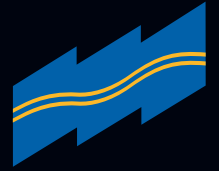
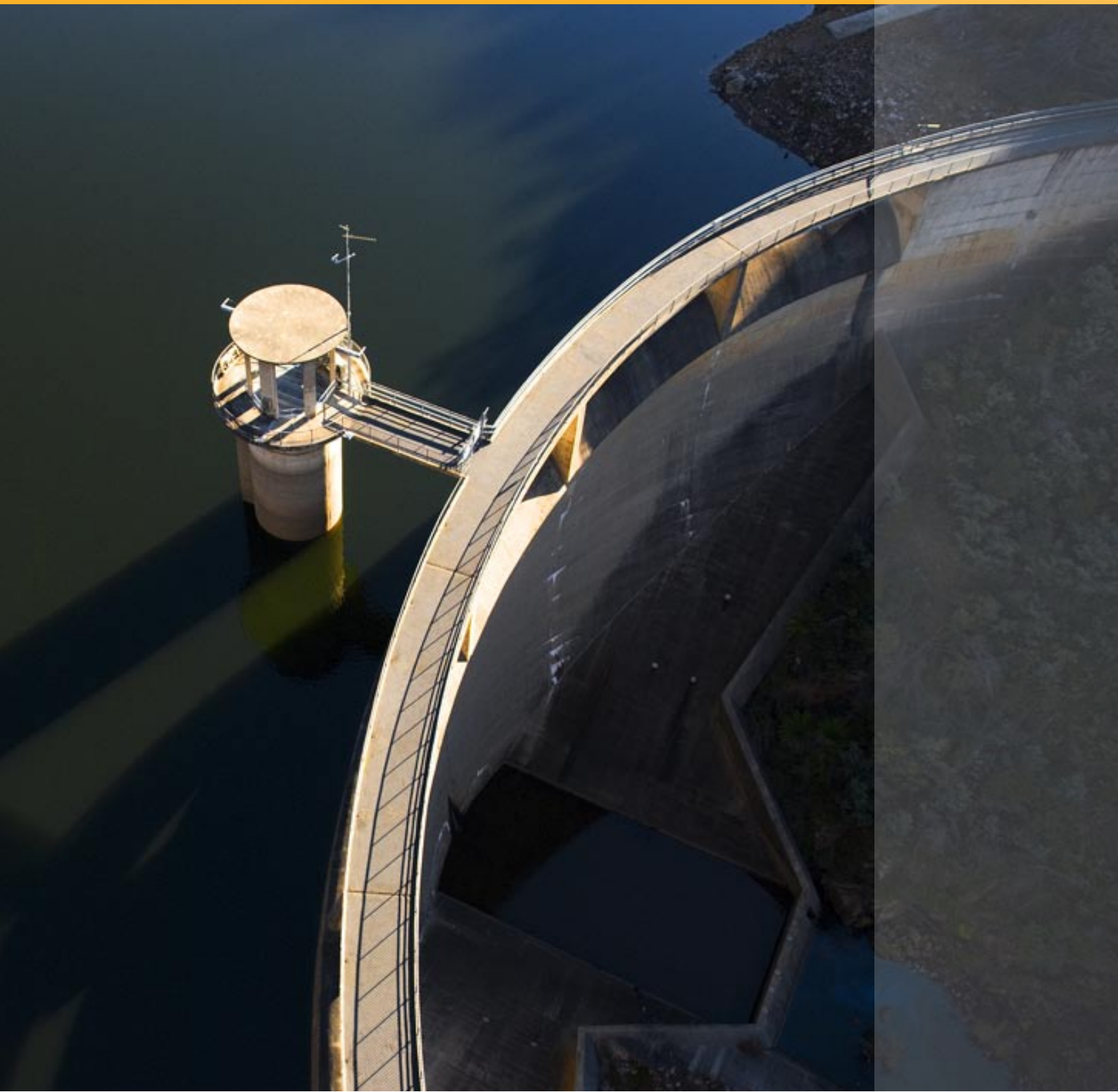


Annual Report

# 2008



**ACTEW**  
CORPORATION



# 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.
- Ensure a safe and reliable water supply for 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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# COMPANY PROFILE



THE COTTER PUMPING STATION.

## COMPANY PROFILE

ACTEW Corporation Limited (ACTEW) is an unlisted public company owned by the ACT Government with 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 holds an 18% 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. 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  
DLA Phillips Fox

### Bankers

Westpac Banking Corporation  
Reserve Bank of Australia

**ACN 069 381 960**

**ABN 86 069 381 960**

### WELCOME TO ACTEW'S ANNUAL REPORT FOR 2008.

ACTEW has accomplished a great deal of important work this year, managing and maintaining water supply within very uncertain climatic conditions and putting in place plans for new water infrastructure that will help secure the region's future.

For the entire financial year, mandatory Stage 3 Water Restrictions were in place and the threat of Stage 4 Water Restrictions remained. ACTEW worked with the community to conserve the precious water that remained in our reservoirs, saving around 15 gegalitres (GL), which is half the volume of Lake Burley Griffin, or a quarter of the region's average annual water use. Catchment inflows were still at record low levels, having declined more than 60% from the long-term average in the last seven years.

In July 2007, ACTEW completed technical and feasibility studies on a number of water supply options and submitted its recommendations on water security to the ACT Government. ACTEW recommended enlarging the Cotter Dam, extracting water from the Murrumbidgee River through construction of pumping capacity at Angle Crossing and obtaining additional water from a source not largely dependent on rainfall within the ACT catchments through either the Tantangara transfer option or a Water Purification Scheme.

In October, the ACT Government responded to ACTEW's recommendations and announced a suite of water infrastructure projects to be delivered over a three to five year period. These projects, which are now well underway, will give the region access to additional water that can cope not just with significantly reduced inflows into our dams in the future, but with more frequent droughts which are longer and drier than the one we are experiencing. This will mean that our region can grow and thrive without having to endure high levels of restrictions for long periods of time.

### Financial performance, position and cash flow

ACTEW recorded a strong profit after tax of \$75.9m in 2007/08. This was an increase of \$11.5m compared to 2006/07. Factors affecting the profit include:

- Revenue was up \$18.32m mainly due to increased tariff prices set to recover the ACT Government Utilities Network Facilities Tax as well as recovering ACTEW's investment in projects to secure the ACT's water supply during the continuing drought;
- ActewAGL Joint Venture continued to perform strongly;
- Operational costs increased by \$12.4m mainly due to increased depreciation charges following a revaluation of assets in 2007 and higher costs involved in resourcing the planning and development of the Water Security Program; and
- Income tax expense increased by \$13.1m mainly as a result of a higher 2006/07 tax expense on calculation of the annual tax return and a higher profit before tax than the prior year.

ACTEW drew down a net \$235m in borrowings to fund increased future capital expenditure. Liquids increased to \$204.6m at 30 June 2008 (2007: \$23.2m) mainly as a result of the short term investment of the new borrowings.

Dividends paid to the ACT Government during the year were \$70.6m (2007: \$65.4m) and income tax equivalent payments totalled \$14.9m (2007: \$11.6m).

ACTEW remains in a relatively strong financial position with a gearing level of 38% (up from 27% in 2007). It is expected that this level of gearing will continue to increase in future to finance continuing capital expenditure to secure the water supply.

### ActewAGL

The ActewAGL investment continues to be very profitable for ACTEW with joint venture income of \$69.3m, \$15.1m above prior year. This result followed higher volumes in both gas and electricity as well as a favourable electricity regulatory outcome impacting strongly on the Retail Partnership result.

Cash distributions from ACTEW's 50% investment in the ActewAGL joint venture were \$56.5m (2007: \$48.5m).

### TransACT

In 2007/08 TransACT issued further shares to fund the acquisition of Neighbourhood Cable Ltd, a telecommunications company trading in regional Victoria. This issue resulted in a decrease in ACTEW's interest in TransACT to 18.0% from 20.1%. TransACT continues to outsource its management and retail services to ActewAGL which has resulted in continued growth in very competitive markets.

### Board and Staff

In May 2008 the voting shareholders appointed Mr John Mackay AM Chairman of ACTEW for three years from 1 July 2008. Mr Mackay has been Chief Executive Officer of ActewAGL since its establishment in 2000 and will retire from the position on 30 June 2008. He brings a wealth of experience and knowledge to the company. In June 2008 the Board appointed Mr Mark Sullivan AO Managing Director of ACTEW for a period of five years. Mr Sullivan has had a distinguished thirty year career in the Commonwealth public service including as Secretary of the Department of Veterans' Affairs, and Family and Community Services. We extend our congratulations to Mr Mackay and Mr Sullivan.

We also extend our thanks and appreciation to our fellow Directors and the management and staff of ACTEW who have contributed significantly and worked tirelessly to achieve our goals and meet the continuing challenges of the past few years.

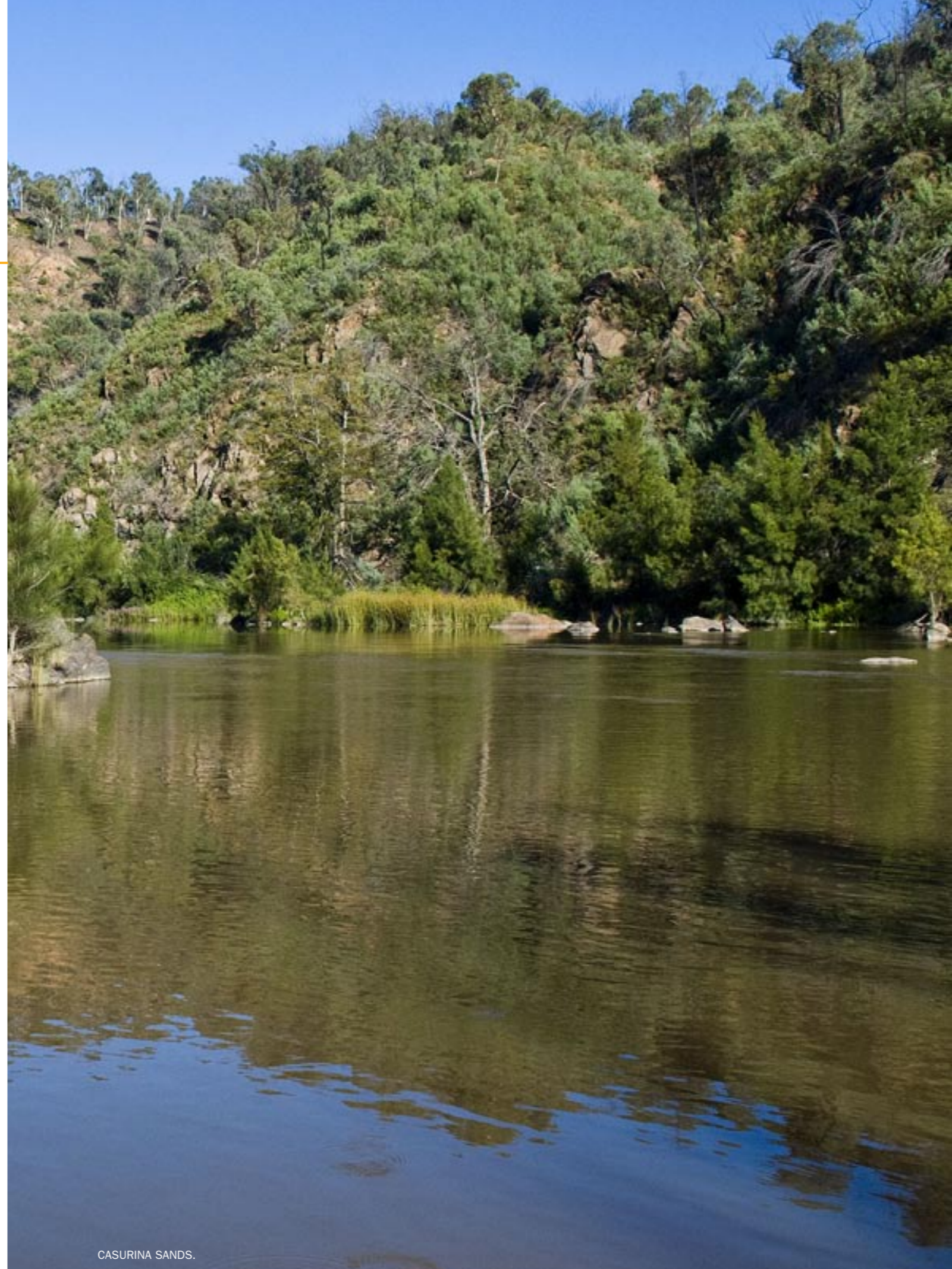
Finally, as well as being a significant year for the organisation, this year holds personal significance as we retire as Directors of ACTEW on 30 June 2008. It has been a privilege to lead and be part of an organisation which has achieved so much and continues to work diligently for our owners and our community.



Jim Service  
Chairman



Michael Costello  
Managing Director



# YEAR IN REVIEW

OVER THE LAST YEAR, TOTAL INFLOWS INTO THE CATCHMENTS WERE JUST 75.5 GIGALITRES (GL) COMPARED TO THE LONG TERM AVERAGE OF 211.6 GL.

