

ACTEW CORPORATION LIMITED

ABN 86 069 381 960

2007/08 ANNUAL REPORT



Mr Jon Stanhope MLA
Chief Minister and Treasurer
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

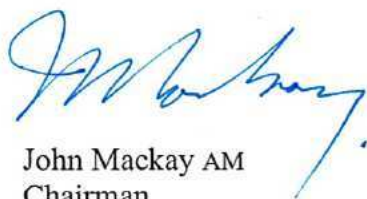
Dear Chief Minister

This report has been prepared under section 6 (1) of the *Annual Reports (Government Agencies) Act 2004*, in accordance with the requirements referred to in the Chief Minister's Annual Report Directions and all applicable legislation.

To the best of our knowledge and belief, the Annual Report is an honest and accurate account and that all material information on the operations of the Corporation during the period 1 July 2007 to 30 June 2008 has been included.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the Report to be laid before the Legislative Assembly within 3 months of the end of the financial year.

Yours sincerely



John Mackay AM
Chairman



Mark Sullivan AO
Managing Director

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

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

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CANBERRA ACT 2601

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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

Message from ACTEW's Chairman and Managing Director

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 gigalitres (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 a very profitable investment for ACTEW with joint venture income of \$69.3m, \$15.1m above prior year. This improved 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 Departments 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.

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

Jim Service AO
Chairman

A handwritten signature in black ink, appearing to be 'Michael Costello', written in a cursive style.

Michael Costello AO
Managing Director

Year in Review

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.

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.

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.

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.

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 Restrictions 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 the Grass Roots project, 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 providing 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 Developments 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 waters 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.

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 targets of 26 tasks were achieved. Of the remaining tasks, all have commenced with significant progress made towards completion. Details of ACTEW's regulation and licence compliance is at page 46.

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

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.

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, which is well advanced, 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.

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.

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 WaterReuse 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.

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. More information on sponsorships and donations is at page 38.

STATISTICS

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
WATER											
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	65,567	52,262	51,719	54,340	51,060	43,556
Consumption/ person p/a (kL)	220	182	176	186	194	206	156	144	149	136	115
Rainfall (mm)	438	688	666	618	633	340	463	593	629	428	455
SEWERAGE											
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

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. Profiles of the Directors can be found on page 21.

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. Details of Directors' attendance at the Board meetings are set out on page 44. 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 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. Details of Directors' attendance at the meetings are set out on page 44.

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. Details of income paid to Directors is outlined on page 91.

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. Details of Directors' attendance at the meetings are set out on page 44.

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 – Managing Director

Michael Costello was the Managing Director of ACTEW Corporation from 2003 until 30 June 2008. He is 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 previous Opposition Leader, the Hon Kim Beazley MP and the former Minister for Foreign Affairs, the Hon Bill Hayden MP. Mr Costello was Secretary of the Department of Foreign Affairs and Trade and the Department of Industrial Relations.

Mr Costello has held a number of diplomatic posts including Ambassador to the United Nations. He received an Order of Australia (AO) in 1996 for international relations. Mr Costello was appointed to the ACTEW Board on 14 August 2002. Mr Costello was appointed Chief Executive Officer of ActewAGL effective 1 July 2008.

Edward (Ted) W Mathews PSM, BA, MAICD - Director

Ted Mathews had twenty years experience at senior executive level with the Federal Public Service including as Manager of 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.

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 is 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 McIlwrath, B.COM, MBA, FCPA – Chief Financial Officer

Mr McIlwrath was appointed Chief Finance Officer in October 2006. He is responsible for ACTEW's finances and strategic investments. Mr McIlwrath 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. Ms Norris is also Company Secretary of ACTEW China Pty Limited, 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.

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 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

TransACT Communications Pty Limited

TransACT operates a broadband communications network across Canberra. Officially launched in May 2000, TransACT is governed by a ten person Board with directors appointed by the shareholders. ACTEW 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, continuing to expand its network 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

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 or at www.ecowise.com.au

LEGISLATIVE FRAMEWORK

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



The Year Ahead

ACTEW's priorities for 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 Environmental 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.

