

# ACTEW CORPORATION LIMITED

ABN 86 069 381 960

## 2008-09 ANNUAL REPORT TO THE ACT GOVERNMENT



14 September 2009

Ms Katy Gallagher MLA  
Deputy Chief Minister and Treasurer  
ACT Legislative Assembly  
London Circuit  
CANBERRA ACT 2601

Dear Treasurer

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

To the best of our knowledge and belief, the Annual Report is an honest and accurate account and that all material information on the operations of the Corporation during the period 1 July 2008 to 30 June 2009 has been included.

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

Yours sincerely



John Mackay AM  
Chairman



Mark Sullivan AO  
Managing Director

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# Mission Stakeholders and Values

## ***Our Mission***

- Manage our assets to maximise the efficiency, reliability and sustainability of water and wastewater services to the ACT and region.
- Ensure a safe and reliable water supply for the ACT and region.
- Achieve a satisfactory return on our water, wastewater, energy and communication investments.
- Investigate opportunities for the expansion of our business into related and complementary businesses with acceptable risk and returns.

## ***Our Stakeholders***

- Our owners are entitled to a satisfactory and sustainable commercial return on their investment.
- The ACT community will be supported through ACTEW's sponsorships, participation and involvement.
- Our customers are entitled to services that are reliable, efficient, cost effective and sustainable.
- Our professional staff to be provided a challenging, rewarding and safe workplace environment in achievement of our objectives.

## ***Our Values***

- Maintain our high standards of probity and governance.
- Act fairly and professionally with our stakeholders and business partners.
- Operate in a commercial manner mindful of our public accountabilities.

# Company profile

ACTEW Corporation Limited (ACTEW) is an unlisted public company with assets and investments in water, wastewater, electricity, gas and telecommunications. ACTEW is wholly owned by the ACT Government. The company's voting shareholders are the Chief Minister and Deputy Chief Minister of the ACT.

ACTEW was established on 1 July 1995 and has corporate reporting and compliance obligations under Corporations Law. Legislation governing the supply of water and sewerage services includes the *Utilities Act 2000*, *Water Resources Act 2007*, *Environment Protection Act 1997*, *Water and Sewerage Act 2000* and the *Public Health Act 1997*.

ACTEW has two wholly owned subsidiary companies: ACTEW Retail Limited and ACTEW Distribution Limited which are ACTEW's partnership companies in ActewAGL, a joint venture with AGL Energy Limited and Singapore Power.

ACTEW owns the water and wastewater business and assets in the ACT. Investments include a 50% ownership of ActewAGL, an 18% shareholding in TransACT Communications Pty Limited (TransACT) and joint ownership of Ecowise Environmental Pty Limited (Ecowise).

## Principal Registered Office

Level 9 ActewAGL House  
221 London Circuit  
CANBERRA ACT 2601

Postal address: GPO Box 366, Canberra ACT 2601  
Telephone: (02) 6248 3111  
Facsimile: (02) 6248 3567  
Website: [www.actew.com.au](http://www.actew.com.au)

## Auditor

Auditor-General of the ACT

## Solicitors

Mallesons Stephen Jaques  
Minter Ellison  
DLA Phillips Fox

## Bankers

Westpac Banking Corporation  
Reserve Bank of Australia

**ACN 069 381 960**

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# Chairman and Managing Director reports

## From the Chairman

I am pleased to be reporting strong results across all areas of ACTEW in this, my first report as Chairman. The company and our investments performed well allowing us to provide an increased dividend payment to our shareholders and invest further in essential water supply projects.

Work continued on the security of water for the ACT and region. The ACT community continued its demonstrated commitment to conserving water and reducing consumption as we approach a decade of extreme drought.

## Financial Performance, position and cash flow

ACTEW recorded an after tax profit of \$72.8m in 2008/09. This was a decrease of \$3.1m compared to 2007/08. Factors affecting the profit include:

- Revenue was up \$28.7m mainly from the new regulatory period which allowed recovery of ACTEW's investment in projects to secure Canberra's water supply security during continuing drought. There was also higher interest revenue from the net \$235m debt raising in June 2008;
- ActewAGL Joint Venture continued to perform strongly;
- Operational costs increased by \$36.2m mainly from increased operational costs in securing the water supply plus a classification of costs on the Water Purification/Salt Reduction Scheme as part of Water Security – Major Projects as an expense;
- An increase in interest expense of \$10.4m from the net \$235m debt raising in June 2008; and
- Income tax expense decreased by \$5.4m mainly as a result of lower profit before income tax and an adjustment to prior year income tax expense.

Liquids decreased to \$168.7m at 30 June 2009 (2008: \$204.7m) mainly as a result of large capital expenditure works partially offset by a \$97m drawdown in borrowings in June 2009.

Dividends paid to the ACT Government during the year were \$74.6m (2008: \$70.7m) and income tax equivalent payments totalled \$15.9m (2008: \$14.9m).

ACTEW remains in a relatively strong financial position with a gearing level of 41% (up from 38% in 2008). It is expected that this level of gearing will continue to increase in future to finance continuing capital expenditure to secure the water supply.

## ActewAGL

The ActewAGL investment continues to be very profitable for ACTEW with joint venture income of \$80.5m, \$11.2m above prior year. This improved result reflects higher price and increased volumes in both gas and electricity as well as the sale of ActewAGL House.

Cash distributions from ACTEW's 50% investment in the ActewAGL joint venture were \$58.8m (2008: \$56.5m).

## TransACT

ACTEW maintains an 18% interest share in TransACT. TransACT continues to outsource its management and retail services to ActewAGL which has resulted in continued growth in very competitive markets.

Our voting shareholders reappointed Michael Easson as Deputy Chairman for a further three years and I look forward to his continuing valuable and significant contribution. Finally I thank the Board, management and staff for their outstanding work during the year.



John Mackay AM  
Chairman

### **From the Managing Director**

This year has been another challenging one for ACTEW and water users in the ACT and region. While we once again managed to avoid Stage 4 Water Restrictions through a combination of water supply initiatives and community water saving efforts, the situation remains volatile and it is fast becoming clear that this is the new 'norm'.

Following twelve months of poor rainfall and inflows, our water storages are now slightly less than last year's levels and expert forecasts are neutral with a worrying threat of El Nino.

Climate change remains our biggest concern. ACTEW's annual review of water planning assumptions confirmed that the greatest uncertainty is the future ACT climate. While droughts break, the effects of climate change seem set to grind on with no relief in sight.