## ONGOING DROUGHT AND CLIMATE CHANGE

The ACT has been strongly affected by climate change which is widely considered to be the number one issue affecting water supplies across Australia. Since 2001, inflows into ACT catchments decreased more than 60% against the long-term average.

Over the last year, total inflows into the catchments were just 75.5 gigalitres (GL) compared to the long term average of 211.6 GL.

The year began with dams at 38% of their combined capacity and rising following above average rainfall in June 2007. In February further rainfall events and low consumption saw dam levels rise to 49.9%. By the end of the year, levels had dropped back to 45% of capacity.

Throughout the year the ACT received 455mm of rainfall which was considerably lower than the average of 617mm.

Though the water supply storages improved from last year, which was the worst year in the ACT's history, the situation remained very serious. Water restrictions continued and ACTEW needed to look beyond traditional supply options in order to provide a safe and secure water supply for the future.

## SECURING THE ACT'S WATER SUPPLY

### Securing supply during drought

Since the drought began, ACTEW has been working to secure water supply within existing water infrastructure. Over the past five years we have built the Mount Stromlo Water Treatment Plant, augmented the Googong Water Treatment Plant, implemented the Cotter to Googong Bulk Transfer, brought the Cotter Reservoir back into service and commenced extraction of water from the Murrumbidgee River near the Cotter Pumping Station. Without significant investment into this important water infrastructure, Stage 4 Water Restrictions would have been required for a significant part of 2007.

During the last year, approximately 15GL of water was sourced from the Murrumbidgee River and Cotter Reservoir, accounting for 30% of the water supplied to the ACT and Queanbeyan.

The Murrumbidgee provided approximately 3.7GL and ACTEW continued the examination of options for increasing extraction capacity. These will be reviewed over coming months.

### Installation of UV at Mount Stromlo

ACTEW completed the successful installation and commissioning of an ultraviolet (UV) disinfection system at the Mount Stromlo Water Treatment Plant making it the largest drinking water UV facility in Australia. The UV treatment gives ACTEW greater ability to access water from the Murrumbidgee River for town supply.

The facility was commissioned in December 2007 and since then over 18GL of water has been treated through this system for town supply.

Other work undertaken at Mount Stromlo Water Treatment Plant as part of this project included the installation of an additional sludge thickening tank and emergency generators.

IN MAY, ACTEW AND ACTEWAGL SIGNED AGREEMENTS WITH ALLIANCE PARTNERS TO DESIGN AND CONSTRUCT THE ENLARGED COTTER DAM, MURRUMBIDGEE TO GOOGONG WATER TRANSFER AND UNDERTAKE THE DESIGN OF A DEMONSTRATION WATER PURIFICATION PLANT.

### Upgrade of Cotter Pumping Station

ACTEW continued the full engineering and heritage upgrade of the historic Cotter Pumping Station allowing the supply of more water from the Cotter Reservoir and Murrumbidgee River. Work continues on optimising the water that can be supplied from these sources with projects underway to increase the pumping capacity.

### Water Security – Major Projects

While drought contingency projects and demand management strategies enabled ACTEW to maintain water storage levels during the year, it became clear that they alone would not be enough to secure long-term supply. To combat the effects of climate change and variability, additional supply capacity and greater diversification of water sources was required.

ACTEW completed a comprehensive and detailed review of the ACT and region's water supply options and submitted four key water security recommendations to the ACT Government in July 2007.



PRELIMINARY WORK FOR THE ENLARGED COTTER DAM.

The ACT Government accepted ACTEW's recommendations and in October announced that ACTEW would progress:

- Enlarging the Cotter Dam from its current capacity of 4GL to around 78GL;
- Adding to the current capacity to extract water from the Murrumbidgee River by constructing pumping capacity for transferring water to the Googong Reservoir;
- Pursuing the possibility of purchasing water licences from New South Wales (NSW) irrigators and storing purchased water in the Tantangara Reservoir for release to the ACT as needed;
- Designing a Demonstration Water Purification Plant with the ACT Government to make a decision regarding construction of the plant following the design; and
- Assessing how any additional energy used in operations may be offset through measures such as energy minimisation, carbon offsets or renewable energy capacity.

In May, ACTEW and ActewAGL signed agreements with alliance partners to design and construct the Enlarged Cotter Dam, Murrumbidgee to Googong Water Transfer and undertake the design of a Demonstration Water Purification Plant.



VISIT OF DIGNITARIES TO WATER SECURITY - MAJOR PROJECT SITES.

### DA lodged for Demonstration Water Purification Plant

In April ACTEW lodged a Development Application with the ACT Planning and Land Authority for a Demonstration Water Purification Plant. The application sought approval for the design and siting of a membrane filtration and reverse osmosis Demonstration Water Purification Plant adjacent to the existing Lower Molonglo Water Quality Control Centre (LMWQCC).

This Development Application was an important part of the process of undertaking the associated planning for the initial design and laid important groundwork should the project proceed to construction. A further report will be provided to the ACT Government at the end of 2008.

### Water Security – Major Projects and the community

ACTEW is committed to keeping in touch with the community during planning and implementation of the Water Security – Major Projects. In addition to the thousands of Canberrans who have engaged with ACTEW during the 2004-05 Future Water Options, the 2006 Permanent Water Conservation and the 2007 Water2WATER consultations, the year saw a number of community engagement activities being undertaken including a number of drop-in sessions, meetings, event displays and community presentations.

### National water plan – the ACT water cap

The ACT Water Cap, an agreement between the ACT Government and the Murray Darling Basin Ministerial Council determining the total amount of water that the ACT is allowed to use or divert from the Murray Darling Basin, was agreed in May.

The Cap allows the ACT, mostly through ACTEW's network, to take a net 40GL of water per year from rivers in the Murray Darling Basin, i.e. total water extracted less water returned to the river from LMWQCC.

The 40GL Cap is currently enough water for the ACT to use sustainably and the amount of water allocated to the ACT grows as the population increases.

## DURING THE YEAR, ACTEW MANAGED STAGE 3 WATER RESTRICTIONS AND CONTINUED TO PREPARE FOR THE POSSIBILITY OF STAGE 4 WATER RESTRICTIONS.

### DEMAND MANAGEMENT

#### Water restrictions

During the year, ACTEW managed Stage 3 Water Restrictions and continued to prepare for the possibility of Stage 4 Water Restrictions.

#### Stage 3

Stage 3 Water Restriction were in place for the whole year. These measures were expected to decrease water demand by 35% over the year. The actual reduction was slightly more at 37%, a saving of 26.1GL over the expected use without restrictions.

#### Preparing for Stage 4

Stage 4 Water Restrictions were predicted to be introduced in July 2007, however good rainfall in June and early July saw dam levels rapidly increase from a record low 30.8% to over 40% which postponed the predicted introduction of Stage 4 Water Restrictions. Due to some good rainfall events throughout the year, consumption targets being met overall and the use of water extracted from the Cotter Reservoir and Murrumbidgee River, Stage 4 was not required.

#### Water Conservation Office

ACTEW's 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. During the year, the office received over 5,400 phone calls, assessed nearly 4,000 Stage 3 exemption requests and issued 51 infringement notices.

A number of community events were attended including Floriade, the Autumn and Spring Home Shows, the Retirement and Lifestyle Expo, The Royal Canberra Show as well as events associated with National Water Week.

A public information campaign *Save Water for Life* was conducted. A number of tools were used to help the community determine how much water they actually used, how much they should be using and how they could use less. This included a dedicated Save Water for Life website and electronic roadside signs located throughout the ACT which displayed daily dam levels and water consumption.

Twenty-three free 'Waterwise Gardening Workshops' were held between October and May. Topics covered in the two hour workshops included mulching, drought tolerant plants, feeding plants, preparing soil for planting and effective use of drip irrigation. Held at the Xeriscape Gardens in Weston and the Rosary Primary School in Watson, the Waterwise Gardening Workshops were attended by over 430 people.

#### Water Restrictions Review

As part of the water security measures announced in October 2007, the ACT Government asked ACTEW to review the Permanent Water Conservation Measures which were first introduced in 2006 and the existing temporary water restrictions. This involves investigating the views of the community on water restrictions, including willingness to pay in order to avoid severe water restrictions and/or support for increased conservation measures to avoid severe restrictions.

ACTEW commenced this process, working with relevant Government departments and the community.

#### Grass Roots – the turf and irrigation research project

ACTEW continued its turf and irrigation research through Grass Roots, the water conservation initiative to develop best practice watering regimes for turf.

In February, ACTEW released a report on the first-year outcomes of the project. Data indicated that the extremely dry conditions over the reporting period resulted in an increase in water demand by both cool and warm season grasses by over 50%. However, Grass Roots still managed to achieve an approximate 40% saving in water use, in line with the Stage 3 Water Restrictions target of 35% reduction. The project will continue in 2008/09.

#### Continuing to provide access to recycled water

ACTEW continued to make recycled water from the LMWQCC available free of charge to reduce the use of potable water during Stage 3 Water Restrictions.

Design work was completed on a pipeline and filling station which will make access to recycled water from LMWQCC more practicable for users. Construction is expected to be completed in late 2008.

#### Improving metering

Installation of water meters to individual units in all new multi-unit properties in the ACT became mandatory in 2008 for all Development Applications received by the ACT Planning and Land Authority after 1 March 2008 for single storey developments and after 1 July 2008 for multi-storey developments.

ACTEW and ActewAGL are investigating the implementation of a smart metering pilot program which provides for real-time, digital meters located within a residence that allow water customers to see the level of their water use at any given time. Smart metering is expected to promote sustainability, increase operational efficiency and improve water accountability and reporting.

### ACTEW AND THE ENVIRONMENT

#### Environmental flows

The amount of environmental flows released from ACTEW's dams is determined in accordance with the 2006 Environmental Flow Guidelines which are required under the *Water Resources Act 2007* and are regulated by the Environmental Protection Authority (EPA). In times of drought environmental flows are reduced significantly and over the past year environmental flows were approximately 2GL.

Environmental flows are essential to maintain the health of rivers and to ensure optimum water quality. ACTEW continues to work with ecological experts on ways to better manage environmental flows whilst maintaining water supply security, especially in times of drought.

#### Environmental management

Environmental management of ACTEW's water and wastewater business is undertaken by ActewAGL and aims to achieve best environmental practice and compliance with all legislative requirements.

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 (EMS) 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.





ANGLE CROSSING.

ActewAGL's nine key priority areas in the 2007/08 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; and
9. Water conservation, treatment and catchment management.

For 2007/08 a total of 39 tasks were identified. The primary target of 26 tasks were achieved. Of the remaining tasks, all have commenced with significant progress made towards completion.

More detailed information and achievement against these key priorities is outlined in ActewAGL's *Annual Report and Sustainability Report 2008*, available at [www.actewagl.com.au](http://www.actewagl.com.au)

#### Offsetting greenhouse gas emissions

ACTEW has been investigating options to offset greenhouse gas emissions associated with the operation of all the Water Security - Major Projects.

ACTEW is developing a strategy to address the abatement of greenhouse gases and methodologies to determine the total carbon footprint of the design, construction and operation of the infrastructure associated with these projects.



SURVEYING AREAS OF CULTURAL SIGNIFICANCE.

## MANAGING THE CATCHMENTS

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

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

#### Lower Cotter Catchment

ACTEW continued its accelerated remediation of the Lower Cotter Catchment which was damaged significantly in the 2003 bushfires.

Remediation work undertaken during the year included road and drainage works, sedimentation basins, wetlands and vegetation planting, as well as ongoing removal of pine wildlings. This work is expected to be completed within the next twelve months.

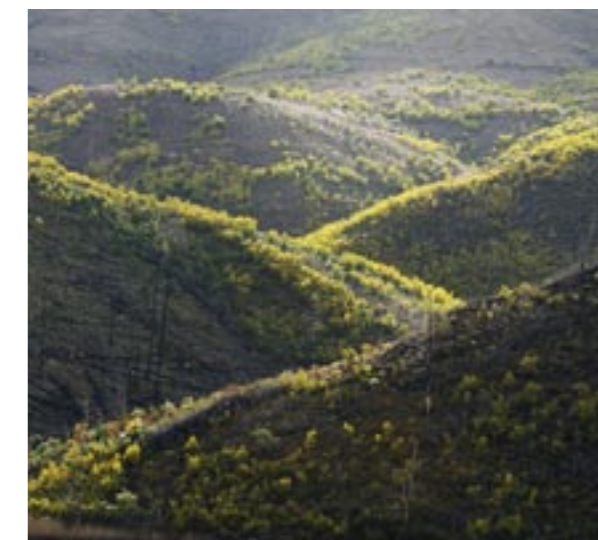
Extensive catchment monitoring and scientific studies continue to be undertaken in collaboration with the Australian National University and the University of Canberra. Monitoring has shown that the Lower Cotter Catchment is responding well with significant improvement in water quality as a result of the sediment and erosion control works that have been completed, together with increased vegetation cover and a significant reduction in the number of roads accessing the area.

