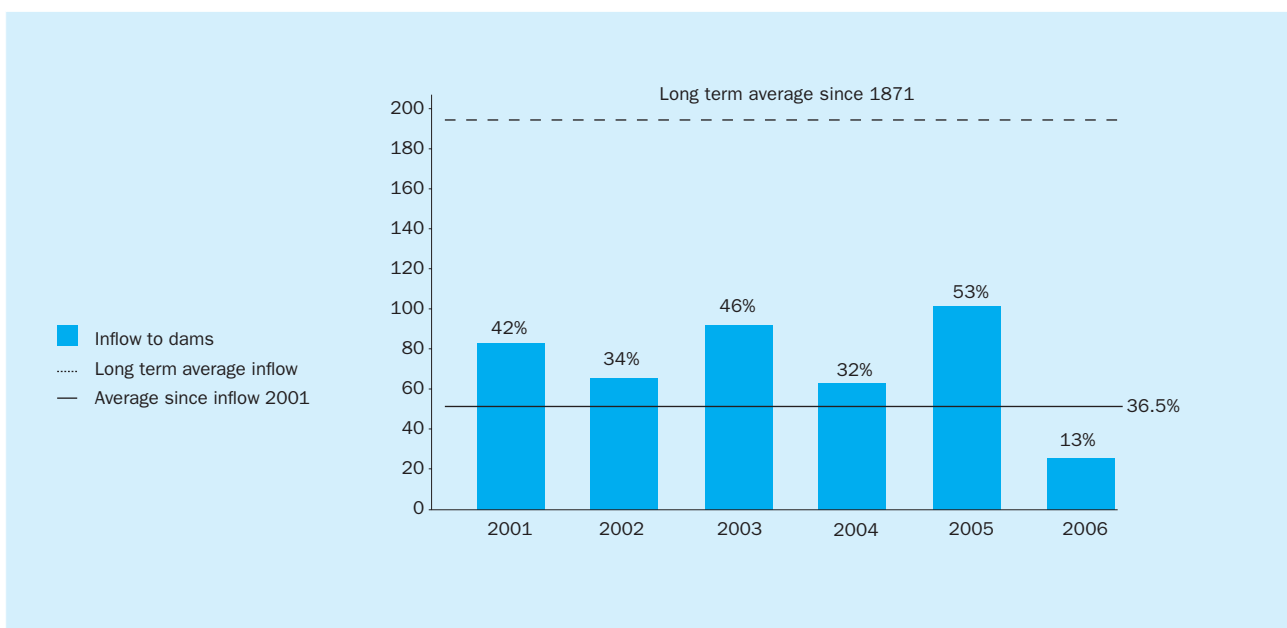
## PROLONGED DROUGHT

Like much of Australia, the ACT has experienced severe drought conditions over the last several years. The prolonged drought has had a dramatic impact on the ACT's water storage levels with inflows to dams decreasing by 63% since 2001. In 2006 inflows reached record lows when they were just 13% of the long-term average. The year began with the region's dams at approximately 50% of their capacity but declined at a rapid rate as the year progressed.

By December combined dam levels had reached 40.6%, a decrease of almost 10% in less than a six-month period. Low inflows continued and dam levels reached a record low of 30.8% in June 2007.

The region experienced some rainfall in late June 2007 which temporarily resulted in inflows that boosted dam levels to 37.2% by the end of the month. These inflows, while welcome, were not enough to provide the region with sufficient water to reduce restriction levels and the ACT's water situation remained critical.

The year began with the region's dams at approximately 50% of their capacity but declined at a rapid rate as the year progressed.



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## SECURING THE ACT'S WATER SUPPLY

### ACTEW's water security review

An extensive water security review was carried out by ACTEW in response to the ongoing prolonged drought and the record low inflows of 2006.

The review aimed to examine all of the water supply options available to the ACT in order to deliver medium to long-term water security recommendations to the ACT Government.

It included detailed assessments of existing water resources, projects underway, options reviewed as part of the *Future Water Options* studies of 2005, and new options and technologies.

Expert advice to ACTEW indicated that the ACT should be prepared for more frequent drought periods that are likely to be longer and drier than those experienced since 2001. Updated analysis of the medium to long-term outlook for the region showed a significant further reduction in long-term average inflows from 30% to almost 50%.

Therefore the key challenge for the medium and long-term is for ACTEW to build additional water supply assets that can cope not just with reduced inflows into the ACT's dams but with more frequent droughts that are longer and drier than that of 2001-2006 without having to impose high level water restrictions for extended periods.

The review included consideration of a wide variety of options including options that are less dependent on inflows to the ACT's catchments and could provide water supply security for the region that are less affected by local climatic conditions.

Options under consideration included construction of new water storages, water transfer schemes, water purification, use of greywater, storm water harvesting, rainwater tanks, demand management options, water recycling and desalination.

ACTEW will deliver over thirty reports detailing the results of the review and its water security recommendations to the ACT Government in July 2007.

### Consultation on the *Water2WATER* proposal

As part of the water security review, ACTEW carried out a community consultation program in early 2007 on *Water2WATER*, a proposal to help secure the ACT's water supply by purifying Canberra's used water and adding it to an enlarged Cotter Dam.

The ACT Government requested ACTEW undertake community consultation whilst technical studies for securing the ACT's water supply were completed. The consultation program was limited to a focus on the ACT and Queanbeyan communities' views and issues related to the Water Purification Scheme and the enlargement of the Cotter Dam.

The program ran from 22 March to 22 June and feedback was collected through surveys, the *Water2WATER* Project Office, community meetings and forums, stakeholder meetings, local events and shopping centre displays. In addition ACTEW reached the wider community through advertising, the *Water2WATER* website and media coverage. During the community consultation program six key issue areas emerged and the two primary issues identified were health and planning. Other options and secondary issues identified were cost, environment, quality assurance and government transparency.

Overall, outcomes of the consultation showed that a large majority of the community appears to be open to the *Water2WATER* proposal. This is provided that adequate responses to the six major issues raised during the consultation are addressed and a robust consultation process is a core function of any future planning and approvals process, and includes all stakeholder groups.

### Cotter Dam

With the completion of the upgraded Mount Stromlo Water Treatment Plant in 2005, water was once again able to be extracted from the Cotter Reservoir. During the year 6.2 gigalitres (GL) was extracted, significantly reducing the impact on the other three reservoirs and helping to alleviate the need for ACTEW to introduce tougher water restrictions.

### The Cotter to Googong Bulk Transfer Scheme

During the year approximately 2.5GL of water was transferred from the Cotter Catchment to Googong Reservoir. Low spring inflows in 2006, coupled with low levels in Corin Reservoir, prevented the transfer of significant volumes in 2007.

The Cotter to Googong Bulk Transfer Scheme was implemented in 2005. The Scheme allows ACTEW to store the excess winter and spring flows generally experienced in the Cotter River in the larger Googong Reservoir.





Consultation on the **Water2WATER** proposal

Under the Scheme, water is drawn from the reservoirs in the Cotter Catchment and treated at the Mount Stromlo Water Treatment Plant. After meeting town demand, surplus water is transferred to the Googong Reservoir for storage, largely using the existing water supply distribution network.

**Murrumbidgee extraction**

As part of its drought contingency plan ACTEW commenced extraction of water from the Murrumbidgee River in May 2007.

Given the ACT's critical water situation, the water extracted from the Murrumbidgee River was used to supplement town demand and help alleviate the need to move to Stage 4 Water Restrictions. The initiative is expected to make a significant contribution to supplementing the ACT's water supply especially during the cooler months and in dry conditions.

The Murrumbidgee Pumping Station has the ability to extract up to 50 megalitres (ML) per day with water treated to meet the *Australian Drinking Water Standards* at the Mount Stromlo Water Treatment Plant. Approximately 1.1GL was extracted in May and June 2007.

ACTEW is in the process of installing ultraviolet disinfection to provide an even higher level of treatment and this is expected to be operational in early 2008.

ACTEW worked closely with its regulators, ACT Health and the Environmental Protection Agency, to facilitate the extraction and to meet environmental flow requirements.

**The national water plan**

ACTEW has been assisting the ACT Government in negotiations with the Federal Government on the *National Plan for Water Security* and the Murray Darling Basin dry inflow contingency plan.

ACTEW has also been assisting the ACT Government to negotiate a Murray Darling Basin Cap for the ACT which is expected to be finalised in late 2007.

**DEMAND MANAGEMENT**

**Managing demand through restrictions**

In times of drought the ACT applies mandatory temporary water restrictions as a method of reducing water demand. Permanent Water Conservation Measures are in place when no temporary restrictions are required.

During the year ACTEW managed Permanent Water Conservation Measures, Stage 2 Water Restrictions and Stage 3 Water Restrictions.

## Permanent WATER CONSERVATION MEASURES in the ACT

### In short

At all times gardens, lawns and plants may only be watered without causing pooling or runoff

Sprinkler and other irrigation systems can be used to water lawns and plants only between 6pm and 9am on any day (during autumn, spring, summer No limitation in winter)

A hand held hose fitted with a trigger nozzle, a bucket or a watering can may be used at any time

A bucket and mop or high pressure low volume cleaner can be used to clean paved areas

Vehicles can be washed at a commercial car wash or by using:

- a bucket or watering can;
- a high pressure low volume cleaner; or
- a hand held hose fitted with a trigger nozzle

A bucket and mop or brush or high pressure low volume cleaner must be used to wash a building

Water Conservation Office 6248 3131  
waterconservation@actew.com.au  
www.actew.com.au

## STAGE 2 WATER RESTRICTIONS

### Mandatory in the ACT from 1 November 2006

Target Annual Reduction Relative to Water Conservation Measures = 25%

**Private gardens and lawns, commercial watercourses, market gardens and leaf spraying businesses**

No sprinkler or other irrigation system may be used. A hand held hose fitted with a trigger nozzle, a bucket or a watering can may be used to water lawns and plants between 7pm and 10pm on alternate days on any day. At all times gardens and lawns may only be watered without causing pooling or runoff.

**Lawns and plants of parks, sports grounds, golf courses and public gardens**

This is a 25% reduction in use or less than 6 litres per 100 sq m. At all times, commercial plants may only be watered without causing pooling or runoff.

**Paved areas**

Water must not be used for a commercial purpose or in a residential area as a result of an accident, fire, health hazard or other emergency.

**Private ponds and swimming pools**

Flotation must be used to fill. Pools must only be topped up using a hand held hose fitted with a trigger nozzle, a bucket or a watering can.

**Public ponds and swimming pools**

Only top up must be used to fill or topped up to the level of the pool water. New ponds and basins may not be filled or topped up.

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**Public swimming pools**

Only top up must be used to fill or topped up to the level of the pool water. Pools must not be filled or topped up to the level of the pool water.

**Water storage tanks, dams, and tanks**

Must not be filled or topped up other than in a residential area.

**Washing of vehicles**

Must be done at a commercial car wash or by using a bucket or watering can, a high pressure low volume cleaner, or a hand held hose fitted with a trigger nozzle.

**Washing of buildings**

Must be done using a bucket and mop or brush or high pressure low volume cleaner.

**Construction and other activities**

Water must not be used for a commercial purpose or in a residential area as a result of an accident, fire, health hazard or other emergency.

**General exemption**

Gardens and lawns may be watered between 7pm and 10pm on alternate days on any day. A hand held hose fitted with a trigger nozzle, a bucket or a watering can may be used to water lawns and plants between 7pm and 10pm on alternate days on any day. At all times gardens and lawns may only be watered without causing pooling or runoff.

Water Conservation Office 6248 3131  
waterconservation@actew.com.au  
www.actew.com.au

## STAGE 3 WATER RESTRICTIONS

### In the ACT from 16 December 2006

Target Annual Reduction Relative to Water Conservation Measures = 43.2%

**Private gardens and lawns, commercial watercourses, market gardens and leaf spraying businesses**

No sprinkler or other irrigation system may be used. A hand held hose fitted with a trigger nozzle, a bucket or a watering can may be used to water lawns and plants between 7pm and 10pm on alternate days on any day. At all times gardens and lawns may only be watered without causing pooling or runoff.

**Lawns and plants of parks, sports grounds, golf courses and public gardens**

This is a 43.2% reduction in use or less than 6 litres per 100 sq m. At all times, commercial plants may only be watered without causing pooling or runoff.

**Paved areas**

Water must not be used for a commercial purpose or in a residential area as a result of an accident, fire, health hazard or other emergency.

**Private ponds and swimming pools**

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**Public ponds and swimming pools**

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**Water storage tanks, dams, and tanks**

Must not be filled or topped up other than in a residential area.

**Washing of vehicles**

Must be done at a commercial car wash or by using a bucket or watering can, a high pressure low volume cleaner, or a hand held hose fitted with a trigger nozzle.

**Washing of buildings**

Must be done using a bucket and mop or brush or high pressure low volume cleaner.

**Construction and other activities**

Water must not be used for a commercial purpose or in a residential area as a result of an accident, fire, health hazard or other emergency.

**General Exemptions**

**Driggers alternative days (sports only)**

As an alternative to hand held hoses, buckets or watering cans, driggers may be used for watering plants between 7:00pm and 10:00pm on alternate days on any day. At all times gardens and lawns may only be watered without causing pooling or runoff.

**Private gardens and lawns, commercial watercourses, market gardens and leaf spraying businesses**

No sprinkler or other irrigation system may be used. A hand held hose fitted with a trigger nozzle, a bucket or a watering can may be used to water lawns and plants between 7pm and 10pm on alternate days on any day. At all times gardens and lawns may only be watered without causing pooling or runoff.

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### Permanent Water Conservation Measures

Permanent Water Conservation Measures were in place from the beginning of the year until 31 October 2006. Over the July-October period a saving of 4GL of water was achieved. This represents a 19.5% reduction in water demand, which was well above the reduction target of 6.2% for that period. This enabled the introduction of temporary water restrictions to be delayed.

### Stage 2

Declining storages led to the introduction of Stage 2 Water Restrictions which were in place from 11 November - 15 December 2006 and resulted in a saving of 4GL of water. This equals a reduction in water demand of 32.6% which was less than the reduction target of 35.7% for that period.

### Stage 3

With inflows in 2006 amongst the lowest on record, Stage 2 Water Restrictions were not enough, so Stage 3 Water Restrictions came into effect on 16 December to further reduce consumption. These remained in place for the remainder of the year. During this period, Stage 3 was expected to decrease water demand by 43.2%, however the actual reduction was slightly less at 40.8%. This represents a saving of 17.9GL of water.

### Preparing for Stage 4

With dam levels continuing to drop during autumn, ACTEW foreshadowed a move to Stage 4 Water Restrictions, the highest level of the ACT's current Water Restrictions Scheme.

However, due to good rainfall, meeting consumption targets and the use of water extracted from the Murrumbidgee River, Stage 4 was not required during the year.

### ACTEW's Water Conservation Office

The Water Conservation Office ensures compliance with the ACT's mandatory Water Restriction Scheme and provides information to the community on matters related to saving water.

The introduction of Stage 3 Water Restrictions resulted in an influx of queries, reports and applications for exemptions. The Office received approximately 7,500 phone calls during the year, processed over 6,000 exemption requests and issued 65 infringement notices.

In early 2007, the Office began preparing for the introduction of Stage 4 Water Restrictions and led an industry consultation program to address the concerns of affected businesses and industries and assist them to prepare for a ban on outdoor use of potable water.

ACTEW continued to liaise with bodies responsible for the highest levels of consumption within the ACT to discuss methods of decreasing total water use and identifying alternate water sources.

Water conservation officers participated in a number of community events such as Floriade, the Autumn and Spring Home Shows, the Retirement and Lifestyle Expo, Water Expo

Family Fun Day and Industry Conference, and The Royal Canberra Show. The Office also ran a successful series of irrigation workshops with more than 500 people attending workshops to learn about water wise gardening.

As part of a comprehensive public information campaign associated with Water Restrictions and Permanent Water Conservation Measures, the Office:

- advertised widely in local media;
- managed a hotline telephone service; and
- promoted appliance rebates and water audit services available through the ACT Government's *Water Efficiency Program*.

### **Increasing access to recycled water**

To lessen the impact of Stage 3 Water Restrictions on the community and reduce the demand for potable water, ACTEW began providing access to recycled water in December 2006. Priority access was given to commercial users whose businesses were most affected by Stage 3.

The recycled water was made available from the LMWQCC, Canberra's wastewater treatment facility. The water was provided free of charge with users only paying costs related to storage and delivery by approved water tankers.

An access point was constructed within LMWQCC and ACT Health gave approval for commercial tanker operators to irrigate plants and gardens with recycled water on behalf of residents.

ACTEW is continuing to investigate alternative options to make recycled water more readily available via a more accessible permanent filling point near the LMWQCC.

### **Review of recycling facilities and recycling options**

ACTEW has progressively examined various water recycling options over the years to understand their potential to provide a sustainable option for our water supply security. With changes in technology, the increasing cost of water, and an improved understanding of the cost of severe water restrictions, new water recycling options are becoming more viable.