While this is certainly unsettling, it does confirm that ACTEW's Water Security – Major Projects, a significant program of infrastructure works, is the right strategy. With inflows continuing to decline, we cannot take the risk of relying on existing catchments and infrastructure alone. We need to move towards a water supply system that can cope with climate change and variability; one that can make the most water when it is available and store it for times of scarcity. I look forward to overseeing the delivery of this infrastructure program over the coming years.

Securing water supply in a climate that is by nature 'changeable' is not without cost. Canberra's water supply was once the most energy efficient in the country with gravity doing much of the work. Diversifying our water supply system comes with the expense of new pumps, pipelines and infrastructure; significant costs which translate into increased water bills.

Due to the volatile situation in which we find ourselves, water is no longer a plentiful and cheap commodity and, unfortunately, we must let go of our nostalgia for a time when it was. Instead we need to focus on the immense economic, social and emotional value and peace of mind that a secure water supply will provide to our community.

I extend my thanks to my fellow Directors and to all staff for their support during my first year as Managing Director. I look forward to working with them as we continue to meet our ongoing challenges.



Mark Sullivan AO  
Managing Director



# Year in Review

## **Water Security**

*To secure and increase the ACT and region's water supplies, ACTEW continued to implement the new infrastructure program and drought contingency projects.*

### **Implementing the Water Security – Major Projects**

ACTEW continued development of the Water Security – Major Projects and in December 2008 provided the ACT Government with a progress report and further recommendations.

In March the Government accepted ACTEW's recommendations, approving the Murrumbidgee to Googong Water Transfer and Tantangara Transfer projects and asked ACTEW to continue work on the Enlarged Cotter Dam. Construction of a Demonstration Water Purification Scheme was deferred.

### **Enlarged Cotter Dam**

Detailed preliminary work for the enlargement of the Cotter Reservoir from 4 gegalitres (GL) to 78GL including extensive planning, design, geotechnical and environmental studies was undertaken.

A draft Environmental Impact Statement (EIS) was released for comment in October 2008. Following a period of consultation and revision, ACTEW submitted a final EIS to the ACT Planning and Land Authority in February 2009.

In June 2009 the ACT Minister for Planning, Andrew Barr MLA announced that he had determined the EIS complete which allowed ACTEW to submit a Development Application for the construction works.

To provide alternative recreation facilities while construction work is underway ACTEW began planning for upgrades to Casuarina Sands. A viewing platform is also planned to allow the community to observe the project during construction.

ACTEW estimates that, depending on obtaining all approvals, construction of the Enlarged Cotter Dam will commence in late 2009.

### **Murrumbidgee to Googong Water Transfer**

Over the last twelve months, ACTEW consulted with key stakeholders as it developed the preliminary design, construction methodology and preferred route for the Murrumbidgee to Googong Water Transfer.

Preparation of the EIS for the project included over fifteen environmental studies, including aquatic ecology, Aboriginal cultural heritage and social impact analysis. In June 2009 ACTEW submitted a draft Environmental Assessment to the New South Wales Government for adequacy review. Subject to approvals, construction is expected to commence in early 2010.

### **The Tantangara Transfer**

ACTEW has purchased 12.5GL of general security water entitlements and is continuing to investigate the purchase of high security water entitlements. During the year negotiations continued in relation to the management and release of water from Tantangara Dam. In-principle agreement was reached in June 2009 and a process to work through the details was established.

### **Design of a Demonstration Water Purification Scheme**

ACTEW completed the preliminary design of a Demonstration Water Purification Scheme in June 2009. Construction of the scheme was deferred, subject to the successful implementation of the other three major projects and no further deterioration in dam inflows.

## Drought Contingency Projects

ACTEW continued to implement a number of drought contingency projects including:

- **Use of water from the Murrumbidgee River:** Construction of a new pumping station and other works to increase the amount of water that can be drawn from the Murrumbidgee River were approved. During the year, over 15GL of water was sourced from the Murrumbidgee River and Cotter Reservoir, accounting for 33% of the water supplied to the ACT and Queanbeyan;
- **North Canberra Recycled Water Treatment Upgrade:** The capacity of the membrane filtration plant at the Fyshwick Sewage Treatment Plant was increased allowing for a greater supply of recycled water to North Canberra;
- **Provision of Recycled water from Lower Molonglo Water Treatment Plant:** A new pump, pipeline and filling station were built to allow convenient and practical access to recycled water from LMWQCC; and
- **District and Large Customer Metering:** Continuation of this project to monitor and reduce water leakage from large customers, which has achieved a reduction in leakage of 450ML/year to date.

## Water and Sewerage Operations

*ACTEW managed its assets to maximise the use and reliability of existing water and sewerage infrastructure and operations.*

### Ownership of Googong Dam

In September 2008 the ACT Government and ACTEW completed negotiations with the Federal and New South Wales Governments to resolve the ownership of Googong Dam. ACTEW through the ACT Government was granted a 150 year lease of the dam and associated facilities.

### The ACT Water Cap

ACTEW operated within the ACT Water Cap, an agreement between the ACT Government and the Murray Darling Basin Authority. The Cap allows the ACT, mostly through ACTEW's network, to take a net 40GL of water (total water extracted less water returned to the river) per year from the Murray Darling Basin. The 40GL Cap is currently enough water for the ACT to use sustainably, with the amount of water allocated to the ACT allowed to increase with population growth.

### Capital Works

ACTEW invested in an ongoing capital works program to ensure continual operation and protection of the ACT's water and sewerage infrastructure and assets. 2008/09 was the largest annual capital expenditure program in ACTEW's history with approximately \$100m invested in general capital projects. Of this, \$63m was related to water assets and the remainder to sewerage.

A number of projects were implemented to achieve greater reliability and efficiency from existing infrastructure. These included:

- **Googong Dam Spillway Upgrade:** A major upgrade of the Googong Dam Spillway to repair eroded rock sections and extend the spillway's retaining walls to provide protection for the revised extreme floods;
- **Lower Molonglo Water Quality Control Centre (LMWQCC) Secondary Treatment Upgrade:** Construction continued throughout the year and is expected to be completed in the second half of 2010 to ensure treated water discharged from the plant continues to minimise

the impact on the Murrumbidgee River system while catering for expected population growth;

- **Cotter Pump Station Restoration and Recommissioning:** The upgrade of the historic Cotter Pump Station was completed and pumps recommissioned to allow the supply of more water from the Cotter Reservoir and Murrumbidgee River. The project also included improvements at Mount Stromlo Water Treatment Plant to manage the increased flow;
- **Gungahlin Water Supply:** Construction of three new reservoirs and associated trunk mains and pumping stations commenced to support development of new suburbs in Gungahlin; and
- **Sewer Ventilation and Rehabilitation:** The replacement of older sewer vents which are nearing the end of their life and improvements to the ventilation system near Weston Creek. Older sewerage mains which have been affected by tree roots causing blockages were also renewed.