#### Corin and Bendora Catchments

Corin and Bendora catchments continued to recover from the 2003 bushfires and testing over the year indicated that water quality returned close to levels that were experienced before the catchments were damaged by the devastating fires. However, until the catchments recover fully, there is still a risk of water quality problems occurring if heavy rainfall events are received. ACTEW is monitoring the effect on the water yield from the 2003 bushfires, which is expected to peak at a 15% reduction around 2020.

#### Googong Catchment

ACTEW worked with the ACT, NSW, Federal and local Governments to develop a catchment water quality management plan for the Googong catchment. Implementation of the plan will commence in 2008/09.



WATTLE ON THE SLOPES AROUND COTTER DAM.

## ASSETS AND INFRASTRUCTURE

### Capital works program

ACTEW is committed to continual improvement and protection of its water and wastewater assets through investment in a capital works program. ActewAGL undertakes capital works associated with the water and wastewater assets and infrastructure for ACTEW. Over \$32m was invested in projects during the year.

In addition, works with a value of nearly \$30m were in progress during the year to improve water security, enabling greater use of water from the Cotter Reservoir and the Murrumbidgee River. The works included upgrading Cotter Pump Station and providing ultraviolet disinfection and other improvements at the Mount Stromlo Water Treatment Plant.

Design work for a major augmentation of the secondary treatment facility at LMWQCC was completed and construction commenced early in 2008. The project, which will cost approximately \$72m, will ensure treated water discharged from the plant continues to minimise impact on the 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.

To cater for growth in Canberra, work has continued on water supply reservoirs in Gungahlin and planning work is continuing for water and wastewater services in the Molonglo Valley.

### 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.

A public information campaign targeted at property owners and the building and construction industry, 'scan-before-you-plan', helped raise awareness to prevent the inadvertent building of structures over, or close to ACTEW assets. The campaign was reviewed early in 2008 and will be implemented again in 2008/09.

### Ownership of Googong Dam

The ACT Government and ACTEW continued negotiations with the Federal Government to resolve the ownership of Googong Dam. Negotiations are now expected to be completed in late 2008.



GRASS TREES ABOVE THE EXISTING COTTER DAM WALL.

## 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;
- Water Services Association of Australia;
- The American Water Works Association Research Foundation;
- The WateReuse Association; and
- The Water Environment Research Foundation.

Some of the projects undertaken as part of the program in 2007/08 were:

- Development of microbial source tracing methods utilising *Bacteroides* bacteria to detect and differentiate human and animal sources of faecal pollution in waterways;
- 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;
- Development of sensitive methods for the detection and quantification of trace organics, pesticides, biocides, antibiotics and endocrine disrupting chemicals in wastewaters;

- Investigation of the role of macrophytes as habitat for Macquarie Perch in the Cotter Reservoir, a collaborative project with the eWater CRC;
- Use of biological assays in addition to chemical monitoring to directly measure the biological activity of water samples for the detection of byproduct that may have an adverse ecological or human health effect. This is a collaborative project with the CRC for Water Quality and Treatment; and
- Investigation of the effectiveness of biofiltration as a mechanism for the removal of contaminants from water. This project is in collaboration with the Water Services Association of Australia.



ACTEW IS WORKING WITH THE eWATER CRC ON FISH STUDIES FOR THE ENLARGED COTTER DAM.

### 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 fulfil our role as a socially responsible company and good corporate citizen.

During the year, ACTEW assisted 27 local events, organisations and charities through its community support and sponsorship program.

Recipients of financial support or in-kind donations included Barnardos, Lifeline, the Cancer Council of the ACT, Canberra Symphony Orchestra, The Salvation Army, The Smith Family, the Australian National Eisteddfod, the Australian Red Cross, the Australian Science Festival, St Vincent de Paul and the Canberra Glassworks.



CONSULTING WITH THE COMMUNITY ON WATER SECURITY - MAJOR PROJECTS.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>WATER</b>											
Customers	118,856	120,349	122,760	124,570	126,750	129,114	131,893	134,020	135,804	138,917	141,046
No. of dams	4	4	4	4	4	4	4	4	4	4	4
Capacity of dams (GL)	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4	211.6**	207.4**	207.4
No. of reservoirs	44	44	42	44	45	45	45	45	45	45	45
Capacity of reservoirs (ML)	912	912	912	912	912	912	912	912	912	912	912
No. of pumping stations	17	17	17	21	21	21	21	23	23	23	23
Length of mains (km)	2.901	2.907	2.921	2.933	2.948	2.964	2.985	3.013	3.057	3.007*	2,980*
Total consumption (ML)	73,009	60,361	57,929	62,834	65,904	65,657	52,262	51,719	54,340	51,060	43,556
Rainfall (mm)	220	182	176	186	194	206	156	144	149	136	115
Consumption/person p/a (KL)	438	688	666	618	633	340	463	593	629	428	455
<b>SEWERAGE</b>											
No. of customers	116,268	117,648	119,846	121,618	123,641	125,784	128,446	130,355	135,561	135,241	137,262
No. of pumping stations	28	28	28	28	28	28	26	26	27	27	27
Quantity of sewage treated (ML)	31,524	32,718	32,585	30,277	30,645	28,313	27,959	27,293	29,019	26,957	25,707
Sewage treated/person p/a (kL)	101	106	105	97	97.6	89	87	84	88	81	75
Length of mains (km)	2.812	2.817	2.836	2.852	2.875	2.897	2.921	2.985	2.991	2.993	3.014

\* Length of mains reduced through improvement in data quality collection

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

# ABOUT ACTEW CORPORATION

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.

## CORPORATE GOVERNANCE

### The Board

A number of statutes and the Constitution of ACTEW govern the activities of the Company. ACTEW's Board comprises seven Directors, one Executive Director and six non-Executive Directors, who are appointed by the Voting Shareholders, the Chief Minister and Deputy Chief Minister of the ACT.

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

The Board met 12 times during the year. On 30 June 2008, Jim Service and Michael Costello retired as Directors of the Company. Mr Service had been Chairman of ACTEW since its corporatisation in 1995. Mr Costello was appointed to the Board in 2002 and retired following his appointment as Chief Executive Officer of ActewAGL.

ACTEW has agreed business goals with the Voting Shareholders. These goals are outlined in the Statement of Corporate Intent which was tabled in the Assembly on 27 September 2007. 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 to 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 amended the Charter. Ms Barbara Byrne was appointed to the Committee in March 2008.

The Committee met four times during the year.

Risk management is an integral part of the ACTEW management process. ACTEW maintains a Risk Management Register which addresses all risks facing ACTEW, including the company's direct responsibilities, activities and accountabilities. Quarterly reviews and a major annual review of the Register were undertaken during the year and provided to the Audit and Risk Management Committee and the Board.

ACTEW's internal audit activities are coordinated by ActewAGL's Audit Services with three audits undertaken during the year.

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.

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 the Executive and Senior Management. The Committee met on two occasions during the year.

### 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, staff, contractors and consultants. A review of the Code was undertaken during the year and approved by the Managing Director in September 2007. 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 and retired on 30 June 2008. He was also Chairman of the ActewAGL Joint Venture Partnerships Board and TransACT Communications Pty Limited during the year. Mr Service was 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 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.

### Kevin L Neil – Director



Kevin Neil was appointed to the ACTEW Board in December 2000. Mr Neil is ACT Manager for Australian Air Express. He is a Director of Swimming Australia.

Mr Neil is a member of ACTEW's Audit and Risk Management Committee and an Alternate

Member of the ActewAGL Joint Venture Partnerships Board.

### Michael J Costello AO, BA, LLB, FAICD – Managing Director



Michael Costello was the Managing Director of ACTEW Corporation from 2003 until 30 June 2008. He was Chairman of Ecowise Environmental Pty Limited and was a Member of the ActewAGL Joint Venture Partnerships Board during the year.

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 the Hon Kim Beazley MP and the Hon Bill Hayden MP. Mr Costello was also previously 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 Chief Executive Officer of ActewAGL effective 1 July 2008.

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



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

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

In 2002 Mr Mathews assisted the Chairman of the ACT Commission of Audit in reviewing ACT finances and a number of government business enterprises. He was appointed 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. Mr Mathews is a Director of Ecowise Environmental Pty Limited, Ecowise Environment (Victoria) Pty Limited, and Chairman of the Ecowise Audit and Risk Management Committee.

### 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 and is an Alternate Member of the ActewAGL Joint Venture Partnerships Board.

### 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 Radio, Patron of Hockey ACT and Weston Creek Men's Bowling Club and a Life Member of both Volunteering ACT and The Australian Eisteddfod.

Ms Byrne is a Fellow of the Australian Institute of Company Directors. In 2003 she received a Centenary Medal in recognition of her years of voluntary work in the community. In 2004 she was appointed an Honorary Ambassador for Canberra. In 2006 she received a Chief Minister's Lifetime Achievement Award and later in that same year was awarded a Medal in the Order of Australia in the Queen's Birthday Honours List for her contribution to business, various cultural pursuits and sporting organisations in the ACT.

ACTEW IS A SMALL ORGANISATION WITH VERY LARGE RESPONSIBILITIES AND ASSETS AND A SMALL NUMBER OF CORE STAFF.

**ORGANISATIONAL OVERVIEW**

At the end of 2007/08 there were 35 staff positions at ACTEW.

ACTEW is a small organisation with very large responsibilities and assets and a small number of core staff. From time to time it is necessary to engage additional resources for particular activities and projects. In the coming five years ACTEW will deliver significant major water infrastructure programs. In view of the increased responsibilities and activities, additional staff will be engaged to provide water policy, financial, administrative and communications support and advice.

**Executive Profiles**

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



Mr Costello was the Managing Director of ACTEW Corporation from 2003 until 30 June 2008 and responsible for the corporate management of the company. He was a member of the ActewAGL Joint Venture Partnerships Board and Chairman of Ecowise Environmental Pty Ltd, ACTEW

China Pty Limited, ACTEW Distribution and ACTEW Retail Limited. He resigned as Managing Director of ACTEW on 30 June 2008.

**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 McIlwraith, B.COM, MBA, FCPA – Chief Financial Officer**



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

**Michele Norris FAICD AFAIM – Company Secretary**



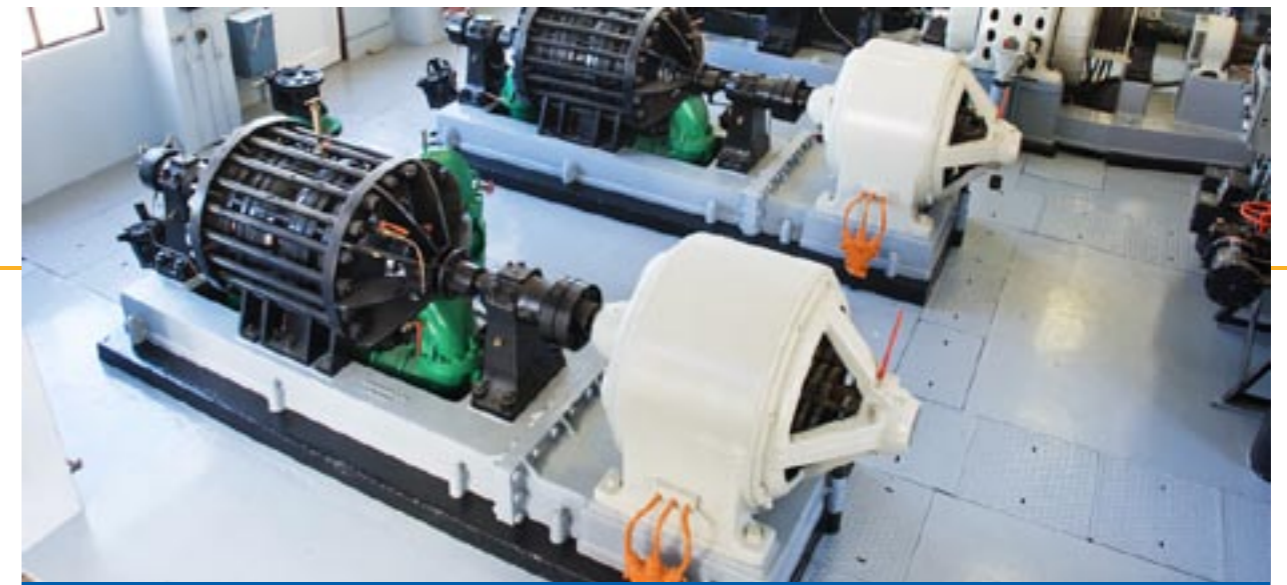
Ms Norris commenced with ACTEW in 1999 and was appointed Company Secretary in December 2003. She is responsible for the management and coordination of corporate governance, secretariat services and support to the Board, government liaison, statutory compliance and legal matters

for the Corporation and subsidiary companies, ACTEW Distribution Limited and ACTEW Retail Limited.

**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.



COTTER PUMPING STATION.

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, 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 the ActewAGL Retail partnership. ACTEW retained its 50% ownership of both partnerships. Further changes to the distribution partnership occurred when a consortium including Singapore Power purchased Alinta in August 2007. The Distribution partnership is now owned equally by Singapore Power and ACTEW Corporation.

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 a contract with TransACT. Bulk energy is bought via the AGL group.

