

Financial Statements

ACTEW Corporation Limited

ABN 86 069 381 960

General Purpose

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
221 London Circuit
CANBERRA City ACT 2601

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**ACTEW Corporation Limited and Controlled Entities
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 21 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 (12)	-	2 (2)
M B Easson	11 (12)	4 (4)	2 (2)
K L Neil	12 (12)	4 (4)	2 (2)
M J Costello	12 (12)	-	2 (2)
E W Mathews	12 (12)	4 (4)	2 (2)
E A Whitelaw	12 (12)	-	2 (2)
B M Byrne	11 (12)	0 (1)	2 (2)

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

Principal Activities

The principal activities of ACTEW during the year were to:

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

The principal activities of the subsidiary companies were as follows:

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

Review and results of operations

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

	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 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.

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:

	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 runs 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the Corporations Act 2001 is set out on page 53.

Rounding of amounts

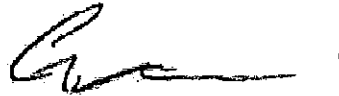
In accordance with Class Order 98/0100 issued by the Australian Securities and Investments Commission, all amounts in this report and the financial statements have been rounded to the nearest thousand dollars unless otherwise specifically stated.

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

ACTEW Corporation Limited and Controlled Entities

**Directors' Declaration
for the year ended 30 June 2008**

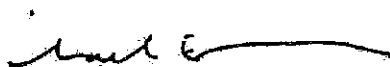
The directors declare that the financial report and notes set on pages 54 to 98:

- 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:

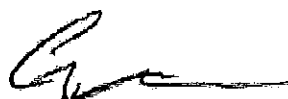
- a) the financial report and notes are in accordance with the Corporations Act 2001.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Income Statement

For the year ended 30 June 2008

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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
		201,766	183,487	248,530	221,816
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
Profit before income tax		109,397	84,894	86,846	69,012
Income tax expense	8	33,500	20,458	11,426	5,052
Profit for the year		75,897	64,436	75,420	63,960

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 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current Assets					
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
Total Current Assets		258,648	65,617	327,199	117,544
Non Current Assets					
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
Total Non Current Assets		1,750,386	1,684,971	1,603,551	1,558,881
TOTAL ASSETS		2,009,034	1,750,588	1,930,750	1,676,425
Current Liabilities					
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
Total Current Liabilities		78,725	64,030	78,699	64,005
Non Current Liabilities					
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
Total Non Current Liabilities		916,495	673,327	856,794	617,269
TOTAL LIABILITIES		995,220	737,357	935,493	681,274
NET ASSETS		1,013,814	1,013,231	995,257	995,151
Equity					
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
TOTAL EQUITY		1,013,814	1,013,231	995,257	995,151

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

Cash Flow Statement

For the year ended 30 June 2008

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
		Inflows / (Outflows)		Inflows / (Outflows)	
Cash Flows From Operating Activities					
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)
Net Cash Inflow from Operating Activities	39	33,166	41,763	33,166	35,040
Cash Flows from Investing Activities					
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)
Net Cash (Outflow) / Inflow from Investing Activities		(4,485)	12,919	(4,485)	19,642
Cash Flows from Financing Activities					
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)
Net Cash Inflow / (Outflow) from Financing Activities		152,744	(60,202)	152,744	(60,202)
Net Increase (Decrease) in Cash and Cash Equivalents					
		181,425	(5,520)	181,425	(5,520)
Cash and Cash Equivalents at the Beginning of the Financial Year					
		23,239	28,759	23,239	28,759
Cash and Cash Equivalents at the End of the Financial Year					
	10	204,664	23,239	204,664	23,239

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

Statement of Changes in Equity

For the year ended 30 June 2008

	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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)
Total equity at the End of the Financial Year	1,013,814	1,013,231	995,257	995,151

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

Notes to the Financial Statements

For the year ended 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.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets 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.

Notes to the Financial Statements

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies

(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.

(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

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(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.

(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.

Notes to the Financial Statements

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(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)).

(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.

Notes to the Financial Statements

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(k) Investments and other financial assets

Classification

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

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

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

(ii) *Loans and receivables*

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

(iii) *Held-to-maturity investments*

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

(iv) *Available-for sale financial assets*

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

Recognition and derecognition

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

Subsequent measurement

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

Notes to the Financial Statements

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent 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.

(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

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(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.

(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.

Notes to the Financial Statements

For the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(u) Rounding of amounts

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

(v) Goods and Services Tax (GST)

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

(w) Segment reporting

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

(x) 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

For the year ended 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
Financial assets				
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
	256,622	65,208	326,573	118,535
Financial liabilities				
Trade and other payable	28,913	19,128	28,887	19,103
Borrowings	601,807	378,380	601,807	378,380
	630,720	397,508	630,694	397,483

(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.

(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.

Notes to the Financial Statements

For the year ended 30 June 2008

Note 2: Financial risk management

(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
Trade Receivables				
- 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)
Total Trade Receivables	32,696	23,663	32,696	23,663
Bad Debts Written off	24	7	24	7
The spread of rated investments is as follows:				
Cash at bank and short-term deposits				
- 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
	204,664	23,238	204,664	23,238
Available-for-sale debt securities				
- 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
	15,001	17,116	15,001	17,116

Notes to the Financial Statements

For the year ended 30 June 2008

Note 2: Financial risk management

(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.

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.

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
Non-derivatives							
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
Total non-derivatives	49,137	22,692	40,021	115,310	865,398	1,092,558	564,812
Derivatives							
Net settled (interest rate swaps)	2,152	2,152	4,305	75,596	-	84,205	70,000
Total derivatives	2,152	2,152	4,305	75,596	-	84,205	70,000

Notes to the Financial Statements

For the year ended 30 June 2008

Note 2: Financial risk management

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
Non-derivatives							
Non-interest bearing	19,128	-	-	-	-	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
Total non-derivatives	35,402	79,266	28,691	78,165	236,581	458,105	327,508
Derivatives							
Net settled (interest rate swaps)	2,152	2,152	4,305	79,901	-	88,510	70,000
Total derivatives	2,152	2,152	4,305	79,901	-	88,510	70,000
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
Non-derivatives							
Non-interest bearing	28,887	-	-	-	-	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
Total non-derivatives	49,111	22,692	40,021	115,310	865,398	1,092,532	564,786
Derivatives							
Net settled (interest rate swaps)	2,152	2,152	4,305	75,596	-	84,205	70,000
Total derivatives	2,152	2,152	4,305	75,596	-	84,205	70,000

Notes to the Financial Statements

For the year ended 30 June 2008

Note 2: Financial risk management

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
Non-derivatives							
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
Total non-derivatives	35,377	79,266	28,691	78,165	236,581	458,080	327,483
Derivatives							
Net settled (interest rate swaps)	2,152	2,152	4,305	79,901	-	88,510	70,000
Total derivatives	2,152	2,152	4,305	79,901	-	88,510	70,000

(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

For the year ended 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 final 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 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.

Notes to the Financial Statements

For the year ended 30 June 2008

Note 4: Segment information

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

For the year ended 30 June 2008

Note 4: Segment information (continued)

Primary reporting - business segments

Year ended 30 June 2008	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
<i>Income statement</i>				
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
<i>Balance Sheet</i>				
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
<i>Other</i>				
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

For the year ended 30 June 2008

Note 4: Segment information (continued)

Primary reporting - business segments

Year ended 30 June 2007

	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
<i>Income statement</i>				
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
<i>Balance Sheet</i>				
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
<i>Other</i>				
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

For the year ended 30 June 2008

Note 5: Revenue from continuing operations

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Sales revenue					
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
		185,432	167,662	185,432	167,662
Other revenue					
Interest		4,044	3,520	4,044	3,520
Dividend revenue		-	-	46,764	38,330
	b	189,475	171,182	236,239	209,511

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
		12,291	12,305	12,291	12,305

a. The Commonwealth Government provides financial assistance to ACTEW Corporation to offset increased costs due to the ACT's inland location and the national capital influences.

Notes to the Financial Statements

For the year ended 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 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit before income tax includes the following specific expenses:				
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

For the year ended 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 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Income tax expense					
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)
		33,500	20,458	11,426	5,052
Income tax expense is attributable to:					
Profit from continuing operations		33,500	20,458	11,426	5,052
Aggregate income tax expense		33,500	20,458	11,426	5,052

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

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

Tax effect of permanent differences:

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)
Income tax expense		33,500	20,458	11,426	5,052

(c) Amounts recognised directly in equity

Deferred tax liability - credited directly to equity during the reporting period (note 27)		231	101,460	231	84,435
		231	101,460	231	84,435

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

For the year ended 30 June 2008

Note 8: Income tax equivalents (continued)

Tax consolidation legislation

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

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

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

Note 9: Dividends

Notes	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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

Note 10: Current assets - cash and cash equivalents

	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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.

Notes to the Financial Statements

For the year ended 30 June 2008

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

(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)
	113	76

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
	7,662	5,280	7,662	5,280

Notes to the Financial Statements

For the year ended 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
Total other assets	17,027	17,525	17,027	17,525

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
Total receivables	-	-	298,441	303,018

(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.

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.

Notes to the Financial Statements

For the year ended 30 June 2008

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.

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

For the year ended 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
At 1 July 2006							
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
Year ended 30 June 2007							
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
At 30 June 2007							
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
Year ended 30 June 2008							
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
At 30 June 2008							
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

For the year ended 30 June 2008

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

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 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 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee entitlement receivable- related parties	251	426	251	426
Total other	251	426	251	426

Notes to the Financial Statements

For the year ended 30 June 2008

Note 20: Non-current assets - deferred tax assets

	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
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
Total Deferred Tax Assets	19,759	13,234	9,124	5,922
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
	19,759	13,234	9,124	5,922
Movements				
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	19,759	13,234	9,124	5,922

Note 21: Current liabilities - trade and other payables

Notes	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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)
Total payables	28,913	19,128	28,887	19,103

Notes to the Financial Statements

For the year ended 30 June 2008

Note 22: Current liabilities - borrowings

	Notes	Consolidated		ACTEW Corporation Ltd	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Unsecured					
Loans		11,572	11,775	11,572	11,775
Total borrowings		11,572	11,775	11,572	11,775

Financing arrangements

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

	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
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.

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
Total provisions		36,546	31,696	36,546	31,696

Movements in consolidated current provisions

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

	Dividend	Workers'	Total
	\$'000	Compensation	\$'000
		\$'000	\$'000
Carrying amount at start of year		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

Notes to the Financial Statements

For the year ended 30 June 2008

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
Total other	1,694	1,431	1,694	1,431

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. 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

For the year ended 30 June 2008

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

2008 (Consolidated)	Notes	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	
Borrowings		(522,364)	-	-	-	-	-	(522,364)
Commonwealth Loan		-	(4,092)	(4,092)	(1,259)	-	-	(9,443)
Interest rate swap		(70,000)	-	-	-	-	-	(70,000)
		<u>(592,364)</u>	<u>(4,092)</u>	<u>(4,092)</u>	<u>(1,259)</u>	-	-	<u>(601,807)</u>
Weighted average interest rate		6.97%	11.36%	11.36%	11.36%			

2007 (Consolidated)	Notes	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	
Borrowings		(294,845)	-	-	-	-	-	(294,845)
Commonwealth loan		-	(4,092)	(4,092)	(4,092)	(1,259)	-	(13,535)
Interest rate swap		(70,000)	-	-	-	-	-	(70,000)
		<u>(364,845)</u>	<u>(4,092)</u>	<u>(4,092)</u>	<u>(4,092)</u>	<u>(1,259)</u>	-	<u>(378,380)</u>
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 \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
On-balance sheet				
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)
	<u>(601,807)</u>	<u>(601,807)</u>	<u>(378,380)</u>	<u>(378,380)</u>

Notes to the Financial Statements

For the year ended 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
Total provisions	1,831	2,134	1,831	2,134

Movements in consolidated non-current provisions

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

	Insurance Losses \$'000	Workers' Compensation (Pre 1989) \$'000	Total \$'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

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
Total Deferred Tax Liabilities	324,429	304,588	264,728	248,530
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
	324,429	304,588	264,728	248,530
Movements				
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	324,429	304,588	264,728	248,530

Notes to the Financial Statements

For the year ended 30 June 2008

Note 28: Contributed equity

Notes	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	Shares	Shares	\$	\$
a) Paid up capital:				
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) Total capital	\$'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%.

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	22,25	601,807	378,380	601,807	378,380
Less: cash and cash equivalents	10	(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
(a) Reserves				
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

For the year ended 30 June 2008

Note 29: Reserves (continued)

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

(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.

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	<u>7,801</u>	<u>7,801</u>	<u>28,969</u>	<u>29,446</u>

Notes to the Financial Statements

For the year ended 30 June 2008

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.

(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
Total benefits	1,528,320	1,899,913	1,528,320	1,899,913

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
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
(a) Assurance services				
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	-	-
Total remuneration of auditor	180,700	217,095	152,000	188,395

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

Notes to the Financial Statements

For the year ended 30 June 2008

Note 32: Remuneration of auditors (continued)

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
(b) Taxation and other services				
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	-
Total remuneration of taxation and other services	45,000	-	45,000	-

Note 33: Commitments for expenditure

Notes	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
a) Capital expenditure commitments:				
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
		560,047	-	560,047
b) Other expenditure commitments:				
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
Later than 1 year but not later than 5 years	a	369,357	-	369,357
		452,354	67,200	452,354
c) Lease commitments:				
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:				
Within 1 year	b	302	59	302
Later than 1 year but not later than 5 years	b	473	63	473
		775	122	775
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	-
Later than 1 year but not later than 5 years		11,029	4,857	11,029
Later than 5 years		-	2,838	-
		11,029	7,847	11,029

Notes to the Financial Statements

For the year ended 30 June 2008

Note 33: Commitments for expenditure

	Consolidated		ACTEW Corporation Ltd	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
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
	-	113	-	113

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2008

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.

	<u>ACTEW Corporation Ltd</u>	
	2008	2007
	\$	\$
The following transactions occurred with related parties:		
Dividend revenue	46,763,694	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)	21,754,647	13,809,169
Current receivables (other)	46,796,392	38,117,081
Current payables and other	18,949,786	13,736,480
Non interest bearing loans	298,441,275	303,018,025

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

	<u>ACTEW Corporation Ltd</u>	
	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

For the year ended 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 \$'000	2007 \$'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)
					1,400	1,400

Note 37: Investments in associates

Name of Company	Ownership Interest	Consolidated		ACTEW Corporation Ltd	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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		1,250	1,250	1,250	1,250
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
		9,641	1,886	9,641	1,886
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)

1. Following the outsourcing of the majority of the TransACT services to ActewAGL during 2003/04 ACTEW equity accounted TransACT for the first time from 1 July 2003.
2. TransACT Communications Pty Limited financial data is based on TransACT management accounts as at 30 June 2008.
3. 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%.

Notes to the Financial Statements

For the year ended 30 June 2008

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:

	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Movement in carrying amount of investment in the partnership				
Carrying amount of investment in partnership	436,041	423,196	-	-
Share of partnerships assets and liabilities				
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	-	-
Share of partnership's revenues, expenses and results				
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	-	-
Share of partnership's commitments				
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

For the year ended 30 June 2008

Note 38: Interests in joint ventures (continued)

(b) Joint venture operation

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

	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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

For the year ended 30 June 2008

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

Notes	Consolidated		ACTEW Corporation Ltd	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Reconciliation of operating profit after income tax expense to net cash flows from operations:				
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)
Changes in operating assets and liabilities:				
(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
Net cash inflow from operating activities	33,166	41,763	33,166	35,040

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.

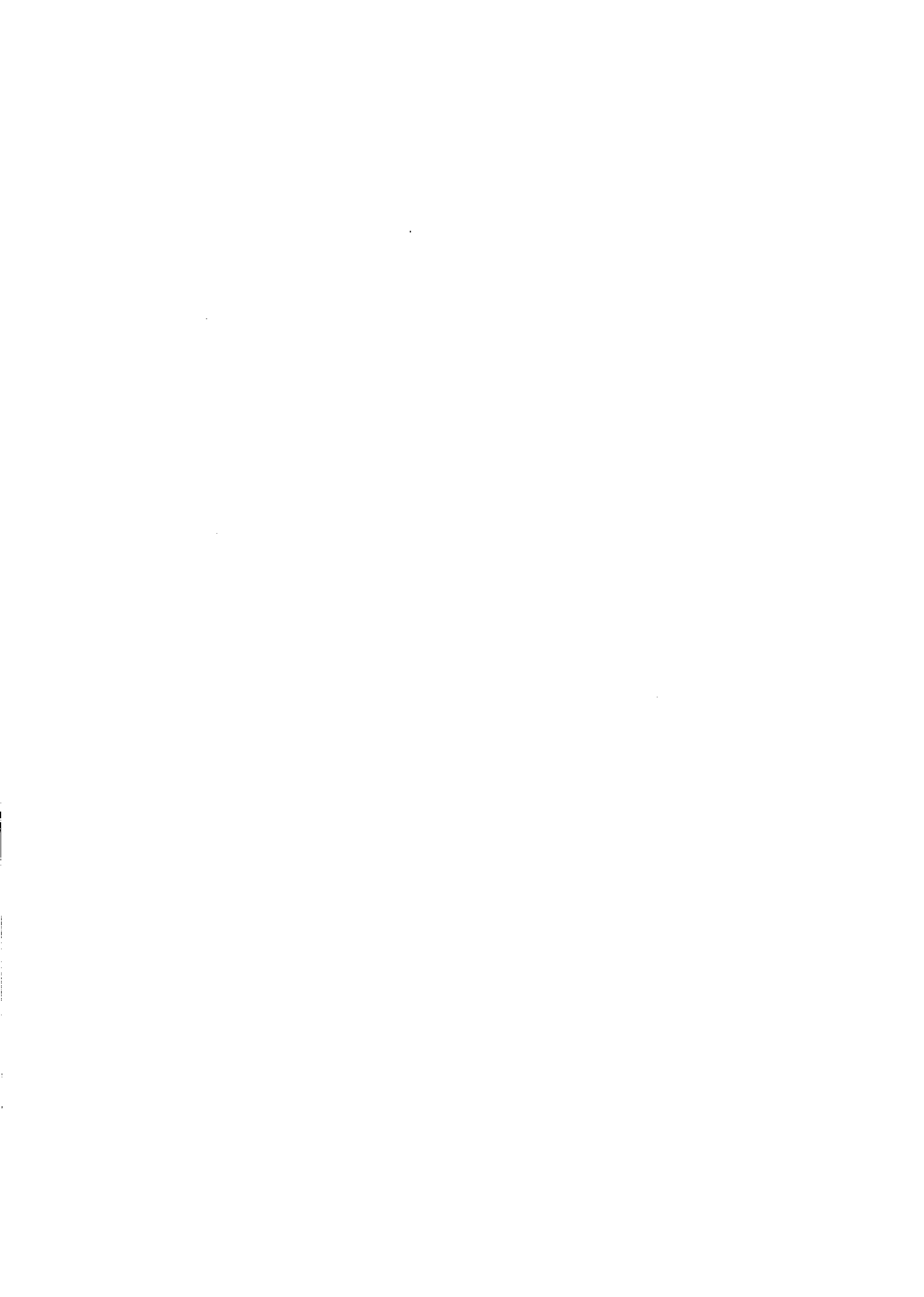
Annexed Reports

ActewAGL Joint Venture

ACTEW China Pty Limited

ACTEW Distribution Limited

ACTEW Retail Limited



ActewAGL Joint Venture

**Special Purpose
Financial Report**

for the year ended 30 June 2008

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Joint Venture Board's Declaration

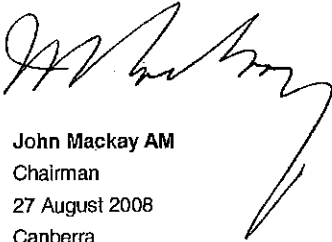
for the year ended 30 June 2008

The board members declare that, as detailed in Note 1 to the financial statements, the joint venture is not a reporting entity because, in the opinion of the directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the *ACTEWAGL Partnership Facilitation Act 2000*.