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.

ACTEW CORPORATION LIMITED

ABN 86 069 381 960

2007/08 ANNUAL REPORT

This supplementary report provides additional information which is required under the Chief Minister's 2007/08 Annual Report directions and not included in ACTEW's main Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The following financial information is based on audited Financial Statements for 2006/07 and 2007/08.

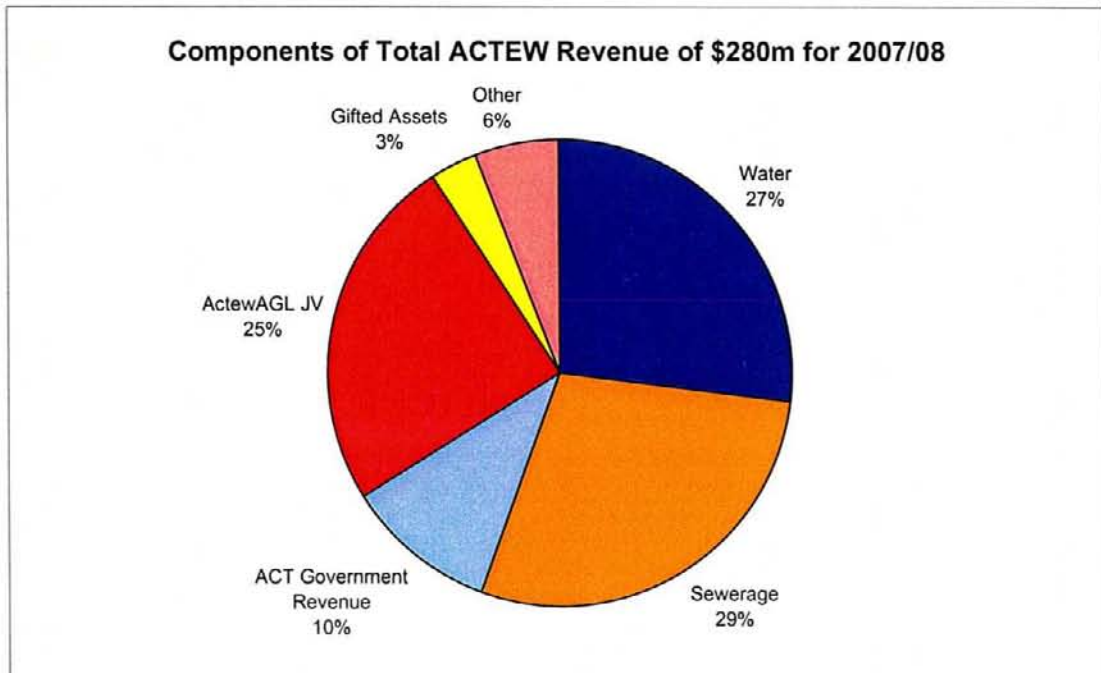
Operating Result

ACTEW recorded a net profit after income tax equivalents for 2007/08 of \$75.9m (2006/07: \$64.4m). There were a number of factors that contributed to this performance:

- Water and wastewater revenue was up \$18.3m (9.9%) 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 Canberra's water supply security during the severest drought on record;
- ActewAGL Joint Venture continued to perform strongly;
- Operational costs increased by \$12.4m, a detailed explanation is provided under the total expenditure comparison;
- Income tax expense increased by \$13.1m reflecting higher profits as well as an adjustment for underestimated income tax expense for 2006/07.