To further reduce demand for potable water, ACTEW initiated reviews of the Southwell Park Watermining Facility, the North Canberra Water Reuse Scheme and the associated Fyshwick Sewage Treatment Plant during the year.

The reviews identified additional works to ensure that the facilities were operating efficiently, performance was optimal and use of recycled water could be maximised during periods of water scarcity. Some of these works will be implemented in 2007-08.

### **Stormwater harvesting**

In early 2007 ACTEW began contributing to the Canberra Integrated Urban Waterways Project, a \$17m initiative jointly funded by the Federal and ACT Governments.

This project will reduce the region's reliance on potable water for irrigating public spaces by developing and implementing integrated waterway management master plans.

A key focus of the project is increasing the region's stormwater harvesting through the collection, storage and use of water collected in stormwater pipes, channels, ponds and lakes in urban areas following rainfall.

ACTEW is assisting to oversee the implementation of work which results from the project including construction of new urban ponds, which will increase the quality of stormwater runoff and allow more stormwater to be harvested for irrigation. This will help maintain public spaces during times of drought and greatly reduce dependence on potable water.

## **ACTEW AND THE ENVIRONMENT**

### **Environmental flows**

The ACT's *Environmental Flow Guidelines*, first produced in 1999, were revised in early 2006 to include specific information on environmental flow management during times of drought.

The ACT Government's Department of Territory and Municipal Services (TAMS) administers the guidelines. ACTEW's 'Licence to Take Water' under the *Water Resources Act 1998* allows for the extraction of water from the ACT water supply catchments, and stipulates environmental flow release requirements which aim to protect aquatic ecosystems downstream.

In light of the long period of drought experienced in the ACT, TAMS approved a reduced environmental flow release regime for the Murrumbidgee River, Cotter River system and for Googong Reservoir. This enabled environmental flows to be maintained at a minimum level whilst allowing more water to be made available for consumption in the ACT and Queanbeyan.

ACTEW continues to work with ecological experts on ways to better manage environmental flows especially in times of drought and for future water options.

## Environmental management

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

To do this, ActewAGL's five-year Environment Management Plan (EMP) addresses the water, wastewater and electricity aspects of ActewAGL's operations and sets out environment policy directions and priorities.

In line with the directions set out in the EMP, ActewAGL's annual Environment Action Program (EAP) identifies the specific tasks and strategies to achieve them.

ActewAGL's organisational and operational environmental management systems are modelled on the Australian / New Zealand Standard ISO 14001, ensuring there is a visible framework for constantly reviewing environmental performance and for continuous improvement.

ActewAGL's nine key priority areas in the 2006–07 EAP were:

1. Regulatory compliance
2. Environment management systems
3. Suppliers and contractors
4. Waste and hazardous chemicals
5. Transport use
6. Greenhouse gas emissions
7. Products and services
8. Energy
9. Water conservation, treatment and catchment management

For 2006-07, a total of 30 tasks were identified. The 22 primary tasks were achieved and significant progress was made towards another four.

More detailed information and achievement against these key priorities is outlined in ActewAGL's 2006-07 Sustainability Report, available at [www.actewagl.com.au](http://www.actewagl.com.au).

## MANAGING THE CATCHMENTS

### Catchment management

Catchment management is critical for the protection of water supply, quality and yield. During the year, ACTEW conducted regular and stringent testing of the quality of the water in all four reservoirs in accordance with the *Australian Drinking Water Guidelines*, as well as in the catchments' waterways.



Solar power mixer on Cotter Reservoir

ACTEW representatives regularly participate in local and national catchment management organisations including the Lower Cotter Working Group, Googong Foreshore Committee, the Upper Murrumbidgee Catchment Coordinating Committee and the Water Supply Catchment Management Group.

### **Lower Cotter catchment**

The Cotter Reservoir increased its significance as part of Canberra's water supply in 2005 with the upgrade of Mount Stromlo Water Treatment Plant which enabled extraction once again from the Cotter Reservoir.

The Lower Cotter catchment was damaged significantly in the 2003 bushfires and the remediation program was expected to take up to nine years. It became increasingly evident that the poor state of the catchment was having a detrimental impact on the quality of water entering the Cotter Reservoir, so ACTEW accelerated the program.

Remediation work undertaken during the year includes road and drainage works, sediment basins, wetlands and vegetation planting as well as extensive catchment monitoring and scientific studies in collaboration with the Australian National University.

### **Corin and Bendora catchments**

Corin and Bendora catchments have recovered well from the 2003 bushfires, with water quality returning close to levels that were seen before the catchments were damaged by the devastating fires.

A project commenced with the Bushfire Cooperative Research Centre to measure fuel loads and moisture status to facilitate modelling of fire risks and several data collection sites have now been established.

ACTEW provided input into the ACT Government's draft Namadgi Management Plan. This plan will help ensure recreation and other activities within the Corin and Bendora catchments are not detrimental to its primary water supply function.

### **Googong catchment**

ACTEW worked with the ACT, New South Wales and Federal Governments to continue development of a catchment management plan for the Googong catchment area.

ACTEW is undertaking a number of projects in the area including a pathogen load model, hydrological modelling and a hydrodynamic model, using the recent bathymetric survey of the Googong Reservoir.

## **ASSETS AND INFRASTRUCTURE**

### **ACTEW's capital works program**

ACTEW is committed to continual improvement and protection of its water and wastewater 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. Over \$23.3m was invested in the projects that made up the program during the year.

In addition, works with a value of nearly \$30m were commenced to provide greater water security and increase the cross basin transfers to Googong Reservoir, enabling greater use of water from Cotter Dam and from the Murrumbidgee River. The works included upgrading Cotter Pump station and providing ultraviolet disinfection and other improvements at the Mount Stromlo Water Treatment Plant. \$2.9m was expended on these works during the year.

Work on a mini hydro-generator at the LMWQCC was deferred until a decision is made on the proposed Water Purification Plant.

Design work for a major augmentation of the secondary treatment facility at LMWQCC continued with construction expected to commence in 2008. The project, which will cost in excess of \$50m, is to ensure discharges from the wastewater treatment plant continue to minimise impact on the sensitive Murrumbidgee River system while catering for expected population growth.

Investment continued in the water and wastewater reticulation systems, with over \$2.7m spent rehabilitating sewer mains throughout Canberra, and similar expenditure in relation to improvements in the reticulated water system. This amount is expected to increase as the infrastructure ages.

To cater for growth in Canberra, ACTEW has carried out preliminary design work and identified land purchases for future reservoirs in Gungahlin. Planning work is continuing for water and wastewater services in the Molonglo Valley in conjunction with the ACT Government.

### **Asset protection**

The *Utilities Act 2000* sets out the requirements for the protection and maintenance of utility assets. It is a major role of ActewAGL, on behalf of ACTEW, to ensure the integrity of the network through the monitoring and approval of building activity near ACTEW assets.



Essential pipeline maintenance

ActewAGL completed the initial scan-before-you-plan information campaign targeted at property owners and the building and construction industry to help prevent the inadvertent building of structures over, or close to ACTEW assets. The campaign used newspaper advertisements, mail-outs and a comprehensive website. A survey to determine the effectiveness of the campaign in the targeted audience will commence shortly.

### Ownership of Googong Dam

The ACT Government and ACTEW continued negotiations with the Federal Government to resolve the ownership of Googong Dam. Negotiations are expected to be completed in late 2007.

## RESEARCH AND COMMUNITY PROGRAMS

### Research and development

ACTEW's research and development program focuses on delivering applied research outcomes to ACTEW, ActewAGL and Ecowise Environmental.

The program involves collaboration with a number of leading water research organisations and universities including:

- The Cooperative Research Centre (CRC) for Water Quality and Treatment;
- eWater CRC;
- Environmental Biotechnology CRC;
- The American Water Works Association Research Foundation;
- The WaterReuse Association; and
- The Water Environment Research Foundation.

Examples of projects undertaken as part of the program in 2006-07 are:

- Pathogen modelling in catchments with the CRC for Water Quality and Treatment and American Water and Wastewater Association Research Foundation.
- Dust Isopleth mapping project involving the purchase, testing, and implementation into a GIS environment of the AUSPLUME Gaussian Plume Dispersion Model.
- The Molecular Toolbox Project, a collaboration with the CRC for Water Quality and Treatment to develop and apply rapid methods for the identification of microorganisms in water distribution systems.

## Community programs

ACTEW has a strong commitment to supporting the local community through sponsorships, donations, in-kind support, participation and involvement with a range of programs, events, charities and organisations. One of our ongoing priorities is to fulfill our role as a socially responsible company and good corporate citizen.

During the year, ACTEW assisted 28 local events, organisations, charities and individuals through its community support and sponsorship program.

Recipients of financial support or in-kind donations included the Australian Science Festival, Australian National Botanic Gardens, The Salvation Army, Canberra Symphony Orchestra, The Smith Family, St Vincents de Paul, ArtSound FM, Cancer Council of the ACT, ACT Sport and Recreation Services, Softball ACT and the ANU Water Colloquium.

## STATISTICS

|                                        | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007*   |
|----------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>WATER</b>                           |         |         |         |         |         |         |         |         |         |         |
| <b>Customers</b>                       | 118,856 | 120,349 | 122,760 | 124,570 | 126,750 | 129,114 | 131,893 | 134,020 | 135,804 | 138,917 |
| <b>No. of dams</b>                     | 4       | 4       | 4       | 4       | 4       | 4       | 4       | 4       | 4       | 4       |
| <b>Capacity of dams (GL)</b>           | 215.4   | 215.4   | 215.4   | 215.4   | 215.4   | 215.4   | 215.4   | 215.4   | 211.6** | 207.4** |
| <b>No. of reservoirs</b>               | 44      | 44      | 42      | 44      | 45      | 45      | 45      | 45      | 45      | 45      |
| <b>Capacity of reservoirs (ML)</b>     | 912     | 912     | 912     | 912     | 912     | 912     | 912     | 912     | 912     | 912     |
| <b>No. of pumping stations</b>         | 17      | 17      | 17      | 21      | 21      | 21      | 21      | 23      | 23      | 23      |
| <b>Length of mains (km)</b>            | 2,901   | 2,907   | 2,921   | 2,933   | 2,948   | 2,964   | 2,985   | 3,013   | 3,057   | 3,007   |
| <b>Total consumption (ML)</b>          | 73,009  | 60,361  | 57,929  | 62,834  | 65,904  | 65,567  | 52,262  | 51,719  | 54,340  | 51,060  |
| <b>Consumption/ person p/a (kL) #</b>  | 220     | 182     | 176     | 186     | 194     | 206     | 156     | 144     | 149     | 136     |
| <b>Rainfall (mm)</b>                   | 438.6   | 688.6   | 666     | 618.2   | 633.2   | 340.2   | 463     | 593.7   | 629.6   | 428     |
| <b>SEWERAGE</b>                        |         |         |         |         |         |         |         |         |         |         |
| <b>No. of customers</b>                | 116,268 | 117,648 | 119,846 | 121,618 | 123,641 | 125,784 | 128,446 | 130,355 | 135,561 | 135,241 |
| <b>No. of pumping stations</b>         | 28      | 28      | 28      | 28      | 28      | 28      | 26      | 26      | 27      | 27      |
| <b>Quantity of sewage treated (ML)</b> | 31,524  | 32,718  | 32,585  | 30,277  | 30,645  | 28,313  | 27,959  | 27,293  | 29,019  | 26,957  |
| <b>Sewage treated/ person p/a (kL)</b> | 101     | 106     | 105     | 97      | 97.6    | 89      | 87      | 84      | 88      | 81      |
| <b>Length of mains (km)</b>            | 2,812   | 2,817   | 2,836   | 2,852   | 2,875   | 2,897   | 2,921   | 2,948   | 2,991   | 2,993   |

\* Until 30 June 2007.

\*\* Bathymetry survey down-rated storage capacity.

# About the ACTEW Corporation

## CORPORATE GOVERNANCE

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.

During the year, Mr Kevin Neil, Mrs Elizabeth Whitelaw and Ms Barbara Byrne were reappointed for a further three years. Profiles of the Directors can be found on page 15.

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 25.

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 2006-07 Statement of Corporate Intent was tabled in the Assembly on 17 October 2006. Quarterly reports on financial and operational matters were provided to the Voting Shareholders during the year.

### Audit and Risk Management

The Audit and Risk Management Committee assists the Board fulfil its legal responsibilities and to 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.

The Committee is governed by the Audit and Risk Management Committee Charter. During the year the Committee and the ACTEW Board reviewed and re-endorsed the Charter.

The Committee met four times during the year. Details of Directors' attendance at the meetings are set out on page 25.

Risk management is an integral part of the ACTEW management process. ACTEW maintains a Risk Management Register which addresses all risks facing ACTEW, including those that may flow through to ACTEW from management of water and wastewater services and assets by ActewAGL.

The Register also focuses on the company's direct responsibilities, activities and accountabilities. A review of the Register was completed during the year and submitted to the Audit and Risk Management Committee in August 2006 and to the Board in September 2006.

ACTEW's internal audit activities are coordinated by ActewAGL's Audit Services. An audit was undertaken during the year into the management of the Lower Cotter Catchment Remediation Project. The audit report made fourteen recommendations which were agreed and have been implemented.

PricewaterhouseCoopers provides external audit services to the Corporation. Other independent auditors are engaged as appropriate. The Corporation's Auditor is the ACT Auditor-General.

### Remuneration

The Voting Shareholders determine the terms of appointment and remuneration paid to Directors. Details of income paid to Directors is outlined on page 66.

The entire ACTEW Board meets as the Remuneration Committee. The Committee's 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 met on four occasions during the year. Details of Directors' attendance at the meetings are set out on page 66.

### Code of Conduct

The ACTEW *Code of Conduct* outlines the high standards of honesty, integrity, ethical and law-abiding behaviour expected of ACTEW personnel. The Code applies to directors, executives, management and staff. A review of the Code was undertaken during the year and approved by the Board in December 2006. There were no breaches of the Code of Conduct during the year.



## MEMBERS OF THE ACTEW BOARD



**James (Jim) G Service AO, FCPA, FCIS – Chairman**

Jim Service was appointed a Director and Chairman of ACTEW in June 1995. He is also Chairman of the ActewAGL Joint Venture Partnerships Board and TransACT Communications Pty Limited, Deputy Chairman of Australand Property Group, a Director of Challenger Financial Services Group and CapitaMall Trust Management Limited (Singapore), and Executive Chairman of the J G Service Pty Limited Group.

Mr Service's 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 for Governance and the 2001 Canberra Citizen of the Year. In 2004 Mr Service was made an Officer of the Order of Australia.



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

Michael Easson is Chairman of the EG Property Group, a business consultant to Allens Arthur Robinson, a Director of the Macquarie Infrastructure Group, ING Real Estate Group, Stadium Australia Management Limited and a Member of the ActewAGL Joint Venture Partnerships Board.

Mr Easson has been a Director of ACTEW since July 1995 and Deputy Chairman since May 1996. He is Chairman of ACTEW's Audit and Risk Management Committee. Mr Easson was made a Member of the Order of Australia in 1998.



**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 Partnerships 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 previous 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.



**Kevin L Neil MAICD – Director**

Kevin Neil was appointed to the ACTEW Board in December 2000. A strategic business and investments consultant in the areas of media, sponsorship, communications and managing key relationships, Mr Neil is currently ACT Manager for Australian Air Express, a joint venture between QANTAS and Australia Post.

Mr Neil is a Member of the Australian Institute of Company Directors, a member of ACTEW's Audit and Risk Management Committee and an Alternate Member of the ActewAGL Joint Venture Partnerships Board.



**Edward (Ted) W Mathews  
PSM, BA, MAICD  
– Director**

Ted Mathews had twenty years experience at senior executive level with the Federal Public Service including as Manager of the 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 to the ACTEW Board in August 2002, is a Member of ACTEW's Audit and Risk Management Committee and an alternate member of the ActewAGL Joint Venture Partnerships Board.



**Elizabeth A Whitelaw  
BA, LLB – Director**

Elizabeth Whitelaw is a senior partner at Minter Ellison Lawyers where 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. 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.

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 was appointed to the ACTEW Board in December 2003.