The Joint Venture Partnerships Board is comprised of three members appointed by AGL/Singapore Power and three appointed by ACTEW. Members of the Board at

30 June 2008 were:

- Mr Jim Service AO –Chairman (ACTEW)
- Mr Jim Galvin (AGL)
- Mr Yap Chee Keong (Singapore Power)
- Mr Michael Easson AM (ACTEW)
- Mr Lom Howe Run (Alinta)
- Mr Michael Costello AO (ACTEW)

ActewAGL delivered to its owners a profit well in excess of the 2007/08 budget.

ActewAGL continued to supply highly reliable gas, electricity, water and sewerage services to the ACT community.

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 94% of customers were satisfied overall with the products and services on offer.

ActewAGL's green energy product, Greenchoice, continued to be well received by the community, experiencing a 22.5% growth in customer numbers during the year.

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 operates a broadband communications network across Canberra. TransACT is governed by a ten person Board with directors appointed by the shareholders. ACTEW has an 18% shareholding in the company.

TransACT's range of communications services 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 provides telecommunications services to the ACT Government and also provides secure data centre space to a number of organisations.

In January 2008 TransACT acquired Neighbourhood Cable Limited (NCL) and its subsidiaries. NCL operates a telecommunications network in the regional areas of Ballarat, Geelong and Mildura in Victoria providing telephony, video and data services.

TransACT continued to increase its network coverage, expanding to new medium density unit developments and commencing fibre to the home services in the new subdivision of Forde. TransACT has also been awarded the contract for telecommunications for three of the four stages of Franklin and has been shortlisted for a number of other new developments.

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

### Ecowise Environmental Pty Limited

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

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

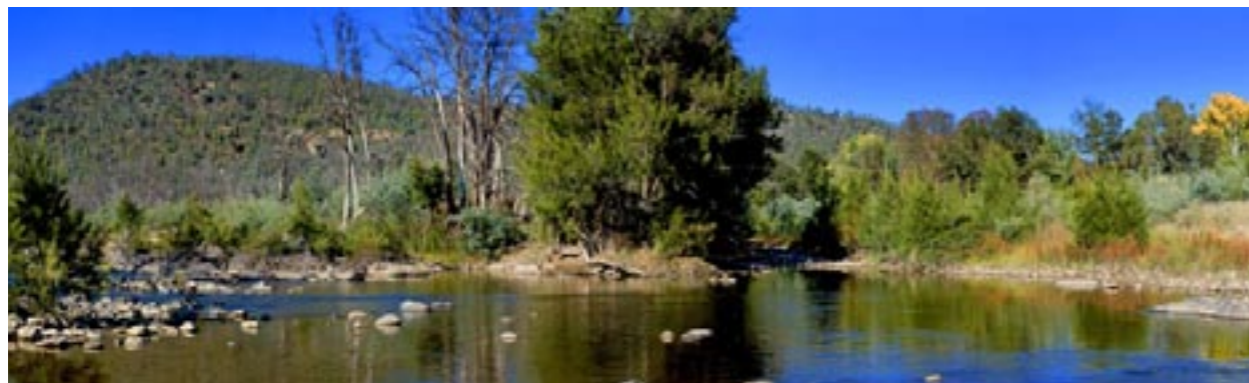
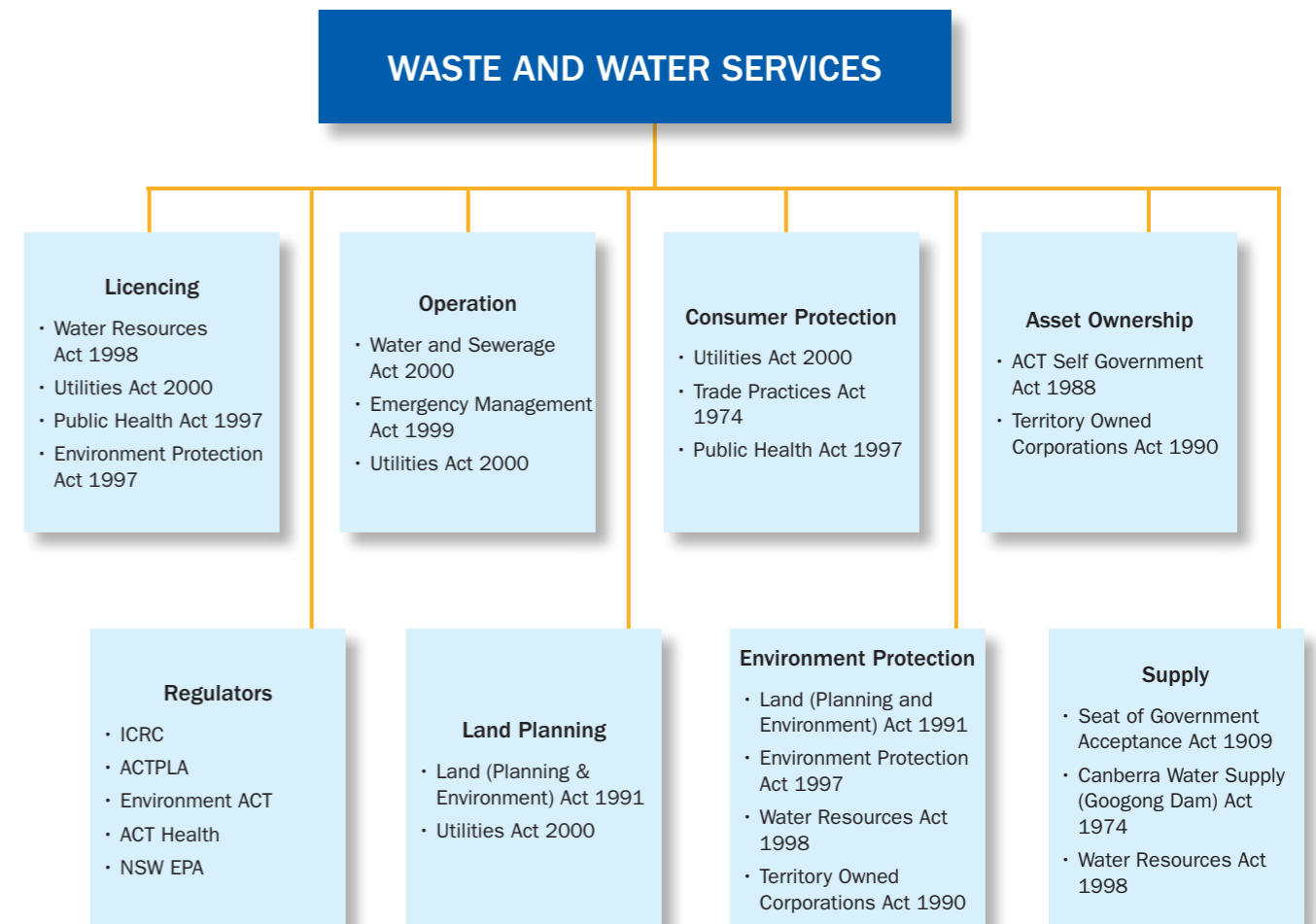
In the past few years Ecowise has expanded its business and operations through acquisitions and now has twenty offices across Australia employing around 400 staff.

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

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

## LEGISLATIVE FRAMEWORK

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



CONFLUENCE OF THE COTTER AND MURRUMBIDGEE RIVERS.

# THE YEAR AHEAD

# 05



THE ENLARGED COTTER DAM PROJECT IS A KEY PRIORITY FOR 2008/09.

ACTEW's priorities for 2008/09 are:

## WATER SECURITY

- Undertake the detailed planning, design and construction work associated with:
  - enlarging the Cotter Dam to 78 gigalitres capacity
  - the extraction and transfer of water from the Murrumbidgee River to Googong Reservoir.
- Progress arrangements for purchasing water from the Murray Darling Basin, to enable the ACT to secure additional water from a source not largely dependent on local rainfall;
- Monitor and report on water supply planning assumptions annually;
- Undertake detailed planning and design work for a Demonstration Water Purification Plant, to be submitted to the ACT Government;
- Achieve greater reliability of supply and efficiency from ACTEW's existing infrastructure;
- Monitor and report to Government progress of implementing the Water Security Major Projects-ensuring the community are kept informed and engaged; and
- Investigate arrangements to offset additional greenhouse gas emissions associated with the operation of the major projects.

## WATER SUPPLY

- Liaise with the Environment Protection Authority regarding the monitoring and future review of environmental flow levels.

## WATER DEMAND

- Manage and review water restrictions necessary for the ongoing drought including Permanent Water Conservation Measures;
- Work with the ACT Government to achieve a reduction in per capita mains water consumption of 12% by 2013 and 25% by 2023; and
- Continue to investigate a 'smart metering' pilot program.

## WASTEWATER

- Investigate opportunities to further maximise the efficiency of the existing wastewater system with any necessary investment in capital expenditure and new technology; and
- Investigate and monitor new industry standards in relation to wastewater network management.

## WATER CATCHMENTS

- Work with the ACT Government to achieve appropriate catchment management governance and administrative arrangements in the Cotter, Googong and Murrumbidgee River catchments; and
- Continue the rehabilitation of the lower Cotter catchment to improve water quality in the reservoir.

## TRANSACT

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



# FINANCIAL STATEMENTS

ACTEW Corporation Limited  
ABN 86 06 60

## General Financial Report

For the year ended 30 June 2008

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  
CANBERRA City ACT 2601

## ACTEWAGL

- Manage the Utilities Management Agreement (UMA) with ActewAGL, which provides for the operational management of ACTEW's water and wastewater;
- 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;
- Develop strategies to mitigate the impact of current human resource shortages being experienced in the ACT and Australia wide; and
- Manage ACTEW's investments in electricity, gas and telecommunications to achieve satisfactory returns.

## CUSTOMERS

- Engage and educate our customers on water related issues, including ACTEW's water supply and demand initiatives; and
- Continue ACTEW's contribution to the ACT community by supporting organisations, events and initiatives.

## FINANCIAL

- Review and advise customers and shareholders on the implications of Stage 3 Water Restrictions on pricing and on the financial performance and position of ACTEW;
- 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;
- Manage ACTEW's liquidity position in regards to major capital expenditure works on the Water Security – Major Projects and ACTEW's general capital expenditure program, this should result in debt raising during the year;
- Continue to develop, refine and monitor the risk management strategies of ACTEW in the context of the UMA;
- Tailor the current policies and procedures to ensure clear accountability for ACTEW's significant capital expenditure program (Water Security – Major Projects capital expenditure and general capital expenditure program) leading to producing information in a timely, accurate and transparent matter; and
- Achieve earnings before interest and tax (EBIT) of approximately \$115.4m and declare shareholders a dividend out of 2008/09 profits of approximately \$61.2m. These achievements are uncertain as they will depend on the level of water restrictions that are in place in 2008/09.

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## Directors' Report

For the year ended 30 June 2008

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 2008.

### 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 24 of the Annual Report 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, secretariat support to the Board, 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

Twelve 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 twice during the year.

Director	ACTEW Board Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings
J G Service	11 <b>(12)</b>	-	2 <b>(2)</b>
M B Easson	11 <b>(12)</b>	4 <b>(4)</b>	2 <b>(2)</b>
K L Neil	12 <b>(12)</b>	4 <b>(4)</b>	2 <b>(2)</b>
M J Costello	12 <b>(12)</b>	-	2 <b>(2)</b>
E W Mathews	12 <b>(12)</b>	4 <b>(4)</b>	2 <b>(2)</b>
E A Whitelaw	12 <b>(12)</b>	-	2 <b>(2)</b>
B M Byrne	11 <b>(12)</b>	0 <b>(1)</b>	2 <b>(2)</b>

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

## Directors' Report

For the year ended 30 June 2008

### 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:

	2008 \$ million	2007 \$ million
Revenue (excludes ActewAGL joint venture profits)	201.8	183.5
Profit before income tax expense and contributed assets	100.4	78.8
Contributed Assets	9.0	6.1
Profit before income tax expense	109.4	84.9
Income tax	33.5	20.5
Profit for the year	75.9	64.4
Payments to ACT Government:		
Interim dividend for current years profit	56.9	50.7
Final dividend for previous years profit	13.7	14.7
	70.6	65.4
Tax equivalent payments	14.9	11.6
Total payments to ACT Government	85.5	77.0

Revenue is higher than prior year mainly from the increased tariff prices set to recover ACT Government Utilities Network Facilities Tax (UNFT) as well as the recovering of ACTEW's investment in projects to secure Canberra's water supply security during continuing drought conditions.

Profit for the year increased compared to prior year mainly due to increased share of profits from the ActewAGL partnerships, particularly the Retail Partnership.

## Directors' Report

For the year ended 30 June 2008

### 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 2001 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.

### Dividends

An interim dividend of \$56.9m (2007 interim: \$50.7m) was paid in June 2008. The directors have recommended the payment of a 2007-08 final dividend of \$18.9m (2007 final: \$13.7m).

### Significant changes in the state of affairs

ACTEW borrowed a \$300m Indexed Annuity Bond in June 2008 to fund future capital works projects and expenditure mainly for water security major projects.