Total Revenue

During 2007/08 ACTEW derived \$280m in revenue/distributions, the components of this are depicted in the following graph:



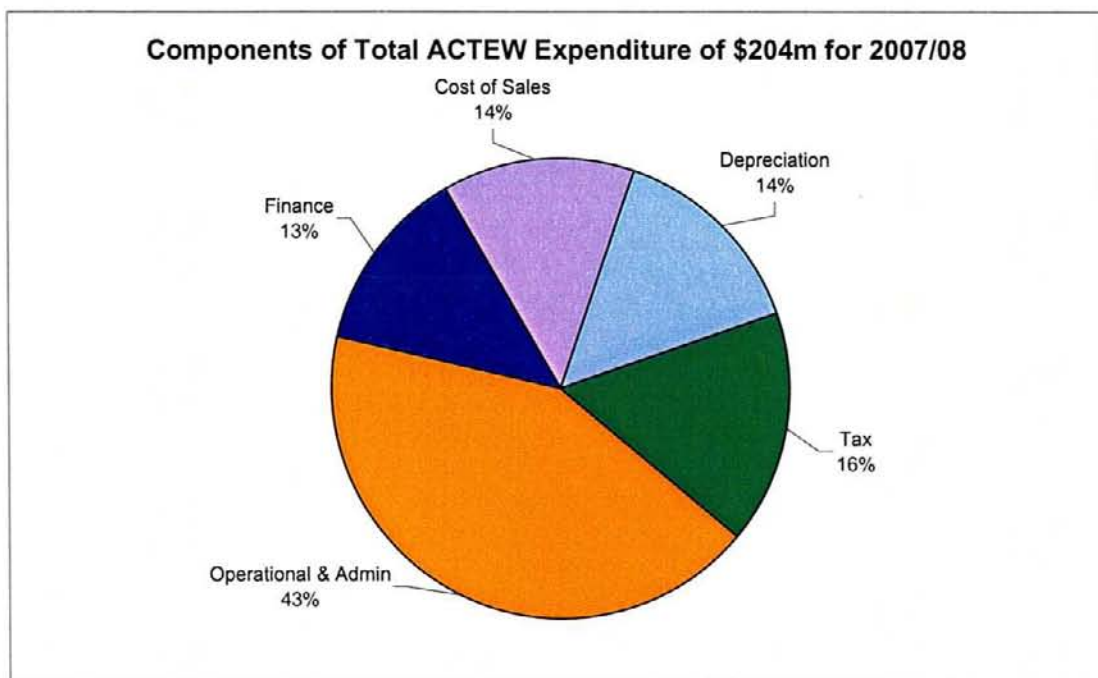
Comparison to 2006/07 Actual Income

Total revenue of \$280m was \$36.4m higher than 2006/07. Factors affecting this increase were:

- Water and sewerage revenue is \$18.3m higher than 2006/07 mainly due to increased tariff rates and recovery of the ACT Government's Utilities Network Facilities Tax. Water revenue was well below that estimated by the regulator due to lower consumption volumes as a result of continuing water restrictions;
- Interest revenue was \$0.5m higher than 2006/07 due to higher interest rates. The higher cash balance at 30 June 2008 will impact on interest revenue for 2008/09; and
- A strong performance from the ActewAGL Joint Venture being \$15.1m above prior year. This was mainly due to higher profits in the Retail Partnership following a favourable regulatory review.

Total Expenditure

During 2007/08 ACTEW incurred \$204.2m in expenditure. The components of this are depicted in the following graph:



Comparison to 2006/07 Actual Expenditure

Total expenditure was \$36m higher than 2006/07 actual expenditure.