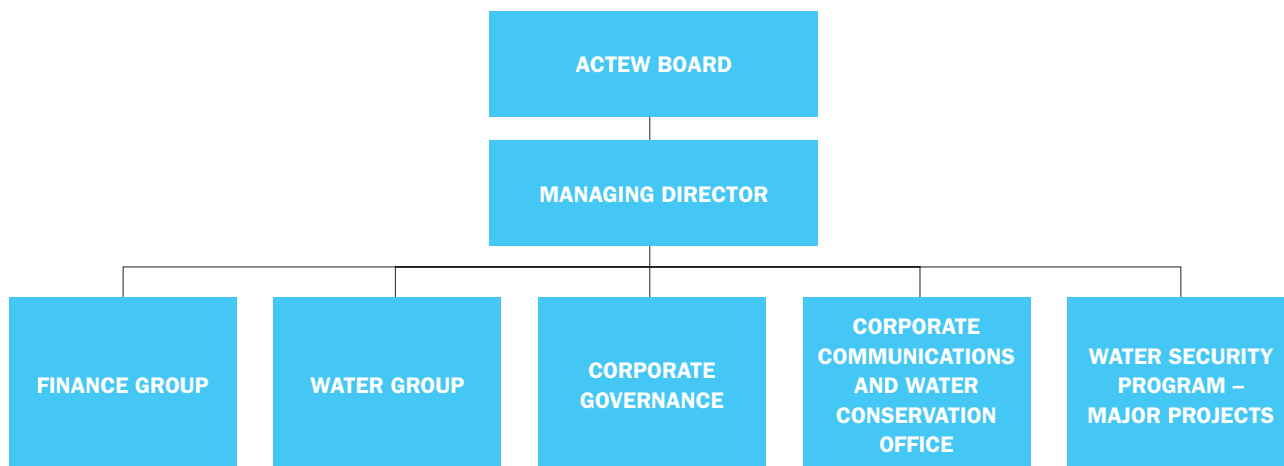


**Barbara M Byrne OAM,  
FAICD – Director**

Ms Byrne was appointed a Director of ACTEW in January 2004. She is currently on the Board of ArtSound FM, a Patron of Hockey ACT and Weston Creek Men's Bowling Club, and a Life Member of Volunteering ACT.

Ms Byrne is a Fellow of the Australian Institute of Company Directors and received a Centenary Medal in 2003 in recognition of her years of voluntary work in the community. In 2006, Ms Byrne was awarded a Medal of the Order of Australia in the Queen's Birthday Honours List for her contribution to business, various cultural pursuits and sporting activities in the ACT.

## ORGANISATIONAL STRUCTURE



## EXECUTIVE PROFILES

Led by ACTEW's Managing Director, the Executive Group is responsible for the effective management of the organisation, its assets and responsibilities.



### **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 Partnerships Board and Chairman of Ecowise Environmental Pty Ltd, ACTEW China Pty Limited, ACTEW Distribution Limited and ACTEW Retail Limited.



### **Michele Norris FAICD AFAIM – 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 China Pty Limited, ACTEW Distribution Limited and ACTEW Retail Limited.



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

Mr Knee commenced with ACTEW in 2005. He is responsible for management of the Utilities Management Agreement for the operation and maintenance of the drinking water and sewage treatment business, strategic water planning, licensing and compliance matters and liaison with relevant government and national organisations.



### **Kerry McIlwrath, B.COM, MBA, FCPA – Chief Finance Officer**

Mr McIlwrath was appointed Chief Finance Officer in October 2006. He is responsible for ACTEW's finances and strategic investments. He is a director of ACTEW Distribution Limited and ACTEW Retail Limited.

### **Aspi Baria**

Mr Baria commenced with ACTEW in 1989 and was ACTEW's Technical Specialist Water until his unexpected passing in May 2007.

## ORGANISATIONAL OVERVIEW

At the end of 2006-07 there were 26 staff employed by ACTEW. Additional contract staff were employed to assist with various special projects and activities as required during the year.

ACTEW is a small public company with very large responsibilities and assets. The combination of small size, large and diverse assets, and high levels of responsibility and accountability for performance, requires particular qualities in its personnel.

ACTEW staff have the technical knowledge, specialist skills and experience to understand our core business, to monitor and report activities, to ensure operational and financial performance, and to meet our governance, legal and regulatory requirements.

## ACTEW'S INVESTMENTS

### ActewAGL

On 3 October 2000 a joint venture was formed between ACTEW and the Australian Gas Light Company (AGL). The venture, known as ActewAGL, was the first multi-utility operating as a public-private partnership in Australia. ActewAGL combined ACTEW's network and retail electricity business with AGL's ACT and Queanbeyan network and retail gas business.

ACTEW retained ownership of the water and wastewater assets and business, with ActewAGL operating and maintaining the water and wastewater networks under the Utilities Management Agreement.

The joint venture comprised two partnerships, ActewAGL Distribution and ActewAGL Retail Limited, with AGL and ACTEW each owning a 50% share in the partnerships.

In October 2006, following changes to the ownership and structures of AGL and Alinta, Alinta GCA Limited became a 50% owner of the ActewAGL Distribution partnership and AGL Energy Limited a 50% owner of ActewAGL Retail partnership. ACTEW retained its 50% ownership of both partnerships.

ActewAGL Distribution owns and operates the electricity network in the ACT and the gas network in the ACT, Queanbeyan region and Shoalhaven. Its partners own the Ecowise Environmental group of companies. ActewAGL Distribution also operates and maintains the water and sewerage networks under the Utilities Management Agreement with ACTEW.

ActewAGL Retail looks after customer service and marketing as well as selling energy, internet services and telecommunications, the latter under contract to



ACTEW has investments in ActewAGL, TransACT Communications and Ecowise Environmental

TransACT. Bulk energy is bought via the AGL group. The ActewAGL partnerships are also contracted to operate the telecommunications business of TransACT Capital Communications.

The Joint Venture Partnerships Board is comprised of three members appointed by the AGL/Alinta partners and three appointed by ACTEW. Members of the Board at 30 June 2007 were:

Mr Jim Service AO – Chairman (ACTEW)  
Mr Michael Fraser – Deputy Chairman (AGL)  
Mr Peter Magarry (Alinta)  
Mr Michael Easson AM (ACTEW)  
Mr Ian Devenish (Alinta)  
Mr Michael Costello AO (ACTEW)

ActewAGL delivered to its owners a profit well in excess of the 2006-07 budget.

Despite competition for electricity and gas customers, its retail business continued to be successful and it maintained customer service at high standards. A survey of ActewAGL customers during the year showed 93% of customers were satisfied overall with the products and services on offer.

ActewAGL's gas, electricity, water, sewerage and TransACT networks maintained high reliability throughout the year, and its green energy product Greenchoice was well received by the community.

All key service standards and key performance indicators set out in the Utilities Management Agreement with ACTEW were met during the year.

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

### **TransACT Communications Pty Limited**

TransACT Communications Pty Limited (TransACT) operates a broadband communications network across Canberra. Officially launched in May 2000, TransACT is governed by a ten person board with directors appointed by the shareholders. ACTEW holds a 20.1% shareholding 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, mobile and fixed line telephony services. TransACT also provides secure data centre space to a number of organisations.

In February 2004, ActewAGL and TransACT 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.

During 2006-07, TransACT continued to increase its network coverage and its footprint now covers 117,000 residences and some 6,500 businesses.

TransACT introduced a new wireless phone/data product in order to reach residents in broadband "blackspots" in the Gungahlin area and has continued to expand its network to new medium density unit developments.

TransACT continued planning for fibre-to-the-home deployments and has been awarded the contract to roll out these services to the new Canberra suburb of Forde. Customer connections will commence in this new development early in 2007-08.

TransACT has also continued to expand its data centre capability and will provide secure data storage space for the Federal Department of Education, Science and Training from late 2007.

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

### **Ecwise Environmental Pty Limited**

Ecwise Environmental Pty Limited (Ecwise) is jointly owned by ACTEW Distribution Limited and Alinta GCA Pty Limited.

Ecwise 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 single provider of integrated environmental analytical, monitoring and consulting services.

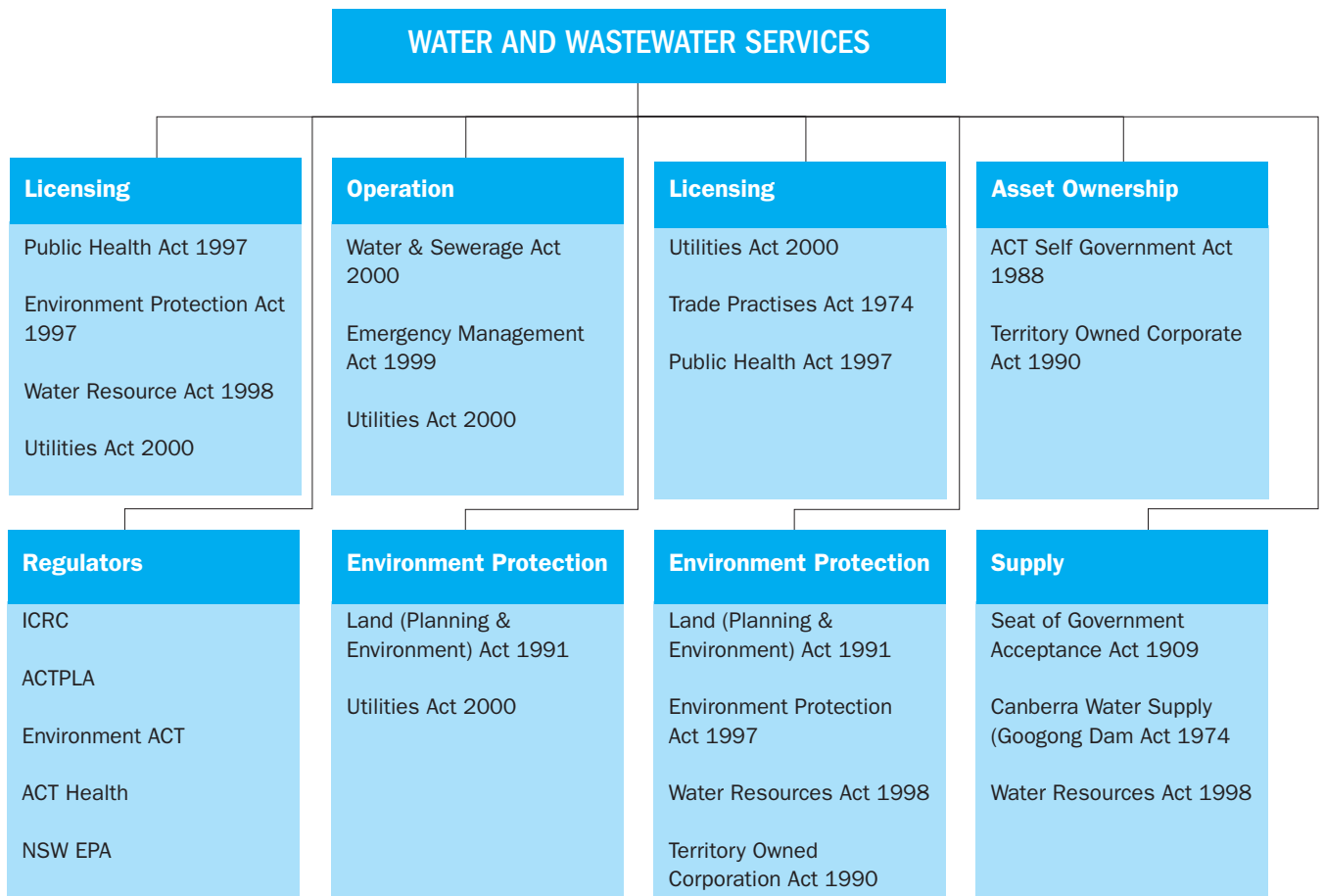
In the past few years Ecwise has expanded its business and operations through its acquisitions and now has twenty offices across Australia employing around 400 staff.

Ecwise operates under a board of six directors appointed by the joint owners.

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

## LEGISLATIVE FRAMEWORK

Legislation governing the supply of water and wastewater services to the ACT region is outlined below.



# The year ahead

## ACTEW'S PRIORITIES FOR 2007-08 ARE:

### Water Supply

1. As part of its continuing work on securing Canberra's water supply, ACTEW will:
  - Continue additional work on other water source options including technical analysis and planning for an enlarged Cotter Dam, a possible new Tennent Dam and transfer of water from Tantangara Dam in NSW.
  - Through its Water Security Program, make recommendations to Government on the proposal to provide purified water from Lower Molonglo Water Quality Control Centre to an enlarged Cotter Dam.
  - Seek further security through the diversification of the water supply, including accessing the additional water from the Murrumbidgee River.
  - In the short-term as a drought contingency measure ACTEW is also examining other supply options.
  - Review, monitor and report on the six key water supply planning assumptions
    1. Population growth and cross border water supply
    2. Climate change
    3. Environmental flows
    4. Recovery of water supply catchments after 2003 bushfires
    5. Water efficiency targets in Think water act water
    6. System performance criteria - duration, frequency and severity of water restrictions
  - Investigate opportunities to further maximise the efficiency of the existing water supply system with any necessary investment in capital expenditure and new technology.
2. Liaise with the Environmental Protection Authority regarding the monitoring and future review the environmental flow levels.
3. Work with the ACT Government to achieve a satisfactory ACT Cap for the Murray - Darling Basin.
4. Resolve the ownership of Googong Dam.
5. Alignment with the Australian Government National Water Initiative and other policy initiatives.

### Water Demand

1. Manage water restrictions as a demand management tool during the ongoing drought; and be ready to manage Permanent Water Conservation Measures when restrictions are lifted.
2. 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; and
  - Sustainable total water cycle management.

### Wastewater

1. Investigate opportunities to further maximise the efficiency of the existing wastewater system with any necessary investment in capital expenditure and new technology.
2. Investigate and monitor new industry standards in relation to wastewater network management.
3. Complete detailed design work and commence construction to upgrade the secondary treatment facilities at Lower Molonglo Water Quality Control Centre.

### Water Catchments

1. Work with the ACT Government to achieve appropriate catchment management governance and management arrangements in Cotter, Googong and Murrumbidgee Rivers catchments.
2. Continue the urgent rehabilitation of the Lower Cotter Catchment to improve water quality in the reservoir.

### TransACT

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

## ActewAGL

1. Manage the reset of the Utilities Management Agreement (UMA) with ActewAGL, which provides for the operational management of ACTEW's water and wastewater.
2. Continue to improve the process whereby ActewAGL delivers capital expenditure for ACTEW to ensure timely delivery of work at appropriate standards to justify the investment approved by the ICRC.
3. Monitor and manage implications of changes in ownership of our partners (currently Alinta and AGL Energy) to ensure a satisfactory outcome for our shareholders and customers.

## Customers

1. Consult and educate our customers about water quality, ACTEW's water supply and demand initiatives.
2. Deliver products and services to our customers at a sustainable level.

## Financial

1. Review and advise customers and shareholders on the implications of Stage 4 Water Restrictions on pricing and on the financial performance and position of ACTEW.
2. Continue to review and model the short and medium term implications of the drought continuing, the Water Security Program and alternate water resources on the water

prices for customers and on the financial performance and position of ACTEW.

3. In the event all or part of the Water Security Program is implemented raise debt capital to finance the construction of these new assets.
4. Continue to develop, refine and monitor the risk management strategies of ACTEW in the context of the UMA.
5. Work closely with ActewAGL on the regulatory submission to the ICRC to ensure an appropriate outcome.
6. Achieve earnings before interest and tax (EBIT) of approximately \$129m.
7. Declare shareholders a dividend out of 2006-07 profits of approximately \$73.4m.



# Financial Statements

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

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

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

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**Director's report**

For the year ended 30 June 2007

## DIRECTOR'S REPORT

### **ACTEW Corporation Limited and Controlled Entities Directors' Report For the year ended 30 June 2007**

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 2007.

#### **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 OAM

Refer to page 15 for 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 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 a Fellow of the Australian Institute of Company Directors, an Affiliate of Chartered Secretaries Australia, an Associate Fellow 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 Remuneration Committee met four times during the year.

**Director's report**

For the year ended 30 June 2007

| Director     | ACTEW Board Meetings | Audit & Risk Management Committee Meetings | Remuneration Committee Meetings |
|--------------|----------------------|--------------------------------------------|---------------------------------|
| J G Service  | 12 <b>(14)</b>       | -                                          | 4 <b>(4)</b>                    |
| M B Easson   | 14 <b>(14)</b>       | 4 <b>(4)</b>                               | 4 <b>(4)</b>                    |
| K L Neil     | 12 <b>(13)</b>       | 3 <b>(3)</b>                               | 4 <b>(4)</b>                    |
| M J Costello | 14 <b>(14)</b>       | -                                          | 1 <b>(1)</b>                    |
| E W Mathews  | 14 <b>(14)</b>       | 4 <b>(4)</b>                               | 4 <b>(4)</b>                    |
| E A Whitelaw | 13 <b>(14)</b>       | -                                          | 3 <b>(4)</b>                    |
| B M Byrne    | 12 <b>(13)</b>       | -                                          | 4 <b>(4)</b>                    |

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

**Principal Activities**

The principal activities of ACTEW during the year were to:

- Supply water
- Promote and manage the sustainable use of energy and water
- Provide sewerage services
- Undertake other related business or activity

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:

|                                                         | 2007       | 2006       |
|---------------------------------------------------------|------------|------------|
|                                                         | \$ million | \$ million |
| Revenue (excludes ActewAGL joint venture profits)       | 183.5      | 168.3      |
| Profit before income tax expense and contributed assets | 78.8       | 86.5       |
| Contributed assets                                      | 6.1        | 6.6        |
| Profit before income tax expense                        | 84.9       | 93.1       |
| Income tax                                              | 20.5       | 32.6       |
| Profit for the year                                     | 64.4       | 60.5       |
| Payments to ACT Government:                             |            |            |
| Interim dividend for current years profit               | 50.7       | 45.8       |
| Final dividend for previous years profit                | 14.7       | 22.5       |
|                                                         | 65.4       | 68.3       |
| Tax equivalent payments                                 | 11.6       | 11.6       |
| Total payments to ACT Government                        | 77.0       | 79.9       |

Revenue is higher than prior year mainly from an increase in the recovery of the water abstraction charge (WAC) levied by the ACT Government from 25c to 55c. Revenue (excluding the WAC) was \$2.3m above prior year due to an increase in the price allowed from the regulator for wastewater.