Jim Service resigned as Chairman and Michael Costello as Managing Director of ACTEW Corporation Ltd effective 30 June 2008. John Mackay was appointed Chairman effective from 1 July 2008 and Mark Sullivan was appointed Managing Director on 14 July 2008.

### 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.

### 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 1 October 2007 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 regulations for the discharge from Googong Water Treatment Plant. ACTEW complied with all reporting requirements during 2007/08. ACTEW's compliance details were:

## Directors' Report

For the year ended 30 June 2008

	Compliance 2008	Compliance 2007	Target
Googong pollution control licence compliance*	100%	100%	100%
Sewage treatment discharge compliance	100%	100%	100%
Sewage treatment incinerator air emission compliance**	98.4%	98.9%	100%

\* Googong pollution control licence period ran from 15 August 2007 to 14 August 2008.

\*\* Lower Molonglo Water Quality Control Centre's non compliance was typically due to changes in process operation conditions. 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 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. 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 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.

## Directors' Report

For the year ended 30 June 2008

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the Corporations Act 2001 is set out on page 42.

### Rounding of amounts

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

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



Michael B Easson AM  
Deputy Chairman  
Canberra  
27 August 2008

Edward W Mathews  
Director  
Canberra  
27 August 2008

## Directors' Declaration

For the year ended 30 June 2008



The directors declare that the financial report and notes set on pages 46 to 103:

- 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 2008 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.



Michael B Easson AM  
Deputy Chairman  
Canberra  
27 August 2008

Edward W Mathews  
Director  
Canberra  
27 August 2008



## 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 (the Company) is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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, in accordance with Accounting Standard 101: 'Presentation of Financial Statements', state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report complies with International Financial Reporting Standards.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608  
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

#### 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 2007 and 30 June 2008.

#### The Auditor's Responsibility

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

#### The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial 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.

### Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this audited financial report should note that this audit does not provide assurance on the integrity of information presented electronically and 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 the electronic presentation of information, they are advised to refer to the printed copy of the audited financial report to confirm the accuracy of this electronically presented information.

### Independence

In conducting the audit, I have complied with the independence requirements of the *Corporations Act 2001*.



Tu Pham  
Auditor-General  
3 September 2008



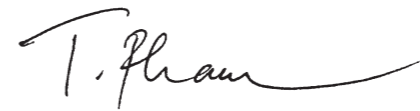
ACT AUDITOR-GENERAL'S OFFICE



### 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 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Tu Pham  
Auditor-General  
27 August 2008

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608  
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## Income Statement

As at 30 June 2008

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	5	189,475	171,182	236,239	209,511
Other income	6	12,291	12,305	12,291	12,305
		<b>201,766</b>	<b>183,487</b>	<b>248,530</b>	<b>221,816</b>
ACT Government charges		27,742	27,928	27,742	27,928
Administration and other costs		6,975	5,165	6,975	5,165
Depreciation and amortisation expense	7	29,464	22,497	29,464	22,497
Finance costs	7	26,654	27,222	26,654	27,222
Project related expenses		77,153	72,607	77,153	72,607
Impairment of investments		(787)	(2,318)	(787)	(2,318)
Investments in associates' equity accounted losses	37	787	2,318	787	2,318
Other expenses arising from ordinary activities		2,765	3,470	2,735	3,439
Share of net (profit) of joint ventures partnership accounted for using the equity method	38	(69,345)	(54,242)	-	-
Profit before contributed assets and income tax expense		100,358	78,840	77,807	62,958
Contributed assets		9,039	6,054	9,039	6,054
<b>Profit before income tax</b>		<b>109,397</b>	<b>84,894</b>	<b>86,846</b>	<b>69,012</b>
Income tax expense	8	33,500	20,458	11,426	5,052
<b>Profit for the year</b>		<b>75,897</b>	<b>64,436</b>	<b>75,420</b>	<b>63,960</b>

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

## Balance Sheet

As at 30 June 2008

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>					
Cash and cash equivalents	10	204,664	23,239	204,664	23,239
Trade and other receivables	11	36,957	24,853	105,508	76,780
Other	12	17,027	17,525	17,027	17,525
<b>Total Current Assets</b>		<b>258,648</b>	<b>65,617</b>	<b>327,199</b>	<b>117,544</b>
<b>Non Current Assets</b>					
Trade and other receivables	13	-	-	298,441	303,018
Available-for-sale financial assets	14	15,001	17,116	15,001	17,116
Investments accounted for using the equity method	15	437,291	424,446	1,250	1,250
Derivative financial instrument	16	1,124	349	1,124	349
Other financial assets	17	-	-	1,400	1,400
Property, plant and equipment	18	1,276,960	1,229,400	1,276,960	1,229,400
Other	19	251	426	251	426
Deferred tax assets	20	19,759	13,234	9,124	5,922
<b>Total Non Current Assets</b>		<b>1,750,386</b>	<b>1,684,971</b>	<b>1,603,551</b>	<b>1,558,881</b>
<b>TOTAL ASSETS</b>		<b>2,009,034</b>	<b>1,750,588</b>	<b>1,930,750</b>	<b>1,676,425</b>
<b>Current Liabilities</b>					
Trade and other payables	21	28,913	19,128	28,887	19,103
Borrowings	22	11,572	11,775	11,572	11,775
Provisions	23	36,546	31,696	36,546	31,696
Other	24	1,694	1,431	1,694	1,431
<b>Total Current Liabilities</b>		<b>78,725</b>	<b>64,030</b>	<b>78,699</b>	<b>64,005</b>
<b>Non Current Liabilities</b>					
Borrowings	25	590,235	366,605	590,235	366,605
Provisions	26	1,831	2,134	1,831	2,134
Deferred tax liability	27	324,429	304,588	264,728	248,530
<b>Total Non Current Liabilities</b>		<b>916,495</b>	<b>673,327</b>	<b>856,794</b>	<b>617,269</b>
<b>TOTAL LIABILITIES</b>		<b>995,220</b>	<b>737,357</b>	<b>935,493</b>	<b>681,274</b>
<b>NET ASSETS</b>		<b>1,013,814</b>	<b>1,013,231</b>	<b>995,257</b>	<b>995,151</b>
<b>Equity</b>					
Contributed equity	28	758,871	758,871	758,871	758,871
Reserves	29	247,142	246,559	207,417	206,834
Retained profits	30	7,801	7,801	28,969	29,446
<b>TOTAL EQUITY</b>		<b>1,013,814</b>	<b>1,013,231</b>	<b>995,257</b>	<b>995,151</b>

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



## Cash Flow Statement

As at 30 June 2008

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
		Inflows/(Outflows)		Inflows/(Outflows)	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers (inclusive of goods & services tax)		188,812	181,943	188,812	181,943
Payments to suppliers and employees (inclusive of goods & services tax)		(116,916)	(106,453)	(116,916)	(106,453)
Sub-Total		71,896	75,490	71,896	75,490
Interest received		3,386	3,579	3,386	3,579
Income tax equivalents paid		(14,946)	(11,605)	(14,946)	(11,605)
Dividends received		-	-	-	(6,723)
Interest paid		(27,170)	(25,701)	(27,170)	(25,701)
<b>Net Cash Inflow from Operating Activities</b>	39	<b>33,166</b>	<b>41,763</b>	<b>33,166</b>	<b>35,040</b>
<b>Cash Flows from Investing Activities</b>					
Payments for property, plant and equipment		(63,100)	(28,004)	(63,100)	(28,004)
Loans to related parties		-	-	-	6,723
Distribution received from joint venture partnerships		56,500	48,500	56,500	48,500
Net proceeds/(payments) for investments		2,115	(7,577)	2,115	(7,577)
<b>Net Cash (Outflow)/ Inflow from Investing Activities</b>		<b>(4,485)</b>	<b>12,919</b>	<b>(4,485)</b>	<b>19,642</b>
Repayment of borrowings		(76,573)	(9,772)	(76,573)	(9,772)
Proceeds from borrowings		300,000	15,000	300,000	15,000
Dividend paid		(70,683)	(65,430)	(70,683)	(65,430)
<b>Net Cash Inflow / (Outflow) from Financing Activities</b>		<b>152,744</b>	<b>(60,202)</b>	<b>152,744</b>	<b>(60,202)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>181,425</b>	<b>(5,520)</b>	<b>181,425</b>	<b>(5,520)</b>
<b>Cash and Cash Equivalents at the Beginning of the Financial Year</b>		<b>23,239</b>	<b>28,759</b>	<b>23,239</b>	<b>28,759</b>
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	10	<b>204,664</b>	<b>23,239</b>	<b>204,664</b>	<b>23,239</b>

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

## Statement of Changes in Equity

As at 30 June 2008

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Total Equity at the Beginning of the Financial Year	1,013,231	776,492	995,151	798,613
Fixed asset revaluation increment net of tax	145	196,770	145	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	438	244	438	244
Profit for the year	75,897	64,436	75,420	63,960
Total recognised income and expense for the year	76,480	301,175	76,002	260,974
Transactions with equity holders in their capacity as equity holders:				
Dividends provided for or paid	(75,897)	(64,436)	(75,897)	(64,436)
	(75,897)	(64,436)	(75,897)	(64,436)
<b>Total equity at the End of the Financial Year</b>	<b>1,013,814</b>	<b>1,013,231</b>	<b>995,257</b>	<b>995,151</b>

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

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

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 not elected to early adopt any standards during the annual reporting period commencing on 1 July 2007.

#### Historical Cost Convention

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

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (b) Principles of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate and asset and liabilities of all subsidiaries of ACTEW Corporation Limited as at 30 June 2008 and the results of all subsidiaries for the year then ended. ACTEW Corporation Limited and its subsidiaries together are referred to in this financial report as the Group.

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. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

##### (ii) 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 December 2007, ACTEW Corporation decreased its interest in TransACT Communications Ltd to 18.0% through a share restructure. ACTEW still considers it holds significant influence in TransACT Communications Ltd through this interest as well as the provision of a \$25 million guarantee and the management agreement between TransACT Communications Ltd and the ActewAGL Joint Venture.

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.

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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (iii) 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 was 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. Details 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.

#### (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. Partnership changes occurred in August 2007 resulting in AGL Energy being 50% owner of the ActewAGL Retail Partnership and Singapore Power International (SPI) being 50% owner of the ActewAGL Distribution Partnership.

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. 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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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 shareholder's 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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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.

#### (g) Trade receivables

Trade receivables are recognised and carried at original invoice amount less a provision for impairment loss.

An estimate for impairment loss is made when evidence suggests that collection of the full amount is no longer probable. Bad debts are written off when identified.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### (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 triennially 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. An independent valuation of these assets was performed as at 30 June 2007 with a directors valuation based on discounted cash flows every other year.

##### 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	10 – 150 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)).

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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 Group will 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 10.14% (2007 – 9.3%).

At 30 June 2008, 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 (2007: \$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.

#### (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).

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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.

#### 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 arms 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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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

##### 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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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 2007-08 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 2008. 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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (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.

#### (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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 1: Summary of significant accounting policies

#### (x) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision maker's use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report.

However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

#### (ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 107, AASB 111, AASB 116, AASB 138 and interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

#### (iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

## Notes to the Financial Statements

As at 30 June 2008

### Note 2: Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. These derivatives are not used for trading or other speculative purposes.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. The fair value of the Group's financial assets and liabilities approximate their carrying value.

The Group and the parent entity held the following financial instruments:

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	204,664	23,239	204,664	23,239
Trade and other receivables	36,957	24,853	105,508	76,780
Available-for-sale financial assets	15,001	17,116	15,001	17,116
Other financial assets	-	-	1,400	1,400
	<b>256,622</b>	<b>65,208</b>	<b>326,573</b>	<b>118,535</b>
<b>Financial liabilities</b>				
Trade and other payable	28,913	19,128	28,887	19,103
Borrowings	601,807	378,380	601,807	378,380
	<b>630,720</b>	<b>397,508</b>	<b>630,694</b>	<b>397,483</b>

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

The Group's main interest rate risks arise from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. At the end of June 2008 the Group held the following borrowings:

##### (1) Indexed annuity bond

A \$250 million CPI linked Indexed Annuity Bond was raised on the 17 of April 2000 with 20 year tenor (maturity date 17 April 2020). At 30 June 2008 \$222.3 million was outstanding.

##### (2) Indexed annuity bond

On the 12th of June 2008 ACTEW raised a \$300 million CPI linked Indexed Annuity Bond (IAB) with a 40 year tenor (maturity date 12 June 2048). At the 30 June 2008 the full \$300 million was still outstanding.

## Notes to the Financial Statements

As at 30 June 2008

### Note 2: Financial risk management

#### (3) 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 receives interest at variable rates each 90 days and is obliged 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 2008 the notional principal amount is \$70 million (2007 – \$70 million) and the interest rate swap contract will expire within 4 years (2007 – 5 years). ACTEW views this hedge as effective as it has achieved an acceptable fixed interest rate during times of uncertainty.

#### (4) Fixed Rate Commonwealth Loan

Fixed rate loan raised on 1 July 1988 and due to mature on 31 December 2010.

Details of these loans are set out in Note 25 to the Financial Statements.

The Group is also exposed to interest rate risk with respect to short-term investments. Uncommitted funds are placed on short-term deposit at the best prevailing rates with all investments being in securities rated A- or greater.