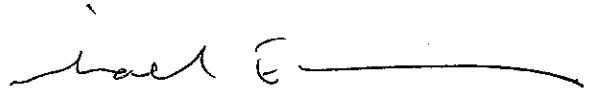
The directors further declare that:

- (a) the financial statements and notes of the ActewAGL Joint Venture set out on pages 5 to 40:
 - (i) comply with Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) gives a true and fair view of the joint venture's and aggregated group's financial position as at 30 June 2008 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the joint venture 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 joint venture board.



John Mackay AM
Chairman
27 August 2008
Canberra



Michael Easson AM
Board member
27 August 2008
Canberra



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

To the Partners of the ActewAGL Joint Venture

We have audited the accompanying financial report, being a special purpose financial report, of the ActewAGL Joint Venture (the Joint Venture), which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the joint venture board's (the board's) declaration as set out on pages 2 and 5 to 40.

The Responsibility of Joint Venture Board for the Financial Report

The board is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 1 to the financial report, are appropriate to meet the financial reporting requirements of the *ACTEW/AGL Partnership Facilitation Act 2000* and are appropriate to meet the needs of the Partners of the Joint Venture. The responsibility of the board also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Partners of the Joint Venture. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditors consider internal controls relevant to the Joint Venture's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Joint Venture's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the Partners of the Joint Venture for the purpose of fulfilling the board's financial reporting requirements under the *ACTEW/AGL Partnership Facilitation Act 2000*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Partners, or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this audited financial report should note that we have not examined the integrity of this website. The audit report refers only to the financial report identified above.

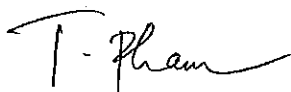
It does not provide an opinion on any other information, which may have been hyperlinked to or from this report. If users of the report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the audited financial report, available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

Auditors' Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of ActewAGL Joint Venture as at 30 June 2008 and of its financial performance, its cash flows and its changes in equity for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.



DELOITTE TOUCHE TOHMATSU



Tu Pham
Auditor-General



J M Stanley
Partner
Chartered Accountants

27 August 2008

27 August 2008



ACT AUDITOR-GENERAL'S OFFICE



Board of Directors
ActewAGL Joint Venture
GPO Box 366
Canberra City ACT 2601

ActewAGL Joint Venture

As joint auditors for the audit of the financial report of the ActewAGL Joint Venture for the financial year ended 30 June 2008, we declare that to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

DELOITTE TOUCHE TOHMATSU

Tu Pham
Auditor-General

27 August 2008

J M Stanley
Partner
Chartered Accountants

27 August 2008

Income Statement

for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Revenue from continuing operations	5	770,871	592,597
Other income	6	61	-
		<u>770,932</u>	<u>592,597</u>
Energy purchases		(291,743)	(197,385)
Employee costs		(163,654)	(139,943)
Depreciation and amortisation expense	7	(35,211)	(36,469)
Impairment of assets	7	(561)	(800)
Subcontractor expense		(80,317)	(51,768)
Leases	7	(15,504)	(14,286)
Material costs		(14,714)	(14,415)
Finance costs	7	(4,218)	(3,224)
Other expenses		(28,321)	(23,779)
Shares of net profits of associates and joint venture partnerships accounted for using the equity method	34, 35	482	321
		<u>(633,761)</u>	<u>(481,748)</u>
Profit before income tax		137,171	110,849
Income tax expense	8	(339)	(92)
Net profit for the year		<u>136,832</u>	<u>110,757</u>

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

Balance Sheet

as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	18,140	10,088
Trade and other receivables	10	132,456	110,342
Current tax assets	11	-	1,979
Inventories	12	8,285	7,031
Non-current assets classified as held for sale	13	5,190	214
Derivative financial instruments	14	6	10
Total current assets		164,077	129,664
Non-current assets			
Receivables	15	85	136
Investments accounted for using the equity method	16	822	340
Intangible assets	17	40,015	40,204
Deferred tax assets	18	2,329	2,154
Property, plant and equipment	19	761,459	742,915
Total non-current assets		804,710	785,749
Total Assets		968,787	915,413
LIABILITIES			
Current liabilities			
Trade and other payables	20	119,776	95,591
Other	21	14,729	15,023
Provisions	22	23,514	22,186
Current tax liabilities	11	239	-
Total current liabilities		158,258	132,800
Non-current liabilities			
Deferred tax liabilities	23	367	962
Provisions	24	1,747	1,715
Other	25	5,965	1,314
Total non-current liabilities		8,079	3,991
Total Liabilities		166,337	136,791
NET ASSETS		802,450	778,622
JOINT VENTURE FUNDS			
Joint venture funds		802,444	778,612
Reserves		6	10
Total Joint Venture Funds		802,450	778,622

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

Statement of Changes in Equity

for the year ended 30 June 2008

	Notes	Joint venture funds \$'000	Reserves \$'000	Total \$'000
Balance as at 1 July 2006		<u>764,855</u>	<u>14</u>	<u>764,869</u>
Changes in the fair value of cash flow hedges, net of tax	26	-	(4)	(4)
Net profit for the year		<u>110,757</u>	<u>-</u>	<u>110,757</u>
Total recognised income and expense for the year		<u>110,757</u>	<u>(4)</u>	<u>110,753</u>
Transactions with joint venture parties in their capacity as joint venture parties:				
Distributions paid		<u>(97,000)</u>	<u>-</u>	<u>(97,000)</u>
Balance as at 30 June 2007		<u>778,612</u>	<u>10</u>	<u>778,622</u>
Balance as at 1 July 2007		<u>778,612</u>	<u>10</u>	<u>778,622</u>
Changes in the fair value of cash flow hedges, net of tax	26	-	(4)	(4)
Net profit for the year		<u>136,832</u>	<u>-</u>	<u>136,832</u>
Total recognised income and expense for the year		<u>136,832</u>	<u>(4)</u>	<u>136,828</u>
Transactions with joint venture parties in their capacity as joint venture parties:				
Distributions paid		<u>(113,000)</u>	<u>-</u>	<u>(113,000)</u>
Balance as at 30 June 2008		<u>802,444</u>	<u>6</u>	<u>802,450</u>

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

Cash Flow Statement

for the year ended 30 June 2008

		2008	2007
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		836,951	671,598
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(660,436)</u>	<u>(527,312)</u>
		176,515	144,286
Interest received		2,370	1,506
Interest and other costs of finance paid		(444)	(326)
Income taxes paid		<u>(339)</u>	<u>(1,061)</u>
Net cash inflow from operating activities	36	<u>178,102</u>	<u>144,405</u>
Cash flows from investing activities			
Payment for purchase of investments, net of cash acquired		(527)	(45)
Payments for property, plant and equipment		<u>(64,166)</u>	<u>(50,261)</u>
Proceeds from sale of interest in associate		275	-
Proceeds from sale of property, plant and equipment		<u>2,103</u>	<u>2,317</u>
Net cash outflow from investing activities		<u>(62,315)</u>	<u>(47,989)</u>
Cash flows from financing activities			
Distributions paid to partners		(113,000)	(97,000)
Receipts from borrowings		6,458	-
Repayment of borrowings		<u>(1,193)</u>	<u>(743)</u>
Net cash outflow from financing activities		<u>(107,735)</u>	<u>(97,743)</u>
Net increase/(decrease) in cash and cash equivalents		8,052	(1,327)
Cash and cash equivalents at the beginning of financial year		<u>10,088</u>	<u>11,415</u>
Cash and cash equivalents at the end of financial year	9	<u>18,140</u>	<u>10,088</u>

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

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies

The ActewAGL Joint Venture comprises the ActewAGL Retail Partnership and the ActewAGL Distribution Partnership. This special purpose report has been prepared for the purpose of reporting an aggregate view of the partnerships.

(a) Basis of preparation

The joint venture is not a reporting entity because in the opinion of the joint venture board, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to specifically satisfy all of their information needs. Accordingly this 'special purpose financial report' has been prepared to satisfy the board's reporting requirements under the ACTEW/AGL Partnership Facilitation Act 2000.

The financial report has been prepared in accordance with the basis of accounting specified by all Accounting Standards and Interpretations and the disclosure requirements of Accounting Standards AASB 101 "Presentation of Financial Statements", AASB 107 "Cash Flow Statements" and AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors".

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with A-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principal Activities

The principal activities of the ActewAGL Joint Venture and its subsidiaries during the year were to:

- operate the electricity network in the ACT and purchase and supply electricity to customers in the ACT as contestable customers elsewhere in the competitive national market;
- operate the gas network in the ACT and surrounding districts and purchase and supply gas to customers in these areas;
- operate the water and sewerage services of the ACT on behalf of ACTEW Corporation Ltd;
- operate and manage the TransACT telecommunications network on behalf of TransACT Capital Communications Pty Ltd;
- operate a number of analytical laboratories and collect and analyse environmental data, provide engineering advice on water resources and flood assessments; and
- undertake other related business activities.

(c) Principles of aggregation

(i) Subsidiaries

The financial statements incorporate the assets and liabilities of all subsidiaries of the ActewAGL Joint Venture as at 30 June 2008 and the results of all subsidiaries for the year then ended. ActewAGL Joint Venture and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control, which includes the power to govern the financial and operating policies of the entities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

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.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(c) Principles of aggregation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Group's financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Details of investments in associate are set out in note 34.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Joint venture operations

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. The share of profit or loss is recognised with the investment. Details of the joint ventures are set out in note 35.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(d) 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.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(i) Electricity and gas

Electricity and gas disclosed as revenue from continuing operations are recognised when the service is provided. Unmetered revenue is measured in accordance with our unread consumption policy as per note 3(b). Monies received prior to services being provided are recognised as unearned revenue.

(ii) Operations management

Operations Management revenue is recognised in accordance with fixed price service agreements, which are reviewed periodically. An annual fee is calculated and received monthly in 12 equal instalments.

(iii) Contributions for Infrastructure

Contributions for infrastructure are recognised when earned.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(f) Income tax

ActewAGL Joint Venture is a partnership for tax purposes. Accordingly the joint venture, except for its controlled entity ECOWISE Environmental Pty Ltd and its subsidiaries, is not subject to tax on its income. The income is subject to tax in the hands of the partners when distributions are received.

For ECOWISE Environmental Pty Ltd, tax effect accounting procedures are followed whereby the income tax expense or revenue for the period is the tax payable on the current period's taxable income 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 financial 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

As at 30 June 2008, the ActewAGL Distribution Partnership wholly-owned and controlled ECOWISE Environmental Pty Ltd and its subsidiaries.

ECOWISE Environmental Pty Ltd and its wholly owned Australian controlled entities elected to implement the tax consolidation legislation as of 1 July 2004.

(g) Leases

Leases of property, plant and equipment where the partnership, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated against the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest component is charged to the income statement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the partnership as lessee are classified as operating leases. Operating lease payments are charged to the Income Statement in the years in which they are incurred for the amount paid as this represents the pattern of benefits derived from the leased assets.

(h) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(q)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call, current investments securities, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis. Standard terms are 30 days. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the movement in the provision is recognised in the income statement. When a trade receivable for which an impairment allowance had 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.

(l) Inventories

Inventories include system spares and stores. They have been valued at the lower of cost and net realisable value. Cost is determined on a weighted average purchase price basis. When evidence exists that inventory values have fallen below their net realisable value or cost a provision for obsolete stock is raised.

(m) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans, 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 which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges. The net gain or loss recognised incorporates any interest earned on the financial 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. 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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(m) Investments and other financial assets (cont)

(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.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group 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. Financial assets 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.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans, receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

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

(n) 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.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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 14. Movements in the hedging reserve in joint venture funds are shown in note 26.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in joint venture funds in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in joint venture funds are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from joint venture funds and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in joint venture funds at that time remains in joint venture funds and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in joint venture funds is immediately transferred to the income statement.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(o) Fair value estimation

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. 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.

(p) Property, plant and equipment

Land and buildings are shown at acquisition cost. All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets 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:

- Electricity system assets	5 to 60 years
- Gas system assets	15 to 80 years
- Buildings	10 to 60 years
- Plant & equipment	3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(q) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each operation.

Marketing rights

Marketing rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of marketing rights over their estimated useful lives of

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Consumer deposits held are recognised on receipt of refundable deposits held as security over future energy usage by customers.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings; and
- finance lease charges.

(t) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave 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) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and the amounts to be paid are determined before the time of completion of the financial report. Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(v) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

(x) Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand Australian dollars, or in certain cases, to the nearest Australian dollar as per ASIC CO9B/0100.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(v) New Accounting standards and Interpretations

In the current year, the Group adopted all new and revised accounting standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations. The adoption of these new and revised Standards and Interpretations has not resulted in changes in the accounting policies of the Group. Certain new accounting standards and Interpretations were on issue but were not yet mandatory as discussed below.

Reference	Title	Summary	Application date of standard	Impact on financial statements
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretation 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 <i>Borrowing Costs</i> .	1 Jan 2009	The amendments to AASB 123 requires that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact of the Group's financial report.
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore, the amendments are not expected to have any impact on the Group's financial report.
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amending standard issued as a consequence of revisions to AASB 101 <i>Presentation of Financial Statements</i> .	1 Jan 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101.
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	Amending standard issued as a consequence of revisions to AASB 3 <i>Business Combinations</i> and AASB 127 <i>Consolidated and Separate Financial Statements</i> .	1 July 2009	The Group does not intend to acquire business entities in the near future nor outstanding non-controlling interests. Impact to the Group's financial report is expected to be minimal.
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period that an acquisition occurs, and future revenues reported.	1 July 2009	Refer to AASB 2008-3 above.
AASB 101 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 Jan 2009	Refer to AASB 2007-8 above.
AASB 123 (revised)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 Jan 2009	Refer to AASB 2007-6 above.
AASB 127 (revised)	Consolidated and Separate Financial Statements	The revised standard allows a change in the ownership interest of a subsidiary (that does not result in loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.	1 July 2009	Refer to AASB 2008-3 above.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 2: Financial risk management

In its day-to-day operations, ActewAGL is exposed to financial risks including; credit, liquidity, interest rate and market risk.

A central Treasury Unit is responsible for managing most of these risks within the guidelines contained in Board approved policies. Credit risk pertaining to customers use of energy products is managed separately in accordance with appropriate policies and controls. Through regular risk assessments and ongoing Board reporting, all risks are prudently managed with any exposure considered immaterial.

The Group holds the following financial instruments:

	Note	2008 \$'000	2007 \$'000
Financial assets			
Cash and cash equivalents	9	18,140	10,088
Trade and other receivables	10	132,456	110,342
Derivative financial instruments	14	6	10
Non-current receivables	15	85	136
		150,687	120,576
Financial liabilities			
Trade and other payables	20	119,776	95,591
Other current liabilities	21	14,729	15,023
Other non-current liabilities	25	5,965	1,314
		140,470	111,928

Classification of financial assets and liabilities depends on the purpose for which the assets and liabilities were acquired.

The Group's classification is set out below:

Financial asset/liability	Classification	Valuation Basis	Accounting Policy
Cash and cash equivalents			
- Securities purchased	Held-to-maturity	Fair value	Refer to Note 1(m)
Receivables	Loans and receivable	Amortised cost	Refer to Note 1(k)
Derivative assets	Fair value through profit and loss	Fair value	Refer to Note 1(n)
Payables	Financial liability at amortised cost	Amortised cost	Refer to Note 1(r)

(a) Credit risk

The Group does not consider its credit risk to be material as transactions are limited to high credit quality financial institutions. The credit risk on financial assets of the Group which have been recognised on the balance sheet is generally the carrying amount net of any provisions for doubtful debts. Investments are allowed only in highly liquid cash investments and only with counterparties with sound credit ratings. There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 2: Financial risk management (continued)

(a) Credit risk (continued)

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit terms by customers are regularly monitored by line management. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk as at 30 June 2008 is the carrying amounts of financial assets recognised in the balance sheets of the Group. The Group holds no significant collateral as security and the credit quality of all financial assets that are neither past due nor impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

(b) Liquidity risk

Liquidity risk includes the risk that the Group, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

The Treasury Unit operates to maintain sufficient cash and marketable securities to ensure that the Group operates in a cash positive position. Daily monitoring ensures prudent management of the cash position.