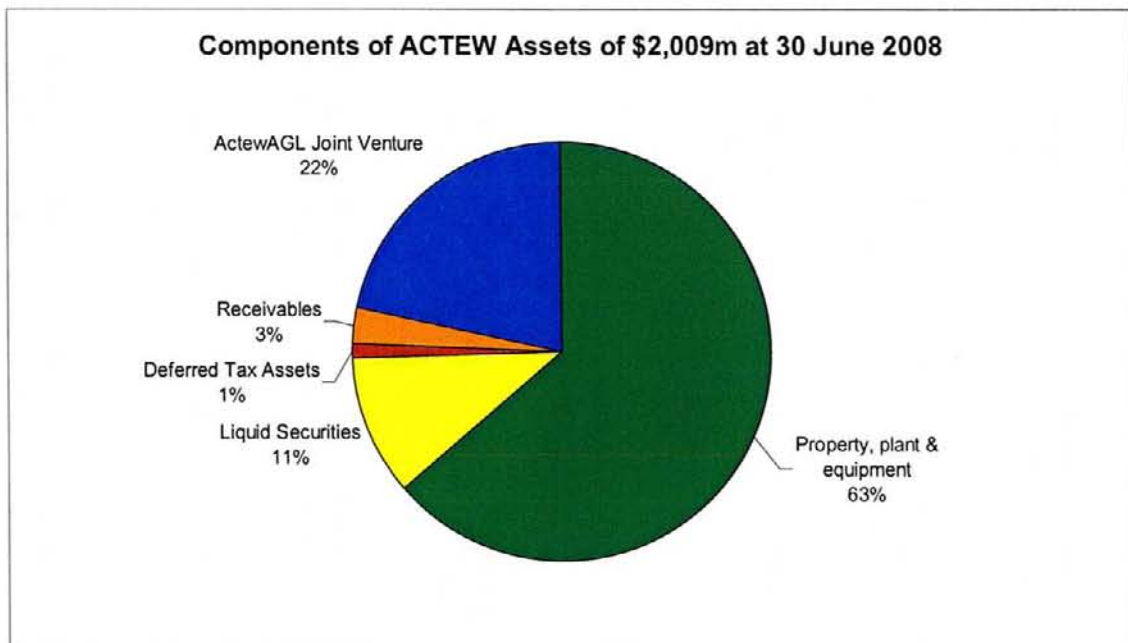
- Operations and administration expense includes the Utilities Management Agreement (UMA) with ActewAGL to manage and operate ACTEW's water and sewerage infrastructure assets. This expenditure was \$4.2m above prior

year mainly from increased CPI on the fixed UMA charge plus increased water operating costs in securing the water supply;

- Income tax expense increased by \$13.1m reflecting higher profits as well as an adjustment for underestimated income tax expense for 2006/07;
- Depreciation was \$7m higher reflecting a higher depreciation base flowing from the revaluation of assets in 2007;
- Cost of sales did not increase, however, the cost of the Utilities Networks Facilities Tax (UNFT) increased by \$2.3m and the water abstraction charge reduced by a similar amount due to lower consumption volumes;
- Finance expense decreased by \$0.5m with total borrowings not increasing until June 2008. This expense will rise in 2008/09 with increased net borrowings made in June 2008 of \$235m; and
- Admin and other costs have increased by \$5.0m due to an increase in resources to plan, research, develop Future Water Options, Water Security Program and drought contingency plans.

Assets

ACTEW has \$2.0 billion in assets at 30 June 2008, the components being depicted in the following graph:



- ACTEW has a book value investment of \$1,276m in water and sewerage infrastructure (property, plant and equipment). In 2006/07 a revaluation of the water and wastewater assets occurred increasing the value by \$281m. There

was no revaluation of assets carried out in 2007/08. The water business consists of two separate operations, water and wastewater services, and its activities can be described as follows:

- Water – retailing and distribution of water including billing, sales, planning, design and maintenance of the network which reticulates water from water treatment plants to customers and the collection and treatment of bulk water supplies; and
 - Wastewater - management of billing, sales, planning, design and maintenance of the network which reticulates sewage from customer installations to sewage treatment plants and treatment of sewage, grease and oil disposals to the required environmental standards.
- ACTEW has a book value investment of \$437m in the ActewAGL joint venture that operates in the energy sector. In 2006/07 a revaluation of ACTEW's share of the ActewAGL Distribution partnership occurred increasing the value by \$57m. No revaluation was carried out in 2007/08. The energy business consists of two separate operations, energy retailing and distribution. Both are conducted under the joint venture arrangements with AGL and ACTEW holding a 50% interest in the two partnerships:
 - ActewAGL Retail - retailing of electricity and gas to franchise and non-franchise customers as well as various management services to both ACTEW and TransACT Communications Pty Ltd; and
 - ActewAGL Distribution – delivery of gas and electricity including planning, design, construction, and operations of the networks and technical and management support functions.