Profit for the year increased compared to prior year mainly due to lower income tax expense than prior year.

### Contributed Assets

ACTEW receives non-cash contributions of non-current water and wastewater assets resulting from new land developments. In accordance with UIG 11 and Australian Equivalents to International Accounting Standards (AIFRS) these are recorded in the Financial Statements as revenue.

The directors are required under section 297 of the Corporations Act to ensure that the financial statements and notes present a true and fair view. It is the directors' opinion that ACTEW profit excluding contributed assets reflects a better view of net profit.

ACTEW has therefore applied AASB 101 Presentation of Financial Statements Aus 83.1 and adopted an alternative income statement which displays profit before and after contributed assets.

**Director's report**

For the year ended 30 June 2007

**Dividends**

An interim dividend of \$50.7m (2006 interim: \$45.8) was paid in June 2007. The directors have recommended the payment of a 2006-07 final dividend of \$13.7m (2006 final: \$14.7m).

**Significant changes in the state of affairs**

ACTEW borrowed \$15m in June 2007 to fund future capital works expenditure projects.

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

ACTEW will continue to review the level of water restrictions in place depending on climatic conditions and water storage levels. This could impact on water revenue.

With the sale of Alinta Limited, ACTEW's ultimate distribution partner changes from Alinta to Singapore Power.

**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. On 30 September 2006 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 2006-07. ACTEW's compliance details were:

|                                                         | <b>Compliance<br/>2007</b> | <b>Compliance<br/>2006</b> | <b>Target</b> |
|---------------------------------------------------------|----------------------------|----------------------------|---------------|
| Googong pollution control licence compliance *          | 100%                       | 100%                       | 100%          |
| Sewage treatment discharge compliance                   | 100%                       | 100%                       | 100%          |
| Sewage treatment incinerator air emission compliance ** | 98.9%                      | 98.7%                      | 100%          |

\* Googong pollution control licence period runs from 15 August 2006 to 14 August 2007.

\*\* Lower Molonglo Water Quality Control Centre's non compliance was typically due to changes in process operation conditions and equipment malfunctions. 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 environmental 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. The Code was updated in February 2007. ACTEW complied with all reporting requirements.

#### **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 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 and updated the indemnity provided to 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. This indemnity is to operate only where and to the extent that the director or officer is unable to require an insurer to meet the damage, liability, cost, loss or expense. Indemnity has also been granted to

**Director's report**

For the year ended 30 June 2007

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 31.

**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.



Jim Service AO  
Chairman  
25 September 2007  
Canberra



Michael Costello AO  
Managing Director  
25 September 2007  
Canberra

**Director's Declaration**

For the year ended 30 June 2007

## DIRECTOR'S DECLARATION

***ACTEW Corporation Limited and Controlled Entities***

**Directors' Declaration**

**for the year ended 30 June 2007**

The directors declare that the financial report and notes set on pages 35 to 72:

- a) comply with Australian Equivalents to International 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 2007 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.
- 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.



Jim Service AO  
Chairman  
25 September 2007  
Canberra



Michael Costello AO  
Managing Director  
25 September 2007  
Canberra



## INDEPENDENT AUDIT REPORT AND AUDITORS INDEPENDENCE DECLARATION



**ACT AUDITOR-GENERAL'S OFFICE**



### **Auditor's Independence Declaration**

#### **To the Directors of ACTEW Corporation Ltd**

In relation to the audit of the financial report of ACTEW Corporation Ltd for the year ended 30 June 2007, 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  
25 September 2007



**ACT AUDITOR-GENERAL'S OFFICE**



## **INDEPENDENT AUDIT REPORT**

### **ACTEW CORPORATION LTD**

**To the Members of the ACT Legislative Assembly and ACTEW Corporation Ltd**

#### **Audit Opinion**

In my opinion:

- (a) the financial report of ACTEW Corporation Ltd for the year ended 30 June 2007 is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2007 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) the financial report also complies with International Financial Reporting Standards.

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

#### **Responsibility for the Financial Report**

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and estimates used in the preparation of the financial report.

In Note 1(a): 'Basis of Preparation' the directors also state, in accordance with Accounting Standard 101: 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report complies with International Financial Reporting Standards.

## **Contents of the Financial Report**

The financial report is comprised of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, accompanying notes and the Directors' Declaration for the Company and the consolidated entity. The consolidated entity is comprised of ACTEW Corporation Ltd and the entities it controlled at the end of, or during the financial years ended 30 June 2006 and 30 June 2007.

## **The Auditor's Responsibility**

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

## **Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of this audited financial report should note that the directors of the Company are responsible for the integrity of the information placed on the website. I have not examined the integrity of this website. The audit report refers only to the financial report identified above.

It does not provide an opinion on any other information, which may have been hyperlinked to or from this report. If users of the report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the audited financial report, available from the Company, to confirm the information included in the audited financial report presented on this website.

## **The Audit Scope**

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

I formed the audit opinion by performing procedures to assess whether, in all material respects, the financial report presents 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 financial position and performance of the Company and the consolidated entity.

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 report; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial report.

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 and the consolidated entity.

### **Independence**

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



Tu Pham  
Auditor-General  
27 September 2007

**Income Statement**

For the year ended 30 June 2007

**INCOME STATEMENT**

|                                                                                           | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------------------------------------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                                                                           |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Revenue from continuing operations                                                        | 5     | 171,182        | 156,364        | 209,511               | 190,706        |
| Other income                                                                              | 6     | 12,305         | 11,979         | 12,305                | 11,979         |
|                                                                                           |       | <b>183,487</b> | 168,343        | <b>221,816</b>        | 202,685        |
| ACT government charges                                                                    |       | 27,928         | 13,095         | 27,928                | 13,095         |
| Administration and other costs                                                            |       | 5,165          | 4,202          | 5,165                 | 4,202          |
| Depreciation and amortisation expense                                                     | 7     | 22,497         | 21,850         | 22,497                | 21,850         |
| Finance costs                                                                             | 7     | 27,222         | 24,385         | 27,222                | 24,385         |
| Project related expenses                                                                  |       | 72,607         | 67,946         | 72,607                | 67,946         |
| Impairment of investments                                                                 |       | (2,318)        | (2,756)        | -                     | -              |
| Investments in associates equity accounted losses                                         |       | 2,318          | 2,756          | -                     | -              |
| Other expenses arising from ordinary activities                                           |       | 3,470          | 3,033          | 3,439                 | 3,005          |
| Share of net (profit) of joint ventures partnership accounted for using the equity method | 38    | (54,242)       | (52,698)       | -                     | -              |
| Profit before contributed assets and income tax expense                                   |       | <b>78,840</b>  | 86,530         | <b>62,958</b>         | 68,202         |
| Contributed assets                                                                        |       | 6,054          | 6,566          | 6,054                 | 6,566          |
| <b>Profit before income tax</b>                                                           |       | <b>84,894</b>  | 93,096         | <b>69,012</b>         | 74,768         |
| Income tax expense                                                                        | 8     | 20,458         | 32,566         | 5,052                 | 14,858         |
| <b>Profit for the year</b>                                                                |       | <b>64,436</b>  | 60,530         | <b>63,960</b>         | 59,910         |

The above income statement should be read in conjunction with the accompanying notes.

**Balance Sheet**

For the year ended 30 June 2007

**BALANCE SHEET**

|                                                   | Notes | Consolidated     |                  | ACTEW Corporation Ltd |                  |
|---------------------------------------------------|-------|------------------|------------------|-----------------------|------------------|
|                                                   |       | 2007<br>\$'000   | 2006<br>\$'000   | 2007<br>\$'000        | 2006<br>\$'000   |
| <b>Current Assets</b>                             |       |                  |                  |                       |                  |
| Cash and cash equivalents                         | 10    | 23,239           | 28,759           | 23,239                | 28,759           |
| Receivables                                       | 11    | 24,853           | 26,728           | 76,780                | 91,694           |
| Other                                             | 12    | 17,525           | 16,746           | 17,525                | 16,746           |
| <b>Total Current Assets</b>                       |       | <b>65,617</b>    | <b>72,233</b>    | <b>117,544</b>        | <b>137,199</b>   |
| <b>Non Current Assets</b>                         |       |                  |                  |                       |                  |
| Trade and other receivables                       | 13    | -                | -                | 303,018               | 286,551          |
| Available-for-sale financial assets               | 14    | 17,116           | 10,789           | 17,116                | 10,789           |
| Investments accounted for using the equity method | 15    | 424,446          | 360,704          | 1,250                 | -                |
| Derivative financial instrument                   | 16    | 349              | -                | 349                   | -                |
| Other financial assets                            | 17    | -                | -                | 1,400                 | 1,400            |
| Property, plant and equipment                     | 18    | 1,229,400        | 935,302          | 1,229,400             | 935,302          |
| Other                                             | 19    | 426              | 1,258            | 426                   | 1,258            |
| Deferred tax assets                               | 20    | 13,234           | 13,707           | 5,922                 | 6,148            |
| <b>Total Non Current Assets</b>                   |       | <b>1,684,971</b> | <b>1,321,760</b> | <b>1,558,881</b>      | <b>1,241,448</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>1,750,588</b> | <b>1,393,993</b> | <b>1,676,425</b>      | <b>1,378,647</b> |
| <b>Current Liabilities</b>                        |       |                  |                  |                       |                  |
| Trade and other payables                          | 21    | 19,128           | 18,319           | 19,103                | 18,294           |
| Borrowings                                        | 22    | 11,775           | 11,424           | 11,775                | 11,424           |
| Provisions                                        | 23    | 31,696           | 31,939           | 31,696                | 31,939           |
| Other                                             | 24    | 1,431            | 1,120            | 1,431                 | 1,120            |
| <b>Total Current Liabilities</b>                  |       | <b>64,030</b>    | <b>62,802</b>    | <b>64,005</b>         | <b>62,777</b>    |
| <b>Non Current Liabilities</b>                    |       |                  |                  |                       |                  |
| Borrowings                                        | 25    | 366,605          | 361,730          | 366,605               | 361,730          |
| Provisions                                        | 26    | 2,134            | 3,418            | 2,134                 | 3,418            |
| Deferred tax liability                            | 27    | 304,588          | 189,551          | 248,530               | 152,109          |
| <b>Total Non Current Liabilities</b>              |       | <b>673,327</b>   | <b>554,699</b>   | <b>617,269</b>        | <b>517,257</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>737,357</b>   | <b>617,501</b>   | <b>681,274</b>        | <b>580,034</b>   |
| <b>NET ASSETS</b>                                 |       | <b>1,013,231</b> | <b>776,492</b>   | <b>995,151</b>        | <b>798,613</b>   |
| <b>Equity</b>                                     |       |                  |                  |                       |                  |
| Contributed equity                                | 28    | 758,871          | 758,871          | 758,871               | 758,871          |
| Reserves                                          | 29    | 246,559          | 9,820            | 206,834               | 9,820            |
| Retained profits                                  | 30    | 7,801            | 7,801            | 29,446                | 29,922           |
| <b>TOTAL EQUITY</b>                               |       | <b>1,013,231</b> | <b>776,492</b>   | <b>995,151</b>        | <b>798,613</b>   |

The above balance sheet should be read in conjunction with the accompanying notes.

**Cash Flow Statement**

For the year ended 30 June 2007

**CASH FLOW STATEMENT**

|                                                                             | Notes | Consolidated         |                 | ACTEW Corporation Ltd |                 |
|-----------------------------------------------------------------------------|-------|----------------------|-----------------|-----------------------|-----------------|
|                                                                             |       | 2007<br>\$'000       | 2006<br>\$'000  | 2007<br>\$'000        | 2006<br>\$'000  |
|                                                                             |       | Inflows / (Outflows) |                 | Inflows / (Outflows)  |                 |
| <b>Cash Flows From Operating Activities</b>                                 |       |                      |                 |                       |                 |
| Receipts from customers<br>(inclusive of goods & services tax)              |       | 181,943              | 162,695         | 181,943               | 162,695         |
| Payments to suppliers and employees<br>(inclusive of goods & services tax)  |       | (106,453)            | (87,274)        | (106,453)             | (87,274)        |
| Sub-Total                                                                   |       | 75,490               | 75,421          | 75,490                | 75,421          |
| Interest received                                                           |       | 3,579                | 2,231           | 3,579                 | 2,231           |
| Income tax equivalents paid                                                 |       | (11,605)             | (11,593)        | (11,605)              | (11,593)        |
| Dividends received                                                          |       | -                    | -               | (6,723)               | 51,494          |
| Interest paid                                                               |       | (25,701)             | (23,835)        | (25,701)              | (23,835)        |
| <b>Net Cash Inflow from Operating Activities</b>                            | 39    | <b>41,763</b>        | <b>42,224</b>   | <b>35,040</b>         | <b>93,718</b>   |
| <b>Cash Flows from Investing Activities</b>                                 |       |                      |                 |                       |                 |
| Payments for property, plant & equipment                                    |       | (28,004)             | (28,742)        | (28,004)              | (28,742)        |
| Loans to related parties                                                    |       | -                    | -               | 6,723                 | (51,494)        |
| Distribution received from joint venture partnerships                       |       | 48,500               | 45,000          | 48,500                | 45,000          |
| Proceeds from sale of property, plant & equipment                           |       | -                    | 6               | -                     | 6               |
| Net proceeds/(payments) for investments                                     |       | (7,577)              | 9,885           | (7,577)               | 9,885           |
| <b>Net Cash Inflow/(Outflow) from Investing Activities</b>                  |       | <b>12,919</b>        | <b>26,149</b>   | <b>19,642</b>         | <b>(25,345)</b> |
| <b>Cash Flows from Financing Activities</b>                                 |       |                      |                 |                       |                 |
| Repayment of borrowings                                                     |       | (9,772)              | (9,774)         | (9,772)               | (9,774)         |
| Proceeds from borrowings                                                    |       | 15,000               | 25,000          | 15,000                | 25,000          |
| Dividend paid                                                               |       | (65,430)             | (68,321)        | (65,430)              | (68,321)        |
| <b>Net Cash (Outflow) from Financing Activities</b>                         |       | <b>(60,202)</b>      | <b>(53,095)</b> | <b>(60,202)</b>       | <b>(53,095)</b> |
| <b>Net Increase (Decrease) in Cash and Cash<br/>Equivalents</b>             |       | <b>(5,520)</b>       | <b>15,278</b>   | <b>(5,520)</b>        | <b>15,278</b>   |
| <b>Cash and Cash Equivalents at the Beginning of the<br/>Financial Year</b> |       | <b>28,759</b>        | <b>13,481</b>   | <b>28,759</b>         | <b>13,481</b>   |
| <b>Cash and Cash Equivalents at the end of the<br/>financial year</b>       | 10    | <b>23,239</b>        | <b>28,759</b>   | <b>23,239</b>         | <b>28,759</b>   |

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

**Statement of Changes in Equity**

For the year ended 30 June 2007

**STATEMENT OF CHANGES IN EQUITY**

|                                                                                          | <b>Consolidated</b> |                 | <b>ACTEW Corporation Ltd</b> |                 |
|------------------------------------------------------------------------------------------|---------------------|-----------------|------------------------------|-----------------|
|                                                                                          | <b>2007</b>         | <b>2006</b>     | <b>2007</b>                  | <b>2006</b>     |
|                                                                                          | <b>\$'000</b>       | <b>\$'000</b>   | <b>\$'000</b>                | <b>\$'000</b>   |
| Total Equity at the beginning of the financial year                                      | 776,492             | 776,492         | 798,613                      | 840,297         |
| Adjustments to prior year subsidiary dividend                                            | -                   | -               | -                            | (41,064)        |
| Restated total equity at the beginning of the financial year                             | <u>776,492</u>      | <u>776,492</u>  | <u>798,613</u>               | <u>799,233</u>  |
| Fixed asset revaluation increment from revaluations net of tax                           | 196,770             | -               | 196,770                      | -               |
| Share of revaluation of Joint Venture partnership electricity and gas assets, net of tax | 39,725              | -               | -                            | -               |
| Changes in the fair value of cash flow hedges, net of tax                                | 244                 | -               | 244                          | -               |
| Profit for the year                                                                      | 64,436              | 60,530          | 63,960                       | 59,910          |
| Total recognised income and expense for the year                                         | <u>301,175</u>      | <u>60,530</u>   | <u>260,975</u>               | <u>59,910</u>   |
| Transactions with equity holders in their capacity as equity holders:                    |                     |                 |                              |                 |
| Dividends provided for or paid                                                           | (64,436)            | (60,530)        | (64,436)                     | (60,530)        |
|                                                                                          | <u>(64,436)</u>     | <u>(60,530)</u> | <u>(64,436)</u>              | <u>(60,530)</u> |
| Total equity at the end of the financial year                                            | <u>1,013,231</u>    | <u>776,492</u>  | <u>995,152</u>               | <u>798,613</u>  |
| <b>Effect of change of correction of error in previous year</b>                          |                     |                 |                              |                 |
| Total Equity at the beginning of the financial year                                      | 776,492             | 794,447         | 776,492                      | 794,447         |
| Adjustment to retained profits due to error on adoption of AASB 112: Income Taxes        | -                   | (17,955)        | -                            | (17,955)        |
| Restated total equity at the beginning of the financial year                             | <u>776,492</u>      | <u>776,492</u>  | <u>776,492</u>               | <u>776,492</u>  |

The above statement of changes in equity should be read in conjunction with the accompanying notes.



## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Summary of significant accounting policies

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The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for ACTEW Corporation Ltd as an individual entity and the consolidated entity consisting of ACTEW Corporation Ltd and its subsidiaries.

#### (a) Basis of preparation

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

##### *Compliance with IFRSs*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of ACTEW Corporation Ltd comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in *AASB 132 Financial Instruments Presentation and Disclosure*.

##### *Early Adoption of Standards*

The Group has elected to apply the following pronouncement to the annual reporting period 1 July 2006:

- revised AASB 101 Presentation of Financial Statements.

This includes applying the pronouncement to the comparatives in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

##### *Historical Cost Convention*

This financial report has been prepared on a historical cost basis as modified by the revaluation of land, buildings and network and financial assets that have been measured at fair value.

ACTEW Corporation receives non-cash contributions of non-current water and wastewater assets resulting from new land developments, these are recorded in the Income Statement as revenue.

The contributed assets revenue has been shown as a separate line item to allow users to see profit before and after contributed assets.

ACTEW has therefore adopted an alternative income statement which displays profit before and after contributed assets.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### (b) Principles of consolidation

##### (i) Associates

Associates are all entities over which ACTEW Corporation has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In October 2006, ACTEW Corporation decreased its interest in TransACT Communications to 20.1%. 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 income statement, 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. Losses incurred from associates are recognised in the parent's entity's income statement, while in the consolidated financial statements they reduce the impairment amount of the investment.

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

(i) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Groups interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Joint ventures

*Joint venture partnership*

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent. The share of the electricity and gas network assets of the ActewAGL Distribution Partnership in 2007 has been adjusted to fair value applying a Director's valuation based on future discounted cash flows. This change in valuation is in line with ACTEW's change in accounting policy on infrastructure assets from historical cost to fair value.

Under the equity method, the share of the profit and losses of the partnership in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. 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 related to an unrealised loss that provides evidence of the impairment of an asset transferred. Detail relating to the partnership are set out in note 38.

*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 38.

(iii) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ACTEW Corporation Limited as at 30 June 2007 and the results of all subsidiaries for the year end.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

The subsidiaries are 100% owned by ACTEW Corporation Ltd which has full power to govern the financial and operating policies of the subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in subsidiaries are accounted for at cost in the individual financial statements of ACTEW Corporation Limited.

**(c) 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 via the UMA. In October 2006 there was a merger between AGL and Alinta Limited followed by a demerger resulting in a change in ownership to the ActewAGL Joint Venture. As a result AGL Energy remained 50% owner of the ActewAGL Retail Partnership and Alinta GCA Limited became 50% owner of ActewAGL Distribution Partnership with ACTEW Corporation maintaining its original ownership status. 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. In addition to retaining ownership of the water and sewerage assets and the investment in ActewAGL ACTEW has investments in telecommunications and environmental monitoring and testing (see page 22 and 23) and is responsible for the strategy and policy for water planning and security and the management of temporary water restrictions 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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**(d) 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 or revenue for the period is the tax payable on the current period's taxable income based on the National Tax Equivalents Regime adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financials statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

***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.

ACTEW Corporation, as the head entity in the tax consolidated group, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

**(e) Revenue recognition**

Revenue is measured at fair value and recognised to the extent that it is probable that the economic benefits will flow to the group. The specific recognition criteria must also be met before revenue is recognised.

***Services provided***

Revenue is recognised on services provided when usage of the service occurs and is measured at fair value.

***Interest***

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

***Dividends***

Revenue is recognised when the shareholders' right to receive the payment is established.

***Contributed Assets***

Revenue is recognised when the entity gains control of the asset and the amount of the contribution can be measured reliably. Contributed assets are measured at fair value.

**(f) 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.

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

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

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**(g) Trade receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when evidence suggests that collection of the full amount is no longer probable. Bad debts are written off when identified.

**(h) Property, plant and equipment**

*Valuation*

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are undertaken by external independent valuers triennial with the most recent valuation in June 2006 which showed no impairment.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the asset revaluation reserve in shareholders' equity.

Water and wastewater assets are shown at fair value. The value was determined by applying a discounted cash flow analysis to the asset base.

*Depreciation*

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives as follows:

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

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (note 1(i)).

**(i) Impairment of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If such an indication of impairment exists, the entity shall estimate the recoverable amount of the asset.

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, pre-tax rate of 9.3% (2006 - 9.3%).

At 30 June 2007, ACTEW had invested \$60.8 million in TransACT Communications Pty Ltd. The provision for diminution accounted losses of the TransACT investment is \$59.5 million (30 June 2006: \$59.5million). This provision is reviewed annually. (Refer note 15)

**(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and bank overdrafts.

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

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**(k) Investments and other financial assets**

*Classification*

ACTEW Corporation classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 11).

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that ACTEW Corporation has the positive intention and ability to hold to maturity. If ACTEW Corporation were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*(iv) Available-for sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

*Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which ACTEW commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

*Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when ACTEW Corporation's right to receive payments is established.

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

**(k) Investments and other financial assets (continued)**

***Fair value***

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

***Impairment***

ACTEW Corporation assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

**(l) Leases**

Operating lease payments are charged to the income statement on a straight line basis over the lease term.

**(m) Intangible assets and expenditure carried forward**

***(i) Research and development***

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects would be recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour, and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as an intangible asset and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

**(n) Trade and other payables**

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.

**(o) Interest bearing loans and borrowings**

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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 22 and 25.

**(p) 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.

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

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**(q) Employee benefits**

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 income statement 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 and salaries*

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables 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) Annual, sick and long service leave*

A liability for annual sick leave and long service leave ten years or greater is recognised as a current provision for employee benefits. Long service leave less than ten years is measured as a non current provision for employee benefits.

Long service leave is measured as 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) Dividends**

ACTEW Corporation's 2006/07 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 2007. 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.

**(s) Government grants**

ACTEW receives a Commonwealth subvention payment for disabilities associated with providing water supply and sewerage services in the ACT as they relate to an inland location and national capital influences. This is recognised as revenue in the income statement at fair value where there is reasonable assurance that the grant will be received.

**(t) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

*Interest Rate Swap*

ACTEW Corporation has entered into a fully effective interest rate swap that is classified as a cash flow hedge. The effective portion of changes in the fair value of the cash flow hedges is recognised in equity in the hedging reserve.

ACTEW Corporation documented at the inception of the hedging transaction the relationship between hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

ACTEW also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 16. Movements in the hedging reserve in reserves are shown in note 29.

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

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**(u) Rounding of amounts**

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised exclusive of GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable.

**(w) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

**(x) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**(y) New accounting standards and UIG interpretations**

Certain accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's assessment of the impact of these new standards and interpretations are set out below.

(i) AASB 7, AASB 8 *Financial Instruments Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB117, AASB 133, AASB 139, AASB1, AASB 4, AASB 1023 & AASB 1038)*.

AASB 7, AASB8 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments and segment information.



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**Note 2: Financial risk management**

The Group's principal financial instruments comprise bank loans, interest rate swaps, long and short term cash investments.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

**(a) Cash flow and interest rate risk**

*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). Due to exposure to fluctuating interest rates ACTEW 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 payables. At 30 June 2007 the notional principal amount is \$70 million (2006 - \$70 million) and the interest rate swap contract will expire within 5 years (2006 - 6 years). ACTEW views this hedge as effective as it has achieved an acceptable fixed interest rate during times of uncertainty.

*Indexed annuity bond*

The main portion of total borrowings is for a CPI linked indexed annuity bond which has a total outstanding of \$229,845,000 at 30 June 2007.

**(b) Market risk**

ACTEW's water and sewerage price's are determined by the Independent Competition and Regulatory Commission (ICRC) so there is no concern of price risk.

**(c) Credit risk**

There is no concentration of credit risk with respect to current and non-current receivables due to water and sewerage receivables being a secured asset.

**(d) Liquidity risk**

ACTEW has a low gearing rate of 27% which indicates low liquidity risk. Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

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**Note 3: Critical accounting judgements and estimates**

*Revenue Recognition*

ACTEW water revenue includes an estimated accrual for water consumed but not yet billed. This is a regular occurrence at the end of each reporting period. The estimate is calculated on outstanding water consumed (net of estimated losses) for the period less actual billing. This is multiplied by the average price of water consumption. The June 2007 amount totalled \$4.8m which included water consumption and revenue from the Water Abstraction Charge.

*Impairment test*

ACTEW undertook a revaluation of its 2007 water and wastewater assets under depreciable replacement cost with a final valuation totalling \$2.3 billion.

The final valuation of these assets (\$1.2 billion) was determined by application of a discounted cash flow analysis (DCF). The DCF was determined over a six year period using ACTEW's forecast net cash flow results with a terminal value based on cashflow perpetuity discounted using pre-tax nominal cash flow of 9.31%.

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**Note 4: 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 segment 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.

**Geographical 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 accounting standard AASB 114 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 payables and employee benefits. 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.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 4: Segment information (continued)**

**Primary reporting - business segments**

| Year ended 30 June 2007                                                     | Water &<br>Waste Water<br>\$'000 | Investments<br>\$'000 | Consolidated<br>\$'000 |
|-----------------------------------------------------------------------------|----------------------------------|-----------------------|------------------------|
| Sales to external customers                                                 | 178,237                          | -                     | 178,237                |
| <b>Total sales revenue</b>                                                  | <b>178,237</b>                   | <b>-</b>              | <b>178,237</b>         |
| Share of net profits of associates and joint venture partnership            | -                                | 54,242                | 54,242                 |
| Other revenue                                                               | 972                              | 4,278                 | 5,250                  |
| <b>Total segment revenue</b>                                                | <b>179,209</b>                   | <b>58,519</b>         | <b>237,729</b>         |
| <b>Segment result</b>                                                       | <b>23,906</b>                    | <b>54,934</b>         | <b>78,840</b>          |
| Profit before ordinary activities before tax expense and contributed assets |                                  |                       | 78,840                 |
| Contributed assets                                                          |                                  |                       | 6,054                  |
| <b>Net profit before income tax</b>                                         |                                  |                       | <b>84,894</b>          |
| Income tax expense                                                          |                                  |                       | (20,458)               |
| <b>Net profit</b>                                                           |                                  |                       | <b>64,436</b>          |
| <b>Segment assets</b>                                                       | <b>1,297,012</b>                 | <b>440,342</b>        | <b>1,737,354</b>       |
| Unallocated assets                                                          |                                  |                       | 13,234                 |
| <b>Total assets</b>                                                         |                                  |                       | <b>1,750,588</b>       |
| <b>Segment liabilities</b>                                                  | <b>663,621</b>                   | <b>73,737</b>         | <b>737,357</b>         |
| Unallocated liabilities                                                     |                                  |                       | -                      |
| <b>Total liabilities</b>                                                    |                                  |                       | <b>737,357</b>         |
| <b>Investments in associates and joint venture partnership</b>              | <b>-</b>                         | <b>424,446</b>        | <b>424,446</b>         |
| <b>Acquisition of property, plant and equipment</b>                         | <b>30,450</b>                    | <b>(203)</b>          | <b>30,247</b>          |
| <b>Depreciation and amortisation expense</b>                                | <b>22,042</b>                    | <b>455</b>            | <b>22,497</b>          |
| <b>Other non-cash expenses</b>                                              | <b>(65)</b>                      | <b>-</b>              | <b>(65)</b>            |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 4: Segment information (continued)**

**Primary reporting - business segments**

| Year ended 30 June 2006                                          | Water &<br>Waste Water<br>\$'000 | Investments<br>\$'000 | Consolidated<br>\$'000 |
|------------------------------------------------------------------|----------------------------------|-----------------------|------------------------|
| Sales to external customers                                      | 164,118                          |                       | 164,118                |
| <b>Total sales revenue</b>                                       | <u>164,118</u>                   |                       | <u>164,118</u>         |
| Share of net profits of associates and joint venture partnership |                                  | 52,698                | 52,698                 |
| Other revenue                                                    | 1,158                            | 3,067                 | 4,225                  |
| <b>Total segment revenue</b>                                     | <u>165,276</u>                   | <u>55,765</u>         | <u>221,041</u>         |
| <b>Segment result</b>                                            | <u>33,927</u>                    | <u>52,603</u>         | 86,530                 |
| Profit before ordinary activities before income tax expense      |                                  |                       | 86,530                 |
| Contributed assets                                               |                                  |                       | <u>6,566</u>           |
| <b>Net profit before income tax</b>                              |                                  |                       | 93,096                 |
| Income tax expense                                               |                                  |                       | <u>(32,566)</u>        |
| <b>Net profit for the year</b>                                   |                                  |                       | <u>60,530</u>          |
| <b>Segment assets</b>                                            | <u>991,675</u>                   | <u>388,611</u>        | 1,380,286              |
| Unallocated assets                                               |                                  |                       | <u>13,707</u>          |
| <b>Total assets</b>                                              |                                  |                       | <u>1,411,948</u>       |
| <b>Segment liabilities</b>                                       | <u>555,751</u>                   | <u>61,750</u>         | 617,501                |
| Unallocated liabilities                                          |                                  |                       | <u>617,501</u>         |
| <b>Total liabilities</b>                                         |                                  |                       | <u>617,501</u>         |
| <b>Investments in associates and joint venture partnership</b>   |                                  | <u>360,704</u>        | 360,704                |
| <b>Acquisition of property, plant and equipment</b>              | <u>28,605</u>                    | <u>390</u>            | 28,995                 |
| <b>Depreciation and amortisation</b>                             | <u>21,265</u>                    | <u>585</u>            | 21,850                 |
| <b>Other non-cash expenses</b>                                   | <u>(696)</u>                     |                       | <u>(696)</u>           |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 5: Revenue from continuing operations**

|                                    | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                    |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| <b>Sales revenue</b>               |       |                |                |                       |                |
| Water revenue                      |       | 66,639         | 67,883         | 66,639                | 67,883         |
| Sewerage revenue                   |       | 75,634         | 73,067         | 75,634                | 73,067         |
| Recovery of ACT Government Charges |       | 25,389         | 13,095         | 25,389                | 13,095         |
|                                    |       | <b>167,662</b> | <b>154,045</b> | <b>167,662</b>        | <b>154,045</b> |
| <b>Other revenue</b>               |       |                |                |                       |                |
| Interest                           |       | 3,520          | 2,319          | 3,520                 | 2,319          |
| Dividend revenue                   |       | -              | -              | 38,330                | 34,342         |
|                                    | a     | <b>171,182</b> | <b>156,364</b> | <b>209,511</b>        | <b>190,706</b> |

a. Excludes share of equity in net profits of joint venture partnerships accounted for using the equity method.