(c) Cash flow and fair value interest rate risk

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group has no significant interest bearing assets. Distributions based on revenues earned and liquidity risk are paid to the Joint Venture partners on a bi-monthly basis. As such the Group's income and operating cashflows are substantially independent of changes in market interest rates.

The Group does not have significant borrowings, except for some exposure to interest rate risk from finance leases held by subsidiaries. The Group's exposure to interest rate risk, categorised by maturity dates is set out in Note 25.

The income and the associated operating cash flows of Group's assets are substantially independent of changes in market interest rates. Therefore, no sensitivity analysis is disclosed.

(d) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group conducts its business operations in Australian dollars and does not operate internationally. The Group is not generally exposed to foreign exchange risk arising from various currency exposures.

The Treasury Unit is responsible for managing foreign exchange risk by using external forward currency contracts.

There is an outstanding forward foreign exchange contract for Great British Pounds (GBP) to hedge a service agreement in the same currency which expires in 2010. Please refer to note 14 for details. The impact of any fluctuations in foreign exchange rates is immaterial to the Group. Therefore, no sensitivity analysis is disclosed.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 2: Financial risk management (continued)

(d) Market risk (continued)

Price risk

The Group does not hold equity investments which are publicly traded and is not generally exposed to equity securities price risk. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. Therefore, no sensitivity analysis is disclosed.

(e) Fair value estimation

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

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.

For an investment in equity instruments that do not have a quoted market price in an active market, it is measured at cost in accordance with AASB 139 Financial Instruments: Recognition and Measurement because its fair value cannot be measured reliably.

The fair value of lease liabilities is estimated as the present value of future cash flows, discounted at the rate implicit in the lease agreement.

Note 3: Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether the value of goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). The recoverable amounts of cash generating units have been determined based on the greater of value-in-use and fair-value less cost calculations. These calculations require the use of assumptions. Refer to note 17 for details of these assumptions and the potential impact of changes in the assumptions.

(ii) Income taxes

The Group comprises tax-paying entities subject to income taxes in Australia through the process of accounting consolidation. Significant judgement is required in determining provisions for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(b) Critical judgements in applying the Group's accounting policies

Unread consumption

ActewAGL provides a fair estimate of consumption of electricity and gas which has not been read from the customers' meter as at 30 June 2008. The methodology used relies on historical consumption from prior years adjusted for any seasonal variation such as an unusually cold winter where usage would be expected to increase. The seasonal factor applied would be related to percentage increase of wholesale purchase of energy in order to supply the customers. As at 30 June 2008, \$53,057,217 was recognised as unread consumption and is included in trade debtors in note 10.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 4: Segment information

Business segments

ActewAGL is organised into the following divisions by product and service type:

Electricity

ActewAGL owns and operates the electricity network within the ACT and surrounding region and purchases electricity for supply to customers in the ACT and to contestable customers elsewhere in the competitive national market.

Gas

ActewAGL owns and operates the gas network in the ACT and surrounding region and purchases gas for supply to customers in these areas.

Operations management

ActewAGL manages the operation of the water and sewerage network within the ACT on behalf of ACTEW Corporation Limited. It also manages the TransACT telecommunications network on behalf of TransACT Communications Pty Ltd pursuant to an Alliance Agreement.

Other

Segment information for subsidiaries of ActewAGL is included under the heading 'Other'.

Secondary reporting – geographic segments

Australia is the only predominant geographic segment.

Notes to and forming part of segment information

a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 1 and accounting standard AASB 114 Segment Reporting.

Segment revenue, 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, inventories, property, plant and equipment, goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on a reasonable estimate of usage. Segment liabilities consist primarily of trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes.

b) Inter-segment transfers

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

Notes to the Financial Statements

for the year ended 30 June 2008

Note 4: Segment information (continued)

	Electricity \$'000	Gas \$'000	Operations Management \$'000	Other \$'000	Unallocated / Eliminations \$'000	Total \$'000
2008						
Primary reporting – business segments						
Sales to external customers	409,449	120,085	159,628	59,965	-	749,127
Intersegment sales	5,300	-	4,335	7,830	(17,465)	-
	<u>414,749</u>	<u>120,085</u>	<u>163,963</u>	<u>67,795</u>	<u>(17,465)</u>	<u>749,127</u>
Other revenue	11,083	2,229	594	756	7,143	21,805
Total segment revenue	<u>425,832</u>	<u>122,314</u>	<u>164,557</u>	<u>68,551</u>	<u>(10,322)</u>	<u>770,932</u>
Segment results	<u>90,699</u>	<u>41,015</u>	<u>5,134</u>	<u>2,744</u>	<u>(3,812)</u>	<u>135,780</u>
Unallocated revenue less unallocated expenses						<u>1,391</u>
Profit from ordinary activities before income tax expense/(credit)						137,171
Income tax (expense)/credit						(339)
Net profit						<u>136,832</u>
Segment assets	<u>604,677</u>	<u>286,170</u>	<u>40,614</u>	<u>42,610</u>	<u>-</u>	<u>974,071</u>
Unallocated assets						<u>(5,284)</u>
Total assets						<u>968,787</u>
Segment liabilities	<u>71,091</u>	<u>29,407</u>	<u>30,203</u>	<u>15,955</u>	<u>-</u>	<u>146,656</u>
Unallocated liabilities						<u>19,681</u>
Total liabilities						<u>166,337</u>
Acquisitions of property, plant, equipment, intangibles and other non-current segment assets	<u>41,963</u>	<u>9,867</u>	<u>1,666</u>	<u>10,670</u>	<u>-</u>	<u>64,166</u>
Depreciation and amortisation expense	<u>22,748</u>	<u>6,778</u>	<u>1,025</u>	<u>2,172</u>	<u>2,488</u>	<u>35,211</u>
Other non-cash expenses	<u>4,835</u>	<u>766</u>	<u>2,674</u>	<u>2,708</u>	<u>1,730</u>	<u>12,713</u>

Notes to the Financial Statements

for the year ended 30 June 2008

Note 4: Segment information (continued)

	Electricity \$'000	Gas \$'000	Operations Management \$'000	Other \$'000	Unallocated / Eliminations \$'000	Total \$'000
2007						
Primary reporting – business segments						
Sales to external customers	300,544	102,568	133,157	42,986	-	579,255
Intersegment sales	4,020	-	-	5,903	(9,923)	-
	<u>304,564</u>	<u>102,568</u>	<u>133,157</u>	<u>48,889</u>	<u>(9,923)</u>	<u>579,255</u>
Other revenue	8,748	769	38	1,427	2,360	13,342
Total segment revenue	<u>313,312</u>	<u>103,337</u>	<u>133,195</u>	<u>50,316</u>	<u>(7,563)</u>	<u>592,597</u>
Segment results	<u>75,068</u>	<u>29,393</u>	<u>5,431</u>	<u>1,314</u>	<u>(1,618)</u>	<u>109,588</u>
unallocated expenses						<u>1,261</u>
Profit from ordinary activities before income tax expense/(credit)						110,849
Income tax (expense)/credit						(92)
Net profit						<u>110,757</u>
Segment assets	<u>576,920</u>	<u>270,290</u>	<u>22,150</u>	<u>35,503</u>	<u>-</u>	<u>904,863</u>
Unallocated assets						<u>10,550</u>
Total assets						<u>915,413</u>
Segment liabilities	<u>40,683</u>	<u>27,456</u>	<u>24,945</u>	<u>11,406</u>	<u>-</u>	<u>104,490</u>
Unallocated liabilities						<u>32,301</u>
Total liabilities						<u>136,791</u>
Acquisitions of property, plant, equipment, intangibles and other non-current segment assets	<u>36,326</u>	<u>9,703</u>	<u>664</u>	<u>4,230</u>	<u>-</u>	<u>50,923</u>
Depreciation expense	<u>22,145</u>	<u>6,544</u>	<u>2,612</u>	<u>2,319</u>	<u>2,849</u>	<u>36,469</u>
Other non-cash expenses	<u>4,739</u>	<u>730</u>	<u>1,972</u>	<u>1,825</u>	<u>1,561</u>	<u>10,827</u>
					2008	2007
					\$'000	\$'000

Note 5: Revenue**Revenue from continuing operations***Sales revenue*

Sale and distribution of energy	519,166	392,075
Operations management	174,321	141,417
Income from services	52,581	41,985
Other operating revenue	3,059	3,778
	<u>749,127</u>	<u>579,255</u>

Other revenue

Interest	2,390	1,456
Contributions for infrastructure	6,594	4,236
Other non-operating revenue	12,760	7,650
	<u>21,744</u>	<u>13,342</u>
	<u>770,871</u>	<u>592,597</u>

Notes to the Financial Statements

for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Note 6: Other income			
Other income			
Gain on disposal of interest in associate	36	61	-
Note 7: Expenses			
Profit before income tax includes the following specific expenses:			
Expenses			
Depreciation of property, plant and equipment	19	35,102	36,469
Amortisation of intangible assets	17	109	-
Depreciation and amortisation	36	35,211	36,469
<i>Rental expense relating to operating leases</i>			
Minimum lease payments		15,504	14,286
<i>Finance costs</i>			
Interest and finance charges paid/payable		4,218	3,224
<i>Loss on disposal of property, plant and equipment</i>	36	401	368
<i>Impairment of assets</i>			
Plant and equipment	19	-	800
Goodwill	17, 36	561	-
		561	800
Assets written-off/(back)	36	2,826	(458)
Write-off of goodwill	17	46	612
Note 8: Income tax expense			
(a) Income tax expense			
Current tax		1,286	(711)
(Increase) in deferred tax assets	18	(452)	(110)
(Increase)/decrease in deferred tax liabilities	23	(495)	758
Adjustment to prior year income tax expense		-	155
		339	92
Income tax expense/(credit) is attributable to:			
Profit from continuing operations		339	92
Aggregate income tax expense/(credit)		339	92
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		137,171	110,849
Income tax calculated @ 30%		41,151	33,255
Income tax expense on partnership profits attributable directly to the partners		(40,655)	(33,450)
Other items			
- Adjustment to prior year income tax expense		(157)	155
- Other non-deductible items		-	132
Income tax expense		339	92

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Note 9: Current assets - Cash and cash equivalents		
(a) Reconciliation to cash and cash equivalents at the end of financial year		
For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the year, as shown in the Cash Flow Statement, is reconciled to the related items in the Balance Sheet as follows:		
Cash at bank	4,146	2,054
Cash on hand	25	39
Securities purchased	13,969	7,995
Total cash and cash equivalents	18,140	10,088

(b) Cash at bank and on hand

The average interest charged on cash at bank for the period was 4.26% (2006-07: 5.33%).

(c) Securities purchased

The securities held are bearing fixed interest rates between 7.85% and 8.00% (2006-07: 5.96% to 6.00%). These deposits have an average maturity of 11 days (2006-07: 44 days).

The credit quality of securities can be assessed by reference to external credit ratings (if available):

S&P credit rating

A1+	13,969	1,998
A1	-	1,997
A2	-	4,000
	13,969	7,995

Note 10: Current assets - Trade and other receivables

Trade receivables (note (b))	113,792	96,829
Provision for impairment of receivables (note (a))	(2,954)	(4,179)
	110,838	92,650
GST receivable	7,109	5,005
Approved supplier scheme	2,485	2,709
Other receivables	11,178	7,847
Provision for impairment of receivables other than trade receivables (note (a))	(719)	(990)
	20,053	14,571
Prepayments	1,565	3,121
Total trade and other receivables	132,456	110,342

(a) Impaired receivables

The group has recognised a loss of \$2,488,000 (2006-07: \$2,533,000) in respect of impaired trade receivables during the year ended 30 June 2008, amounts are non-interest bearing. The loss has been included in 'other expenses' in the income statement.

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

Balance as at beginning of financial year	4,179	4,316
Provision for impairment recognised during the year	402	-
Unused amount reversed	(1,627)	(137)
Balance as at end of financial year	2,954	4,179

Movements in the provision for impairment of receivables other than trade receivables are as follows:

Balance as at beginning of financial year	990	804
Provision for impairment recognised during the year	174	186
Unused amount reversed	(445)	-
Balance as at end of financial year	719	990

Notes to the Financial Statements

for the year ended 30 June 2008

Note 10: Current assets - Trade and other receivables (continued)

(b) Past due but not impaired

As at 30 June 2008, trade receivables as disclosed were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these other balances will be received when due.

(c) Other receivables

These amounts generally arise outside the ordinary activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed 30 days. Collateral is not normally obtained.

(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.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Notes	2008 \$'000	2007 \$'000
Note 11: Current assets/(liabilities) - Current tax assets/(liabilities)		
Income tax (liabilities)/assets	(239)	1,979
Total current tax (liabilities)/assets	(239)	1,979

Note 12: Current assets - Inventories

Stores on hand – at cost	6,577	5,740
System spares – at cost	2,582	2,858
Provisions for obsolete stock	(874)	(1,567)
Total inventories	8,285	7,031

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2008 amounted to \$10,162,000 (2006-07: \$9,444,000).

Note 13: Non-current assets classified as held for sale

Interest in associate	34	-	214
Property, plant and equipment	19	5,190	-
Total non-current assets classified as held for sale		5,190	214

The board decided to sell property, plant and equipment owned by the Group. There are several interested parties and the sale is expected to be completed before the end of June 2009.

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
Notes	\$'000	\$'000
Note 14: Derivative financial instruments		
Forward foreign exchange contracts - held for trading	6	10
Total current derivative financial instruments	6	10

Instruments used by the Group

The Group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

The Electricity segment has a software license agreement for software purchased from Great Britain. In order to protect against rate movements, the Group has entered into forward exchange contracts to purchase GBP.

The contracts are hedging highly probable forecasted purchases for the ensuing financial years. The contracts are timed to mature when payments of invoices are scheduled to be made.

The cash flows are expected to occur at specific annual dates until 2010. At balance date, the details of the outstanding contracts are:

Buy GBP	Sell Australian dollars		Average exchange rate	
	2008	2007	2008	2007
	\$'000	\$'000		
Maturity				
0-12 months	154	152	0.4189	0.4243
1-2 years	156	154	0.4139	0.4189
2-3 years	-	156	-	0.4139
3-4 years	-	-	-	-

Amounts disclosed above represent currency sold measured at the contracted rate.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

At balance date these contracts were assets of \$6,320 (2006-07: \$10,002).

A gain of \$3,682 (2006-07: \$4,171) was realised during the year.

Note 15: Non-current assets - Receivables

Long term deposits	85	136
	85	136

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

Note 16: Non-current assets - Investments accounted for using the equity method

Interest in joint venture partnership	35	822	340
		822	340

The interest in joint venture partnership is accounted for in the financial statements using the equity method of accounting and is carried at cost by the Group.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 17: Non-current assets - Intangible assets

Note

		Goodwill	Marketing rights	Total
		\$'000	\$'000	\$'000
Year ended 30 June 2008				
Balance as at 1 July 2007		40,204	-	40,204
Additions		-	527	527
Write-off	7,36	(46)	-	(46)
Amortisation expense	7	-	(109)	(109)
Impairment loss	7,36	(561)	-	(561)
Balance as at 30 June 2008		<u>39,597</u>	<u>418</u>	<u>40,015</u>
At 30 June 2008				
Cost		43,443	527	43,970
Accumulated amortisation and impairment		(3,846)	(109)	(3,955)
Net carrying amount		<u>39,597</u>	<u>418</u>	<u>40,015</u>
Year ended 30 June 2007				
Balance as at 1 July 2006		40,816	-	40,816
Additions		-	-	-
Write-offs	7,36	(612)	-	(612)
Balance as at 30 June 2007		<u>40,204</u>	<u>-</u>	<u>40,204</u>
At 30 June 2007				
Cost		43,489	-	43,489
Accumulated amortisation and impairment		(3,285)	-	(3,285)
Net carrying amount		<u>40,204</u>	<u>-</u>	<u>40,204</u>

(a) Impairment tests for Intangible Assets

Licenses and goodwill are allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

	Electricity	Gas	Other	Total
	\$'000	\$'000	\$'000	\$'000
2008				
Goodwill	10,520	17,590	11,487	39,597
Marketing rights	418	-	-	418
	<u>10,938</u>	<u>17,590</u>	<u>11,487</u>	<u>40,015</u>
2007				
Goodwill	10,520	17,590	12,094	40,204
Marketing rights	-	-	-	-
	<u>10,520</u>	<u>17,590</u>	<u>12,094</u>	<u>40,204</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 17: Non-current assets - Goodwill (continued)

(b) Key assumptions used for value-in-use calculations

<i>Cash generating units</i>	Growth Rate*		Discount Rate**	
	2008	2007	2008	2007
	%	%	%	%
Electricity-Retail	2.0	2.0	17.4	14.8
Gas-Retail	2.0	2.0	14.1	14.7
Electricity-Networks	2.0	2.0	10.2	10.2
Gas-Networks	2.0	2.0	10.0	10.1
Other	5.0	7.0	14.5	14.3

*Weighted average growth rate used to extrapolate cash flows beyond the budget period.

** In performing the fair market value less realisation cost calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post tax cash flows in order to derive pre-tax discount rates as prescribed by AIFRS accounting requirements. The equivalent pre-tax discount rates are disclosed above. The movements in the equivalent pre-tax discount rates between 2007 and 2008 reflect changes in the anticipated timing of future cash flows.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments in which they operate.

(c) Impact of possible changes in key assumptions

Management does not consider changes in any of the key assumptions to have a material impact.