### **Increasing the Use of Non-Potable Water**

The use of recycled water through ACTEW's effluent reuse schemes increased during the year. The recycled water strategy produced an effluent reuse volume of 3.82GL, equating to a total reuse of 15.8%.

ACTEW continued to develop strategies for the potential expansion of water recycling schemes to assist in achieving the ACT Government's *Think water, act water* target of 20% recycled water use by 2013.

### **Asset Protection**

ActewAGL, on behalf of ACTEW, continued to ensure the integrity of the water and wastewater network through the monitoring and approval of building activity near ACTEW assets.

A public information campaign targeted at property owners and the building and construction industry, *scan-before-you-plan*, helped raise awareness to prevent the inadvertent building of structures over, or close to, ACTEW's assets. The campaign was reviewed early in 2009 and will be implemented again in 2009/10.

## Statistics

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>WATER</b>										
Customers	122,760	124,570	126,750	129,114	131,893	134,020	135,804	138,917	141,046	143,741
No. of dams	4	4	4	4	4	4	4	4	4	4
Capacity of dams (GL)	215.4	215.4	215.4	215.4	215.4	215.4	211.6**	207.4**	207.4	207.4
No. of reservoirs ***	44	44	44	44	44	44	44	44	44	44
Capacity of reservoirs (ML)	891	891	891	891	891	891	891	891	891	891
No. of pumping stations	17	21	21	21	21	23	23	23	23	23
Length of mains (km)	2,921	2,933	2,948	2,964	2,985	3,013	3,057	3,007*	2,980 *	3,059
Total consumption (ML)	57,929	62,834	65,904	65,567	52,262	51,719	54,340	51,060	43,556	44,955
Consumption/ person p/a (kL)	176	186	194	206	156	144	149	136	115	116
Rainfall (mm)	666	618	633	340	463	593	629	428	455	511
<b>SEWERAGE</b>										
No. of customers	119,846	121,618	123,641	125,784	128,446	130,355	135,561	135,241	137,262	139,794
No. of pumping stations	28	28	28	28	26	26	27	27	27	27
Quantity of sewage treated (ML)	32,585	30,277	30,645	28,313	27,959	27,293	29,019	26,957	25,707	28,963
Sewage treated/ person p/a (kL)	105	97	97.6	89	87	84	88	83	75	83
Length of mains (km)	2,836	2,852	2,875	2,897	2,921	2,985	2,991	2,993	3,014	3,059

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

\*\* Bathymetry survey down-rated storage capacity

\*\*\* Not including treatment plant or recycled water reservoirs

## Water Supply and Demand

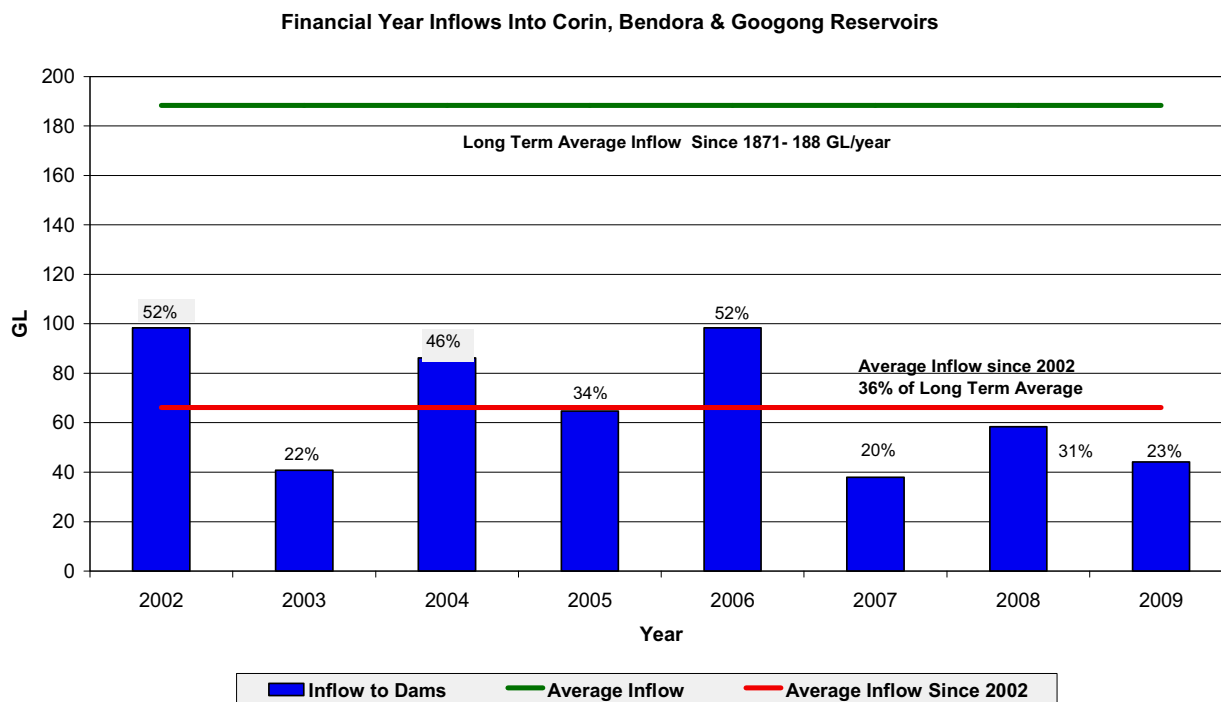
ACTEW monitored water storages and managed water restrictions which contributed to a reduction in per capita mains water consumption.

### Water Storages and Consumption

Severe drought conditions continued with low inflows to the ACT's reservoirs and volatile dam levels. The year began with combined water storages at 45.5% of capacity. Some good winter and early spring rainfall saw combined storage levels peak at 52.1% in October 2008, before falling to 43.1% by the end of the year.