#### (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as exposure to retail customers, including outstanding receivables. ACTEW has a board approved Treasury policy which limits investments to Australian Dollar denominated securities with a minimum rating of "A-" as accepted. 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.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as reported above.

The credit quality of trade receivables can be assessed by reviewing the movement in arrears and the historical rate of bad debt write offs. All trade receivables for water and waste water services are secured over the premises the supply relates to:

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Trade Receivables</b>				
- Unbilled revenue	8,725	4,791	8,725	4,791
- Current Receivables	15,789	12,647	15,789	12,647
- Past Due Receivables	8,295	6,301	8,295	6,301
- Provision for Impairment	(113)	(76)	(113)	(76)
<b>Total Trade Receivables</b>	<b>32,696</b>	<b>23,663</b>	<b>32,696</b>	<b>23,663</b>

## Notes to the Financial Statements

As at 30 June 2008

### Note 2: Financial risk management

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Bad Debts Written off</b>	<b>24</b>	<b>7</b>	<b>24</b>	<b>7</b>
The spread of rated investments is as follows:				
<b>Cash at bank and short-term deposits</b>				
- AA	1,000	2,000	1,000	2,000
- AA-	-	1,000	-	1,000
- A1+	196,961	4,300	196,961	4,300
- A1	6,703	15,938	6,703	15,938
	<b>204,664</b>	<b>23,238</b>	<b>204,664</b>	<b>23,238</b>
<b>Available-for-sale debt securities</b>				
- AAA	5,528	3,457	5,528	3,457
- AA+	1,000	1,000	1,000	1,000
- AA	4,000	5,000	4,000	5,000
- AA-	1,473	6,659	1,473	6,659
- A+	2,000	-	2,000	-
- A	1,000	1,000	1,000	1,000
	<b>15,001</b>	<b>17,116</b>	<b>15,001</b>	<b>17,116</b>

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities as well as the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

As at 30 June 2008, the Group did not have any undrawn borrowing facilities (2007: \$Nil).

The Group has a bank overdraft facility of \$8 million (2007: \$8 million) available to cover any short term cash deficiencies.

The Group has increased its debt to equity ratio to 37% (2007: 27%) following the raising of an additional \$300 million indexed bond in June 2008. This new debt will be used to fund the Water Security Major Projects.



## Notes to the Financial Statements

As at 30 June 2008

### Note 2: Financial risk management

The tables below analyse the Group's and parent's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

Group - At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	28,913	-	-	-	-	28,913	28,913
Variable rate	17,641	17,875	36,452	115,310	865,398	1,052,676	522,364
Fixed rate	2,583	4,817	3,569	-	-	10,969	13,535
<b>Total non-derivatives</b>	<b>49,137</b>	<b>22,692</b>	<b>40,021</b>	<b>115,310</b>	<b>865,398</b>	<b>1,092,558</b>	<b>564,812</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	75,596	-	84,205	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>75,596</b>	<b>-</b>	<b>84,205</b>	<b>70,000</b>

Group - At 30 June 2007	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	19,128	-	-	-	-	-	19,128
Variable rate	13,459	76,567	23,642	72,246	236,581	422,495	294,845
Fixed rate	2,815	2,699	5,049	5,919	-	16,482	13,535
<b>Total non-derivatives</b>	<b>35,402</b>	<b>79,266</b>	<b>28,691</b>	<b>78,165</b>	<b>236,581</b>	<b>458,105</b>	<b>327,508</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	79,901	-	88,510	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>79,901</b>	<b>-</b>	<b>88,510</b>	<b>70,000</b>

## Notes to the Financial Statements

As at 30 June 2008

### Note 2: Financial risk management

ACTEW Corporation Ltd - At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	28,887	-	-	-	-	-	28,887
Variable rate	17,641	17,875	36,452	115,310	865,398	1,052,676	522,364
Fixed rate	2,583	4,817	3,569	-	-	10,969	13,535
<b>Total non-derivatives</b>	<b>49,111</b>	<b>22,692</b>	<b>40,021</b>	<b>115,310</b>	<b>865,398</b>	<b>1,092,532</b>	<b>564,786</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	75,596	-	84,205	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>75,596</b>	<b>-</b>	<b>84,205</b>	<b>70,000</b>

ACTEW Corporation Ltd - At 30 June 2007	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	19,103	-	-	-	-	19,103	19,103
Variable rate	13,459	76,567	23,642	72,246	236,581	422,495	294,845
Fixed rate	2,815	2,699	5,049	5,919	-	16,482	13,535
<b>Total non-derivatives</b>	<b>35,377</b>	<b>79,266</b>	<b>28,691</b>	<b>78,165</b>	<b>236,581</b>	<b>458,080</b>	<b>327,483</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	79,901	-	88,510	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>79,901</b>	<b>-</b>	<b>88,510</b>	<b>70,000</b>

## Notes to the Financial Statements

As at 30 June 2008

### Note 2: Financial risk management

#### (c) 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.

#### (d) Price and volume risk

ACTEW Corporation Ltd retail water and sewerage prices are determined by the ACT Independent Competition and Regulatory Commission (ICRC). These prices have been set for the period 2009 to 2013 therefore mitigating any price risks on future revenue streams to ACTEW Corporation Ltd.

The volume of water revenue derived by ACTEW Corporation Ltd is affected by weather conditions including ongoing drought conditions in the ACT and Queanbeyan.

## Notes to the Financial Statements

As at 30 June 2008

### 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 2008 amount totalled \$8.7 million which included water consumption and revenue from the Water Abstraction Charge and Utility Networks Facilities Tax.

#### Impairment test

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

The final valuation of these assets was determined by application of a discounted cash flow analysis (DCF). This method valued the assets at \$1.4 billion as at 30 June 2008 (2007: \$1.2 billion). The DCF was determined over a five year period using ACTEW's forecast net cash flow results with a terminal value based on cashflow perpetuity discounted using a pre-tax nominal cash flow of 10.14% (2007: 9.31%).

The water and wastewater assets have not been revalued during 2008 in the financial accounts due to the uncertainty of market conditions in the future.

### Note 4: Segment information

#### 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 and activities of the wholly owned subsidiaries.

#### Geographical segments

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

## Notes to the Financial Statements

As at 30 June 2008

### Note 4: Segment information

#### 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 "arms length" basis and are eliminated on consolidation.

##### c) Equity accounted investments

The consolidated entity owns 100% of ACTEW Retail Ltd and ACTEW Distribution Ltd. ACTEW Retail Ltd has entered into a joint venture partnership with AGL Ltd to manage and market the retail operations of the ACT electricity and gas markets.

ACTEW Distribution Ltd has entered into a joint venture partnership with Singapore Power to manage the ACT electricity network and the ACT, Queanbeyan and Nowra gas networks. These investments are accounted for using the equity method.

These investments are included in the investment segment.

## Notes to the Financial Statements

As at 30 June 2008

### Note 4: Segment information

#### Primary reporting - business segments

Year ended 30 June 2008	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
<b>Income statement</b>				
Sales to external customers	102,507	84,598	-	187,105
Other revenue	1,092	8,809	70,061	79,962
Total segment revenue	103,599	93,407	70,061	267,067
Segment result (excluding interest, gifted assets and tax expense)	22,316	31,571	69,081	122,968
Tax expense	4,502	6,923	22,075	33,500
Segment result for the year	13,419	20,636	41,841	75,896
<b>Balance Sheet</b>				
Segment assets	813,095	731,465	464,474	2,009,034
Segment liabilities	444,667	365,434	185,120	995,221
Investments in associates and joint venture partnership	-	-	437,291	437,291
<b>Other</b>				
Acquisition of property, plant and equipment	47,767	20,410	-	68,177
Depreciation and amortisation	13,083	16,381	-	29,464

## Notes to the Financial Statements

As at 30 June 2008

### Note 4: Segment information

#### Primary reporting - business segments

Year ended 30 June 2007	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
<b>Income statement</b>				
Sales to external customers	93,433	76,105	-	169,538
Other revenue	1,062	8,609	54,999	64,670
Segment revenue	94,495	84,714	54,999	234,208
Segment result (excluding interest, gifted assets and tax expense)	15,884	32,562	54,140	102,586
Tax expense	948	4104	15,406	20,458
Segment result for the year	5,960	25,805	32,672	64,437
<b>Balance Sheet</b>				
Segment assets	651,869	638,342	460,376	1,750,587
Segment liabilities	283,711	272,625	181,022	737,358
Investments in associates and joint venture partnership	-	-	424,446	424,446
<b>Other</b>				
Acquisition of property, plant and equipment	19,562	10,685	-	30,247
Depreciation and amortisation	12,199	10,299	-	22,498

## Notes to the Financial Statements

As at 30 June 2008

### Note 5: Revenue from continuing operations

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Sales revenue</b>					
Water revenue		75,097	66,639	75,097	66,639
Sewerage revenue		80,821	75,634	80,821	75,634
Recovery of ACT Government Charges	a	29,513	25,389	29,513	25,389
		<b>185,432</b>	<b>167,662</b>	<b>185,432</b>	<b>167,662</b>
<b>Other revenue</b>					
Interest		4,044	3,520	4,044	3,520
Dividend revenue		-	-	46,764	38,330
	b	<b>189,475</b>	<b>171,182</b>	<b>236,239</b>	<b>209,511</b>

a. This is a recovery of the Water Abstraction charge and the Utilities Network Facilities Tax levied by the ACT Government.

b. 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	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Commonwealth subvention	a	9,643	9,435	9,643	9,435
Net gain from disposal of property, plant and equipment		-	-	-	-
Regulated income		1,487	1,458	1,487	1,458
Contestable income		38	52	38	52
Other income		1,122	1,360	1,122	1,360
		<b>12,291</b>	<b>12,305</b>	<b>12,291</b>	<b>12,305</b>

a. The Commonwealth Government provides financial assistance to ACTEW Corporation to offset increased costs

## Notes to the Financial Statements

As at 30 June 2008

### 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>				
Finance costs	26,654	27,222	26,654	27,222
Depreciation:				
Water system assets	13,588	12,021	13,588	12,021
Sewerage system assets	15,538	10,083	15,538	10,083
Infrastructure land and buildings	13	23	13	23
Non-infrastructure land and buildings	315	340	315	340
Plant and equipment	10	30	10	30
Total Depreciation	29,464	22,497	29,464	22,497
Rental expenses relating to operating leases	147	86	147	86
Impairment losses - financial assets - trade receivables	37	(11)	37	(11)

## Notes to the Financial Statements

As at 30 June 2008

### Note 8: Income tax expense

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	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>(a) Income tax expense</b>					
Current tax		12,900	14,454	(5,164)	(3,487)
Decrease/(Increase) in deferred tax asset	20	(235)	473	681	227
Decrease)/Increase in deferred tax liabilities	27	19,620	10,367	16,032	11,986
Adjustment to prior year		1,215	(4,836)	(123)	(3,674)
		<b>33,500</b>	<b>20,458</b>	<b>11,426</b>	<b>5,052</b>
Income tax expense is attributable to:					
Profit from continuing operations		33,500	20,458	11,426	5,052
Aggregate income tax expense		<b>33,500</b>	<b>20,458</b>	<b>11,426</b>	<b>5,052</b>
<b>(b) Numerical reconciliation of income tax equivalents to prima facie tax payable</b>					
Profit from continuing operations before income tax equivalents		109,397	84,894	86,846	69,012
Income tax calculated at 30%		32,819	25,468	26,054	20,703
<b>Tax effect of permanent differences:</b>					
Over provision prior years					
Intercompany dividends		-	(297)	(14,029)	(11,977)
Non-deductible expenses		108	153	47	30
Research and development		(523)	(30)	(523)	(30)
Adjustment to prior year income tax expense		1,096	(4,836)	(123)	(3,674)
<b>Income tax expense</b>		<b>33,500</b>	<b>20,458</b>	<b>11,426</b>	<b>5,052</b>
<b>(c) Amounts recognised directly in equity</b>					
Deferred tax liability - credited directly to equity during the reporting period (note 27)		231	101,460	231	84,435
		<b>231</b>	<b>101,460</b>	<b>231</b>	<b>84,435</b>

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

## Notes to the Financial Statements

As at 30 June 2008

### Note 8: Income tax expense

#### 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	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Opening balance		13,736	14,730	13,736	14,730
Amount appropriated from operating profit		75,897	64,436	75,420	63,960
		89,633	79,166	89,156	78,690
Amount transferred from retained profits		-	-	477	476
Amount paid during the year		(70,683)	(65,430)	(70,683)	(65,430)
Closing balance		18,950	13,736	18,950	13,736

## Notes to the Financial Statements

As at 30 June 2008

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	4,716	801	4,716	801
Short-term deposits	199,948	22,438	199,948	22,438
	204,664	23,239	204,664	23,239
Cash as per statement of cash flows a	204,664	23,239	204,664	23,239

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.