	2008	2007
	\$'000	\$'000

Note 18: Non-current assets - Deferred tax assets

Note

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss

Employee benefits	1,141	725
Provisions	570	301
Other	618	1,128
Total deferred tax assets	2,329	2,154

Movements:

Balance as at beginning of financial year	2,154	2,136
Movements to the income statement	452	110
Tax value of losses carried forward	(484)	-
Adjustment to prior year tax effect balances	207	(92)
Balance as at end of financial year	2,329	2,154

Notes to the Financial Statements

for the year ended 30 June 2008

Note 19: Non-current assets - Property, plant and equipment

	Electricity System Assets	Gas	Land and Buildings	Leasehold Improvements	Plant and Equipment - excluding finance leases	Plant and Equipment - under finance lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PROPERTY, PLANT AND EQUIPMENT							
Year ended 30 June 2008							
Balance as at 1 July 2007	463,352	215,422	22,421	-	15,857	1,406	718,458
Construction capitalised	41,682	13,266	(2)	-	1,156	-	56,092
Additions	186	-	2	208	3,063	6,458	9,917
Transfer to assets held for sale	-	-	(5,190)	-	-	-	(5,190)
Disposals	(1,498)	(72)	-	-	(3,477)	(285)	(5,330)
Depreciation expense	(20,900)	(6,735)	(1,180)	(65)	(5,282)	(940)	(35,102)
Balance as at 30 June 2008	482,824	221,871	16,051	143	11,317	6,639	738,845
At 30 June 2008							
Cost	642,033	269,545	18,271	217	39,131	7,802	976,999
Accumulated depreciation	(159,209)	(47,674)	(2,220)	(74)	(27,814)	(1,163)	(238,154)
Net carrying amount	482,824	221,871	16,051	143	11,317	6,639	738,845
Year ended 30 June 2007							
Balance as at 1 July 2006	448,914	212,333	21,021	-	19,404	2,022	703,694
Construction capitalised	35,646	9,703	3,285	-	586	-	49,220
Additions	237	(106)	(27)	-	3,807	1,686	5,597
Adjustments to asset classifications	-	-	-	-	1,331	(1,331)	-
Impairment of asset	-	-	-	-	(800)	-	(800)
Disposals	(849)	-	(802)	-	(679)	(454)	(2,784)
Depreciation expense	(20,596)	(6,508)	(1,056)	-	(7,792)	(517)	(36,469)
Balance as at 30 June 2007	463,352	215,422	22,421	-	15,857	1,406	718,458
At 30 June 2007							
Cost	602,316	256,360	27,312	-	58,651	2,366	947,005
Accumulated depreciation	(138,964)	(40,938)	(4,891)	-	(42,794)	(960)	(228,547)
Net carrying amount	463,352	215,422	22,421	-	15,857	1,406	718,458

Notes to the Financial Statements

for the year ended 30 June 2008

Note 19: Non-current assets - Property, plant and equipment (continued)

	Electricity System Assets \$'000	Gas \$'000	Land and Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment - excluding finance leases \$'000	Plant and Equipment - under finance lease \$'000	Total \$'000
CONSTRUCTION IN PROGRESS							
Year ended 30 June 2008							
Balance as at 1 July 2007	17,087	4,761	1,211	-	1,398	-	24,457
Additions	39,760	9,798	1,880	-	3,013	-	54,249
Construction capitalised	(41,882)	(13,256)	2	-	(1,156)	-	(56,092)
Balance as at 30 June 2008	15,165	1,301	2,893	-	3,255	-	22,614
At 30 June 2008							
Cost	15,165	1,300	2,894	-	3,255	-	22,614
Net carrying amount	15,185	1,300	2,894	-	3,255	-	22,614
Year ended 30 June 2007							
Balance as at 1 July 2006	18,720	3,095	1,890	-	1,984	-	25,689
Additions	34,013	11,369	2,606	-	-	-	47,988
Construction capitalised	(35,646)	(9,703)	(3,285)	-	(586)	-	(49,220)
Balance as at 30 June 2007	17,087	4,761	1,211	-	1,398	-	24,457
At 30 June 2007							
Cost	17,087	4,761	1,211	-	1,398	-	24,457
Net carrying amount	17,087	4,761	1,211	-	1,398	-	24,457
GRAND TOTAL							
Year ended 30 June 2008							
Balance as at 1 July 2007	480,430	220,183	23,632	-	17,255	1,406	742,915
Additions	39,946	9,796	1,882	208	6,076	6,458	64,166
Transfer to assets held for sale	-	-	(5,100)	-	-	-	(5,190)
Impairment of asset	-	-	-	-	-	-	-
Disposals	(1,496)	(72)	-	-	(3,477)	(285)	(5,330)
Depreciation expense	(20,900)	(6,735)	(1,180)	(65)	(5,282)	(940)	(35,102)
Balance as at 30 June 2008	497,989	223,172	18,944	143	14,572	6,639	761,459
At 30 June 2008							
Cost	657,188	270,845	21,165	217	42,385	7,802	999,613
Accumulated depreciation	(159,209)	(47,674)	(2,220)	(74)	(27,814)	(1,163)	(238,154)
Net carrying amount	497,989	223,171	18,945	143	14,572	6,639	761,459
Year ended 30 June 2007							
Balance as at 1 July 2006	467,634	215,428	22,911	-	21,388	2,022	729,383
Additions	34,251	11,262	2,579	-	3,807	1,686	53,585
Impairment of asset	-	-	-	-	(800)	-	(800)
Adjustments to asset classifications	-	-	-	-	1,331	(1,331)	-
Disposals	(849)	-	(802)	-	(679)	(464)	(2,794)
Depreciation expense	(20,596)	(6,508)	(1,056)	-	(7,792)	(517)	(36,469)
Balance as at 30 June 2007	480,439	220,183	23,632	-	17,255	1,406	742,915
At 30 June 2007							
Cost	619,403	261,121	28,523	-	60,049	2,366	971,462
Accumulated depreciation	(138,964)	(40,938)	(4,891)	-	(42,794)	(960)	(228,547)
Net carrying amount	480,439	220,183	23,632	-	17,255	1,406	742,915

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Note 20: Current Liabilities - Trade and other payables		
Trade payables	89,467	72,822
Other payables	26,430	18,474
Payable to related party – seconded employee entitlements	3,879	4,295
Total Payables	119,776	95,591

Note 21: Current Liabilities - Other

Unearned revenue	12,743	13,003
Other current liabilities	694	1,354
Finance leases	1,292	666
Total Other	14,729	15,023

For information relating to interest rate risk refer to note 25.

Note 22: Current Liabilities - Provisions

Employee entitlements	20,573	18,935
Other provisions	2,941	3,251
Total Provisions	23,514	22,186

Movements in provisions

Movements in each class of provision during the financial year, other than employee entitlements, are set out below:

	Redundancy Provision	Settlement Residues	Other	Total
2008	\$'000	\$'000	\$'000	\$'000
Balance as at beginning of financial year	928	1,592	731	3,251
Additional provisions recognised	530	296	91	917
Payments / other sacrifices of economic benefits	(862)	-	-	(862)
Reductions from re-measurement or settlement without costs	(346)	-	(19)	(365)
Balance as at end of financial year	250	1,888	803	2,941

Redundancy Provision

The redundancy provision is based on planned management efficiencies.

Settlement Residues Provision

Provision has been made for the reduction in tariff prices arising from a lower than estimated gas field price being agreed upon. It is expected that this lower field price will have to be passed on to tariff customers in an adjustment to future tariff rates, over the next 12 months.

Other Provision

Other provisions include public liability and legal claims.

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000

Note 23: Non-current liabilities - Deferred tax liabilities

Note

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss

Depreciation	266	962
Other	101	-
Total Deferred Tax Liabilities	367	962

Movements:

Balance as at beginning of financial year	962	220
Adjustment to prior year tax effect balances	(100)	(16)
Movements to the income statement	8 (495)	758
Balance as at end of financial year	367	962

Note 24: Non-current liabilities - Provisions

Employee entitlements	1,631	1,457
Make good provision	116	258
Total Provisions	1,747	1,715

Note 25: Non-current liabilities - Other

Finance leases	5,583	944
Customer deposits	382	370
Total Other	5,965	1,314

(a) Interest rate risk exposure

	2008	2007
Finance leases	1.0% - 22.0%	1.0% - 22.0%

The following table sets out the group's exposure to interest rate and liquidity risks.

	Fixed interest maturing in					
	2008			2007		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Less than one year	1,875	583	1,292	819	153	666
Between one and five years	4,594	1,288	3,306	1,020	76	944
More than five years	2,759	482	2,277	-	-	-
	9,228	2,353	6,875	1,839	229	1,610

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Note 26: Hedging reserve		
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly to equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.		
Balance as at beginning of financial year	10	14
Forward foreign exchange contracts - cash flow hedges	-	-
Transfer to net profit - gross	(4)	(4)
Balance as at end of financial year	6	10

Note 27: Key management personnel disclosure**(a) Joint venture board members**

The following persons were members of ActewAGL Joint Venture Board during the financial year and up to the date of the report:

John Mackay (Chairman)	<i>Appointed on 1 July 2008</i>
Michael Easson (Board member)	
Yap Chee Keong (Board member)	<i>Appointed on 7 September 2007</i>
Lim Howe Run (Board member)	<i>Appointed on 5 September 2007</i>
Jim Galvin (Board member)	<i>Appointed on 30 November 2007</i>
Peter Magarry (Board member)	<i>Resigned on 29 August 2007</i>
Ian Devenish (Board member)	<i>Resigned on 29 August 2007</i>
Michael Fraser (Deputy Chairman)	<i>Resigned on 30 November 2007</i>
Jim Service (Chairman)	<i>Resigned on 30 June 2008</i>
Michael Costello (Board member)	<i>Resigned on 30 June 2008</i>

The following persons were nominated as an alternate member of the ActewAGL Joint Venture Board at some time during the financial year:

Ted Mathews	Alternate for Michael Costello (nil meeting attended)
Kevin Neil	Alternate for Michael Easson (nil meeting attended)
Elizabeth Whitelaw	Alternate for Jim Service (nil meetings attended)
Jeff Dimery	Alternate for Jim Galvin (one meeting attended) <i>Appointed on 30 November 2007</i>

(b) Transactions with Joint Venture Board Members

Any transactions with board members or in which board members are interested, are conducted on an arms length basis in the normal course of business and on commercial terms and conditions.

The Chairman and a current board member, Yap Chee Keong, are also Directors of TransACT Capital Communications (TransACT). These individuals abstain from voting on matters relating to the Management Agreement between ActewAGL and TransACT, or any other matter where there is a clear conflict of interest.

There were no other business transactions between AGL Energy Limited (AGL), Jemena Ltd (Jemena) or ACTEW Corporation Ltd, ActewAGL Joint Venture and any of its directors / board members or any director of related entities apart from the fact that some board members are ActewAGL customers for electricity, gas, water and sewerage services.

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$	\$

Note 27: Key management personnel disclosure (continued)

(b) Transactions with Joint Venture Board Members (continued)**Retirement benefits**

There were no retirement benefits paid to board members as at 30 June 2008.

Loans to Board members

There were no loans to board members as at 30 June 2008.

(c) Key management personnel compensation

Short-term employee benefits	3,769,162	2,764,488
Post-employment benefits	103,445	108,242
Termination benefits	-	58,568
Share based benefits	-	-
	<u>3,872,607</u>	<u>2,931,298</u>

Key management personnel include board members and key members of the executive team.

Note 28: Remuneration of auditors

During the year, the following services were paid to the auditor of the Group:

Remuneration for audit services:

ActewAGL – Joint Auditors (ACT Auditor-General & Deloitte Touche Tohmatsu)	316,614	261,909
Controlled Entity (ACT Auditor-General)	577,207	323,400
	<u>893,821</u>	<u>585,309</u>

Remuneration for accounting and taxation services:*Deloitte Touche Tohmatsu*

Accounting and taxation advice	30,200	10,000
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Remuneration for advisory services:*PricewaterhouseCoopers (Contract Auditor for the ACT Auditor-General's Office, acting in its own capacity during the provision of these services)**ActewAGL*

Accounting advice	22,000	14,510
Revenue Integrity Review	35,000	35,000
Green Choice audit	-	4,545
	<u>57,000</u>	<u>54,055</u>

Controlled Entity

Accounting advice	249,107	-
	<u>306,107</u>	<u>54,055</u>

Notes to the Financial Statements

for the year ended 30 June 2008

Note 29: Contingent liabilities

There are a number of public liability insurance claims against the Group at year end. Should the Group be proved liable, the Group must pay the first \$25,000 of each claim. This contingent liability is estimated to be \$955,412 as at 30 June 2008.

2008	2007
\$'000	\$'000

Note 30: Commitments for expenditure

A Capital and other expenditure commitments:

Total capital and other expenditure contracted for at balance sheet date, but not provided for in accounts payable:

Within 1 year	49,137	39,170
Later than 1 year but not later than 5 years	19,185	6,730
Later than 5 years	-	-
	68,322	45,900

B Lease commitments:

Commitments in relation to operating leases contracted for at balance sheet date:

Within 1 year	13,310	7,877
Later than 1 year but not later than 5 years	22,376	13,231
Later than 5 years	4,706	1,882
	40,392	22,990

C 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	704	19,537
Later than 1 year but not later than 5 years	102,862	56,226
	103,566	75,763

Note 31: Related parties

(a) Joint Venture interests

The parties to the joint venture are wholly-owned subsidiaries of ACTEW Corporation Limited (ACTEW Corporation), AGL Energy Ltd (AGL Energy) and Jemena Networks (ACT) Pty Ltd (Jemena) (formerly known as Alinta GCA Pty Ltd).

(b) Subsidiaries

Interest in subsidiaries are set out in Note 33.

(c) Board Members

Disclosures relating to Board members and key management personnel are set out in Note 27.

(d) Transactions with related parties

Some operational arrangements exist between the Group and ACTEW Corporation. These include an arrangement to manage the water and sewerage assets owned by ACTEW Corporation and for the Group to utilise staff employed by ACTEW Corporation on a secondment basis. These services are billed between the parties monthly on a cost basis.

Some operational arrangements exist between the Group, AGL Energy and Jemena. These include agreements for construction and management of gas infrastructure assets, purchase of electricity, retail management services and the purchase of gas. These services are billed to the Group monthly on a market basis.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 31: Related parties (continued)

(d) Transactions with related parties (continued)

An operational arrangement exists between the Group and TransACT Capital Communications Pty Ltd, to manage its telecommunications network assets, and for the Group to utilise staff employed by TransACT on a secondment basis. These services are billed between the parties monthly on a cost basis.

The following transactions occurred with related parties:

	2008	2007
	\$	\$
<i>Sales of goods and services to:</i>		
Parent - AGL Energy, ACTEW Corporation & Jemena	163,220,376	105,000,521
Joint ventures	2,374,602	1,639,883
Other related parties	<u>45,053,469</u>	<u>44,691,010</u>
<i>Purchases of goods and services from:</i>		
Parent - AGL Energy, ACTEW Corporation & Jemena	247,331,202	208,508,378
Joint ventures	-	86,391
Other related parties	<u>36,615,615</u>	<u>35,099,494</u>
<i>Other transactions with partners:</i>		
Distribution to partners	113,000,000	97,000,000
Directors fee	<u>265,000</u>	<u>180,000</u>

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

<i>Current receivables (sales of goods and services)</i>		
Parent - AGL Energy, ACTEW Corporation & Jemena	6,311,313	5,243,843
Joint ventures	-	361,352
Other related parties	<u>742,088</u>	<u>880,843</u>
<i>Current payables (purchases of goods and services)</i>		
Parent - AGL Energy, ACTEW Corporation & Jemena	960,356	32,782,338
Joint ventures	-	17,151
Other related parties	<u>896,013</u>	<u>3,561,968</u>

No provisions for impairment have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Loans to related parties

Loans to subsidiaries

Balance as at beginning of financial year	11,480,054	8,060,581
Loans advanced	-	3,500,000
Loan repayments received	(628,381)	(545,527)
Loan written back	-	465,000
Interest charged	835,498	746,009
Interest received	(788,656)	(689,980)
Interest receivable	<u>(46,842)</u>	<u>(56,029)</u>
Balance as at end of financial year	<u>10,851,673</u>	<u>11,480,054</u>

No provisions for doubtful debts have been raised in relation to any outstanding balances due from related parties.

The loan is not past due and not impaired.