Inflows over the year totalled 43.8GL, well below the long term annual average of 188.4GL. ACTEW continued to draw water from the Murrumbidgee River when conditions allowed, helping to supplement water from the four reservoirs.

As a result of water restrictions and water efficiency and conservation measures, water use over the year was quite low with a total of 44.9GL used. This is much lower than water usage in an average year before water restrictions were in place when an average usage of 60-65GL, and sometimes higher, was standard.



## Water Restrictions

Stage 3 Water Restrictions were required for the entire year. ACTEW continued to assist in the use and management of potable water and promoted sustainable water use through a combination of information, education and enforcement. Approximately 6,200 phone calls were received, more than 3,000 exemption requests assessed and sixty six infringement notices issued for breaches of water restrictions.

With dam levels and inflows remaining low, preparation for the introduction of Stage 4 water restrictions continued with information provided to the community, businesses and industry.

The industry consultation program continued with meetings with representatives from industries most affected by water restrictions including car washing, child care, cleaning, construction, landscape, lawn care, nursery, pool, hotel and pet grooming. Surveys of industry stakeholders were also undertaken to gain an understanding of industry business practices and the development of best practice guidelines.

Water saving kits were distributed to residents, schools, embassies, government departments and businesses across the ACT.

ACTEW completed a review of the extension of the ACT's Permanent Water Conservation Measures. The review examined ways to strengthen the scheme which had been developed in 2006 under the *Utilities (Water Conservation) Regulation 2006*. The review included community and industry consultation and surveys which provided significant improvements in understanding

the costs of restrictions and community issues with restrictions. Recommendations were submitted to the ACT Government in June 2009.

### **Improved Metering**

In June 2009 ACTEW and ActewAGL commenced implementation of a smart metering pilot project at approximately one thousand dwellings. The project aims to encourage demand management by providing customers with immediate consumption data.

The initial deployment was for water, with the pilot to be extended in the future to include electricity and gas metering. The pilot will run for a period of twelve months with a possible extension for a further year. An assessment will then be made on the merits of the broader deployment of this technology.

### **Environmental Management**

*ACTEW demonstrated its commitment to protecting the environment, ensuring sustainable outcomes for the planning, design, construction and operation of its infrastructure.*

### **Greenhouse Gas Emissions Abatement Strategy**

During the year the Board endorsed an action plan and approved funding for a greenhouse gas emissions offset strategy for the Water Security – Major Projects. The strategy was released in June 2009. Designs were based on avoiding and reducing emissions in the first instance and pursuing offsets only when necessary. The strategy includes:

- Use of biodiesel during construction of the Water Security – Major Projects;
- A mini hydro energy generation scheme in the Murrumbidgee to Googong Transfer project; and
- Purchasing Carbon Sink Forestry Offsets within Australia when emissions cannot be avoided.

ACTEW began investigating the application of a similar approach to abating and offsetting greenhouse gas emissions for the water and sewerage business and will release its strategy in 2009/10.

### **Australian Green Infrastructure Council**

ACTEW became a foundation member of the Australian Green Infrastructure Council in September 2008. The Council works with industry in developing sustainable rating schemes for infrastructure delivery from planning through to design, construction and operation. ACTEW is the first water utility to join the Council.

### **National Greenhouse and Energy Reporting Scheme**

ACTEW was nominated as the peak reporting organisation for ActewAGL under the National Greenhouse and Energy Reporting Scheme. These initiatives cement ACTEW's role as a leader in emissions management, particularly for the ACT.

### **Protecting Endangered Fish Species**

A project commenced for the provision of artificial fish habitats in the Cotter Reservoir as part of the Enlarged Cotter Dam project. This is part of a series of important studies to facilitate the survival of the Macquarie Perch which is a nationally endangered species.

The project will ensure the fish have adequate habitat for their ongoing prosperity despite the frequent changes in water levels that will result from the operations with the enlarged dam. The results from the study will be reported in late 2010. This project complements the ongoing fish studies ACTEW undertakes.

### **Monitoring the Murrumbidgee River**

A monitoring program was initiated for the Murrumbidgee River reach from Tantangara Dam to Burrinjuck Dam. This involved the collection of key aquatic ecology data in order to assess the baseline Murrumbidgee River condition. This will assist in determining any ecological impacts which may arise from future operations of the Murrumbidgee to Googong Water Transfer and Tantangara Transfer projects.

### **Maintaining Environmental Flows**

Environmental flows were released throughout the year in accordance with the 2006 Environmental Flow Guidelines which are required under the *Water Resources Act 2007*. ACTEW worked with the ACT Environment Protection Authority (EPA) under an adaptive management process to manage environmental flows. This has allowed ACTEW to vary the release of ecologically targeted environmental flows while achieving increased potable water security for the ACT and region during the ongoing drought.

### **Salt Reduction Strategy**

During 2008, the discharge from LMWQCC exceeded the ACT EPA Environmental Authorisation licence limit for the concentration of total dissolved solids (TDS).

Over the last ten years there has been a reduction in sewage volume flowing into LMWQCC of about 20%. The two main reasons for this are:

- the impact of water restrictions and other demand management initiatives; and
- reduced groundwater infiltration into the sewers as a result of the drought.

ACTEW developed a salt reduction strategy to address the TDS issues and is working with the ACT Government to develop a submission to the Commonwealth Government. At the Council of Australian Governments meeting in July 2008, the Commonwealth Government announced it would provide the ACT with up to \$85m, subject to due diligence, to implement measures to reduce salt outflows.

### **Environmental Management Plan**

ActewAGL undertakes environmental management of ACTEW's water and sewerage operations through its five-year Environment Management Plan (EMP). ActewAGL maintains certification against the Australian and International Environmental Management Standard ISO 14001 for their management systems.

### **Water Quality**

Testing of the quality of the water in the reservoirs and catchment waterways in accordance with the framework of the *Australian Drinking Water Guidelines* was undertaken during the year.

### **Catchment Management**

ACTEW continued to participate in catchment management activities through membership of the Lower Cotter Catchment Working Group, the Upper Murrumbidgee Catchment Coordinating Committee, the Southern ACT Catchment Group and the Regional Source Water Protection Consultative Committee.