Liquidity

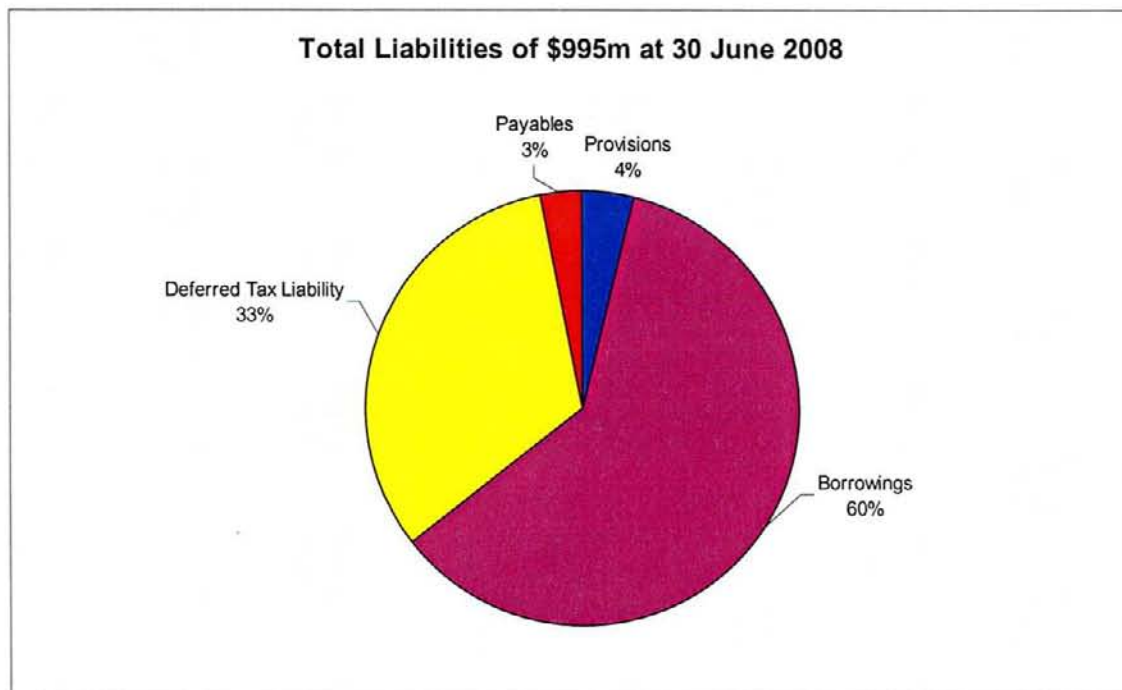
Description	2006/07	2007/08
	Actual \$'000	Actual \$'000
Current Assets	65,617	257,649
Current Liabilities	64,030	78,726
Current Ratio	1.02	3.27

The current ratio for 2007/08 has been affected by the short term investment of borrowings that will be used to fund water security capital projects. ACTEW also has long-term securities totalling \$17.1m which are easily convertible to cash. At 30 June

2008 the increased borrowings for the Water Security Program has increased the gearing ratio of the Group by 10% to 37.27%.

Total Liabilities

ACTEW has \$1.0 billion in liabilities, the components being depicted in the following graph:



The major components are commented on:

- Outstanding borrowings at 30 June 2008 are \$602m. These borrowings were made to fund capital repatriations in 2000 of \$300m as well as anticipated capital expenditure as part of the Water Security Program. Net new borrowings totalling \$235m were advanced in June 2008. ACTEW's current gearing rate is 28%.
- Deferred tax liability at 30 June 2008 of \$324m. This amount is mainly from higher income tax expense compared to income tax equivalent payments. The lower income tax payments are a result of higher tax vs accounting depreciation in calculating the tax profit compared to the accounting profit in both ACTEW Corporation and ActewAGL Distribution.

Payments to the ACT Government

Payments to the ACT Government during 2007/08 were \$70.6m as dividends and \$14.9m as income tax equivalent payments.