Notes to the Financial Statements

for the year ended 30 June 2008

Note 32: Events after balance sheet date

The Directors are not aware of any matter of circumstances that has arisen since the end of the year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

			2008	2007
Note 33: Subsidiaries				
Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	Equity Holding
			%	%
ECOWISE Environmental Pty Ltd	Australia	Ordinary	100	100
ECOWISE Environmental (Victoria) Pty Ltd	Australia	Ordinary	100	100
ECOWISE Western Australia Pty Ltd	Australia	Ordinary	100	100
WSL Consultants Pty Ltd	Australia	Ordinary	100	100
Water Quality Centres Pty Ltd	Australia	Ordinary	100	100
Water ECOScience Pty Ltd	Australia	Ordinary	100	100
ECOWISE Technologies Pty Ltd	Australia	Ordinary	100	100
Environmental Measurements International Pty Ltd	Australia	Ordinary	100	100
Enviro Managers Pty Ltd	Australia	Ordinary	100	100

Note 34: Investments in associates

Note

Water Data Services Pty Ltd

ECOWISE Environmental (Victoria) Pty Ltd, a wholly owned subsidiary of ActewAGL, had a 50% interest in Water Data Services Pty Ltd (WDS). ECOWISE Environmental (Victoria) Pty Ltd has sold its entire investment in WDS during the financial year. ActewAGL's share of the revenue and expenses of WDS is set out below:

	2008	2007
	\$'000	\$'000
(a) Movements in carrying amounts		
Investment	-	214
Total share of non-current assets	-	214
(b) Share of associate's profits or losses		
Revenues	-	496
Expenses	-	515
Loss from ordinary activities	36	(19)
(c) Summarised financial information of associates (Group's share)		
Assets	-	362
Liabilities	-	(364)

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Note 35: Interest in joint ventures		
Note		
(a) Joint Venture Partnerships		
Grapevine Ventures		
On 1 April 2005, the ActewAGL Retail Partnership entered into a joint venture partnership, known as Grapevine Ventures, with TransACT Capital Communications Pty Limited. The principal activity of this joint venture is the sale of ISP services. ActewAGL Retail Partnership has a 50% share of profits in the joint venture.		
Carrying amount of investment in partnership	822	340
Share of partnership's assets and liabilities		
Current assets	1,127	957
Current liabilities	(337)	(346)
Net assets	790	611
Share of partnership revenue, expenses and results		
Revenue	3,131	2,750
Expenses	(2,649)	(2,410)
Profit from ordinary activities before income tax	36 482	340
Share of joint venture commitments and contingent liabilities		
As at 30 June 2008, Grapevine Ventures had no commitments or contingent liabilities material to the Group.		
Woodlawn Wind Energy		
On 16 September 2004, ActewAGL Distribution Partnership entered into a joint venture partnership with EHN (Woodlawn) Pty Ltd, Collex Pty Ltd and ANZIB Specialist Asset Management Ltd. The principal activity of this joint venture is to develop, implement and exploit wind energy. ActewAGL Distribution Partnership has a 25% share of profits in the joint venture.		
Carrying amount of investment in partnership	-	-
Non-current assets		
Investment in joint venture	458	458
Less: Provision for write down to recoverable amount	(458)	(458)
Total share of non-current assets	-	-
Share of partnership revenues, expenses and results		
Revenues	-	-
Expenses	-	-
(Loss) from ordinary activities before income tax	-	-
Share of joint venture commitments and contingent liabilities		
As at 30 June 2008, Woodlawn Wind Energy had no commitments or contingent liabilities material to the Group.		

Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Note 36: Reconciliation of net profit to net cash inflow from operating activities		
A reconciliation of net profit for the year to net cash inflow from operating activities:		
Net profit for the year	136,832	110,757
Depreciation and amortisation expense	7	36,469
Loss on disposal of property, plant and equipment	7	368
Assets written-off/(back)	7	(458)
Shares of net profits of associates and joint venture partnerships accounted for using the equity method	34,35	(482)
Impairment of goodwill	7,17	561
Write-off of goodwill	7,17	46
Gain on disposal of interest in associate	6	(61)
Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in Prepayments	1,556	(2,445)
(Increase)/Decrease in Receivables	(23,619)	1,180
(Increase)/Decrease in Inventories	(1,254)	(540)
(Increase)/Decrease in Deferred tax assets	(175)	(137)
Increase/(Decrease) in Payables	24,185	883
Increase/(Decrease) in Provisions	3,578	(2,400)
Increase/(Decrease) in Deferred tax liabilities	(595)	(1,069)
(Decrease)/Increase in Other Liabilities	(908)	1,797
Net Cash Inflow from Operating Activities	178,102	144,405



ACTEW China Pty Ltd

ABN 58 080 515 635

General Purpose

Financial Statements

for the year ended 30 June 2008

ACTEW China Pty Limited

Company Details

ACTEW China Pty Limited
ACN 080 515 635
ABN 58 080 515 635

Directors

Michael J Costello AO, Chairman
John A Mackay AM
Simon P Wallace

Secretary

Michele Norris

Registered Office

Level 9, ActewAGL House
221 London Circuit
CANBERRA ACT 2601

Principal Place of Business

Level 9, ActewAGL House
221 London Circuit
CANBERRA ACT 2601

Auditor

Auditor-General
Australian Capital Territory

Solicitors

Mallesons Stephen Jaques
Minter Ellison

Bankers

Westpac Banking Corporation

Company Objectives

The objectives of the Company are to seek business opportunities in the People's Republic of China (PRC).

Company Background

ACTEW China Pty Limited was established on 31 October 1997 as a wholly owned subsidiary of ACTEW Corporation Limited. The Company is limited by shares and incorporated and domiciled in Australia.

ACTEW China Pty Limited

Directors' Report

In respect of the financial year ended 30 June 2008 the Directors of ACTEW China Pty Limited submit the following report made out in accordance with a resolution of the Directors.

Directors

The names of the Directors of the company in office during the whole or part of the financial year and at the date of this report:

Michael J Costello AO, Chairman
John A Mackay AM
Simon P Wallace

Directors' Meetings

The number of Directors' meetings held during the year and the number of meetings attended by each Director who held office during the financial year are:

Director	No. of meetings attended	No. of meetings eligible to attend
Michael J Costello AO	1	1
John A Mackay AM	1	1
Simon P Wallace	1	1

Principal Activities / Likely developments and expected results of operations

ACTEW China Pty Limited continues to maintain a 16.875% interest in Beijing Green World Environment Protection Technology Company Limited, registered in Beijing, through a direct investment and a 48% holding in Australia China Holdings Pty Limited.

Review of Operations

The operating loss of the company for the year before income tax equivalents was \$4,700 (2007: loss of \$4,700). The operating loss after income tax equivalents was \$4,700 (2007: loss of \$4,700). It is proposed that a dividend of nil (2007: nil) be declared for the financial year 2007-08.

Environmental Regulation

The company has assessed whether there are any particular or significant environmental regulations that apply to it and has determined that there are none.

Matters Subsequent to the End of the Financial Year

The company has a 48% shareholding in Australia China Holdings Pty Limited. This company was deregistered on 6 July 2008. This deregistration will not impact

financially on ACTEW China Pty Limited as the investment has been written down to \$Nil in a prior year.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs.

Indemnification of Directors and Officers

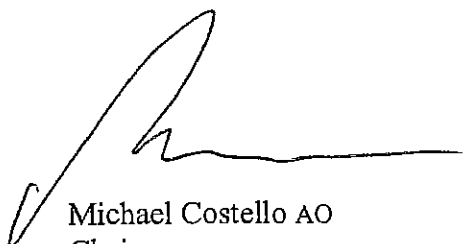
During the financial year, ACTEW Corporation Limited maintained an overall package of insurance that included insurance for Directors, the Secretary and Officers of the Corporation and its controlled entities. The premium is included in an overall package of insurance arranged by the Corporation and is not separately accounted for.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the consolidated entities.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the Corporations Act 2001 is set out on page 8.

Signed for and on behalf of, and in accordance with a resolution of the Board of Directors.



Michael Costello AO
Chairman
Canberra

27 August 2008



Simon Wallace
Director
Canberra

27 August 2008

**ACTEW China Pty Limited
Directors' Declaration**

The Directors declare that the financial statements and notes as set out on pages 8 to 20:

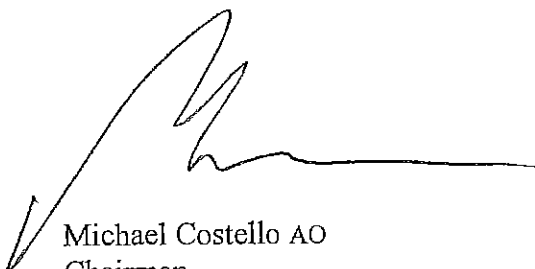
- a. comply with Australian Accounting Standards, the Corporations Act 2001 and other reporting requirements; and
- b. give a true and fair view of the company's financial position as at 30 June 2008 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.

In the Directors' opinion:

- a. the financial statements and notes are drawn up in accordance with the Corporations Act 2001, and
- b. there are reasonable grounds to believe that the company will be able to pay its debts, as and when they become due and payable under a letter of support supplied by the parent company ACTEW Corporation Limited.

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

For and on behalf of the Board.



Michael Costello AO
Chairman
Canberra

27 August 2008



Simon Wallace
Director
Canberra

27 August 2008



ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT

ACTEW CHINA PTY LTD

To the Members of the ACT Legislative Assembly and ACTEW China Pty Ltd

Audit Opinion

In my opinion:

- (a) the financial report of ACTEW China Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its 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 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.

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.

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.

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.

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*.

A handwritten signature in black ink, appearing to read 'T. Pham', with a long horizontal flourish extending to the right.

Tu Pham

Auditor-General

3 September 2008



ACT AUDITOR-GENERAL'S OFFICE



Auditor's Independence Declaration

To the Directors of ACTEW China Pty Ltd

In relation to the audit of the financial report of ACTEW China Pty 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

ACTEW China Pty Ltd
Income Statement
for the year ended 30 June 2008

	Notes	2008 \$	2007 \$
Revenue		<u>-</u>	<u>-</u>
General and administration expenses	3	<u>4,700</u>	<u>4,700</u>
Total expenses		<u>4,700</u>	<u>4,700</u>
Loss before income tax equivalents expense/(credit)		<u>(4,700)</u>	<u>(4,700)</u>
Income tax equivalents expense/(credit)	4	<u>-</u>	<u>-</u>
Loss for the year		<u>(4,700)</u>	<u>(4,700)</u>

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

ACTEW China Pty Ltd
Balance Sheet
as at 30 June 2008

	Notes	2008 \$	2007 \$
Non-current assets			
Other financial assets	5	-	-
Deferred tax assets	6	<u>1,350</u>	<u>1,350</u>
Total non current assets		<u>1,350</u>	<u>1,350</u>
Total assets			
		<u>1,350</u>	<u>1,350</u>
Current liabilities			
Payables	7	<u>80,755</u>	<u>76,055</u>
Total current liabilities		<u>80,755</u>	<u>76,055</u>
Total liabilities			
		<u>80,755</u>	<u>76,055</u>
Net (liabilities)			
		<u>(79,405)</u>	<u>(74,705)</u>
Equity			
Contributed equity	8	300,000	300,000
Accumulated losses	9	<u>(379,405)</u>	<u>(374,705)</u>
Total equity		<u>(79,405)</u>	<u>(74,705)</u>

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

ACTEW China Pty Ltd
Cash Flow Statement
for the year ended 30 June 2008

	Notes	2008 \$	2007 \$
Cashflow from operating activities			
Payments to suppliers and employees		<u>(4,700)</u>	<u>(4,500)</u>
Net cash outflow from operating activities	15	<u>(4,700)</u>	<u>(4,500)</u>
Cashflow from financing activities			
Tax paid from ACTEW Corporation Limited		<u>-</u>	<u>-</u>
Net cash outflow from financing activities		<u>-</u>	<u>-</u>
Total net cash outflow		<u>(4,700)</u>	<u>(4,500)</u>
Financed by :			
Parent company intercompany loan account movements			
Opening Balance at the beginning of the financial year		(71,355)	(66,855)
Closing Balance at the end of the financial year		<u>(76,055)</u>	<u>(71,355)</u>
Total movement		<u>(4,700)</u>	<u>(4,500)</u>

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

The Parent Company, ACTEW Corporation handles cash for the Company which is offset by an intercompany loan account.

All cash is handled through the Parent Company, and is reflected in the accounts of that company.

ACTEW China Pty Ltd

Statement of changes in equity
for the year ended 30 June 2008

	2008	2007
	\$	\$
Total equity at the beginning of the financial year	<u>(74,705)</u>	<u>(70,005)</u>
Loss for the year	<u>(4,700)</u>	<u>(4,700)</u>
Total recognised income and expense for the year	<u>(4,700)</u>	<u>(4,700)</u>
Total equity at the end of the financial year	<u>(79,405)</u>	<u>(74,705)</u>

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

ACTEW China Pty Ltd

Notes to and forming part of the financial statements
for the year ended 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.

(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 financial statements and notes of ACTEW China Ltd comply with International Financial Reporting Standards (IFRSs).

Early Adoption of Standards

ACTEW China Pty Limited has not elected to early adopt any standards during the annual reporting period from 1 July 2007:

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Income tax equivalents

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.

A tax sharing agreement (including a tax contribution agreement) has been executed by the Head Company, ACTEW Corporation Limited with its wholly-owned subsidiaries agreeing that should the Head Company default in not paying the tax liability for a tax period by the time it becomes due and payable, each contributing member will be liable to pay to the ACT Revenue Office an amount which represents a reasonable allocation among the Head Company and contributing members. The likelihood of default by the Head Company of tax payments payable to the ACT Revenue Office on behalf of its subsidiaries is considered to be remote.

Tax consolidation legislation

ACTEW Corporation Ltd and its wholly-owned Australian-controlled entities implemented tax consolidation from 1 July 2003. ACTEW China Pty Ltd, as a subsidiary in the tax consolidation group, continues to account for its 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.

Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(c) Receivables and revenue recognition

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

(d) Trade and other payables

These amounts represent liabilities for goods and services provided to the group 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.

(e) Dividends

100% of profits are payable to ACTEW Corporation Limited as dividends.

(f) Investments

Interests in associates are brought into account at cost. The recoverable amounts of these investments are assessed annually to ensure that they do not fall below the carrying value of the investment.

(g) 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.

(h) Rounding of amounts

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

(i) Goods and Services Tax (GST)

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

(j) Other financial assets

ACTEW China Pty Ltd is a wholly-owned subsidiary of ACTEW Corporation Limited. The investment is accounted for in the Parent Company financial statements using the cost method and in the consolidated financial statements using the equity method after initially being recognised at cost.

ACTEW China Pty Ltd

Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(k) 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.

(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.

Note 2: Financial risk management

a) Credit risk

The credit risk on financial assets of the entity which have been recognised in the balance sheet is generally the carrying amount net of any provisions for doubtful debts.

b) Interest rate risk

All financial assets and financial liabilities are non-interest bearing, therefore no interest rate risk arises.

c) Liquidity risk

As all cash and investments are kept in the parent company, ACTEW Corporation Ltd bears all liquidity risk.

d) Market risk

There is no market risk.

ACTEW China Pty Ltd
Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 3: Expenses

	Notes	2008	2007
		\$	\$
Expenses			
General and administration		4,700	4,700
		<u>4,700</u>	<u>4,700</u>

Note 4: Income tax equivalents expense/(credit)

(a) Income tax equivalents expense/(credit)		2008	2007
		\$	\$
Current tax :		-	-
Decrease/(increase) in deferred tax assets	6	-	-
Adjustment to the prior year income tax expense		-	-
		<u>-</u>	<u>-</u>
Income tax expense/(credit) is attributable to:			
Profit from continuing operations		-	-
Aggregate income tax equivalents		<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax equivalents to prima facie tax payable			
Profit from continuing operations before income tax equivalents		-	-
Income tax equivalents calculated @ 30%		-	-
Adjustments to prior year income tax expense		-	-
Income tax equivalents		<u>-</u>	<u>-</u>

ACTEW China Pty Ltd is exempt from federal income tax.

Tax consolidation legislation

ACTEW Corporation and its wholly-owned subsidiaries have implemented tax consolidation legislation from 1 July 2003. The accounting policy note to this legislation is set out in note 1(b) 'Income tax equivalents.'

The companies have entered into a tax funding agreement under which the wholly-owned companies 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 companies' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the Head Entity, Actew Corporation, 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 loan receivable or payable.

Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 5: Non-current assets - other financial assets

	Notes	2008 \$	2007 \$
Investments in other entities	14	440,012	440,012
Investment provision for diminution		(440,012)	440,012
Total other financial assets		-	-

Note 6: Non-current assets - deferred tax assets

	2008 \$	2007 \$
Amounts recognised in profit and loss		
Audit fees	1,350	1,350
Total deferred tax assets	1,350	1,350

The balance comprises temporary differences attributable to:

Movements:

	2008	2007
Opening Balance at the beginning of financial year	1,350	1,350
Movements to the income statement	-	-
Adjustments to prior year tax effect balances	-	-
Balance at the end of the financial year	1,350	1,350

Note 7: Current liabilities - payables

	2008 \$	2007 \$
Trade creditors	4,700	4,700
Intercompany loan liability to ACTEW Corporation Ltd (a)	76,055	71,355
Total accounts payable	80,755	76,055

(a) Intercompany loan liability to ACTEW Corporation Ltd is non-interest bearing.

Note 8: Contributed equity

	2008 Par value	2007 Par value	2008 Shares	2007 Shares
Share capital :				
a) Ordinary shares fully paid	\$1.00	\$1.00	300,000	300,000
Total share capital	\$1.00	\$1.00	300,000	300,000

	2008 \$	2007 \$
h) Ordinary shares fully paid	300,000	300,000
Total capital	300,000	300,000

c) There was no movement in contributed equity

ACTEW China Pty Ltd
Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 9: Accumulated losses

	2008	2007
	\$	\$
Accumulated losses at the beginning of the financial year	(374,705)	(370,005)
Net (losses)	<u>(4,700)</u>	<u>(4,700)</u>
	(379,405)	(374,705)
Dividends provided for or paid	-	-
Accumulated losses at the end of the financial year	<u>(379,405)</u>	<u>(374,705)</u>

Note 10: Remuneration of auditor

	2008	2007
	\$	\$
Remuneration for audit of the financial report of the Company:		
Audit of financial reports	<u>4,700</u>	<u>4,700</u>
Total remuneration of auditor	<u>4,700</u>	<u>4,700</u>

There were no other services provided by the auditor, or the contract auditor, PricewaterhouseCoopers.

Note 11: Commitments for expenditure

As at 30 June 2008, the Company had not committed to any future expenditure (2007 - Nil).

Note 12: Contingent liabilities

No contingent liabilities are known to the directors at the date of this report.

Note 13: Related parties

a) Director disclosures

Directors

The following persons were directors of ACTEW China Pty Limited during the whole or part of the financial year:

J Mackay
M Costello
S Wallace

(b) Remuneration of directors

(i) Directors' remuneration

Directors of the company did not receive any remuneration or retirement benefits during the year.

(ii) Loans to directors

There were no loans to any directors.

ACTEW China Pty Ltd
Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 13: Related parties (continued)

(c) Key management personnel remuneration

All remuneration to key management personnel are paid through ACTEW Corporation Limited.

(d) Wholly-owned group

The Company has no operational arrangements with entities in the wholly-owned group of the Parent Company, ACTEW Corporation Limited.