### **Remediation of the Lower Cotter Catchment**

ACTEW completed its five year funding for remediation of the Lower Cotter catchment. The program had been initiated to address significant damage in the catchment as a result of the 2003

bushfires. Work undertaken included road and drainage works, sedimentation basins, wetlands and vegetation planting. Studies undertaken in collaboration with the Australian National University (ANU) and the University of Canberra found the remediation to have been successful and minimised the impact of degradation of the catchment on water quality.

### **Source Water Protection Program**

ACTEW developed a Source Water Protection Program (SWPP) to reduce and manage risks to the ACT drinking water supply with four main strategy areas:

- **Governance:** ACTEW will develop partnerships with key stakeholders in the catchment areas;
- **Water supply:** To maintain or improve catchment conditions and to ensure sustainability of the water supply;
- **On-ground action:** To ensure the protection of the source water from potential contaminants including improvement in the stability of soils to reduce erosion and sedimentation as well as reducing bacterial and nutrient inputs into waterways; and
- **Education and awareness:** Targeted educational programs for community groups will be essential to build knowledge and awareness of catchment issues and to facilitate actions.

A regional SWPP Consultative Committee was established to develop an integrated and cooperative approach to the management of the drinking water catchments through liaison with key stakeholders in the implementation and on-going management of the SWPP. The program will initially run for five years.

### **Planning for the Future**

*ACTEW assessed future demand, supply, infrastructure, industry and planning models and provided funding for skills development, research and development.*

#### **Review of Planning Assumptions**

ACTEW completed the annual review and update of the six assumptions that impact water planning:

- Climate variability and climate change;
- The impact of bushfires on inflows into ACTEW's water supply reservoirs;
- Population growth and cross border populations to be supplied with water by ACTEW;
- Reduction in per water consumption as required by the ACT Government's *Think water, act water* strategy;
- Environmental flow requirements; and
- Acceptable levels for the duration, frequency and severity of water restrictions during times of drought.

Changes made to assumptions during 2008/09 had only a minor impact on projections for Canberra's future water security. These were:

- **Population projections:** Figures were updated to account for new data released by the Australian Bureau of Statistics which predict higher population growth for the region;
- **Cost of water restrictions:** The Centre for International Economics updated their estimates on the overall cost of water restrictions based on work undertaken in 2008;
- **Water restriction triggers:** The guideline percentage storage for the lifting of restriction stages has been increased to minimise the need for frequent changes in restriction levels; and
- **Murrumbidgee turbidity:** More information allowed refinement of the model rules for exclusion of pumping from the Murrumbidgee River due to high turbidity.



The review confirmed that the greatest uncertainty remained the future ACT climate which is the variable with the largest impact on ACT water supply security. Climate assumptions will be reviewed and new assumptions tested and considered in 2010.

### **Research and Development**

ACTEW's ongoing applied research and development (R&D) program continued to deliver significant technical outcomes including:

- The identification of a new copepod by Ecowise, bringing the total number of known *Stygonitocrella* copepod species in Australia to nine. In recognition of Ecowise's considerable efforts on the project the new species was given the scientific name of *Stygonitocrella ecowisei*;
- Developing and verifying analytical methods for the detection and quantification of pesticides, herbicides, pharmaceutical and personal care products with detection limits meeting the guideline values for Australian Guidelines for Water Recycling;
- A collaboration between the applied R&D program and the University of Sydney, established via the Bushfire Co-operative Research Centre, to investigate the growth of alpine trees, their responses to changes in climate and how those responses impact water yield from forested catchments;
- Preparation of a web-based version of the mathematical pathogen model developed in 2007/08 which incorporates watershed land use, slope, soil type, rainfall and vegetation status as well as animal types and numbers to determine a likely range in concentrations and loads for key bacteria or viruses;
- Further development and evaluation of the novel microbial source tracking methods developed in 2007/08 with investigations focusing on finding *Bacteriodes* bacteria unique to bird and domestic pet sources; and
- Development of artificial habitats for Macquarie Perch in the Cotter Reservoir to determine if, and when, they used different types of artificial habitats that may be used in the development of the Enlarged Cotter Dam.

### **Endowment and Scholarship**

The first recipient of the Aspi Baria PhD Scholarship began their studies at the ANU in February 2009. The scholarship, funded by ACTEW, was set up in honour of a respected water scientist from ACTEW who passed away in 2007.

ACTEW also provided \$1m to a perpetual endowment fund to be used for a PhD scholarship or annual research grant in renewable energy and water sustainability. This partnership with the ANU and ActewAGL will build on existing education initiatives and programs. The funds will be used to offer undergraduate, postgraduate and research scholarships, as well as targeted short courses and leadership development initiatives through the ANU.

### **Working with the Community**

*ACTEW maintained a high level of community engagement during the year, informing and educating residents and businesses on water related matters and provided funding to community events and organisations.*

## **Community Engagement**

The public information campaigns *Securing Water for Life* and *Save Water for Life* provided information, encouragement and tools to help the community understand the importance of reducing water usage and the new water infrastructure projects.

From July to September 2008, ACTEW conducted a community consultation program, *My Cotter, My Place*, to inform the community about disruptions and access to recreational activities in the Cotter precinct during construction of the Enlarged Cotter Dam and the planned rehabilitation works for the area.

An intensive program of community engagement was undertaken to identify strategies for addressing the key concerns of the local councils and communities including directly affected landholders for the Murrumbidgee to Googong Transfer project. Ongoing community engagement will be undertaken until construction and remediation works have been completed.

Sustainable water use and targeted programs around the importance of conserving water in residential gardens, the area where the largest water savings can be made, continued throughout the year. Between October 2008 and May 2009 twenty seven water wise gardening workshops were held across the ACT. A community reference group was established in early 2009 to assist with the development of a new water wise education garden at the Canberra International Arboretum and Gardens.

Information and educational displays were held at the following events:

- Floriade
- Spring Home and Leisure Show
- Retirement and Lifestyle Expo
- Royal Canberra Show
- Tuggeranong, Woden and Belconnen Community Festivals
- Canberra International Arboretum and Gardens Open Day
- ActewAGL's Amazing World of Science
- Queanbeyan Enviro Expo
- National Water Week Community Fun Day

Roadside signage continued on major arterial roads across the ACT providing daily information on dam levels and water consumption.

## **Sponsorship and Community Support Program**

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

During the year, ACTEW assisted thirty nine events, organisations and charities through its sponsorship and community support program. ACTEW partnered with ActewAGL to sponsor the Australian Science Festival, the Canberra Area Theatre (CAT) Awards and the Canberra Symphony Orchestra.