INTERNAL AND EXTERNAL SCRUTINY

The Audit and Risk Management Committee reviews reports of all audits undertaken by the ACT Auditor-General. During the year, the Auditor-General issued six reports none of which related to, or made any specific recommendations about, ACTEW. One report, 2006/07 Financial Reports included an audit of ACTEW's performance and financial management reporting. The report made no audit findings about ACTEW and noted unqualified audit reports were issued and that ACTEW's short and long term financial positions continued to be sound.

LEGISLATIVE ASSEMBLY COMMITTEE INQUIRIES AND REPORTS

ACTEW appeared before the ACT Legislative Assembly Standing Committee on Public Accounts Committee's inquiry into the 2006/07 annual and financial reports in December 2007. The Committee's report, which was released in early July 2008, made no specific recommendations in relation to ACTEW.

ACTEW provided a written submission to the Standing Committee on Planning and Environment's inquiry into Water Use and Management and appeared before the Committee in December 2007. The Committee's report had not been released by the end of the year.

ACTEW also appeared before the ACT Legislative Assembly Select Committee on Estimates Inquiry into the 2008/09 ACT Budget in May 2008. The Committee's report, released in June 2008, did not make any specific recommendations in relation to ACTEW.

FRAUD PREVENTION

ACTEW's Code of Conduct outlines the high standard of honesty, ethical, integrity and law-abiding behaviour expected of all ACTEW personnel. The fraud prevention program comprises policies and procedures for the prevention, reporting and investigation of fraudulent activities and practices within and against the Corporation. There were no reports or allegations of fraud or corruption within ACTEW received or investigated during the year.

PUBLIC INTEREST DISCLOSURE

The *Public Interest Disclosure Act 1994* provides for the reporting of wrongdoing and for the rights and protection for people who report corrupt, illegal or improper conduct or substantial waste of public resources.

ACTEW has guidelines and a corporate procedure for making and investigating public interest disclosures. These are available from the Company Secretary, ACTEW Corporation Limited, GPO Box 366, Canberra ACT 2601, telephone 6248 3111.

There were no public interest disclosures made during the year.

FREEDOM OF INFORMATION

ACTEW, a company wholly owned by the ACT Government and established under the *Corporations Act 2001*, is subject to the provisions of the *Freedom of Information Act 1989*.

Section 7 Statement

ACTEW owns the ACT's water and sewerage business and assets, is a 50% owner of the Joint Venture utility ActewAGL and retains an 18% interest in TransACT Communications Pty Limited. ACTEW is governed by a seven person board. ACTEW's office is located in a prominent location in the Civic Centre, provides wheelchair access and is accessible by public and private transport. Paid parking is also available in close proximity to the office.

ACTEW is responsible for the implementation and management of the *Utilities (Water Conservation) Regulation 2006*. The Water Conservation Office provides a telephone hotline service to inform and educate the community about Permanent Water Conservation Measures and the Water Restrictions Scheme. The Office also undertakes community consultation through public workshops, community events and print, radio, television and website advertising.

Documents in the possession of ACTEW relate to all business and operational activities.

Section 8 Statement

ACTEW maintains a list of all documentation for the administration of the Water Restriction Scheme and Permanent Water Conservation Measures. Requests to access the list should be made to the Corporate Communications Manager, ACTEW Corporation Limited, GPO Box 366, Canberra ACT 2601, telephone 6248 3111.

Section 79 Statement

During 2007/08 one request received the previous year was finalised with the full disclosure of documents. One request was received in June and has not yet been finalised. There were no other requests made in relation to the provisions of the Freedom of Information Act 1989.

General inquiries and requests for access to documents held by ACTEW can be made to the Executive Officer, ACTEW Corporation Limited, GPO Box 366, Canberra ACT 2601, telephone 6248 3111.

WORKPLACE HEALTH AND SAFETY

ACTEW is committed to providing and maintaining, the highest possible standard of health, safety and welfare for its employees, contractors and clients. ACTEW's occupational health and safety policy applies to all employees and activities within the Corporation.

ACTEW has implemented Life Guard, an integrated health, safety and environment (HSE) management system based on International and Australian/New Zealand

standards for occupational health, safety and environment management. The program is guided by an annual HSE action plan.