The aggregate amount of payable to the Parent Company is \$76,055 (2007 - \$71,355), receivable of nil (2007 - Nil).

Parent Company

The ultimate Parent Company in the wholly-owned group is ACTEW Corporation Ltd, which at 30 June 2008, owns 100% of the issued ordinary shares of ACTEW China Pty Ltd.

ACTEW China Pty Ltd is economically dependent on ACTEW Corporation Ltd who has supplied a letter of support.

Note 14: Investments in other entities

Name of Company	Activity	Ownership Interest / Voting Power	2008	2007
			\$	\$
Australia China Holdings Pty Ltd	Investments in China	47.820%	256,889	256,889
Beijing Green World Environment	Environmental Protection	9.375%	183,123	183,123
Provision for diminution			(440,012)	(440,012)
			-	-

The Board decided to create a provision to write down the China investment to zero as a prudent estimate of the carrying value of the asset.

Note 15: Reconciliation of operating loss after income tax equivalents to net cash outflows from operating activities

	2008	2007
	\$	\$
Loss for the year	(4,700)	(4,700)
Transfer tax to ACTEW Corporation Ltd	-	-
Changes in operating assets and liabilities :		
Decrease/(increase) in future income tax benefits equivalents	-	-
Increase/(decrease) in payables	-	200
Net cash (outflows) from operating activities	(4,700)	(4,500)

ACTEW China Pty Ltd
Notes to and forming part of the financial statements
for the year ended 30 June 2008

Note 16: Segment information

ACTEW China Pty Ltd is organised into the following categories of business activity.

Business segments

The objective of the Company is to seek business opportunities in the People's Republic of China.

Geographical segments

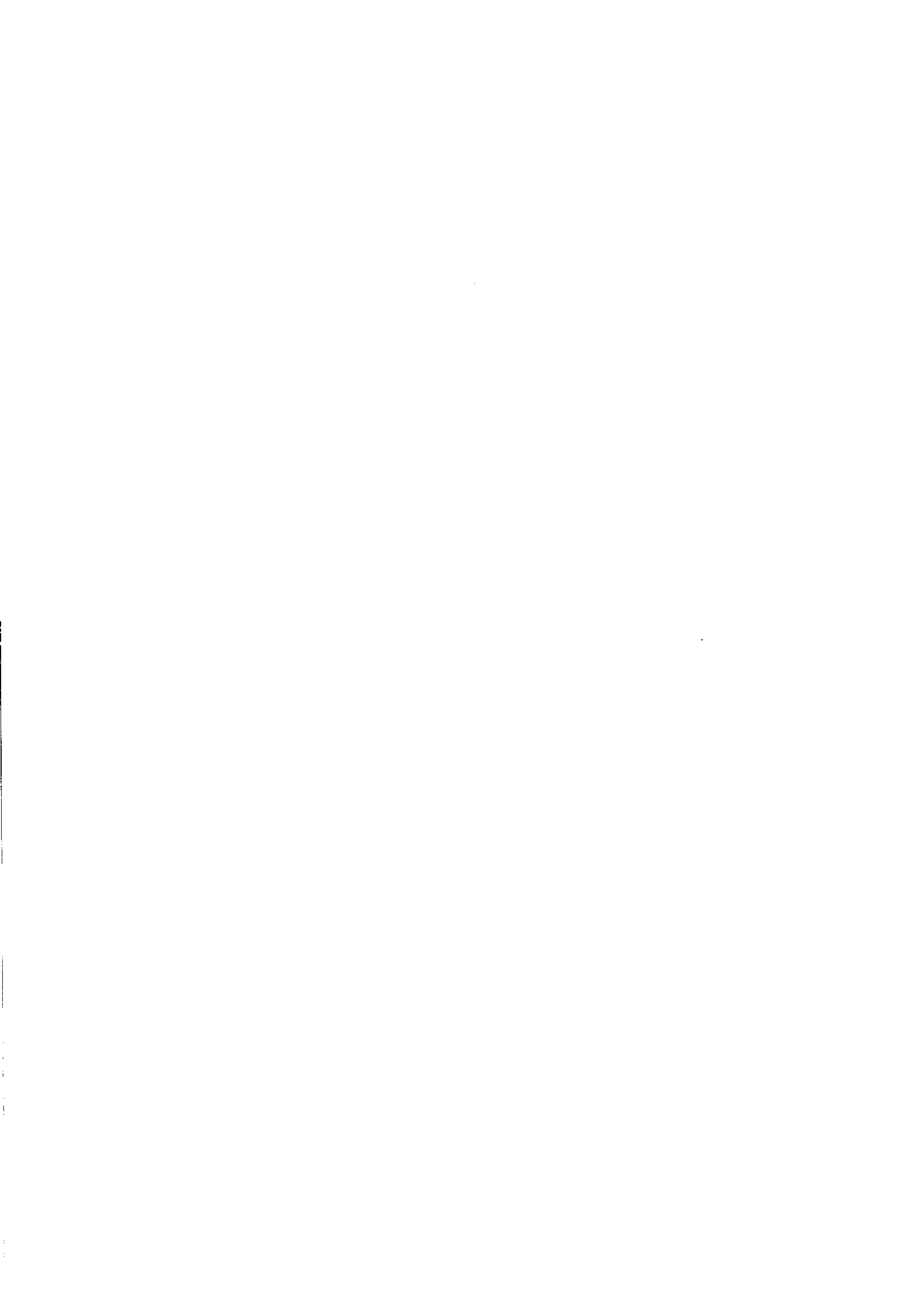
The main activity is in the People's Republic of China. The Parent Company, ACTEW Corporation Limited is based in Australia.

Primary reporting - business segments

The income statement and balance sheet represent the segment reports for the sole activity.

Note 17: Events subsequent to balance date

ACTEW China Pty Ltd is a shareholder in Australia China Holdings Pty Limited. This company was deregistered on 6 July 2008. This deregistration will not impact financially on ACTEW China Pty Limited as its investment in Australia China Holdings Pty Limited has been written down to \$Nil in a prior year.



ACTEW Distribution Limited

ABN 83 073 025 224

General Purpose

Financial Statements

for the year ended 30 June 2008

ACTEW Distribution Limited

Company Details

Company Particulars

ACTEW Distribution Limited
ACN 073 025 224
ABN 83 073 025 224

Directors

Michael J Costello AO, Chairman
Simon P Wallace
Kerry N McIlwraith (from 11 July
2007)

Secretary

Michele Norris

Registered Office

Level 9, ActewAGL House
221 London Circuit
CANBERRA ACT 2601

Principal Place of Business

Level 9, ActewAGL House
221 London Circuit
CANBERRA ACT 2601

Auditor

Auditor General
Australian Capital Territory

Solicitors

Mallesons Stephen Jaques
Minter Ellison

Bankers

Westpac Banking Corporation

Company Background

ACTEW Distribution Limited holds the 50% interest of ACTEW Corporation Limited in the ActewAGL Distribution Partnership. The Company is limited by shares and incorporated and domiciled in Australia.

ACTEW Distribution Limited

Directors' Report

In respect of the financial year ended 30 June 2008 the Directors of ACTEW Distribution Limited submit the following report made out in accordance with a resolution of the Directors.

Directors

The names of the Directors of the company in office during the whole or part of the financial year and at the date of this report:

Michael J Costello AO, Chairman
Simon P Wallace
Kerry N McIlwraith (from 11 July 2007)

Directors' Meetings

The number of Directors' meetings held in the year and the number of meetings attended by each Director who held office during the financial year are:

Director	No. of meetings attended	No. of meetings eligible to attend
Michael J Costello AO	1	1
Simon P Wallace	1	1
Kerry N McIlwraith	1	1

Principal Activities / Likely developments and expected results of operations

Since 3 October 2000 the Company holds the 50% interest of ACTEW Corporation Limited in the ActewAGL Distribution Partnership.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company during the year.

Trading Results and Dividends / Review of operations

The company's profit after income tax equivalents of \$14,113,000 (2007: \$10,057,000) was \$28,820,000 (2007: \$25,466,000) for the financial year ended 30 June 2008. A final dividend has been proposed by the Directors of \$28,820,000 (2007: \$25,466,000).

Matters subsequent to the end of the financial year

No matters of significance have arisen since the end of the financial year.

Environmental Regulations

The company has assessed that there are no particular or significant environmental regulations that apply to it.

Indemnification of Directors and Officers

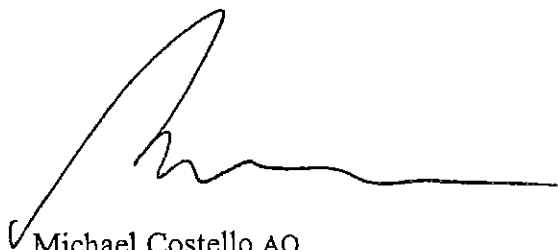
During the financial year, ACTEW Corporation Limited maintained an overall package of insurance that included insurance for Directors, the Secretary and Officers of the Corporation and its controlled entities. The premium is included in an overall package of insurance arranged by the Corporation and is not separately accounted for.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the consolidated entities.

Auditor's Independence Declaration

A copy of the auditors independence declaration as required by the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of the Directors.



Michael Costello AO
Chairman
Canberra



Simon Wallace
Director
Canberra

27 August 2008

27 August 2008

ACTEW Distribution Limited
Directors' Declaration

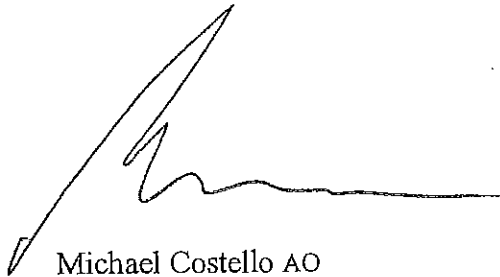
The Directors declare that the financial report and notes set on pages 9 to 22.

- a comply with Australian Accounting Standards, the Corporations Regulation and other professional reporting requirements; and
- b give a true and fair view of the company's financial position as at 30 June 2008 and of its performance, as represented by the results of its 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; and
- b there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, with assistance from the Parent Entity.

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



Michael Costello AO
Chairman
Canberra

27 August 2008



Simon Wallace
Director
Canberra

27 August 2008



ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT

ACTEW DISTRIBUTION LTD

To the Members of the ACT Legislative Assembly and ACTEW Distribution Ltd

Audit Opinion

In my opinion:

- (a) the financial report of ACTEW Distribution Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its 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 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.

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.

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.

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.

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*.

A handwritten signature in black ink, appearing to read 'T. Pham', with a long, sweeping horizontal stroke at the end.

Tu Pham

Auditor-General

3 September 2008



ACT AUDITOR-GENERAL'S OFFICE



Auditor's Independence Declaration

To the Directors of ACTEW Distribution Ltd

In relation to the audit of the financial report of ACTEW Distribution 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

ACTEW Distribution Limited
Income statement
for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Share of net profit of the ActewAGL Distribution Partnership accounted for using the equity method	3	<u>42,947</u>	<u>35,537</u>
Total Revenue		<u>42,947</u>	<u>35,537</u>
Other expenses	4	<u>13</u>	<u>12</u>
Total expenses		<u>13</u>	<u>12</u>
Profit before income tax equivalents expense		42,934	35,525
Income tax equivalents expense	5	<u>14,113</u>	<u>10,057</u>
Profit for the year		<u><u>28,820</u></u>	<u><u>25,466</u></u>

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

ACTEW Distribution Limited
Cash flow statement
for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Distributions received from the ActewAGL Distribution Partnership		31,000	31,250
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(13)</u>	<u>(11)</u>
Net cash inflows from operating activities	21	<u>30,987</u>	<u>31,239</u>
Cash flow from financing activities			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(13,890)	(9,226)
Dividend paid to ACTEW Corporation Limited		(25,466)	-
Dividend balance transferred from ACTEW Corporation Limited through loan account		<u>-</u>	<u>-</u>
Net cash (outflows) from financing activities		<u>(39,356)</u>	<u>(9,226)</u>
Net (decrease) / increase in cash held		<u>(8,369)</u>	<u>22,012</u>
Financed by:			
Parent Company intercompany loan account movements			
Balance at the beginning of the financial year		(308,252)	(330,265)
Balance at the end of the financial year		<u>(316,621)</u>	<u>(308,252)</u>
Total movement		<u>(8,369)</u>	<u>22,012</u>

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

The Parent Company, ACTEW Corporation Limited, handles cash for this company which is offset by a loan account.

All cash is handled through the Parent Company and is reflected in the accounts of that Company.

ACTEW Distribution Limited

Statement of changes in equity

for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		<u>40,125</u>	<u>400</u>
ActewAGL Distribution revaluation increment net of tax	14	-	39,725
Profit for the year		<u>28,820</u>	<u>25,466</u>
Total recognised income and expense for the year		<u>28,820</u>	<u>65,191</u>
Transactions with equity holders in their capacity as equity holders:			
Dividends payable to ACTEW Corporation Limited	10	(28,820)	(25,466)
Amount transferred from ACTEW Corporation Limited through the intercompany loan account		<u>-</u>	<u>-</u>
		<u>(28,820)</u>	<u>(25,466)</u>
Total equity at the end of the financial year		<u>40,125</u>	<u>40,125</u>

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

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 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.

(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 financial statements and notes of ACTEW Distribution Ltd comply with International Financial Reporting Standards (IFRSs). The financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to in respect of certain disclosure requirements contained in AASB 132: 'Financial Instruments: Presentation and Disclosure'.

Early Adoption of Standards

ACTEW Distribution Limited has not elected to early adopt any standards during the annual reporting period from 1 July 2007:

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Income tax equivalents

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.

A tax sharing agreement (including a tax contribution agreement) has been executed by the Head Company, ACTEW Corporation Limited, with its wholly-owned subsidiaries agreeing that should the Head Company default in not paying the tax liability for a tax period by the time it becomes due and payable, each contributing member will be liable to pay to the ACT Revenue Office an amount which represents a reasonable allocation among the Head Company and contributing members. The likelihood of default by the Head Company of tax payments payable to the ACT Revenue Office on behalf of its subsidiaries is considered to be remote.

Tax consolidation legislation

ACTEW Corporation and its wholly-owned Australian-controlled entities implemented tax consolidation from 1 July 2003. ACTEW Retail Limited, as a subsidiary in the tax consolidation group, continues to account for its 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.

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 1: Summary of significant accounting policies

(c) Acquisitions of assets

The purchase 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.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable when the service is provided. Revenue from the sale of goods or disposal of assets is only recognised when the control of goods or assets has passed to the buyer and it is probable the consideration will flow to the entity.

(e) Trade receivables

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

(f) Trade and other payables

These amounts represent liabilities for goods and services provided to the group 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.

(g) Joint ventures partnership

The interest in the ActewAGL Distribution partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the income statement, and the share movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 20. ACTEW Distribution Limited's share in the ActewAGL Distribution Partnership has been adjusted to fair value to align to ACTEW Corporation Limited's change in accounting policy on property, plant and equipment from historical cost to fair value. The valuation of these assets is confined by application of cash generating unit test (CGUT) based on expected net cash flow of ActewAGL Distribution Partnership discounted to present value.

(b) 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.

(i) Dividends

ACTEW Distribution Limited pays 100% of profits to ACTEW Corporation Limited.

(j) Rounding of amounts

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

(k) Goods and Services Tax

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

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 1: Summary of significant accounting policies

(l) Changes in accounting policy

In 2007, ACTEW Corporation Limited changed its accounting policy on property, plant and equipment from historical cost to fair value. As part of equity accounting, ACTEW Distribution Limited changed its accounting policy to fair value to maintain consistency in relation to the group. This has resulted in a change to the value of the investment in the ActewAGL Distribution Partnership.

Movement in the ActewAGL Distribution Partnership investment	2008	2007
	\$'000	\$'000
Investment in the ActewAGL Distribution Partnership under historical cost	372,964	361,017
Adjustment of ActewAGL Distribution Partnership investment under fair value	<u>56,750</u>	<u>56,750</u>
Investment in the ActewAGL Distribution Partnership under fair value	<u><u>429,714</u></u>	<u><u>417,767</u></u>

(m) Impairment of assets

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

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

(n) 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.

(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.

Note 2: Financial risk management

a) Credit risk

The credit risk on financial assets of the entity which have been recognised on the balance sheet is generally the carrying amount net of any provisions for doubtful debts.

b) Interest rate risk

ACTEW Distribution Ltd has no exposure to interest rate risk as all financial assets and financial liabilities are non-interest bearing.

c) Liquidity risk

As all cash and investments are kept in the parent company, ACTEW Corporation Ltd, there is no liquidity risk.

d) Market risk

The market risk is reliant on ActewAGL Distribution joint venture.

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 3: Revenue

	2008 \$'000	2007 \$'000
Revenue		
Share of net profit or loss of the ActewAGL Distribution Partnership accounted for using the equity method	42,947	35,536
Revenue	<u>42,947</u>	<u>35,536</u>

ACTEW Distribution Limited derives all its revenue from the ActewAGL Distribution Partnership.

Note 4: Expenses

	2008 \$'000	2007 \$'000
Expenses		
Other operating expenses	13	12
	<u>13</u>	<u>12</u>

Note 5: Income tax equivalents

		2008 \$'000	2007 \$'000
(a) Income tax equivalents			
Current tax		10,878	12,693
Decrease/(increase) in deferred tax assets	8	(315)	(398)
(Decrease)/increase in deferred tax liabilities	11	2,380	(1,226)
Adjustments to the prior year income tax expense		1,170	(1,012)
		<u>14,113</u>	<u>10,057</u>
Income tax expense is attributable to:			
Profit from continuing operations		<u>14,113</u>	<u>10,057</u>
Aggregate income tax equivalents expense		<u>14,113</u>	<u>10,057</u>

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

Profit from continuing operations before income tax equivalents expense	42,934	35,525
Income tax calculated @ 30%	12,879	10,657
Other items		
- Non-deductible items	64	20
- Share of ActewAGL Distribution Partnership profits	-	-
- Non assessable income	-	392
Differences in tax and accounting asset cost bases	-	-
Adjustment to prior year income tax expense	1,170	(1,012)
Income tax equivalents expense	<u>14,113</u>	<u>10,057</u>

ACTEW Distribution is exempt from federal income tax.