Other events and organisations supported during the year included:

- Barnardos
- National Breast Cancer Foundation
- The Salvation Army
- Eden Monaro Cancer Support Group
- Christmas Carols at the Australian War Memorial

- ACT Heart Foundation
- The Smith Family
- Malkara School
- Australian Red Cross
- St Vincent de Paul Society
- Queanbeyan Art Society
- Cancer Council ACT
- Yass Picnic Races
- Canberra Legacy ANZAC Concert

More information on sponsorships and donations is at page 36.

# About ACTEW Corporation

## Corporate Governance

### The Board

A number of statutes and the constitution of ACTEW govern the activities of the company. ACTEW's Board comprises seven Directors: one Executive Director and six Non-Executive Directors, who are appointed by the voting shareholders.

Procedures for the appointment of Directors are outlined in the *Territory Owned Corporations Act 1990* and the company's constitution. The Board met nine times during the year. Details of Directors' attendance at the meetings are set out on in the Financial Statements at page 39.

ACTEW has agreed business goals with the voting shareholders. These goals are outlined in the *2008-09 Statement of Corporate Intent (SCI)* which was tabled in the ACT Legislative Assembly on 28 August 2008.

Quarterly reports on the progress of priorities outlined in the SCI, financial and operational matters, as well as reports and briefings on key and emerging issues, were provided to the voting shareholders during the year.

### Audit and Risk Management

The Audit and Risk Management Committee assists the Board fulfil its legal responsibilities, strengthen the objectivity and credibility of financial reporting, manage its business risks and monitor the effectiveness of internal control systems. The Committee comprises four Non-Executive Directors who are appointed by the Board.

The Committee is governed by the Audit and Risk Management Committee Charter. The Committee met five times during the year. Details of Directors' attendance at the meetings are set out on in the Financial Statements at page 39.

Risk management is an integral part of the management of the company. ACTEW maintains a risk register which identifies and addresses risks associated with the company's direct responsibilities, activities and accountabilities and those that may flow through to ACTEW from management of the water and sewerage services and assets by ActewAGL. Detailed separate risk registers have also been developed for the Water Security – Major Projects. Quarterly reviews and a major annual review of the register were undertaken during the year and provided to the Audit and Risk Management Committee and the Board. The guiding principle for the reviews is the Risk Management Standard AS/NZS 4360:2004.

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

During the year six internal audits were undertaken, three of which have been finalised and three are still in progress.

### Remuneration

The voting shareholders determine the terms of appointment and remuneration of Directors. Details of income paid to Directors is outlined in the Financial Statements at page 39.

The entire ACTEW Board meets as the Remuneration Committee. The Committee's role is to set the remuneration, terms and conditions of the Managing Director and to review and assess his performance each year. The Managing Director consults with the Committee on the annual review of performance appraisals and remuneration of executives and staff.

The Committee did not meet during the year due to the timing of Board meetings. However meetings were held in June 2008 and July 2009.

### ***Governance Charter***

ACTEW's Governance Charter incorporates a number of documents including:

- Practical Guide for Directors
- Director's Standing Notice of Personal Details and Interests
- Audit and Risk Management Committee Charter
- Remuneration Committee Charter
- Corporate Philosophy Policy Statement
- Code of Conduct
- Legal and Regulatory Compliance Policy Statement
- Public Interest Disclosure Procedure

The Charter promotes high standards of corporate governance and compliance, and provides strategic guidance for the effective management of ACTEW. The Charter has been provided to all Directors and staff.

### ***Code of Conduct***

The ACTEW Code of Conduct outlines the high standards of honesty, integrity, ethical and law-abiding behaviour expected of ACTEW personnel. The Code applies to directors, executives, management, staff, contractors and consultants. There were no breaches of the Code of Conduct during the year.

## **Members of the ACTEW Board**

### ***John Mackay AM, BA FAIM – Chairman***

John Mackay was appointed Chairman of ACTEW from 1 July 2008. He is Chairman of ActewAGL, TransACT Communications Pty Limited, the Canberra International Arboretum and Gardens Board of Governors and the Canberra Glassworks. He is a Director on the Boards of Canberra Investment Corporation Limited, the Little Company of Mary Healthcare and the Canberra Raiders.

Mr Mackay was Chief Executive Officer of ACTEW from 1998 to 2000 and Chief Executive Officer of ActewAGL from 2000 to 2008.

He was appointed a Member of the Order of Australia in 2004, Canberra Citizen of the Year in 2008, and awarded an honorary doctorate from the University of Canberra in 2009.

### ***Michael Easson AM, BA (Hons), FAICD - Deputy Chairman***

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

Mr Easson has been a Director of ACTEW since July 1995 and Deputy Chairman since May 1996. He is Chairman of the Audit and Risk Management Committee and a Member of the ActewAGL Audit and Risk Management Committee. Mr Easson was appointed a Member of the Order of Australia in 1998 and is a Fellow of the Australian Institute of Company Directors.

**Mark Sullivan AO, BEC, FCPA, FAIM, MAICD – Managing Director**

Mark Sullivan is the Managing Director of ACTEW and a Member of the ActewAGL Joint Venture Partnerships Board.

Mr Sullivan was previously Secretary of the Department of Veterans' Affairs (DVA), President of the Repatriation Commission and Chair of the Military Rehabilitation and Compensation Commission.

Before being appointed Secretary of DVA, Mr Sullivan was Secretary of the Department of Family and Community Services, Chief Executive Officer of the Aboriginal and Torres Strait Islander Commission, and Deputy Secretary of the Department of Immigration and Multicultural Affairs. He has extensive senior managerial experience in both the private and public sectors including WANG Australia, SBS, the Department of Social Security and the Australian Taxation Office.

Mr Sullivan was awarded an Australian Centenary Medal in 2001 and appointed an Officer of the Order of Australia in 2008. He is a Fellow of the Australian Institute of Management, a Fellow of Certified Practising Accountants Australia and a Member of the Australian Institute of Company Directors.

**Kevin Neil Dip Ed – Director**

Kevin Neil was appointed to the Board in December 2000. He is a Director of TransACT Communications Pty Limited and Neighbourhood Cable Pty Limited.

Mr Neil is Chief Executive Officer of Swimming Australia and was previously the ACT Manager for Australian Air Express and Chief Executive Officer of the Canberra Raiders.