**Note 6: Other income**

|                                                         | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|---------------------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                                         |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Commonwealth subvention                                 | a     | 9,435          | 9,250          | 9,435                 | 9,250          |
| Net gain from disposal of property, plant and equipment |       | -              | 6              | -                     | 6              |
| Regulated income                                        |       | 1,458          | 1,124          | 1,458                 | 1,124          |
| Contestable income                                      |       | 52             | 52             | 52                    | 52             |
| Other income                                            |       | 1,360          | 1,547          | 1,360                 | 1,547          |
|                                                         |       | <b>12,305</b>  | <b>11,979</b>  | <b>12,305</b>         | <b>11,979</b>  |

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

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 7: Expenses**

Operating profit from ordinary activities includes the revenues disclosed in Note 6 above and the following specific net expenses

|                                                                           | Consolidated   |                | ACTEW Corporation Ltd |                |
|---------------------------------------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                                                           | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| <b>Profit before income tax includes the following specific expenses:</b> |                |                |                       |                |
| Finance costs                                                             | 27,222         | 24,385         | 27,222                | 24,385         |
| Depreciation:                                                             |                |                |                       |                |
| Water system assets                                                       | 12,021         | 11,432         | 12,021                | 11,432         |
| Sewerage system assets                                                    | 10,083         | 10,004         | 10,083                | 10,004         |
| Infrastructure land and buildings                                         | 23             | 23             | 23                    | 23             |
| Non-infrastructure land and buildings                                     | 340            | 362            | 340                   | 362            |
| Plant and equipment                                                       | 30             | 29             | 30                    | 29             |
| Total Depreciation                                                        | 22,497         | 21,850         | 22,497                | 21,850         |
| Rental expenses relating to operating leases                              | 86             | 83             | 86                    | 83             |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 8: 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 |                |
|-------------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                                 |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| <b>(a) Income tax expense</b>                   |       |                |                |                       |                |
| Current tax                                     |       | 14,454         | 13,057         | (3,487)               | (1,211)        |
| Decrease/(Increase) in deferred tax asset       | 20    | 473            | (1,821)        | 227                   | (6)            |
| (Decrease)/Increase in deferred tax liabilities | 27    | 10,367         | 20,400         | 11,986                | 13,259         |
| Adjustment to prior year                        |       | (4,836)        | 930            | (3,674)               | 2,816          |
|                                                 |       | <b>20,458</b>  | <b>32,566</b>  | <b>5,052</b>          | <b>14,858</b>  |
| Income tax expense is attributable to:          |       |                |                |                       |                |
| Profit from continuing operations               |       | 20,458         | 32,566         | 5,052                 | 14,858         |
| <b>Aggregate income tax expense</b>             |       | <b>20,458</b>  | <b>32,566</b>  | <b>5,052</b>          | <b>14,858</b>  |

**(b) Numerical reconciliation of income tax equivalents to prima facie tax payable**

|                                                                 |  |        |        |        |        |
|-----------------------------------------------------------------|--|--------|--------|--------|--------|
| Profit from continuing operations before income tax equivalents |  | 84,894 | 93,096 | 69,012 | 74,768 |
| Income tax calculated at 30%                                    |  | 25,468 | 27,929 | 20,703 | 22,430 |

**Tax effect of permanent differences:**

|                                                          |  |               |               |              |               |
|----------------------------------------------------------|--|---------------|---------------|--------------|---------------|
| Over provision prior years                               |  |               |               |              |               |
| Intercompany dividends                                   |  | (297)         | -             | (11,977)     | (10,303)      |
| Non-assessable income                                    |  | -             | (144)         | -            | -             |
| Non-deductible expenses                                  |  | 153           | 71            | 30           | 31            |
| Share of joint venture profits and partner share profits |  | -             | 189           | -            | -             |
| Difference in tax and accounting asset cost bases        |  | -             | 3,707         | -            | -             |
| Research and development                                 |  | (30)          | (116)         | (30)         | (116)         |
| Adjustment to prior year income tax expense              |  | (4,836)       | 930           | (3,674)      | 2,816         |
| <b>Income tax expense</b>                                |  | <b>20,458</b> | <b>32,566</b> | <b>5,052</b> | <b>14,858</b> |

**(c) Amounts recognised directly in equity**

|                                                                |  |                |          |               |          |
|----------------------------------------------------------------|--|----------------|----------|---------------|----------|
| Deferred tax liability - credited directly to equity (note 27) |  | 101,460        | -        | 84,435        | -        |
|                                                                |  | <b>101,460</b> | <b>-</b> | <b>84,435</b> | <b>-</b> |

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

**Note 8: Income tax equivalents (continued)**

**Tax consolidation legislation**

ACTEW Corporation and its wholly-owned subsidiaries have implemented tax consolidation legislation as of 1 July 2003. The accounting policy note to this legislation is set out in note 1(d).

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate ACTEW Corporation Limited for any current tax payable assumed and are compensated by ACTEW Corporation Limited for any current tax receivable and deferred tax assets relating to unused tax credits that are transferred to ACTEW Corporation Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable at the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivable or payable.

**Note 9: Dividends**

|                                           | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                           |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Opening balance                           |       | 14,730         | 22,521         | 14,730                | 22,521         |
| Amount appropriated from operating profit |       | 64,436         | 60,530         | 63,960                | 59,910         |
|                                           |       | <b>79,166</b>  | <b>83,051</b>  | <b>78,690</b>         | <b>82,431</b>  |
| Amount transferred from retained profits  |       | -              | -              | 476                   | 620            |
| Amount paid during the year               |       | (65,430)       | (68,321)       | (65,430)              | (68,321)       |
| Closing balance                           |       | <b>13,736</b>  | <b>14,730</b>  | <b>13,736</b>         | <b>14,730</b>  |

**Note 10: Current assets - cash and cash equivalents**

|                          | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|--------------------------|-------|----------------|----------------|-----------------------|----------------|
|                          |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Cash at bank and on hand |       | 801            | 586            | 801                   | 586            |
| Short-term deposits      |       | 22,438         | 28,173         | 22,438                | 28,173         |
|                          | a     | <b>23,239</b>  | <b>28,759</b>  | <b>23,239</b>         | <b>28,759</b>  |

a) the cash flow statement includes cash on hand and in banks and short-term money market investments and interest rates for cash at bank and deposits.



**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 11: Current assets - trade and other receivables**

|                                                          | Consolidated   |                | ACTEW Corporation Ltd |                |
|----------------------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                                          | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Water revenue receivable                                 | 13,475         | 17,424         | 13,475                | 17,424         |
| Sewerage revenue receivable                              | 7,868          | 5,914          | 7,868                 | 5,914          |
| Other trade receivables                                  | 2,397          | 1,756          | 2,397                 | 1,756          |
|                                                          | (76)           | (87)           | (76)                  | (87)           |
| Sub total trade receivables                              | 23,663         | 25,007         | 23,663                | 25,007         |
| Sundry receivables and accrued revenue                   | 1,190          | 1,572          | 1,190                 | 1,572          |
| Sundry receivables and accrued revenue - related parties | -              | -              | 51,926                | 64,966         |
| Prepayments                                              | -              | 149            | -                     | 149            |
| Sub total sundry debtors                                 | 1,190          | 1,721          | 53,116                | 66,687         |
| <b>Total trade receivables</b>                           | <b>24,853</b>  | <b>26,728</b>  | <b>76,780</b>         | <b>91,694</b>  |

**(a) Bad and doubtful trade receivables**

The group has recognised a loss of \$7,000 (2006: \$14,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

**(b) Other trade receivables**

These amounts generally arise from transactions outside the usual operating activities of the Group.

**(c) Credit risk**

There is no concentration of credit risk with respect to current and non-current receivables due to water and sewerage receivables being a secured asset.

**Note 12: Current assets - other**

| Notes                                             | Consolidated   |                | ACTEW Corporation Ltd |                |
|---------------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                                   | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Employee entitlement receivable - related parties | 17,525         | 16,746         | 17,525                | 16,746         |
| <b>Total other assets</b>                         | <b>17,525</b>  | <b>16,746</b>  | <b>17,525</b>         | <b>16,746</b>  |

**Note 13: Non-current assets - receivables**

| Notes                                      | Consolidated   |                | ACTEW Corporation Ltd |                |
|--------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                            | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Non-interest bearing loans to subsidiaries | -              | -              | 303,018               | 286,551        |
| <b>Total receivables</b>                   | <b>-</b>       | <b>-</b>       | <b>303,018</b>        | <b>286,551</b> |

**(a) Credit risk**

The loans are held with the subsidiaries which the consolidated group has 100% control over. Therefore there is no credit risk.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 14: Non-current assets - available-for-sale financial assets**

|                                                  | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|--------------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                                  |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Long-term securities                             |       | 17,116         | 10,789         | 17,116                | 10,789         |
| <b>Total available for sale financial assets</b> |       | <b>17,116</b>  | <b>10,789</b>  | <b>17,116</b>         | <b>10,789</b>  |

Interest rates are between 6.42% and 10.25% while maturity dates are from February 2009 to August 2035.

**Note 15: Non-current assets - investments accounted for using the equity method**

|                                              | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|----------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                              |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Investments in joint venture partnerships    | 38    | 423,196        | 360,704        | -                     | -              |
| Investment in TransACT                       | 37    | 1,250          | -              | 1,250                 | -              |
| <b>Total investments using equity method</b> |       | <b>424,446</b> | <b>360,704</b> | <b>1,250</b>          | <b>-</b>       |

**Note 16: Derivative financial instruments**

|                                                 | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                                 | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Interest rate swap contracts - cash flow hedges | 349            | -              | 349                   | -              |
| <b>Total Derivative financial instruments</b>   | <b>349</b>     | <b>-</b>       | <b>349</b>            | <b>-</b>       |

**(a) Interest rate swap contracts - cash flow hedges**

ACTEW's loan from the ACT Government bears a variable interest rate based upon the 90-day bank bill swap reference rate (BBSW). Due to exposure to fluctuating interest rates ACTEW 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 with maturity on the 19th of October 2011. The contract requires settlement of net interest receivable or payable each 90 days. The gain or loss from remeasuring the hedging instrument at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective.

**Note 17: Non-current assets - Other financial assets**

|                                     | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                     |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Investments in controlled entities  | 36    | -              | -              | 1,700                 | 1,700          |
| Investment in other entities        |       | 440            | 440            | -                     | -              |
| Investment provision for diminution | 36    | (440)          | (440)          | (300)                 | (300)          |
| <b>Total other financial assets</b> |       | <b>-</b>       | <b>-</b>       | <b>1,400</b>          | <b>1,400</b>   |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 18: Non-current assets - property, plant and equipment**

|                                        | Construction<br>in progress<br>\$'000 | Water<br>\$'000 | Sewerage<br>\$'000 | Infra -<br>structure<br>land &<br>buildings<br>\$'000 | Non-infra -<br>structure<br>land &<br>buildings<br>\$'000 | Plant &<br>equipment<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|---------------------------------------|-----------------|--------------------|-------------------------------------------------------|-----------------------------------------------------------|--------------------------------|-----------------|
| <b>At 1 July 2005</b>                  |                                       |                 |                    |                                                       |                                                           |                                |                 |
| Cost                                   | 36,797                                | 577,041         | 492,625            | 2,856                                                 | 16,889                                                    | 435                            | 1,126,643       |
| Accumulated depreciation               | -                                     | (98,828)        | (101,048)          | (214)                                                 | (2,983)                                                   | (380)                          | (203,453)       |
| Net book amount                        | 36,797                                | 478,213         | 391,577            | 2,642                                                 | 13,906                                                    | 55                             | 923,190         |
| <b>Year ended 30 June 2006</b>         |                                       |                 |                    |                                                       |                                                           |                                |                 |
| Opening net book amount                | 36,797                                | 478,213         | 391,577            | 2,642                                                 | 13,906                                                    | 55                             | 923,190         |
| Additions                              | 28,995                                | -               | -                  | -                                                     | -                                                         | -                              | 28,995          |
| Construction capitalised               | (27,293)                              | 11,187          | 15,783             | -                                                     | 323                                                       | -                              | 0               |
| Gifted assets                          | -                                     | 2,902           | 3,665              | -                                                     | -                                                         | -                              | 6,567           |
| Transfer/adjustments                   | (1,155)                               | (2,801)         | 2,334              | -                                                     | -                                                         | 22                             | (1,600)         |
| Depreciation charge                    | -                                     | (11,432)        | (10,004)           | (23)                                                  | (362)                                                     | (29)                           | (21,850)        |
| Closing net book amount                | 37,344                                | 478,069         | 403,355            | 2,619                                                 | 13,867                                                    | 48                             | 935,302         |
| <b>At 30 June 2006</b>                 |                                       |                 |                    |                                                       |                                                           |                                |                 |
| Cost                                   | 37,344                                | 588,329         | 514,407            | 2,856                                                 | 17,212                                                    | 457                            | 1,160,605       |
| Accumulated depreciation               | -                                     | (110,260)       | (111,052)          | (237)                                                 | (3,345)                                                   | (409)                          | (225,303)       |
| Net book amount                        | 37,344                                | 478,069         | 403,355            | 2,619                                                 | 13,867                                                    | 48                             | 935,302         |
| <b>Year ended 30 June 2007</b>         |                                       |                 |                    |                                                       |                                                           |                                |                 |
| Opening net book amount                | 37,344                                | 478,069         | 403,355            | 2,619                                                 | 13,867                                                    | 48                             | 935,302         |
| Revaluation<br>increments/(decrements) | -                                     | 90,300          | 190,800            | -                                                     | -                                                         | -                              | 281,100         |
| Additions                              | 30,246                                | -               | -                  | -                                                     | -                                                         | -                              | 30,246          |
| Construction capitalised               | (26,604)                              | 20,609          | 5,933              | 62                                                    | -                                                         | -                              | 0               |
| Gifted assets                          | -                                     | 521             | 5,533              | -                                                     | -                                                         | -                              | 6,054           |
| Retirements                            | -                                     | (87)            | (15)               | -                                                     | -                                                         | -                              | (102)           |
| Transfer/adjustments                   | (398)                                 | 1               | -                  | -                                                     | (323)                                                     | 17                             | (703)           |
| Depreciation charge                    | -                                     | (12,021)        | (10,083)           | (23)                                                  | (340)                                                     | (30)                           | (22,497)        |
| Closing net book amount                | 40,588                                | 577,392         | 595,523            | 2,658                                                 | 13,204                                                    | 35                             | 1,229,400       |
| <b>At 30 June 2007</b>                 |                                       |                 |                    |                                                       |                                                           |                                |                 |
| Cost or fair value                     | 40,588                                | 577,392         | 595,523            | 2,918                                                 | 16,889                                                    | 474                            | 1,233,784       |
| Accumulated depreciation               | -                                     | -               | -                  | (260)                                                 | (3,685)                                                   | (439)                          | (4,384)         |
| Net book amount                        | 40,588                                | 577,392         | 595,523            | 2,658                                                 | 13,204                                                    | 35                             | 1,229,400       |

- All fixed assets are held by the parent entity.
- 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.
- ACTEW is currently finalising long-term leasing arrangements in regards to Googong Dam.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 18: Non-current assets - property, plant and equipment (continued)**

**Valuation**

*Water and Sewerage assets*

ACTEW Corporation undertook a revaluation of its 2007 water and wastewater non current assets in accordance with *AASB 116 Property, Plant and Equipment* and *AASB 136 Impairment of Assets*. The valuation conducted was undertaken by Impact IMC Pty Ltd based on depreciated replacement cost with a final result totalling \$2.3 billion.

(Water depreciable replacement cost - \$1.2 billion, wastewater depreciable replacement cost - \$1.1 billion).

This value was adjusted considering the realisable value is determined by the stream of income that can be derived from the use of the assets rather than the replacement value of the assets themselves. This led to a lower value of \$1.2 billion which is reflected in the financial statements.

*Land and buildings*

An independent valuation of non-infrastructure land and buildings was undertaken by CB Richard Ellis (CBRE) as at 30 June 2006 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.