ACTEW has a HSE Working Group, which is made up of employee and employer health and safety representatives and ActewAGL's Manager Safety. The Working Group met on a monthly basis throughout the year. A representative has also been appointed for the Water Security - Major Projects office at Mt Stromlo.

ACTive, a free health and wellness program that offers a range of activities and professional assistance to help employees take control of their health and wellness will continue to be implemented in 2008/09.

Unplanned absenteeism accounted for 10.56 days and sickness absences for 6.70 in 2007/08. There were no compensation absences.

COMMUNITY GRANTS/ASSISTANCE/SPONSORSHIP

No.	Name	Activity or Event	Amount
1	Canberra Symphony Orchestra	Grand Gala Concert and Llewellyn Series Concerts	\$40,000
2	Barnardos	Golf fundraising day	\$12,500
3	Australian National Eisteddfod	National Aria Competition	\$10,000
4	Australian Science Festival	Annual Science Festival	\$75,000
5	The Woden School	Donation to fundraising for school programs and activities	\$1,000
6	National Breast Cancer Foundation	"Pink Dinner" fundraising event	\$10,000
7	Malkara Special School	Donation to fundraising dinner	\$5,000
8	ACT Workcover	ACT Health and Safety Month	\$2,900
9	Australian Water Association	WaterAid Charity Golf Day	\$4,000
10	ANU College of Science	The Oliphant Endowment Fund	\$5,000
11	Federal Golf Club	Amateur Championships	\$1,100
12	Australian Water Association – ACT Branch	Two student research prizes	\$1,000
13	ArtSound FM	Construction and fit out of recording studio	\$13,300
14	Yass Picnic Race Club	Sponsorship of annual picnic races	\$3,000
15	The Salvation Army	Donation to appeal	\$10,000
16	Australian Red Cross	Donation to appeal	\$10,000
17	The Smith Family	Donation to appeal	\$10,000
18	St Vincent de Paul	Donation to appeal	\$10,000
19	Cancer Council ACT	Donation to appeal	\$5,000
20	TransACT Capitals	Annual awards lunch	\$1,400
21	Hawker Primary School P&C Association	Donation of items for school fete	\$ in kind
22	Lifeline Canberra	Donation to appeal	\$5,000

23	Calisthenics ACT	Sponsorship of ACT Team to National Championships	\$2,500
24	Artists Society of Canberra	“Along the Molonglo” annual art exhibition	\$1,500
25	Queanbeyan Art Society	“Along the Molonglo” annual art exhibition	\$500
26	artsACT	Glassworks Smokestack Gallery and Public Artwork	\$100,000
27	Home in Queanbeyan and Youngcare	Charity fundraising event	\$2,500

TERRITORY RECORDS

The *Territory Records Act 2002* requires ACTEW to implement an organisation-wide Records Management Program for the management and care of the ACTEW’s digital and paper-based records. A mandatory element of ACTEW’s Program are Records Disposal Schedules (RDS) which set out the types of records ACTEW must make and the length of time those records need to be kept to meet business and accountability requirements.

In 2007/08 ACTEW produced RDS for Business Development and Corporate Governance records following an appraisal of the functions and the records that arise from them. This process involved working closely with the Territory Records Office and consultations with stakeholders regarding decisions about those records that need to have ongoing value to the community as archival records.

To keep new and continuing staff informed of the requirements of the Act, a number of information sessions were held during the year as part of ACTEW’s legal information and awareness program. The inclusion of records management in the organisation’s induction program has proven to be beneficial particularly for consultants and contractors who are working on the major infrastructure projects.

HUMAN RIGHTS ACT

ACTEW’s *Human Rights Policy Statement* outlines the Corporation’s commitment to respecting and protecting human rights and applies to all operations and functions.

There were no reports of matters or activities which contravened the Act during the year.

COMMISSIONER FOR THE ENVIRONMENT

ACTEW assisted in the preparation of the *State of the Environment Report* through the provision of data and participation in relevant panels. No investigations into ACTEW were carried out by the Commissioner.