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 5: Income tax equivalents expense (continued)

Tax consolidation legislation

ACTEW Corporation Limited and its wholly-owned subsidiaries (including ACTEW Distribution Limited) have implemented tax consolidation legislation as from 1 July 2003. The accounting policy note to this legislation is set out in note 1(b): 'income tax equivalents'.

The corporations have entered into a tax funding agreement under which the wholly-owned companies 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 companies' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the Head Company, ACTEW Corporation Limited, which is issued as soon as practicable at the end of the financial year. The Head Company 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 6: Dividends

	2008 \$'000	2007 \$'000
Balance at the beginning of the financial year	25,466	-
Amount appropriated from profit for the year	<u>28,820</u>	<u>25,466</u>
	54,286	25,466
Dividends paid during the year	<u>(25,465)</u>	-
Balance at the end of the financial year	<u><u>28,821</u></u>	<u><u>25,466</u></u>

Note 7: Non-current assets - investment in ActewAGL Distribution Partnership using the equity method

	2008 \$'000	2007 \$'000
Investments in the ActewAGL Distribution Partnership	<u>429,714</u>	<u>417,767</u>
Total investment	<u><u>429,714</u></u>	<u><u>417,767</u></u>

Note 8: Non-current assets - deferred tax assets

	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Audit fees	-	-
Distributions from ActewAGL Distribution Partnership	<u>7,956</u>	<u>5,749</u>
Total Deferred Tax Assets	<u><u>7,956</u></u>	<u><u>5,749</u></u>
Movements		
Balance at the beginning of the financial year	5,749	5,354
Movements in the income statement	315	395
Adjustments to prior year tax effect balances	<u>1,892</u>	-
Balance at the end of the financial year	<u><u>7,956</u></u>	<u><u>5,749</u></u>

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 9: Current liabilities - payables

	2008 \$'000	2007 \$'000
Trade payables	14	12
Total trade payables	14	12

Note 10: Current liabilities - provisions

	2008 \$'000	2007 \$'000
Dividend	28,820	25,466
Total provisions	28,820	25,466

Note 11: Non current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:	2008 \$'000	2007 \$'000
Amounts recognised in the profit and loss		
Distributions from ActewAGL Distribution partnership	35,065	32,635
Asset revaluation reserve	17,025	17,025
Total deferred tax liabilities	52,090	49,660
Movements:		
Balance at the beginning of the financial year	49,660	31,409
Adjustments to prior year tax effect balances	50	-
Movements to the income statement	2,380	1,226
Movement to equity (Asset revaluation reserve)	-	17,025
Balance at the end of the financial year	52,090	49,660

Note 12: Non current liabilities - other

	2008 \$'000	2007 \$'000
Intercompany loan liability - ACTEW Corporation Limited	316,621	308,252
Total other	316,621	308,252

a

(a) The loan liability to ACTEW Corporation Limited is non interest bearing.

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 13: Contributed equity

	2008 Par Value	2007 Par Value	2008 Shares	2007 Shares
a) Share capital :				
Ordinary shares fully paid	<u>\$1.00</u>	<u>\$1.00</u>	<u>400,000</u>	<u>400,000</u>
Total share capital	<u>\$1.00</u>	<u>\$1.00</u>	<u>400,000</u>	<u>400,000</u>

	2008 \$'000	2007 \$'000
b) Total Capital		
Ordinary shares fully paid	<u>400</u>	<u>400</u>
Total capital	<u>400</u>	<u>400</u>

(c) Contributed equity

There was no movement in contributed equity

Note 14: Reserves

	2008 \$'000	2007 \$'000
Asset revaluation reserve		
ActewAGL revaluation	<u>39,725</u>	<u>39,725</u>
Total Reserves	<u>39,725</u>	<u>39,725</u>
Movements in the asset revaluation reserve:		
Balance at the beginning of the financial year	39,725	-
Revaluation of the ActewAGL Distribution Partnership	-	39,725
Balance at the end of the financial year	<u>39,725</u>	<u>39,725</u>

(i) Asset Revaluation Reserve

The Asset revaluation reserve is used to record increments and decrements on ACTEW's valuation of the ActewAGL Distribution partnership.

Note 15: Retained profits

	2008 \$'000	2007 \$'000
Retained profits at the beginning of the financial year	0	-
Net profit for the year	28,820	25,466
Dividends provided for	<u>(28,820)</u>	<u>(25,466)</u>
Retained profits at the end of the financial year	<u>0</u>	<u>0</u>

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 16: Remuneration of auditor

	2008	2007
	\$	\$
Remuneration for the audit of the financial report of the Company:		
Audit of financial reports	12,000	12,000
Total remuneration of auditor	12,000	12,000

There were no other services provided by the auditor or its contract auditor, PricewaterhouseCoopers.

Note 17: Contingent liabilities

No contingent liabilities are known to the directors at the date of this report.

Note 18: Commitments for expenditure

As at 30 June 2008, the Company had not committed to any future expenditure (2007 - Nil)

Note 19: Related parties

Director disclosures

(a) Directors

The following persons were directors of ACTEW Distribution Limited during the whole or part of the financial year:

M. Costello
K McIlwraith (11 July 2007)
S Wallace

Any transaction with directors or in which directors are interested, are conducted on an arms-length basis in the normal course of business and on commercial terms and conditions.

(b) Remuneration of directors

(i) Directors' fees

No director has been remunerated in respect of ACTEW Distribution Limited (2007 - Nil)

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2008 (2007 - Nil). All remuneration of key management personnel is paid through ACTEW Corporation Limited.

(iii) Loans to directors

There were no loans to any directors as at 30 June 2008 (2007 - Nil)

(iv) Shares, units, options and other equity instruments of directors

There have been no directors who have owned shares, units, options and other equity instruments during the financial year with related entities.

(c) Key management personnel remuneration

All remuneration of key management personnel is paid through ACTEW Corporation Limited.

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 19: Related parties (Continued)

(d) Parent entity

The ultimate parent entity in the wholly-owned group is ACTEW Corporation Limited.
The ultimate parent entity is the ACT Government which owns 100% of the shares of ACTEW Corporation Limited.
The principal activity of the Company is to manage a 50% interest in a joint venture between ACTEW Corporation Limited and Singapore Power
All transactions with the wholly - owned group are at arm's length.

	2008	2007
	\$	\$
Note		
The following transactions occurred with related parties:		
Revenue from the ActewAGL Distribution Partnership	3 42,947,047	35,536,787
The following balances are outstanding at the reporting date in relation to transactions with other related parties:		
Dividend payable to ACTEW Corporation Limited	6 28,820,916	25,466,000
Intercompany loan liability - ACTEW Corporation Limited	12 316,621,012	308,252,000

Note 20: Interests in joint venture

ACTEW Retail Ltd and ACTEW Distribution Limited have entered into joint venture partnerships with AGL Energy and Singapore Power to manage and market the network and retail operations of the ACT electricity network and the ACT and Queanbeyan gas networks.

Actew Distribution Limited has a 50% participating interest in the ActewAGL Distribution Partnership. Information relating to the ActewAGL Distribution partnership, presented in accordance with the accounting policy described in note 1(g) is set out below:

	2008	2007
	\$'000	\$'000
Share of the ActewAGL Distribution Partnership assets and liabilities		
Current assets	47,094	35,392
Non-current assets	387,399	434,912
Total assets	<u>434,493</u>	<u>470,303</u>
Current liabilities	46,484	39,611
Non-current liabilities	3,755	1,571
Total liabilities	<u>50,239</u>	<u>41,182</u>
Net assets	<u>384,254</u>	<u>429,122</u>
Share of the ActewAGL Distribution Partnership's revenues, expenses and results		
Revenue	222,168	186,834
Expenses	179,221	151,298
Profit before tax	<u>42,947</u>	<u>35,536</u>
Share of the ActewAGL Distribution Partnership's commitments		
Lease commitments	19,757	9,014
Remuneration commitments	45,751	59,761
Capital and other commitments	33,703	41,340
Total expenditure commitments	<u>99,210</u>	<u>110,115</u>

ACTEW Distribution Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 20: Interests in joint venture (continued)

Contingent liabilities relating to the ActewAGL Joint Venture

Each of the partners in the ActewAGL Distribution Partnership are jointly and severally liable for the debts of the Partnership. The assets of the Partnership exceed its debts. A number of bank guarantees have been provided by the partnership for the normal operations of the business.

Note 21: Reconciliation of profit for the year to net cash inflows from operating activities

	2008	2007
	\$'000	\$'000
Reconciliation of profit for the year to net cash inflows from operating activities		
Profit for the year	28,820	25,466
Share of profits of the ActewAGL Distribution Partnership using the equity method	(42,947)	(35,536)
Distributions from Parent Company, ACTEW Corporation Limited	31,000	31,250
Transfer tax to ACTEW Corporation Limited	14,113	10,057
Changes in operating assets and liabilities :		
Increase/(decrease) in other debtors and accounts	<u>2</u>	<u>2</u>
Net cash inflow from operating activities	<u><u>30,988</u></u>	<u><u>31,239</u></u>

Note 22: Segment information

a) Business segments

ACTEW Distribution Limited operates in Australia.

Business activities

ACTEW Distribution Limited holds the 50% interest of ACTEW Corporation Limited in the ActewAGL Distribution Partnership.

Primary reporting - business segments

The income statement and balance sheet represent the segment reports for the sole activity.

Note 23: Events subsequent to balance date

No matters of significance have arisen since the end of the financial year.



ACTEW Retail Limited

ABN 23 074 371 207

General Purpose

Financial Statements

for the year ended 30 June 2008

ACTEW Retail Limited

Company Details

Company Particulars

ACTEW Retail Limited
ACN 074 371 207
ABN 23 074 371 207

Directors

Michael J Costello AO, Chairman
Simon P Wallace
Kerry N McIlwraith (from 11 July
2007)

Secretary

Michele Norris

Registered Office

Level 9, ActewAGL House
221 London Circuit
CANBERRA ACT 2601

Principal Place of Business

Level 9, ActewAGL House
221 London Circuit
CANBERRA ACT 2601

Auditor

Auditor General
Australian Capital Territory

Solicitors

Mallesons Stephen Jaques
Minter Ellison

Bankers

Westpac Banking Corporation

Company Background

ACTEW Retail Limited holds the 50% investment ACTEW Corporation Limited has in the Retail Partnership of the ActewAGL Joint Venture. The Company is limited by shares and incorporated and domiciled in Australia.

ACTEW Retail Limited

Directors' Report

In respect of the financial year ended 30 June 2008, the Directors submit the following report.

The following persons held office as Directors of ACTEW Retail Limited during the whole or part of the financial year, and up to the date of this report:

Michael J Costello AO, Chairman
Simon P Wallace
Kerry N McIlwraith (from 11 July 2007)

Directors' Meetings

Director	No. of meetings attended	No. of meetings eligible to attend
Michael J Costello AO	1	1
Simon P Wallace	1	1
Kerry N McIlwraith	1	1

Principal Activities / Likely developments and expected results of operations

Since 3 October 2000 the Company holds the 50% interest of ACTEW Corporation Limited in the ActewAGL Retail Partnership.

Trading Results and Dividends

The company's profit after income tax equivalents of \$7,962,000 (2007: \$5,349,000) was \$17,942,000 (2007: \$12,863,000) for the financial year ended 30 June 2008. A final dividend has been proposed by the Directors of \$17,942,000 (2007: \$12,863,000).

Review of Operations

Since 3 October 2000 the Company holds the 50% interest of ACTEW Corporation Limited in the Retail Partnership.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs.

Matters Subsequent to the End of the Financial Year

No matters of significance have arisen since the end of the financial year.

Likely Developments and Expected Results of Operations

There are no likely developments that will affect the expected results of operations.

Environmental Regulations

ACTEW Retail Limited had various environmental reporting requirements and obligations in each state that it holds a retail licence.

The relevant conditions and or obligations refer to:

- a the environmental conditions and conditions for reporting performance in meeting minimum standards of service;
- b the condition for separation of monopoly services (supply to franchise customers and electricity distribution as applicable) from other affairs of a licence holder;
- c preparation and submission of plans to the various Ministers; and
- d the times and periods for licence holders to furnish the information.

Indemnification of Directors and Officers

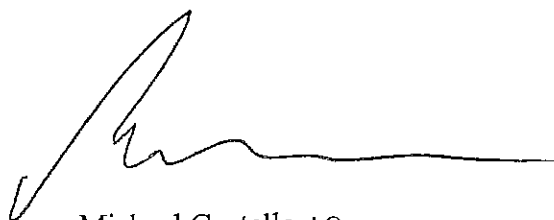
During the financial year, ACTEW Corporation Limited maintained an overall package of insurance that included insurance for Directors, the Secretary and Officers of the Corporation and its controlled entities. The premium is included in an overall package of insurance arranged by the Corporation and is not separately accounted for.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the consolidated entities.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of Directors.



Michael Costello AO
Chairman
Canberra

27 August 2008



Simon Wallace
Director
Canberra

27 August 2008

ACTEW Retail Limited

Directors' Declaration

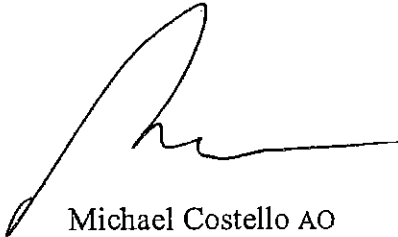
The Directors declare that the financial report and notes set on pages 9 to 22.

- a comply with Australian Accounting Standards, the Corporations Regulation and other professional reporting requirements; and
- b give a true and fair view of the company's financial position as at 30 June 2008 and of its performance, as represented by the results of its 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; and
- b there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, with assistance from the Parent Entity.

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



Michael Costello AO
Chairman
Canberra

27 August 2008



Simon Wallace
Director
Canberra

27 August 2008



ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT

ACTEW RETAIL LTD

To the Members of the ACT Legislative Assembly and ACTEW Retail Ltd

Audit Opinion

In my opinion:

- (a) the financial report of ACTEW Retail Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its 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 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.

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.

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.

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.

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*.

A handwritten signature in black ink, appearing to read 'T. Pham', with a large, sweeping flourish above the first letter.

Tu Pham
Auditor-General

3 September 2008



ACT AUDITOR-GENERAL'S OFFICE



Auditor's Independence Declaration

To the Directors of ACTEW Retail Ltd

In relation to the audit of the financial report of ACTEW Retail 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

ACTEW Retail Limited
Income statement
for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		25,849	18,156
Other revenue from ActewAGL Retail Partnership		69	69
Total revenue	3	<u>25,918</u>	<u>18,225</u>
Other expenses	4	<u>13</u>	<u>13</u>
Total expenses		<u>13</u>	<u>13</u>
Profit before income tax equivalents expense		25,905	18,212
Income tax equivalents expense	5	7,962	5,349
Profit for the year		<u>17,942</u>	<u>12,863</u>

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

ACTEW Retail Limited
Balance sheet
as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Current assets			
Receivables	7	<u>6,737</u>	<u>6,737</u>
Total current assets		<u>6,737</u>	<u>6,737</u>
Non current assets			
Investments accounted for using the equity method	8	26,100	25,683
Deferred tax assets	9	<u>2,678</u>	<u>1,562</u>
Total non current assets		<u>28,778</u>	<u>27,245</u>
Total assets		<u>35,515</u>	<u>33,982</u>
Current Liabilities			
Payables	10	11	12
Provisions	11	<u>17,942</u>	<u>12,863</u>
Total current liabilities		<u>17,953</u>	<u>12,875</u>
Non current liabilities			
Deferred tax liabilities	12	7,610	6,398
Other	13	<u>8,952</u>	<u>13,709</u>
Total non-current liabilities		<u>16,562</u>	<u>20,107</u>
Total liabilities		<u>34,515</u>	<u>32,982</u>
Net assets		<u>1,000</u>	<u>1,000</u>
Equity			
Contributed equity	14	1,000	1,000
Retained profits	15	<u>-</u>	<u>-</u>
Total equity		<u>1,000</u>	<u>1,000</u>

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

ACTEW Retail Limited
Cash flow statement
for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Distributions received from the ActewAGL Retail Partnership		25,500	17,250
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(12)</u>	<u>(11)</u>
Net cash inflow from operating activities	21	<u>25,488</u>	<u>17,239</u>
Cash flows from financing activities			
Transfer income tax equivalents paid from ACTEW Corporation Limited		(7,868)	(4,344)
Payment of dividends to ACTEW Corporation Limited		<u>(12,863)</u>	<u>(1,730)</u>
Net cash (outflow) from financing activities		<u>(20,731)</u>	<u>(6,074)</u>
Net increase/(decrease) in cash held		<u>4,757</u>	<u>11,165</u>
Financed by			
Parent Company intercompany loan account movements			
Opening Balance at the beginning of the financial year		(13,709)	(24,874)
Closing Balance at the end of the financial year		(8,952)	(13,709)
Total movement		<u>4,757</u>	<u>11,165</u>

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

The Parent Company, ACTEW Corporation Limited, handles cash for this company which is offset by a loan account.

All cash is handled through the Parent Company and is reflected in the accounts of that company.

ACTEW Retail Limited

Statement of changes in equity

for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		<u>1,000</u>	<u>1,000</u>
Profit for the year		<u>17,942</u>	<u>12,863</u>
Total recognised income and expense for the year		<u>17,942</u>	<u>12,863</u>
Transactions with equity holders in their capacity as equity holders:			
Dividends payable to ACTEW Corporation Limited	15	<u>(17,942)</u>	<u>(12,863)</u>
		<u>(17,942)</u>	<u>(12,863)</u>
Total equity at the end of the financial year		<u>1,000</u>	<u>1,000</u>

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

ACTEW Retail Limited
Notes to the financial statements
for the year ended 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.