**Carrying amounts that would have been recognised if water and sewerage assets were stated at cost**

If water and sewerage assets were stated on the historical cost basis, the amounts would be as follows:

|                          | Consolidated   |                | ACTEW Corporation Ltd |                |
|--------------------------|----------------|----------------|-----------------------|----------------|
|                          | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| <b>Water</b>             |                |                |                       |                |
| Cost                     | 609,373        | 588,329        | 609,373               | 588,329        |
| Accumulated depreciation | (122,281)      | (110,260)      | (122,281)             | (110,260)      |
| Net book amount          | <u>487,092</u> | <u>478,069</u> | <u>487,092</u>        | <u>478,069</u> |
| <b>Sewerage</b>          |                |                |                       |                |
| Cost                     | 525,858        | 514,407        | 525,858               | 514,407        |
| Accumulated depreciation | (121,135)      | (111,052)      | (121,135)             | (111,052)      |
| Net book amount          | <u>404,723</u> | <u>403,355</u> | <u>404,723</u>        | <u>403,355</u> |

**Note 19: Non-current assets - other**

| Notes                                            | Consolidated   |                | ACTEW Corporation Ltd |                |
|--------------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                                  | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Employee entitlement receivable- related parties | 426            | 1,258          | 426                   | 1,258          |
| <b>Total other</b>                               | <u>426</u>     | <u>1,258</u>   | <u>426</u>            | <u>1,258</u>   |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 20: Non-current assets - deferred tax assets**

|                                                              | <b>Consolidated</b> |               | <b>ACTEW Corporation Ltd</b> |               |
|--------------------------------------------------------------|---------------------|---------------|------------------------------|---------------|
|                                                              | <b>2007</b>         | <b>2006</b>   | <b>2007</b>                  | <b>2006</b>   |
|                                                              | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b>                | <b>\$'000</b> |
| The balance comprises temporary differences attributable to: |                     |               |                              |               |
| <b>Amounts recognised in profit and loss</b>                 |                     |               |                              |               |
| Audit fees                                                   | 4                   | 43            | -                            | 36            |
| Distributions from joint venture partnerships                | 7,308               | 7,551         | -                            | -             |
| Employee entitlements                                        | 5,674               | 5,686         | 5,674                        | 5,490         |
| Capital in progress provision                                | 150                 | 150           | 150                          | 150           |
| Investment provision                                         | -                   | -             | -                            | -             |
| Insurance losses                                             | 30                  | 250           | 30                           | 250           |
| Other                                                        | 68                  | 27            | 68                           | 222           |
| <b>Total Deferred Tax Assets</b>                             | <b>13,234</b>       | <b>13,707</b> | <b>5,922</b>                 | <b>6,148</b>  |
| <b>Movements</b>                                             |                     |               |                              |               |
| Opening balance as at 1 July                                 | 13,707              | 10,735        | 6,148                        | 6,576         |
| Movements in the income statement                            | (473)               | 2,559         | (226)                        | 6             |
| Movements to deferred tax liability                          | -                   | -             | -                            | -             |
| Adjustments to prior year tax effect balances                | -                   | 413           | -                            | (434)         |
| Closing balance at 30 June                                   | 13,234              | 13,707        | 5,922                        | 6,148         |

**Note 21: Current liabilities - trade and other payables**

|                             | Notes | <b>Consolidated</b> |               | <b>ACTEW Corporation Ltd</b> |               |
|-----------------------------|-------|---------------------|---------------|------------------------------|---------------|
|                             |       | <b>2007</b>         | <b>2006</b>   | <b>2007</b>                  | <b>2006</b>   |
|                             |       | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b>                | <b>\$'000</b> |
| Trade payables              |       | 427                 | 169           | 427                          | 169           |
| Other payables and accruals |       | 20,974              | 15,227        | 20,949                       | 15,202        |
| Income tax payable          |       | (2,273)             | 2,923         | (2,273)                      | 2,923         |
| <b>Total payables</b>       |       | <b>19,128</b>       | <b>18,319</b> | <b>19,103</b>                | <b>18,294</b> |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 22: Current liabilities - borrowings**

|                         | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------|-------|----------------|----------------|-----------------------|----------------|
|                         |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| <b>Unsecured</b>        |       |                |                |                       |                |
| Loans                   |       | 11,775         | 11,424         | 11,775                | 11,424         |
| <b>Total borrowings</b> |       | <b>11,775</b>  | <b>11,424</b>  | <b>11,775</b>         | <b>11,424</b>  |

**Financing arrangements**

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

|                         | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000 | 2006<br>\$'000 |
|-------------------------|----------------|----------------|----------------|----------------|
| Total standby facility  | 8,000          | 8,000          | 8,000          | 8,000          |
| Used standby facility   | -              | -              | -              | -              |
| Unused standby facility | <b>8,000</b>   | <b>8,000</b>   | <b>8,000</b>   | <b>8,000</b>   |

**(a) Interest rate risk exposures**

Details of the Group's exposure to interest rate changes on borrowings are set out in note 25.

**Note 23: Current liabilities - provisions**

|                                          | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|------------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                          |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Employee entitlements                    |       | 248            | 262            | 248                   | 262            |
| Employee entitlements seconded employees |       | 17,525         | 16,746         | 17,525                | 16,746         |
| Dividend                                 | 9     | 13,736         | 14,730         | 13,736                | 14,730         |
| Workers' compensation (Pre 1989)         |       | 186            | 201            | 186                   | 201            |
| <b>Total provisions</b>                  |       | <b>31,696</b>  | <b>31,939</b>  | <b>31,696</b>         | <b>31,939</b>  |

**Movements in consolidated current provisions**

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

|                                    | Dividend<br>\$'000 | Worker's<br>Compensation<br>\$'000 | Total<br>\$'000 |               |
|------------------------------------|--------------------|------------------------------------|-----------------|---------------|
| Carrying amount at start of year   |                    | 14,730                             | 201             | 14,931        |
| Provisions accrued                 |                    | 64,436                             | 207             | 64,643        |
| Provisions paid                    |                    | (65,430)                           | (222)           | (65,652)      |
| Carrying amount at the end of year |                    | <b>13,736</b>                      | <b>186</b>      | <b>13,922</b> |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 24: Current liabilities - other**

|                            | Consolidated   |                | ACTEW Corporation Ltd |                |
|----------------------------|----------------|----------------|-----------------------|----------------|
|                            | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Unearned revenue           | 1,426          | 1,115          | 1,426                 | 1,115          |
| Security deposits received | 5              | 5              | 5                     | 5              |
| <b>Total other</b>         | <b>1,431</b>   | <b>1,120</b>   | <b>1,431</b>          | <b>1,120</b>   |

**Note 25: Non-current liabilities - borrowings**

|                                     | Notes | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------------------|-------|----------------|----------------|-----------------------|----------------|
|                                     |       | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| <b>Unsecured</b>                    |       |                |                |                       |                |
| Loans                               |       | 366,605        | 361,730        | 366,605               | 361,730        |
| <b>Total non-current borrowings</b> | a,b   | <b>366,605</b> | <b>361,730</b> | <b>366,605</b>        | <b>361,730</b> |

a. 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 2007 the total principal outstanding was \$229,845,061 (2006 - \$235,525,048).

b. Interest rate swap

Due to exposure to fluctuating interest rates ACTEW 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 payables. At 30 June 2007 the notional principal amount is \$70 million and the interest rate swap contract will expire on 19 October 2011.

*Interest rate risk exposures*

The following table sets out the Group's exposure to interest rate risk.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 25: Non-current liabilities - Borrowings (continued)**

| 2007 (Consolidated)            | Notes | Floating interest rate<br>\$'000 | Fixed Interest Maturing In : |                             |                             |                             |                             | Total<br>\$'000  |
|--------------------------------|-------|----------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
|                                |       |                                  | 1 year or less<br>\$'000     | Over 1 to 2 years<br>\$'000 | Over 2 to 3 years<br>\$'000 | Over 3 to 4 years<br>\$'000 | Over 4 to 5 years<br>\$'000 |                  |
| Borrowings                     |       | (294,845)                        | -                            | -                           | -                           | -                           | -                           | (294,845)        |
| Commonwealth Loan              |       | -                                | (4,092)                      | (4,092)                     | (4,092)                     | (1,259)                     | -                           | (13,535)         |
| Interest rate swap             |       | (70,000)                         | -                            | -                           | -                           | -                           | -                           | (70,000)         |
|                                |       | <u>(364,845)</u>                 | <u>(4,092)</u>               | <u>(4,092)</u>              | <u>(4,092)</u>              | <u>(1,259)</u>              | <u>-</u>                    | <u>(378,380)</u> |
| Weighted average interest rate |       | 6.52%                            | 11.36%                       | 11.36%                      | 11.36%                      | 11.36%                      |                             |                  |

| 2006 (Consolidated)            | Notes | Floating interest rate<br>\$'000 | Fixed Interest Maturing In : |                             |                             |                             |                             | Total<br>\$'000  |
|--------------------------------|-------|----------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
|                                |       |                                  | 1 year or less<br>\$'000     | Over 1 to 2 years<br>\$'000 | Over 2 to 3 years<br>\$'000 | Over 3 to 4 years<br>\$'000 | Over 4 to 5 years<br>\$'000 |                  |
| Borrowings                     |       | (285,525)                        | -                            | -                           | -                           | -                           | -                           | (285,525)        |
| Commonwealth loan              |       | -                                | (4,092)                      | (4,092)                     | (4,092)                     | (4,092)                     | (1,261)                     | (17,629)         |
| Interest rate swap             |       | (70,000)                         | -                            | -                           | -                           | -                           | -                           | (70,000)         |
|                                |       | <u>(355,525)</u>                 | <u>(4,092)</u>               | <u>(4,092)</u>              | <u>(4,092)</u>              | <u>(4,092)</u>              | <u>(1,261)</u>              | <u>(373,154)</u> |
| Weighted average interest rate |       | 6.37%                            | 11.36%                       | 11.36%                      | 11.36%                      | 11.36%                      | 11.36%                      |                  |

**Fair value**

The carrying amounts and fair values of the Group's financial instruments at balance date are:

| Notes                    | 2007                      |                      | 2006                      |                      |
|--------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                          | Carrying amount<br>\$'000 | Fair Value<br>\$'000 | Carrying amount<br>\$'000 | Fair Value<br>\$'000 |
| <b>On-balance sheet</b>  |                           |                      |                           |                      |
| Fixed rate borrowings    | (13,535)                  | (13,535)             | (17,629)                  | (17,629)             |
| Floating rate borrowings | (294,845)                 | (294,845)            | (285,525)                 | (285,525)            |
| Interest rate swap       | (70,000)                  | (70,000)             | (70,000)                  | (70,000)             |
|                          | <u>(378,380)</u>          | <u>(378,380)</u>     | <u>(373,154)</u>          | <u>(373,154)</u>     |



**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 26: Non-current liabilities - provisions**

|                                           | Consolidated   |                | ACTEW Corporation Ltd |                |
|-------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                           | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Employee entitlements                     | 37             | 35             | 37                    | 35             |
| Employee entitlements- seconded employees | 426            | 1,258          | 426                   | 1,258          |
| Insurance losses                          | 100            | 835            | 100                   | 835            |
| Workers' compensation (Pre 1989)          | 1,571          | 1,290          | 1,571                 | 1,290          |
| <b>Total provisions</b>                   | <b>2,134</b>   | <b>3,418</b>   | <b>2,134</b>          | <b>3,418</b>   |

**Movements in consolidated non-current provisions**

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

|                                  | Insurance<br>Losses<br>\$'000 | Worker's<br>Compensation<br>(Pre 1989)<br>\$'000 | Total<br>\$'000 |
|----------------------------------|-------------------------------|--------------------------------------------------|-----------------|
| Carrying amount at start of year | 835                           | 1,289                                            | 2,124           |
| Provisions accrued               | (735)                         | 281                                              | (454)           |
| Provisions paid                  | -                             | -                                                | -               |
| Carrying amount at end of year   | 100                           | 1,570                                            | 1,670           |

**Note 27: Non-current liabilities - deferred tax liabilities**

| The balance comprises temporary differences attributable to: | Consolidated   |                | ACTEW Corporation Ltd |                |
|--------------------------------------------------------------|----------------|----------------|-----------------------|----------------|
|                                                              | 2007<br>\$'000 | 2006<br>\$'000 | 2007<br>\$'000        | 2006<br>\$'000 |
| Amounts recognised in profit and loss                        |                |                |                       |                |
| Distributions from ActewAGL Retail Partnership               | 39,033         | 37,442         | -                     | -              |
| Interest receivable                                          | 68             | 86             | 68                    | 86             |
| Unread consumption                                           | 1,437          | 2,598          | 1,437                 | 2,598          |
| Depreciation                                                 | 157,205        | 144,024        | 157,205               | 144,024        |
| Internal charges                                             | -              | -              | -                     | -              |
| Joint venture receivable                                     | 5,385          | 5,401          | 5,385                 | 5,401          |
| Cash flow hedges                                             | 105            | -              | 105                   | -              |
| Asset Revaluation                                            | 101,355        | -              | 84,330                | -              |
| <b>Total Deferred Tax Liabilities</b>                        | <b>304,588</b> | <b>189,551</b> | <b>248,530</b>        | <b>152,109</b> |
| <b>Movements</b>                                             |                |                |                       |                |
| Opening balance 1 July                                       | 189,551        | 167,062        | 152,109               | 137,770        |
| Adjustments to prior year tax effect balances                | 758            | 1,351          | -                     | 1,080          |
| Movement from deferred tax asset                             | -              | -              | -                     | -              |
| Movement to the income statement                             | 12,819         | 21,138         | 11,986                | 13,259         |
| Movement to equity (cash flow hedging reserve)               | 105            | -              | 105                   | -              |
| Movement to equity (asset revaluation reserve)               | 101,355        | -              | 84,330                | -              |
| Closing balance at 30 June                                   | <b>304,588</b> | <b>189,551</b> | <b>248,530</b>        | <b>152,109</b> |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 28: Contributed equity**

| Notes                      | Consolidated   |                | ACTEW Corporation Ltd |                    |
|----------------------------|----------------|----------------|-----------------------|--------------------|
|                            | 2007           | 2006           | 2007                  | 2006               |
|                            | Shares         | Shares         |                       |                    |
| <b>a) Paid up capital:</b> |                |                |                       |                    |
| Ordinary shares fully paid | 2              | 2              | \$0.60 only           | \$0.60 only        |
| <b>Total share capital</b> | <b>2</b>       | <b>2</b>       | <b>\$0.60 only</b>    | <b>\$0.60 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>     |

**c) movement in ordinary share capital**

There has been no movement in share capital.

**Note 29: Reserves**

|                                                                 | Consolidated   |              | ACTEW Corporation Ltd |              |
|-----------------------------------------------------------------|----------------|--------------|-----------------------|--------------|
|                                                                 | 2007           | 2006         | 2007                  | 2006         |
|                                                                 | \$'000         | \$'000       | \$'000                | \$'000       |
| <b>(a) Reserves</b>                                             |                |              |                       |              |
| Asset revaluation                                               | 236,495        | -            | 196,770               | -            |
| Hedging reserve                                                 | 244            | -            | 244                   | -            |
| General insurance                                               | 9,820          | 9,820        | 9,820                 | 9,820        |
| <b>Total reserves</b>                                           | <b>246,559</b> | <b>9,820</b> | <b>206,834</b>        | <b>9,820</b> |
| <b>Movements in reserves:</b>                                   |                |              |                       |              |
| Asset revaluation                                               |                |              |                       |              |
| Balance at the beginning of the year                            | -              | -            | -                     | -            |
| <i>Fixed asset revaluation net increments from revaluations</i> |                |              |                       |              |
| Water                                                           | 133,560        | -            | 133,560               | -            |
| Wastewater                                                      | 63,210         | -            | 63,210                | -            |
| <i>Revaluation of JV investment</i>                             |                |              |                       |              |
| ActewAGL Distribution                                           | 39,725         | -            | -                     | -            |
|                                                                 | <b>236,495</b> | <b>-</b>     | <b>196,770</b>        | <b>-</b>     |
| Hedging reserve - cash flow hedges                              |                |              |                       |              |
| Balance at the beginning of the year                            | -              | -            | -                     | -            |
| Revaluation - gross                                             | 244            | -            | 244                   | -            |
|                                                                 | <b>244</b>     | <b>-</b>     | <b>244</b>            | <b>-</b>     |

**Note 29: Reserves (continued)**

**(b) Nature and purpose of reserves**

*(i) 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.

*(ii) Property, plant and equipment revaluation reserve*

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

*(iii) Joint Venture revaluation reserve*

The joint venture revaluation reserve is used to record increments and decrements on ACTEW's valuation of the underlying assets in the ActewAGL Joint Venture.

*(iv) Hedging reserve - cash flow hedges*

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1 (p). Amounts are recognised in profit and loss when the associated hedged transaction affects the income statement.

**Note 30: Retained profits**

|                                                          | <b>Consolidated</b> |               | <b>ACTEW Corporation Ltd</b> |               |
|----------------------------------------------------------|---------------------|---------------|------------------------------|---------------|
|                                                          | <b>2007</b>         | <b>2006</b>   | <b>2007</b>                  | <b>2006</b>   |
|                                                          | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b>                | <b>\$'000</b> |
| Retained profits at the beginning of the financial year  | <b>7,801</b>        | 7,801         | <b>29,922</b>                | 71,606        |
| Net profits available for reserves and dividends         | <b>64,436</b>       | 60,530        | <b>63,960</b>                | 59,911        |
| Total available for appropriation                        | <b>72,237</b>       | 68,331        | <b>93,882</b>                | 131,517       |
| Dividends provided for or paid                           | <b>(64,436)</b>     | (60,530)      | <b>(64,436)</b>              | (60,530)      |
| Adjustments to prior year subsidiary dividend            | -                   | -             | -                            | (41,065)      |
| <b>Retained profits at the end of the financial year</b> | <b>7,801</b>        | 7,801         | <b>29,446</b>                | 29,922        |

**Note:**

ACTEW has reversed the \$18.0m deferred tax asset adjustment created in the prior year relating to the writedown of the TransACT investment. This adjustment was initially created from accumulated capital losses in the business that could be used for tax purposes in a future time when TransACT became profitable. Further analysis of the TransACT business in subsequent years has revealed that the ability to utilise the capital losses would be unlikely under AIFRS standards. The adjustment has impacted the 2006 opening balance of note 30: retained profits and note 20: deferred tax assets.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 31: Key management personnel**

**(a) Directors**

The following persons were directors of ACTEW Corporation Ltd during the financial year.

(i) Chairman - non-executive

J G Service

(ii) Executive director

M J Costello - Managing Director

(iii) Non-executive directors

M B Easson

K L Neil

E W Mathews

E A Whitelaw

B M 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.