He is a member of ACTEW's Audit and Risk Management Committee and an Alternate Member of the ActewAGL Joint Venture Partnerships Board.

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

Ted Mathews had twenty years experience at senior executive level with the Commonwealth Public Service including as Manager of the Department of Finance's Government Business Enterprise Reform Program, Head of the Asset Sales Task Force and Head of the Commonwealth Electricity and Gas Reform Task Force.

From 1997 to 2001 Mr Mathews was engaged by PricewaterhouseCoopers to advise on energy market policy reforms, regulation, access arrangements, and governance and probity advice. In 2002 Mr Mathews assisted the Chairman of the ACT Commission of Audit in reviewing ACT finances and a number of government business enterprises.

He was appointed to the ACTEW Board in August 2002. Mr Mathews is an Alternate Member of the ActewAGL Joint Venture Partnerships Board, a Director of Ecowise Environmental Pty Limited and Ecowise Environmental (VIC) Pty Limited. He is a Member of ACTEW's Audit and Risk Management Committee, and Chairman of the ActewAGL and Ecowise Audit and Risk Management Committees.

Mr Mathews was awarded the Public Service Medal in 1997 and is a Member of the Australian Institute of Company Directors.

**Elizabeth Whitelaw BA, LLB – Director**

Elizabeth Whitelaw is a senior partner at Minter Ellison Lawyers where she leads the firm's Canberra Infrastructure Team. Mrs Whitelaw has advised both government and private sector clients on acquisitions, sales, development and construction projects throughout Australia.

She has held a number of positions including Chairperson of the Canberra Community and Expert Reference Group (Bush Fire Recovery Task Force), a Member of the ACT Business Canberra

Advisory Board, Chairperson of the Canberra Business Council and an Honorary Ambassador for Canberra. She has also acted as Chairperson of the ACT Business Advisory and Regulatory Review Team, been a member of the Salvation Army Advisory Board and the ACT Representative to the Constitutional Centenary Council.

In 1998 Mrs Whitelaw was the recipient of the Telstra ACT Business Woman of the Year Award for the private sector category for businesses with over 100 employees.

She was appointed to the ACTEW Board in October 2003 and is an Alternate Member of the ActewAGL Joint Venture Partnerships Board.

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

Barbara Byrne was appointed a Director of ACTEW in January 2004 and is a Member of the Audit and Risk Management Committee.

Ms Byrne is currently on the Board of ArtSound FM, a Patron of Hockey ACT and Weston Creek Men's Bowling Club, and a Life Member of Volunteering ACT.

She was awarded an Australian Centenary Medal in 2001 and a Medal of the Order of Australia in 2006. Ms Byrne is a Fellow of the Australian Institute of Company Directors.

## **Executives**

***Mark Sullivan AO, BEC, FCPA, FAIM, MAICD – Managing Director***

Mark Sullivan is responsible for the corporate and strategic management of the company.

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

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

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

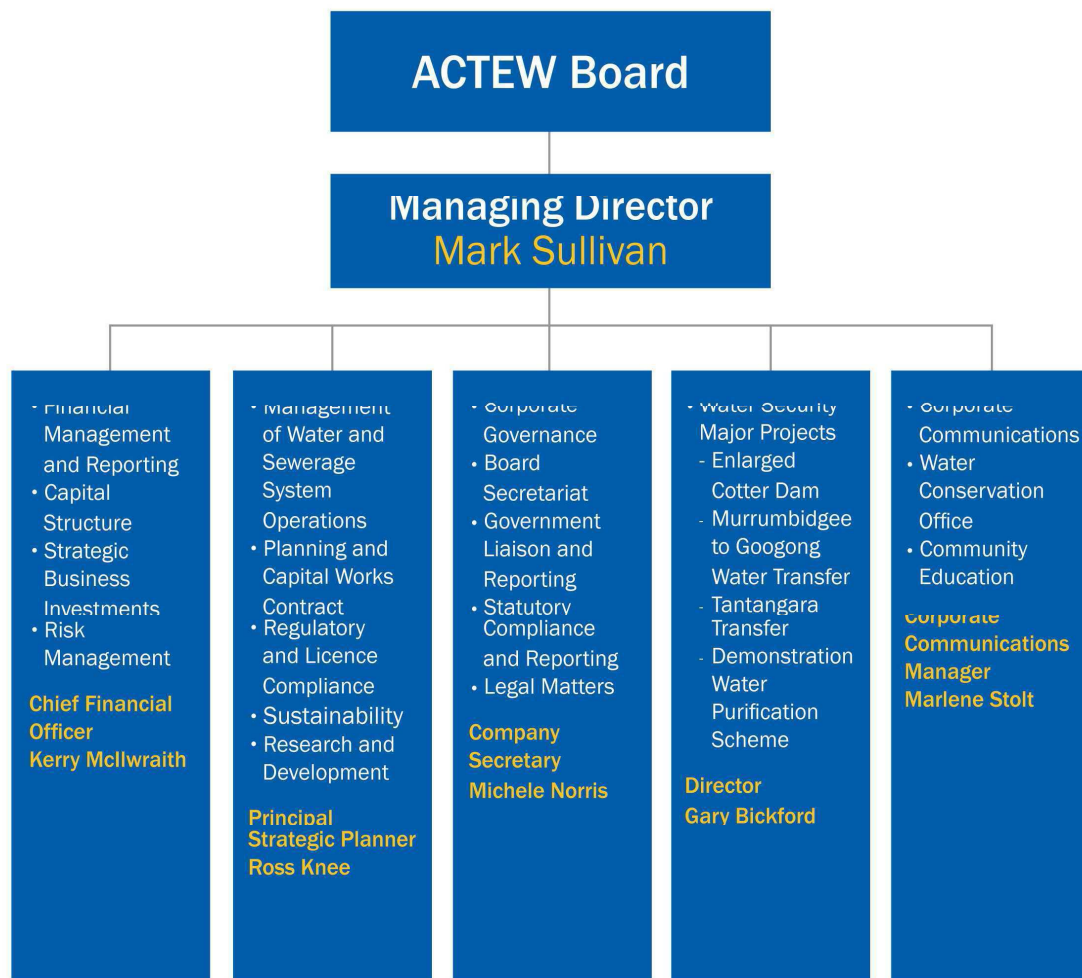
Mr McIlwraith was appointed Chief Financial Officer in October 2006. He is responsible for ACTEW's finances and strategic investments. He is a Director of ACTEW Distribution Limited and ACTEW Retail Limited.