(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 financial statements and notes of ACTEW Retail Ltd comply with International Financial Reporting Standards (IFRSs). The 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

ACTEW Retail Limited has not elected to early adopt any standards during the annual reporting period from 1 July 2007:

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Income Tax Equivalents

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.

A tax sharing agreement (including a tax contribution agreement) has been executed by the Head Company, ACTEW Corporation Limited with its wholly-owned subsidiaries (including ACTEW Retail Limited) agreeing that should the Head Company default in not paying the tax liability for a tax period by the time it becomes due and payable, each contributing member will be liable to pay to the ACT Revenue Office an amount which represents a reasonable allocation among the Head Company and contributing members.

The likelihood of default by the Head Company of tax payments payable to the ACT Revenue Office on behalf of its subsidiaries is considered to be remote.

Tax consolidation legislation

ACTEW Corporation and its wholly-owned Australian controlled entities implemented tax consolidation from 1 July 2003. ACTEW Retail Limited, as a subsidiary in the tax consolidation group, continues to account for its 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.

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(c) Acquisitions of assets

The purchase method of accounting is used to account 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.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable when the service is provided. Revenue from the sale of goods or disposal of assets is only recognised when the control of goods or assets has passed to the buyer and it is probable the consideration will flow to the entity.

(e) Trade receivables

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

(f) Trade and other payables

These amounts represent liabilities for goods and services provided to the group 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.

(g) Joint venture partnership

The interest in the ActewAGL Joint Venture Partnerships accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the income statement, and the share movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 20: 'Interest in Joint Venture'.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand, deposits held at call, and current investment securities which are readily convertible to known amounts of cash and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(i) Dividends

ACTEW Retail Limited pays 100% of its profits to ACTEW Corporation Limited.

(j) Rounding of amounts

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

(k) Goods and Services Tax (GST)

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

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 1: Summary of significant accounting policies (continued)

(l) 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.

(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.

Note 2: Financial risk management

a) Credit risk

The credit risk on financial assets of ACTEW Retail Partnership which have been recognised on the balance sheet is generally the carrying amount net of any provisions for doubtful debts. The assets are receivable from the parent company and as such the credit risk is considered to be minimal.

b) Interest rate risk

All financial assets and financial liabilities are non-interest bearing, therefore no interest rate risk arises.

c) Liquidity risk

As all cash and investments are kept in the parent company, ACTEW Corporation Limited. There is no liquidity risk as ACTEW Retail Limited does not hold or transact cash.

d) Market risk

Market risk is reliant on ActewAGL Retail Partnership.

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 3: Revenue from continuing operations

	Notes	2008 \$'000	2007 \$'000
Revenue			
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		25,849	18,156
Other revenue from the ActewAGL Retail Partnership		<u>69</u>	<u>69</u>
Revenue		<u>25,918</u>	<u>18,225</u>

ACTEW Retail Limited derives all of its revenue from the ActewAGL Retail Partnership.

Note 4: Expenses

	2008 \$'000	2007 \$'000
Expenses		
Other operating expenses	<u>13</u>	<u>13</u>
	<u>13</u>	<u>13</u>

Note 5: Income tax equivalents

	2008 \$'000	2007 \$'000
(a) Income tax equivalents expense		
Current tax	7,187	5,248
Decrease/(increase) in deferred tax assets	9 (601)	644
(Decrease)/increase in deferred tax liabilities	12 1,207	(393)
Adjustments to prior year income tax expense	<u>169</u>	<u>(150)</u>
	<u>7,962</u>	<u>5,349</u>

Income tax expense is attributable to:

Profit from continuing operations	<u>7,962</u>	<u>5,349</u>
Aggregate income tax equivalents expense	<u>7,962</u>	<u>5,349</u>

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

Profit from continuing operations before income tax equivalents expense	25,905	18,212
Income tax calculated @ 30%	7,772	5,464
Other items		
- Non- assessable items	(21)	-
- Non-deductible items	43	107
- Share of ActewAGL Retail Partnership profits	-	(72)
Adjustment to the prior year income tax expense	<u>168</u>	<u>(150)</u>
Income tax equivalents expense	<u>7,962</u>	<u>5,349</u>

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 5: Income tax equivalents expense (continued)

Tax consolidation legislation

ACTEW Corporation Limited and its wholly-owned subsidiaries have implemented tax consolidation legislation from 1 July 2003.

The accounting policy note to this legislation is set out in note 1(b): 'income tax equivalents'.

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 companies' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the Head Entity (ACTEW Corporation Limited), 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 loan receivable or payable.

Note 6: Dividends

	2008 \$'000	2007 \$'000
Balance at the beginning of the financial year	12,863	1,730
Amount appropriated from operating profit for the year	<u>17,942</u>	<u>12,863</u>
	30,805	14,593
Dividends paid during the year	<u>12,863</u>	<u>1,730</u>
Balance at the end of the financial year	<u><u>17,942</u></u>	<u><u>12,863</u></u>

Note 7: Current asset - receivables

	2008 \$'000	2007 \$'000
Receivable from ACTEW Corporation Limited for tax losses	<u>6,737</u>	<u>6,737</u>
Total receivables	<u><u>6,737</u></u>	<u><u>6,737</u></u>

Note 8: Non-current assets - investments in the ActewAGL Retail Partnership accounted for using the equity method

	2008 \$'000	2007 \$'000
Investments in the ActewAGL Retail partnership	<u>26,100</u>	<u>25,683</u>
Total investments	<u><u>26,100</u></u>	<u><u>25,683</u></u>

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 9: Non-current assets - deferred tax assets

	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Audit fees	4	3
Distributions from ActewAGL Retail Partnership	2,674	1,559
Total Deferred Tax Assets	<u>2,678</u>	<u>1,562</u>
Movements		
Balance at the beginning of the financial year	1,562	2,203
Movements in the income statement	601	(664)
Adjustments to prior year tax effect balances	515	3
Balance at the end of the financial year	<u>2,678</u>	<u>1,562</u>

Note 10: Current liabilities - payables

	2008 \$'000	2007 \$'000
Other creditors and accruals	11	12
Total accounts payable	<u>11</u>	<u>12</u>

Note 11: Current liabilities - provisions

	2008 \$'000	2007 \$'000
Dividend payable to ACTEW Corporation Limited	17,942	12,863
Total provisions	<u>17,942</u>	<u>12,863</u>

Note 12: Non-current liabilities - deferred tax liabilities

	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in the profit and loss		
Distributions from ActewAGL Retail Partnership	7,610	6,398
Total Deferred Tax Liabilities	<u>7,610</u>	<u>6,398</u>
Movements		
Balance at the beginning of the financial year	6,398	6,033
Adjustments to the prior year's tax effect balances	5	758
Movement to the income statement	1,207	(393)
Balance at the end of the financial year	<u>7,610</u>	<u>6,398</u>

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 13: Non-current liabilities - Other

		2008 \$'000	2007 \$'000
Intercompany loan liability - ACTEW Corporation Limited	(a)	<u>8,952</u>	<u>13,709</u>
Total Other		<u><u>8,952</u></u>	<u><u>13,709</u></u>

(a) The intercompany loan liability from ACTEW Corporation Ltd is non-interest bearing.

Note 14: Contributed equity

	2008 Par Value	2007 Par Value	2008 Shares	2007 Shares
Share capital :				
a) Ordinary shares fully paid	<u>\$1.00</u>	<u>\$1.00</u>	<u>1,005</u>	<u>1,005</u>
Total share capital	<u><u>\$1.00</u></u>	<u><u>\$1.00</u></u>	<u><u>1,005</u></u>	<u><u>1,005</u></u>
			2008 \$	2007 \$
b) Ordinary shares fully paid			<u>1,000,005</u>	<u>1,000,005</u>
Total capital			<u><u>1,000,005</u></u>	<u><u>1,000,005</u></u>

c) There was no movement in contributed equity.

d) 1,000 shares have been issued with a \$999 premium

Note 15: Retained profits

	2008 \$'000	2007 \$'000
Retained profits at the beginning of the financial year	-	-
Net profits	17,942	12,863
Dividends provided for	<u>(17,942)</u>	<u>(12,863)</u>
Retained profits at the end of the financial year	<u><u>-</u></u>	<u><u>-</u></u>

Note 16: Remuneration of auditor

	2008 \$	2007 \$
Remuneration for the audit of the financial report of the Company:		
Audit of financial reports	<u>12,000</u>	<u>12,000</u>
Total remuneration of auditor	<u><u>12,000</u></u>	<u><u>12,000</u></u>

There were no other services provided by the auditor or its contract auditor, PricewaterhouseCoopers.

Note 17: Contingent liabilities

No contingent liabilities are known to the directors at the date of this report.

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 18: Commitments for expenditure

As at 30 June 2008, the Company had not committed to any future expenditure (2007 - Nil).

Note 19: Related parties

Directors and Director Related Entities

(a) Directors

The following persons were directors of ACTEW Retail Limited during the whole or part of the financial year:

M Costello
K McIlwraith (Commenced 11 July 2007)
S Wallace

Any transaction with directors, or in which directors are interested, are conducted on an arms-length basis in the normal course of business and on commercial terms and conditions.

(b) Remuneration of directors

(i) Directors' remuneration

No director has been remunerated in respect of ACTEW Retail Limited (2007 - Nil).

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2008 (2007 - Nil).

(iii) Loans to directors

There were no loans to any directors as at 30 June 2008 (2007 - Nil).

(iv) Shares, units, options and other equity instruments of directors

There have been no directors who have owned shares, units, options and other equity instruments during the financial year with related entities.

(c) Key management personnel remuneration

All remuneration of key management personnel is paid through ACTEW Corporation Limited.

(d) Parent entity

The ultimate parent entity in the wholly-owned group is ACTEW Corporation Limited.
The ultimate parent entity is the ACT Government which owns 100% of the shares of ACTEW Corporation Limited.
The principal activity of the company is to manage a 50% interest in a joint venture between ACTEW Corporation Limited and AGL Limited. All transactions between the wholly-owned group are at arm's length.

		2008	2007
		\$	\$
	Note		
The following transactions occurred with related parties:			
Revenue from the ACTEW Retail Partnership	3	25,848,875	18,155,688
The following balances are outstanding at the reporting date in relation to transactions with other related parties:			
Receivables from ACTEW Corporation Limited	7	6,736,996	6,736,996
Dividend payable to ACTEW Corporation Limited	6	17,942,778	12,863,099
Intercompany loan liability - ACTEW Corporation Limited	13	8,952,520	13,708,960

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 20: Interests in joint venture

ACTEW Retail Ltd and ACTEW Distribution Limited have entered into joint venture partnerships with AGL Ltd and Alinta to manage and market the network and retail operations of the ACT electricity network and the ACT and Queanbeyan gas networks.

ACTEW Corporation Limited has a 50% participating interest in the ActewAGL Retail Partnership. Information relating to the ActewAGL Retail partnership, presented in accordance with the accounting policy described in note 1(g) is set out below:

Share of the ActewAGL Retail Partnership assets and liabilities	2008	2007
	\$'000	\$'000
Current assets	50,153	41,641
Non-current assets	14,956	14,503
Total assets	65,109	56,144
Current liabilities	47,853	39,200
Non-current liabilities	284	257
Total liabilities	48,137	39,457
Net assets	16,972	16,687
Share of the ActewAGL Retail Partnership revenues, expenses and results	2008	2007
	\$'000	\$'000
Revenue	256,775	189,925
Expenses	230,926	171,769
Operating profit before tax	25,849	18,156
Share of the ActewAGL Retail partnership commitments	2008	2007
	\$'000	\$'000
Remuneration commitments	6,033	8,220
Other commitments	897	815
Total expenditure commitments	6,930	9,035

Contingent liabilities relating to the ActewAGL Joint Venture

Each of the partners in the ActewAGL Retail Partnership are jointly and severally liable for the debts of the Partnership. The assets of the Partnership exceed its debts.

ACTEW Retail Limited
Notes to the financial statements
for the year ended 30 June 2008

Note 21: Reconciliation of profit for the year to net cash inflows from operating activities

	2008	2007
	\$'000	\$'000
Reconciliation of profit for the year to net cash in flows from operating activities		
Profit for the year	17,942	12,863
Share of profits of the ActewAGL Retail partnership	(25,849)	(18,156)
Other revenue from ActewAGL Retail Partnership	(69)	(69)
Distributions from Parent Company, ACTEW Corporation Limited	25,500	17,250
Transfer tax to ACTEW Corporation Limited	7,963	5,349
Changes in operating assets and liabilities :		
Increase/(decrease) in other creditors and accruals	-	2
Net cash inflow from operating activities	<u>25,488</u>	<u>17,239</u>

Note 22: Segment information

ACTEW Retail Limited operates in Australia.

Business activities

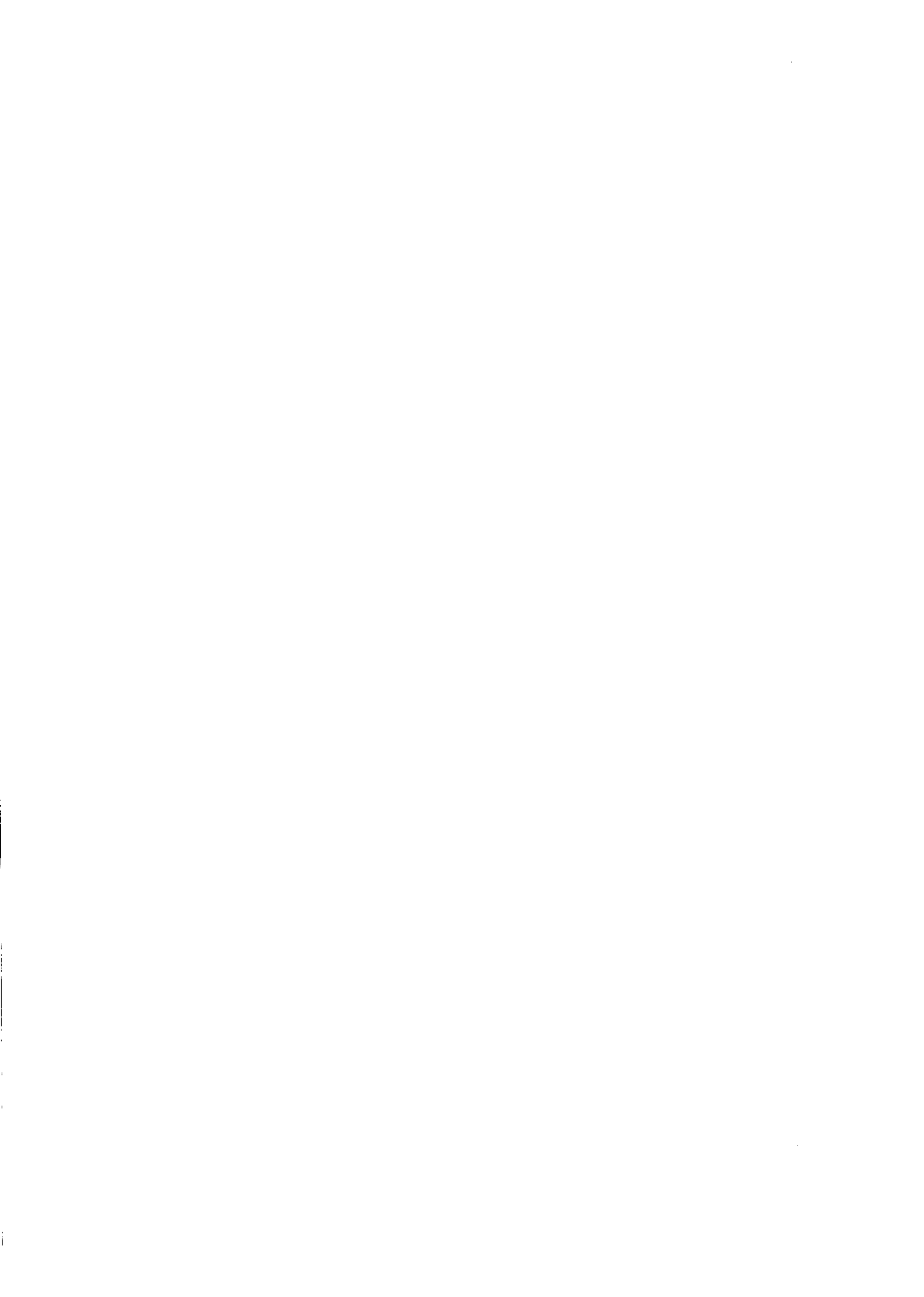
ACTEW Retail Limited holds the 50% interest of ACTEW Corporation Limited in the ActewAGL Retail Partnership.

Primary reporting - business segments

The income statement and balance sheet represent the segment reports for the sole activity.

Note 23: Events subsequent to balance date

No matters of significance have arisen since the end of the financial year.



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Omissions Report

Reporting Requirement	Reason/s for Omissions
Aboriginal and Torres Strait Islander Reporting	Not applicable to ACTEW.
ACT Multicultural Strategy 2006-2009	Not applicable to ACTEW.
ACT Women's Plan	Not applicable to ACTEW.
Capital Works	Not applicable to ACTEW. However ACTEW manages its assets and infrastructure through its capital works program. Refer to page 16.
Ecologically Sustainable Development	Not applicable to ACTEW. However, refer to pages 14, 15 and 46.
Government Contracting	ACTEW complies with the principles and intent of the Guideline on Procurement Principles. No guidelines apply to ACTEW unless directed by Government. No directions issued.
HR Performance	Not applicable to ACTEW
Learning and Development	Not applicable to ACTEW
Legislative Report	Not applicable to ACTEW.
Staffing Profile	Not applicable to ACTEW as staff are not public sector employees. However an overview of the organisational structure and staffing arrangements are reported on page 23.
Strategic Asset Management	Not applicable to ACTEW. However ACTEW manages its assets and infrastructure through its capital works program. Refer to page 16.
Strategic Bushfire Management Plan	Not applicable to ACTEW.
Workplace Relations	Not applicable to ACTEW.

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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