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Water revenue receivable	19,098	13,475	19,098	13,475
Sewerage revenue receivable	10,959	7,868	10,959	7,868
Other trade receivables	2,753	2,397	2,752	2,397
Provision for impairment of receivables	(113)	(76)	(113)	(76)
Sub total trade receivables	32,696	23,663	32,696	23,663
Sundry receivables and accrued revenue	4,139	1,190	4,139	1,190
Sundry receivables and accrued revenue - related parties	-	-	68,551	51,926
Prepayments	122	-	122	-
Sub total sundry debtors	4,261	1,190	72,812	53,116
Total trade receivables	36,957	24,853	105,508	76,780

## Notes to the Financial Statements

As at 30 June 2008

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

#### (a) Impaired trade receivables

The group has recognised a loss of \$24,000 (2007: \$7,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2008. The loss has been included in 'other expenses' in the income statement.

Movement in the provision for impairment of receivables are as follows:

	Consolidated	
	2008	2007
	\$'000	\$'000
At 1 July	76	87
Provision for impairment recognised / (released) during the year	61	(4)
Receivables (written off) / recovered during the year as uncollectible	(24)	(7)
	<b>113</b>	<b>76</b>

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement.

#### (b) Past due but not impaired

As at 30 June 2008, trade receivables of \$7,662,000 (2007 – \$5,280,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Up to 2 months	2,071	1,727	2,071	1,727
2 to 4 months	2,235	1,121	2,235	1,121
4 to 12 months	2,415	1,598	2,415	1,598
Over 12 months	941	834	941	834
	<b>7,662</b>	<b>5,280</b>	<b>7,662</b>	<b>5,280</b>

## Notes to the Financial Statements

As at 30 June 2008

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

#### (c) Other trade receivables

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

#### (d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee entitlement receivable - related parties	17,027	17,525	17,027	17,525
<b>Total other assets</b>	<b>17,027</b>	<b>17,525</b>	<b>17,027</b>	<b>17,525</b>

### Note 13: Non-current assets - trade and other receivables

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Non-interest bearing loans to subsidiaries	-	-	298,441	303,018
<b>Total receivables</b>	<b>-</b>	<b>-</b>	<b>298,441</b>	<b>303,018</b>

#### (a) Impaired receivables and receivables past due

None of the receivables are impaired or past due but not impaired.

#### (b) Fair values

Due to the nature of these receivables, their carrying amount is assumed to approximate their fair value.

#### (c) Credit risk

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

#### (d) Repayment of loan

The loans do not have a fixed repayment term and are not repayable on demand.

## Notes to the Financial Statements

As at 30 June 2008

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Long-term securities	15,001	17,116	15,001	17,116
Total available for sale financial assets	15,001	17,116	15,001	17,116

Interest rates are between 7.25% and 10.25% while maturity dates are from September 2009 to May 2035.

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

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Investments in joint venture partnerships	38	436,041	423,196	-	-
Investment in TransACT	37	1,250	1,250	1,250	1,250
Total investments using equity method		437,291	424,446	1,250	1,250

### Note 16: Non-current assets - Derivative financial instruments

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Interest rate swap contracts - cash flow hedges	1,124	349	1,124	349
Total Derivative financial instruments	1,124	349	1,124	349

#### (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 receives interest at variable rates each 90 days and is obliged 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.

## Notes to the Financial Statements

As at 30 June 2008

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

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'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)
Total other financial assets		-	-	1,400	1,400



## Notes to the Financial Statements

As at 30 June 2008

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

	Construction in progress	Water	Sewerage	Infra- structure land & buildings	Non-infra- structure land & buildings	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 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 increments/ (decrements)	-	90,300	190,800	-	-	-	281,100
Additions	30,246	-	-	-	-	-	30,246
Construction capitalised	(26,604)	20,609	5,933	62	-	-	-
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

## Notes to the Financial Statements

As at 30 June 2008

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

<b>Year ended 30 June 2008</b>							
Opening net book amount	40,588	577,392	595,523	2,658	13,204	35	1,229,400
Revaluation increments/ (decrements)		57	88				145
Additions	68,175	-	-		308		68,483
Construction capitalised	(6,101)	3,500	2,293		308		-
Gifted assets		5,155	3,884				9,039
Retirements							-
Transfer/adjustments	(2,396)	2,635	(868)	5	(21)	2	(643)
Depreciation charge		(13,588)	(15,538)	(13)	(315)	(10)	(29,464)
Closing net book amount	100,266	575,151	585,382	2,650	13,484	27	1,276,960
<b>At 30 June 2008</b>							
Cost or fair value	100,266	588,682	600,832	2,923	17,484	476	1,310,663
Valuation	-	57	88	-	-	-	145
Accumulated depreciation	-	(13,588)	(15,538)	(273)	(4,000)	(449)	(33,848)
Net book amount	100,266	575,151	585,382	2,650	13,484	27	1,276,960

a All fixed assets are held by the parent entity.

b 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.

c ACTEW is currently finalising long-term leasing arrangements in regards to Googong Dam.

d Water and sewerage infrastructure assets are stated at their fair value. All other assets are at cost.

## Notes to the Financial Statements

As at 30 June 2008

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

#### Valuation

##### Water and Sewerage non current assets

ACTEW Corporation undertook a revaluation of its water and wastewater non current assets at 30 June 2007 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.

A further valuation of assets based on discounted cash flows was prepared in 2008. This valuation resulted in the water and wastewater assets being valued at \$1.4 billion. However, due to the uncertain market conditions no adjustment has been made 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.

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee entitlement receivable - related parties	251	426	251	426
<b>Total other</b>	<b>251</b>	<b>426</b>	<b>251</b>	<b>426</b>

## Notes to the Financial Statements

As at 30 June 2008

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
<b>Amounts recognised in profit and loss</b>				
Audit fees	5	4	-	-
Distributions from joint venture partnerships	10,647	7,308	-	-
Employee entitlements	5,569	5,674	5,569	5,674
Capital in progress provision	150	150	150	150
Insurance losses	30	30	30	30
Accrued expenses	3,236	-	3,236	-
Other	122	68	139	68
<b>Total Deferred Tax Assets</b>	<b>19,759</b>	<b>13,234</b>	<b>9,124</b>	<b>5,922</b>
Deferred tax assets to be recovered within				
12 months	18,717	12,008	8,847	5,709
Deferred tax assets to be recovered after more than 12 months	1,042	1,226	277	213
	<b>19,759</b>	<b>13,234</b>	<b>9,124</b>	<b>5,922</b>
<b>Movements</b>				
Opening balance as at 1 July	13,234	13,707	5,922	6,149
Movements in the income statement	235	(473)	(680)	(227)
Adjustments to prior year tax effect balances	6,290	-	3,882	-
Closing balance at 30 June	<b>19,759</b>	<b>13,234</b>	<b>9,124</b>	<b>5,922</b>

## Notes to the Financial Statements

As at 30 June 2008

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

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Trade payables		545	427	545	427
Other payables and accruals		24,948	20,974	24,922	20,949
Income tax payable		3,420	(2,273)	3,420	(2,273)
<b>Total payables</b>		<b>28,913</b>	<b>19,128</b>	<b>28,887</b>	<b>19,103</b>

### Note 22: Current liabilities - borrowings

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>Unsecured</b>					
Loans		11,572	11,775	11,572	11,775
<b>Total borrowings</b>		<b>11,572</b>	<b>11,775</b>	<b>11,572</b>	<b>11,775</b>
<b>Financing arrangements</b>					
Unrestricted access to lines of credit as approved by the ACT Government were available as follows:					
Total standby facility		8,000	8,000	8,000	8,000
Used standby facility		-	-	-	-
Unused standby facility		8,000	8,000	8,000	8,000

#### (a) Interest rate risk exposures

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

## Notes to the Financial Statements

As at 30 June 2008

### Note 23: Current liabilities - provisions

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Employee entitlements		424	248	424	248
Employee entitlements - seconded employees		17,027	17,525	17,027	17,525
Provision for dividend	9	18,950	13,736	18,950	13,736
Workers' compensation (Pre 1989)		145	186	145	186
<b>Total provisions</b>		<b>36,546</b>	<b>31,696</b>	<b>36,546</b>	<b>31,696</b>

#### Movements in consolidated current provisions

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

	Dividend	Workers' Compensation	Total
Carrying amount at start of year	13,736	186	13,922
Provisions accrued	18,950	149	19,099
Provisions paid	(13,736)	(190)	(13,926)
Carrying amount at the end of year	18,950	145	19,095

### Note 24: Current liabilities - other

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Unearned revenue	1,689	1,426	1,689	1,426
Security deposits received	5	5	5	5
<b>Total other</b>	<b>1,694</b>	<b>1,431</b>	<b>1,694</b>	<b>1,431</b>

## Notes to the Financial Statements

As at 30 June 2008

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

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Unsecured					
Loans		590,235	366,605	590,235	366,605
Total non-current borrowings	a,b	590,235	366,605	590,235	366,605

#### a. CPI linked indexed annuity bond.

The main portion of total borrowings is two CPI linked indexed annuity bonds.

ACTEW borrowed \$250 million on 17 April 2000 which matures on 17 April 2020 and a further \$300 million on 12 June 2008 maturing on 17 June 2048.

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 2008 the total principal outstanding was \$522.4 million (2007 – \$229.8 million). The additional borrowing of \$300 million was undertaken to fund the capital projects under ACTEW's forecast capital expenditure program plus the Water Security Major Projects program of work.

#### b. Interest rate swap

Due to exposure to fluctuating interest rates ACTEW entered into an interest rate swap contract under which it receives interest at variable rates each 90 days and is obliged 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 2008 the notional principal amount is \$70 million and the interest rate swap contract will expire on 19 October 2011.

#### Risk exposures

Information about the Group's and ACTEW Corporation Ltd's exposure to interest rate is provided in note 2.

#### Interest rate risk exposures

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

## Notes to the Financial Statements

As at 30 June 2008

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

2008 (Consolidated)	Floating interest rate \$'000	Fixed Interest Maturing In :						Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
Borrowings	(522,364)	-	-	-	-	-	-	(522,364)
Commonwealth Loan	-	(4,092)	(4,092)	(1,259)	-	-	-	(9,443)
Interest rate swap	(70,000)	-	-	-	-	-	-	(70,000)
	(592,364)	(4,092)	(4,092)	(1,259)	-	-	-	(601,807)

Weighted average interest rate

6.97% 11.36% 11.36% 11.36%

2007 (Consolidated)	Floating interest rate \$'000	Fixed Interest Maturing In :						Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'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)
	(364,845)	(4,092)	(4,092)	(4,092)	(1,259)	-	-	(378,380)

Weighted average interest rate

6.52% 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	2008		2007	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
<b>On-balance sheet</b>				
Fixed rate borrowings	(9,443)	(9,443)	(13,535)	(13,535)
Floating rate borrowings	(522,364)	(522,364)	(294,845)	(294,845)
Interest rate swap	(70,000)	(70,000)	(70,000)	(70,000)
	(601,807)	(601,807)	(378,380)	(378,380)

## Notes to the Financial Statements

As at 30 June 2008

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee entitlements	74	37	74	37
Employee entitlements- seconded employees	251	426	251	426
Insurance losses	100	100	100	100
Workers' compensation (Pre 1989)	1,406	1,571	1,406	1,571
<b>Total provisions</b>	<b>1,831</b>	<b>2,134</b>	<b>1,831</b>	<b>2,134</b>

### Movements in consolidated non-current provisions

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

	Insurance Losses	Workers' Compensation (Pre 1989)	Total
	\$'000	\$'000	\$'000
Carrying amount at start of year	100	1,571	1,671
Provisions accrued	-	-	-
Provisions paid	-	(165)	(165)
Carrying amount at end of year	100	1,406	1,506

## Notes to the Financial Statements

As at 30 June 2008

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

The balance comprises temporary differences attributable to:

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Amounts recognised in profit and loss				
Distributions from ActewAGL Retail Partnership	42,676	39,033	-	-
Interest receivable	265	68	265	68
Unread consumption	2,617	1,437	2,617	1,437
Depreciation	171,996	157,205	171,996	157,205
Joint venture receivable	5,183	5,385	5,183	5,385
Cash flow hedges	337	105	337	105
Asset revaluation	101,355	101,355	84,330	84,330
<b>Total Deferred Tax Liabilities</b>	<b>324,429</b>	<b>304,588</b>	<b>264,728</b>	<b>248,530</b>
Deferred tax liabilities to be recovered within 12 months	8,251	6,605	8,312	6,844
Deferred tax liabilities to be recovered after more than 12 months	316,178	297,983	256,416	241,686
	<b>324,429</b>	<b>304,588</b>	<b>264,728</b>	<b>248,530</b>
<b>Movements</b>				
Opening balance 1 July	304,588	189,551	248,530	152,109
Adjustments to prior year tax effect balances	(10)	758	(65)	-
Movement to the income statement	19,620	12,819	16,032	11,986
Movement to equity (cash flow hedging reserve)	231	105	231	105
Movement to equity (asset revaluation reserve)	-	101,355	-	84,330
Closing balance at 30 June	<b>324,429</b>	<b>304,588</b>	<b>264,728</b>	<b>248,530</b>

## Notes to the Financial Statements

As at 30 June 2008

### Note 28: Contributed equity

Notes	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	Shares	Shares	\$	\$
<b>a) Paid up capital:</b>				
Ordinary shares fully paid (par value \$0.30)	2	2	\$0.60 only	\$0.60 only
Total share capital	2	2	\$0.60 only	\$0.60 only
<b>b) Total capital</b>				
	\$'000	\$'000	\$'000	\$'000
Contributed Capital	758,871	758,871	758,871	758,871
Total capital	758,871	758,871	758,871	758,871

### c) Movement in ordinary share capital

There has been no movement in share capital.