**(b) Key management personnel remuneration**

|                          | <u>Consolidated</u> |        | <u>ACTEW Corporation Ltd</u> |        |
|--------------------------|---------------------|--------|------------------------------|--------|
|                          | <b>2007</b>         | 2006   | <b>2007</b>                  | 2006   |
|                          | <b>\$'000</b>       | \$'000 | <b>\$'000</b>                | \$'000 |
| Short-term benefits      | <b>1,634</b>        | 1,594  | <b>1,634</b>                 | 1,594  |
| Post-employment benefits | <b>266</b>          | 176    | <b>266</b>                   | 176    |
|                          | <b>1,900</b>        | 1,770  | <b>1,900</b>                 | 1,770  |

Remuneration amounts include payments to ACTEW directors and executives responsible for the strategic direction of the company.

**Loans to board members**

There were no loans to any directors as at 30 June 2007.

**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.

**Note 32: Remuneration of auditors**

|                                                                                                                               | <u>Consolidated</u> |         | <u>ACTEW Corporation Ltd</u> |         |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------|---------|------------------------------|---------|
|                                                                                                                               | <b>2007</b>         | 2006    | <b>2007</b>                  | 2006    |
|                                                                                                                               | <b>\$</b>           | \$      | <b>\$</b>                    | \$      |
| Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:      |                     |         |                              |         |
| <b>(a) Assurance services</b>                                                                                                 |                     |         |                              |         |
| Auditors of ACTEW Corporation Ltd (ACT Auditor General)                                                                       |                     |         |                              |         |
| Audit or review of financial reports of the parent entity                                                                     | <b>145,000</b>      | 121,000 | <b>145,000</b>               | 121,000 |
| Audit or review of financial reports of controlled entities                                                                   | <b>28,700</b>       | 24,500  | <b>28,700</b>                | 24,500  |
| <b>Total remuneration of auditor</b>                                                                                          | <b>173,700</b>      | 145,500 | <b>173,700</b>               | 145,500 |
| <b>(b) Taxation services</b>                                                                                                  |                     |         |                              |         |
| PricewaterhouseCoopers (Contract Auditor for the ACT Auditor General, acting in its own capacity in providing these services) |                     |         |                              |         |
|                                                                                                                               | -                   | 17,255  | -                            | 17,255  |
| <b>Total remuneration of taxation services</b>                                                                                | <b>-</b>            | 17,255  | <b>-</b>                     | 17,255  |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 33: Commitments for expenditure**

|                                                                                                                                                                                 | <b>Consolidated</b> |               | <b>ACTEW Corporation Ltd</b> |               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|------------------------------|---------------|
|                                                                                                                                                                                 | <b>2007</b>         | <b>2006</b>   | <b>2007</b>                  | <b>2006</b>   |
|                                                                                                                                                                                 | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b>                | <b>\$'000</b> |
| <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                                                                                                                                                                   | <b>67,200</b>       | 64,518        | <b>67,200</b>                | 64,518        |
| Later than 1 year but not later than 5 years                                                                                                                                    | -                   | 67,200        | -                            | 67,200        |
|                                                                                                                                                                                 | <b>67,200</b>       | 131,718       | <b>67,200</b>                | 131,718       |
| <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>59</b>           | 30            | <b>59</b>                    | 30            |
| Later than 1 year but not later than 5 years                                                                                                                                    | <b>63</b>           | 16            | <b>63</b>                    | 16            |
|                                                                                                                                                                                 | <b>122</b>          | 46            | <b>122</b>                   | 46            |
| <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>152</b>          | 352           | <b>152</b>                   | 352           |
| Later than 1 year but not later than 5 years                                                                                                                                    | <b>4,857</b>        | 5,302         | <b>4,857</b>                 | 5,302         |
| Later than 5 years                                                                                                                                                              | <b>2,838</b>        | -             | <b>2,838</b>                 | -             |
|                                                                                                                                                                                 | <b>7,847</b>        | 5,654         | <b>7,847</b>                 | 5,654         |
| <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>113</b>          | 246           | <b>113</b>                   | 246           |
|                                                                                                                                                                                 | <b>113</b>          | 246           | <b>113</b>                   | 246           |

a. 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.

b. Lease commitments are for computer equipment and motor vehicles with Equipgroup and Capital Easy the supplier for the computer equipment and Rhodium Asset Solutions the supplier of Motor Vehicles.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 34: Contingent liabilities**

There is one public liability claim pending which cannot be measured reliably. Should this claim be successful the Corporation estimates the liability will not be significant.

ACTEW Corporation Ltd has underwritten a \$25 million (2006 - \$25 million) standby debt facility for TransACT Communications. At 30 June 2007 \$0.5m was undrawn.

**Note 35: Related parties**

**Parent entities**

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:

|                                                                                                                      | <u>ACTEW Corporation Ltd</u> |         |
|----------------------------------------------------------------------------------------------------------------------|------------------------------|---------|
|                                                                                                                      | 2007                         | 2006    |
|                                                                                                                      | \$'000                       | \$'000  |
| The following transactions occurred with related parties                                                             |                              |         |
| Dividend revenue                                                                                                     | 38,330                       | 34,342  |
| Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows: |                              |         |
| Current receivables (tax funding agreement)                                                                          | 13,809                       | 13,101  |
| Current receivables (other)                                                                                          | 38,117                       | 51,865  |
| Current payables and other                                                                                           | 13,736                       | 14,730  |
| Non interest bearing loans                                                                                           | 303,018                      | 286,551 |

**Parent entity**

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

The ultimate parent entity is the ACT Government, which owns 100% (2006 - 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 36.

**Other related parties**

|                                                                                                                                                               | <u>ACTEW Corporation Ltd</u> |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------|
|                                                                                                                                                               | 2007                         | 2006   |
|                                                                                                                                                               | \$'000                       | \$'000 |
| Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties: |                              |        |
| Operating expenses                                                                                                                                            | 72,544                       | 67,883 |
| Capital expenses                                                                                                                                              | 29,825                       | 18,294 |
| Aggregate amounts receivable from and payable to joint venture partnerships at balance date:                                                                  |                              |        |
| Current receivables                                                                                                                                           | 17,525                       | 16,746 |
| Current accounts payables and other                                                                                                                           | 17,525                       | 16,746 |
| Non-current receivables                                                                                                                                       | 426                          | 1,258  |
| Non-current accounts payables and other                                                                                                                       | 426                          | 1,258  |

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 36: Investment in controlled entities**

| Name of Entity                                                | Country of | Class of shares | Equity Holding | Equity Holding | Cost of Investment | Cost of Investment |
|---------------------------------------------------------------|------------|-----------------|----------------|----------------|--------------------|--------------------|
|                                                               |            |                 | 2007           | 2006           | 2007               | 2006               |
|                                                               |            |                 | %              | %              | \$'000             | \$'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>       |

**Note 37: Investments in associates**

| Name of Company                                                 | Ownership Interest | Consolidated   |          | ACTEW Corporation Ltd |        |
|-----------------------------------------------------------------|--------------------|----------------|----------|-----------------------|--------|
|                                                                 |                    | 2007           | 2006     | 2007                  | 2006   |
|                                                                 |                    | \$'000         | \$'000   | \$'000                | \$'000 |
| TransACT Communications Pty Limited                             | 20.1%              |                |          |                       |        |
| Movement in carrying amount of investments in associates        |                    |                |          |                       |        |
| Carrying amount at the beginning of financial year              |                    | 59,549         | 59,549   | -                     | -      |
| Input in TransACT Capital Raising                               |                    | 1,250          | -        | -                     | -      |
| Prior year equity accounted losses                              |                    | (47,478)       | (44,722) | -                     | -      |
| Current year equity accounted losses and prior year adjustments |                    | (2,318)        | (2,756)  | -                     | -      |
| Provision for diminution                                        |                    | (9,754)        | (12,071) | -                     | -      |
| Carrying amount at end of financial year                        |                    | <b>1,250</b>   | -        | -                     | -      |
| Share of associates expenditure commitments                     |                    |                |          |                       |        |
| Lease commitments                                               |                    | 1,304          | 1,768    | -                     | -      |
| Remuneration commitments                                        |                    | 454            | 680      | -                     | -      |
| Total expenditure commitments                                   |                    | <b>1,759</b>   | 2,448    | -                     | -      |
| Capital and other commitments                                   |                    | 128            | 7,582    | -                     | -      |
|                                                                 |                    | <b>1,886</b>   | 10,030   | -                     | -      |
| Share of associates revenues, expenses and results              |                    |                |          |                       |        |
| Revenues                                                        |                    | 13,494         | 12,873   | -                     | -      |
| Expenses                                                        |                    | 15,812         | 15,629   | -                     | -      |
| Operating profit before tax                                     |                    | <b>(2,318)</b> | (2,756)  | -                     | -      |

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 2007.
3. In October 2006 there was a share restructure and a capital raising in transACT resulting in ACTEW decreasing its ownership interest from 24.9% to 20.1%.

**Note 38: Interests in joint ventures**

**(a) 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(b) (ii) is set out below:

|                                                                     | <b>Consolidated</b> |          | <b>ACTEW Corporation Ltd</b> |        |
|---------------------------------------------------------------------|---------------------|----------|------------------------------|--------|
|                                                                     | <b>2007</b>         | 2006     | <b>2007</b>                  | 2006   |
|                                                                     | <b>\$'000</b>       | \$'000   | <b>\$'000</b>                | \$'000 |
| <b>Movement in carrying amount of investment in the partnership</b> |                     |          |                              |        |
| Carrying amount of net assets in the partnership                    | <b>391,731</b>      | 385,989  | -                            | -      |
| 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>1,711</b>        | 1,711    | -                            | -      |
| Revaluation of ACTEW Distribution asset                             | <b>56,750</b>       | -        | -                            | -      |
| Carrying amount of investment in partnership                        | <b>423,196</b>      | 360,704  | -                            | -      |
| <b>Share of partnerships assets and liabilities</b>                 |                     |          |                              |        |
| Current assets                                                      | <b>69,058</b>       | 66,533   | -                            | -      |
| Non-current assets                                                  | <b>392,664</b>      | 387,077  | -                            | -      |
| Total assets                                                        | <b>461,722</b>      | 453,610  | -                            | -      |
| Current liabilities                                                 | <b>68,163</b>       | 65,432   | -                            | -      |
| Non-current liabilities                                             | <b>1,828</b>        | 2,189    | -                            | -      |
| Total liabilities                                                   | <b>69,991</b>       | 67,621   | -                            | -      |
| Net assets                                                          | <b>391,731</b>      | 385,989  | -                            | -      |
| <b>Share of partnership's revenues, expenses and results</b>        |                     |          |                              |        |
| Revenues                                                            | <b>296,404</b>      | 288,465  | -                            | -      |
| Expenses                                                            | <b>240,740</b>      | 235,767  | -                            | -      |
| Change in prior year profit                                         | <b>(1,422)</b>      | -        | -                            | -      |
| Profit before income tax                                            | <b>54,242</b>       | 52,698   | -                            | -      |
| <b>Share of partnership's commitments</b>                           |                     |          |                              |        |
| Lease commitments                                                   | <b>9,421</b>        | 7,425    | -                            | -      |
| Remuneration commitments                                            | <b>33,991</b>       | 28,485   | -                            | -      |
| Total expenditure commitments                                       | <b>43,412</b>       | 35,910   | -                            | -      |
| Capital and other commitments                                       | <b>20,670</b>       | 16,237   | -                            | -      |
|                                                                     | <b>64,082</b>       | 52,147   | -                            | -      |



**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 38: Interests in joint ventures (continued)**

**(b) Joint venture operation**

ACTEW Corporation and ActewAGL entered into a joint venture operation called Majura Rise where the parties acquired two blocks of land for the purpose of constructing on each block a dwelling that demonstrates energy efficiency and water minimisation methods. Both entities had a 50% participating interest in the respective joint venture which had a total budget of two million dollars. The dwelling was sold in January 2007 with expenses incurred displayed in the income statement in accordance with the accounting policy described in note 1(b) (ii).

|                                           | <u>Consolidated</u> |        | <u>ACTEW Corporation Ltd</u> |        |
|-------------------------------------------|---------------------|--------|------------------------------|--------|
|                                           | <b>2007</b>         | 2006   | <b>2007</b>                  | 2006   |
|                                           | <b>\$'000</b>       | \$'000 | <b>\$'000</b>                | \$'000 |
| Current assets                            | -                   | 149    | -                            | 149    |
| Non-current assets                        | -                   | 754    | -                            | 754    |
| Share of assets employed in joint venture | -                   | 903    | -                            | 903    |
|                                           |                     |        |                              |        |
| Other Expenses                            | <b>414</b>          | 97     | <b>414</b>                   | 97     |
| Net Loss                                  | <b>414</b>          | 97     | <b>414</b>                   | 97     |

**(c) Contingent liabilities relating to joint ventures**

Each of the partners in the ActewAGL Partnership are jointly liable for the debts of the partnership.

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 \$800,000 at 30 June 2007.

**Notes to the Financial Statements**

For the year ended 30 June 2007

**Note 39: Reconciliation of profit after income tax to net cash inflow from operating activities**

|                                                                                                           | Consolidated  |               | ACTEW Corporation Ltd |               |
|-----------------------------------------------------------------------------------------------------------|---------------|---------------|-----------------------|---------------|
|                                                                                                           | 2007          | 2006          | 2007                  | 2006          |
| Notes                                                                                                     | \$'000        | \$'000        | \$'000                | \$'000        |
| <b>(a) Reconciliation of operating profit after income tax expense to net cash flows from operations:</b> |               |               |                       |               |
| Profit for the year                                                                                       | 64,436        | 60,530        | 63,960                | 59,910        |
| Depreciation and amortisation                                                                             | 22,497        | 21,850        | 22,497                | 21,850        |
| Loss/(gain) on disposal of property, plant and equipment                                                  | -             | (6)           | -                     | (6)           |
| Contributed assets received free of charge                                                                | (6,054)       | (6,566)       | (6,054)               | (6,566)       |
| Profit from Joint Venture Partnership                                                                     | (54,242)      | (52,698)      | -                     | -             |
| Asset writedown                                                                                           | 222           | (62)          | 222                   | (62)          |
| Capitalisation of Labour                                                                                  | (87)          | (55)          | (87)                  | (55)          |
| Provision for doubtful debts                                                                              | (11)          | 58            | (11)                  | 58            |
| Capital contributions                                                                                     | (19)          | (14)          | (19)                  | (14)          |
| <b>Changes in operating assets and liabilities:</b>                                                       |               |               |                       |               |
| (Increase)/decrease in receivables                                                                        | 1,876         | (3,934)       | (56,775)              | 240           |
| (Increase)/decrease in deferred tax assets                                                                | 471           | (2,972)       | 225                   | 428           |
| (Increase)/decrease in other financial assets                                                             | (778)         | (10,490)      | (778)                 | (10,490)      |
| (Increase)/decrease in other assets                                                                       | 832           | 11,263        | 832                   | 11,263        |
| Increase/(decrease) in payables                                                                           | (735)         | 3,898         | (735)                 | 3,892         |
| Increase/(decrease) in provisions                                                                         | (534)         | (1,086)       | (534)                 | (1,086)       |
| Increase/(decrease) in provision for deferred income tax equivalents                                      | 13,577        | 22,489        | 11,986                | 14,339        |
| Increase/(decrease) in other liabilities                                                                  | 311           | 18            | 311                   | 18            |
| <b>Net cash inflow from operating activities</b>                                                          | <b>41,763</b> | <b>42,223</b> | <b>35,040</b>         | <b>93,718</b> |

**Note 40: Events subsequent to balance date**

With the sale of Alinta Ltd, ACTEW's ultimate distribution partner changes from Alinta to Singapore Power.

# Terms and Acronyms

## TERMS

|     |                                         |
|-----|-----------------------------------------|
| kL  | kilolitre = one thousand litres         |
| ML  | megalitre = one million litres          |
| GL  | gigalitre = one thousand million litres |
| km  | kilometre                               |
| p/a | per annum                               |
| mm  | millimetre                              |
| M   | million                                 |
| B   | billion                                 |

## ACRONYMS

|          |                                                    |
|----------|----------------------------------------------------|
| ACTEW    | ACTEW Corporation Limited                          |
| AGL      | The Australian Gas Light Company                   |
| EAP      | Environment Action Plan                            |
| EBI      | Earnings before interest and tax                   |
| Ecowise  | Ecowise Environmental Pty Limited                  |
| EMP      | Environment Management Plan                        |
| EPA      | Environment Protection Authority                   |
| HSE      | Health, safety and environment                     |
| ICRC     | Independent Competition and Regulatory Commission  |
| LMWQCC   | Lower Molonglo Water Quality Control Centre        |
| TAMS     | The Department of Territory and Municipal Services |
| TransACT | TransACT Communications Pty Limited                |
| UMA      | Utilities Management Agreement                     |

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