### d) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns from shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's strategy is to maintain financial flexibility with a gearing ratio of no greater than 60%.

## Notes to the Financial Statements

As at 30 June 2008

### Note 28: Contributed equity

The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

Notes	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Total borrowings	601,807	378,380	601,807	378,380
Less: cash and cash equivalents	(204,664)	(23,239)	(204,664)	(23,239)
Net debt	397,143	355,141	397,143	355,141
Total equity	1,013,814	1,013,231	995,257	995,151
	1,410,957	1,368,372	1,392,400	1,350,292
Gearing ratio	28.1%	26.0%	28.5%	26.3%

### Note 29: Reserves

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reserves</b>				
Asset revaluation	236,640	236,495	196,915	196,770
Hedging reserve	682	244	682	244
General insurance	9,820	9,820	9,820	9,820
Total reserves	247,142	246,559	207,417	206,834

## Notes to the Financial Statements

As at 30 June 2008

### Note 29: Reserves

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Movements in reserves:</b>				
Asset revaluation				
Balance at the beginning of the year	236,495	-	196,770	-
<b>Fixed asset revaluation net increments from revaluations</b>				
Water	57	133,560	57	133,560
Wastewater	88	63,210	88	63,210
<b>Revaluation of Joint Venture investment</b>				
ActewAGL Distribution Partnership	-	39,725	-	-
	<b>236,640</b>	<b>236,495</b>	<b>196,915</b>	<b>196,770</b>
Hedging reserve - cash flow hedges				
Balance at the beginning of the year	244	-	244	-
Revaluation - gross	438	244	438	244
	<b>682</b>	<b>244</b>	<b>682</b>	<b>244</b>

#### (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. Amounts are recognised in profit and loss when the associated hedged transaction affects the income statement.

## Notes to the Financial Statements

As at 30 June 2008

### Note 30: Retained profits

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the financial year	7,801	7,801	29,446	29,922
Net profits available for reserves and dividends	75,897	64,436	75,420	63,960
Total available for appropriation	83,698	72,237	104,866	93,882
Dividends provided for or paid	(75,897)	(64,436)	(75,897)	(64,436)
Retained profits at the end of the financial year	<b>7,801</b>	<b>7,801</b>	<b>28,969</b>	<b>29,446</b>

### 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 (term expired 30/6/08)

##### (ii) Managing Director

M J Costello - Managing Director (term expired 30/6/08)

##### (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.

## Notes to the Financial Statements

As at 30 June 2008

### Note 31: Key Management Personnel

#### (b) Key management personnel remuneration

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term benefits	1,393,888	1,633,753	1,393,888	1,633,753
Post-employment benefits	134,432	266,160	134,432	266,160
<b>Total benefits</b>	<b>1,528,320</b>	<b>1,899,913</b>	<b>1,528,320</b>	<b>1,899,913</b>

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 2008.

#### 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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
Auditors of ACTEW Corporation Ltd (ACT Auditor-General)				
Audit or review of financial reports of the parent entity	152,000	188,395	152,000	188,395
Audit or review of financial reports of controlled entities	28,700	28,700	-	-
<b>Total remuneration of auditor</b>	<b>180,700</b>	<b>217,095</b>	<b>152,000</b>	<b>188,395</b>

The audit assurance services provided by the ACT Auditor-General are carried out under contract by PricewaterhouseCoopers.

## Notes to the Financial Statements

As at 30 June 2008

### Note 32: Remuneration of auditors

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(b) Taxation and other services</b>				
PricewaterhouseCoopers (Contract Auditor for the ACT Auditor-General, acting in its own capacity in providing these services)				
– National Water Indicators audit	45,000	-	45,000	-
<b>Total remuneration of taxation and other services</b>	<b>45,000</b>	<b>-</b>	<b>45,000</b>	<b>-</b>

### Note 33: Commitments for expenditure

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>a) Capital expenditure commitments:</b>					
Total capital expenditure contracted for at balance date but not provided for in accounts payable :					
Within 1 year	a	173,574	-	173,574	-
Later than 1 year but not later than 5 years	a	386,473	-	386,473	-
		<b>560,047</b>	<b>-</b>	<b>560,047</b>	<b>-</b>
<b>b) Other expenditure commitments:</b>					
Total other expenditure contracted for at balance date but not provided for in accounts payable:					
Within 1 year	a	82,997	67,200	82,997	67,200
Later than 1 year but not later than 5 years	a	369,357	-	369,357	-
		<b>452,354</b>	<b>67,200</b>	<b>452,354</b>	<b>67,200</b>



## Notes to the Financial Statements

As at 30 June 2008

### Note 33: Commitments for expenditure

#### c) Lease commitments:

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:					
Within 1 year	b	302	59	302	59
Later than 1 year but not later than 5 years	b	473	63	473	63
		<b>775</b>	<b>122</b>	<b>775</b>	<b>122</b>

#### d) Remuneration commitments:

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	-	152	-	152
Later than 1 year but not later than 5 years	<b>11,029</b>	4,857	<b>11,029</b>	4,857
Later than 5 years	-	2,838	-	2,838
	<b>11,029</b>	<b>7,847</b>	<b>11,029</b>	<b>7,847</b>

#### e) Remuneration commitment receivable:

Commitments receivable for salaries and other remuneration under long-term employment contracts of employees seconded to the joint venture partnerships:

Within 1 year	-	113	-	113
	-	<b>113</b>	-	<b>113</b>

a. ACTEW has a contract with ActewAGL to operate the water and sewerage infrastructure owned by ACTEW. These expenditure commitments include this contract as well as the anticipated capital expenses to be incurred under the Water Security Program.

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

As at 30 June 2008

### Note 34: Contingent liabilities

ACTEW Corporation Ltd has underwritten a \$25 million (2007 – \$25 million) standby debt facility for TransACT Communications. At 30 June 2008 \$3.0million was undrawn (2007 – \$0.5 million)

At the end of June 2008 there was \$2.3 million receivable from the Queanbeyan City Council in regards to Utilities Network Facilities Tax and Water Abstraction Charge recoveries. Queanbeyan City Council is disputing the validity of these charges and the debt is subject to legal proceedings. A provision for impairment has not been raised for this disputed amount.

### 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.

All transactions with related parties are at an arms length basis.

	ACTEW Corporation Ltd	
	2008	2007
	\$	\$
The following transactions occurred with related parties:		
Dividend revenue	<b>46,763,694</b>	38,329,531
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables (tax funding agreement)	<b>21,754,647</b>	13,809,169
Current receivables (other)	<b>46,796,392</b>	38,117,081
Current payables and other	<b>18,949,786</b>	13,736,480
Non interest bearing loans	<b>298,441,275</b>	303,018,025

## Notes to the Financial Statements

As at 30 June 2008

### Note 35: Related parties

#### 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% (2007 – 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

ACTEW Corporation Ltd	
2008	2007
\$'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	77,153	72,544
Capital expenses	57,778	29,825

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

Current receivables	17,027	17,525
Current accounts payables and other	17,027	17,525
Non-current receivables	251	426
Non-current accounts payables and other	251	426

## Notes to the Financial Statements

As at 30 June 2008

### Note 36: Investment in controlled entities

Name of Entity	Country of Incorporation	Class of shares	Equity Holding	Equity Holding	Cost of Investment	Cost of Investment
			2008	2007	2008	2007
			%	%	\$'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)
					<u>1,400</u>	<u>1,400</u>

### Note 37: Investments in associates

Name of Company	Ownership Interest	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
TransACT Communications Pty Limited	18.0%				
Movement in carrying amount of investments in associates					
Amount invested in TransACT Communications Pty Limited					
		60,799	59,549	60,799	59,549
Input in TransACT Capital Raising					
		0	1,250	-	1,250
Prior year equity accounted losses					
		(49,796)	(47,478)	(49,796)	(47,478)
Current year equity accounted losses and prior year adjustments					
		(787)	(2,318)	(787)	(2,318)
Provision for diminution					
		(8,966)	(9,753)	(8,966)	(9,753)
Carrying amount at end of financial year					
		<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
Share of associates expenditure commitments					
Lease commitments					
		476	1,304	476	1,304
Remuneration commitments					
		238	454	238	454
Total expenditure commitments					
		714	1,758	714	1,758
Capital and other commitments					
		8,927	128	8,927	128
		<u>9,641</u>	<u>1,886</u>	<u>9,641</u>	<u>1,886</u>

## Notes to the Financial Statements

As at 30 June 2008

### Note 37: Investments in associates

Name of Company	Ownership Interest	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Share of associates revenues, expenses and results					
Revenues		13,767	13,494	13,767	13,494
Expenses		14,554	15,812	14,554	15,812
Operating loss before tax		(787)	(2,318)	(787)	(2,318)

- 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.
- TransACT Communications Pty Limited financial data is based on TransACT management accounts as at 30 June 2008.
- In December 2007 TransACT acquired Neighbourhood Cable, the acquisition was funded by the issue of TransACT shares. This resulted in a decrease in ACTEW's ownership interest from 20.1% to 18.0%.

### Note 38: Interests in joint ventures

#### (a) Joint Venture Partnership

ACTEW Retail Ltd has entered into joint venture partnership with AGL Ltd to manage the retail operation of the ACT electricity and gas networks. ACTEW Distribution Ltd has entered into a joint venture partnership with Singapore Power to manage the ACT electricity network and the ACT, Queanbeyan and Nowra 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:

## Notes to the Financial Statements

As at 30 June 2008

### Note 38: Interests in joint ventures

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Movement in carrying amount of investment in the partnership</b>				
Carrying amount of investment in partnership	436,041	423,196	-	-
<b>Share of partnerships assets and liabilities</b>				
Current assets	82,039	69,058	-	-
Non-current assets	402,355	392,664	-	-
Total assets	484,394	461,722	-	-
Current liabilities	79,129	68,163	-	-
Non-current liabilities	4,040	1,828	-	-
Total liabilities	83,169	69,991	-	-
Net assets	401,225	391,731	-	-
<b>Share of partnership's revenues, expenses and results</b>				
Revenues	386,467	296,404	-	-
Expenses	317,122	240,740	-	-
Change in prior year profit	-	(1,422)	-	-
Profit before income tax	69,345	54,242	-	-
<b>Share of partnership's commitments</b>				
Lease commitments	20,196	9,421	-	-
Remuneration commitments	51,783	33,991	-	-
Total expenditure commitments	71,979	43,412	-	-
Capital and other commitments	34,161	20,670	-	-
	106,140	64,082	-	-

## Notes to the Financial Statements

As at 30 June 2008

### Note 38: Interests in joint ventures

#### (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).

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current assets	-	-	-	-
Non-current assets	-	-	-	-
Share of assets employed in joint venture -	-	-	-	-
Other Expenses	-	414	-	414
Net Loss	-	414	-	414

#### (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 \$955,412 at 30 June 2008.

## Notes to the Financial Statements

As at 30 June 2008

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

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
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	75,897	64,436	75,420	63,960
Depreciation and amortisation	29,464	22,497	29,464	22,497
Loss/(gain) on disposal of property, plant and equipment	-	-	-	-
Contributed assets received free of charge	(9,039)	(6,054)	(9,039)	(6,054)
Profit from Joint Venture Partnership	(69,345)	(54,242)	-	-
Asset writedown	(120)	222	(120)	222
Capitalisation of labour	(664)	(87)	(664)	(87)
Provision for doubtful debts	59	(11)	59	(11)
Capital contributions	-	(19)	-	(19)
<b>Changes in operating assets and liabilities:</b>				
(Increase)/decrease in receivables	(9,946)	1,876	(78,497)	(56,775)
(Increase)/decrease in deferred tax assets	(6,525)	471	(3,202)	225
(Increase)/decrease in other financial assets	498	(778)	498	(778)
(Increase)/decrease in other assets	175	832	175	832
Increase/(decrease) in payables	3,611	(735)	3,611	(735)
Increase/(decrease) in provisions	(667)	(534)	(667)	(534)
Increase/(decrease) in provision for deferred income tax equivalents	19,504	13,577	15,863	11,986
Increase/(decrease) in other liabilities	264	311	264	311
<b>Net cash inflow from operating activities</b>	<b>33,166</b>	<b>41,763</b>	<b>33,166</b>	<b>35,040</b>

### Note 40: Events subsequent to balance date

The following directors have been appointed subsequent to balance date.

#### (i) Chairman – non-executive

J Mackay (appointed 1/7/08)

#### (ii) Managing Director

M Sullivan - Managing Director (appointed 14/7/08)

There have been no other material events subsequent to balance date.

# RMS, CRONYMS and INDEX

## 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

### ACRONYMS

ACTEW	ACTEW Corporation Limited
AGL	The Australian Gas Light Company
EAP	Environment Action Plan
EBIT	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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