***Michele Norris FAICD AFAIM - Company Secretary***

Ms Norris commenced with ACTEW in 1999 and was appointed Company Secretary in December 2003. She is responsible for the management and coordination of corporate governance, secretariat services and support to the Board, government liaison, statutory compliance and reporting and legal matters for the Corporation and subsidiary companies. Ms Norris is also Company Secretary of ACTEW Distribution Limited and ACTEW Retail Limited. She is a Fellow of the Australian Institute of Company Directors, an Associate Fellow of the Australian Institute of Management, an Affiliate of Chartered Secretaries Australia and a Justice of the Peace.

## **Organisational Overview**

There are thirty five positions in ACTEW. Day to day management of the Corporation is undertaken by a team of executives and senior managers whose responsibilities are outlined in the organisational chart below.



## ACTEW's Investments

### ActewAGL

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

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

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

In October 2006, following changes to the ownership and structures of AGL, Alinta Limited (Alinta) became a 50% owner of the Distribution partnership and AGL Energy Limited a 50% owner of Retail partnership. Further changes to the Distribution partnership occurred when a consortium including Singapore Power purchased Alinta in August 2007. In August 2008 Alinta changed its name to Jemena Limited. The Distribution partnership is owned equally by Singapore Power and ACTEW and the Retail partnership is owned equally by AGL and ACTEW.

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



ActewAGL Retail is responsible for customer service and marketing as well as selling energy, internet services and telecommunications, the latter under a contract with TransACT.

The Joint Venture Partnerships Board is comprised of three members appointed by AGL/Singapore Power and three appointed by ACTEW. Members of the Board at 30 June 2009 were:

- Mr John Mackay AM – Chairman (ACTEW)
- Mr Jim Galvin (AGL)
- Ms Lim Lay Hong (Singapore Power)
- Mr Michael Easson AM – Deputy Chairman (ACTEW)
- Mr Lim Howe Run (Singapore Power)
- Mr Mark Sullivan AO (ACTEW)

ActewAGL achieved a record financial result in 2008/09. Details of ActewAGL's financial performance is at Appendix A.1.

Despite competition for electricity and gas customers, the retail business continued to be successful and high standards of customer service were maintained. A survey of ActewAGL customers during the year showed 85% of customers were satisfied overall with the products and services on offer.

ActewAGL's green energy product, Greenchoice, continued to be well received experiencing a 30% growth in customer numbers during the year. More information on ActewAGL can be found at [www.actewagl.com.au](http://www.actewagl.com.au).

#### ***TransACT Communications Pty Limited***

TransACT operates a broadband communications network across Canberra. Officially launched in May 2000, TransACT is governed by an eleven person board with directors appointed by the shareholders. ACTEW has an 18% shareholding in the company.

TransACT's range of communication services includes video on demand, permanent high-speed connections to the internet, free to air and pay television services, mobile and fixed line telephony services. TransACT provides telecommunications services to the ACT Government and secure data centre space to a number of organisations.

TransACT owns and operates Neighbourhood Cable Pty Ltd (NCPL) in the rural areas of Ballarat, Geelong and Mildura in Victoria. NCPL also offers telephony, broadband, mobile and video services to residential and commercial customers.

TransACT has continued to increase its network coverage in Canberra, expanding its network to new medium density unit developments and rolling out fibre to the home services in the new subdivisions of Forde, Crace, Bonner and parts of Franklin.

In November 2008 TransACT was one of the respondents to the Commonwealth Government's National Broadband Network Request for Proposal.

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

#### ***Ecwise Environmental Pty Limited***

Ecwise is a leading provider of specialist environmental solutions offering environmental data, technology and consulting services. Owned jointly by ACTEW Distribution Limited and Jemena Networks (ACT) Pty Limited, Ecwise employs over 400 staff across seventeen facilities nationwide.

Ecowise operates under a board of directors appointed by the joint owners. Ecowise has demonstrated viability and sustainability for over fifteen years providing clients with innovative, efficient and cost effective solutions through tailored environmental services to its broad client base. The Australian clientele includes national, state and local governments, private industry and community groups, as well as individuals. Ecowise also operates extensively overseas.

For further information about Ecowise please visit [www.ecowise.com.au](http://www.ecowise.com.au)

# The Year Ahead

## Water Supply and Demand

- Implement a diversified portfolio of water supply options to significantly improve water security for the ACT. Major projects include:
  - detailed planning, design and construction work associated with enlarging the Cotter Dam to 78 GL capacity
  - the extraction and transfer of water from the Murrumbidgee River to Googong Reservoir
  - purchasing water from willing sellers (irrigators) in the Murray Darling Basin, to enable the ACT to secure additional water independent of rainfall in local catchments;
- Implement carbon abatement strategies to minimise and offset additional greenhouse gas emissions associated with the construction and operation of the water security projects;
- Monitor and report to Government progress of implementing the water security projects ensuring the community is kept informed and engaged;
- Manage and review the Permanent Water Conservation Measures and the Temporary Water Restrictions necessary for management of the current and future drought conditions;
- Work with the ACT Government to achieve a reduction in per capita mains water consumption of 12 per cent by 2013 and 25 per cent by 2023 and to assist with the review of *Think water act water*;
- Continue to investigate and commence implementation of a 'smart metering' pilot program;
- Work with the ACT Government to achieve appropriate catchment management governance and administrative arrangements in the Cotter, Googong and Murrumbidgee River catchments; and
- Implement source water quality protection programs in water supply catchments.

## Sewerage

- Undertake a strategic review of the sewerage system to:
  - Investigate opportunities to further maximise the efficient and effective performance of the existing sewerage system with any necessary investment in capital expenditure and new technology
  - Monitor and investigate new industry directions, practices and standards in relation to sewerage network management.
- Work with the ACT Government to develop an appropriate strategy to meet the target of 20 percent use of recycled water by 2013 and to review *Think water act water*; and
- Investigate options to manage total dissolved solids (including salt) concentrations associated with the discharge from the Lower Molonglo Water Quality Control Centre.

## Environment

- Investigate and develop appropriate carbon abatement strategies for ACTEW and contribute to associated business carbon abatement strategy;
- Work with the ACT Government on alternative water supplies to develop a sustainable strategy for total water cycle management;
- Continue to develop appropriate ecological monitoring programs to address expanding water operations, in particular the Cotter and Murrumbidgee Rivers and Burra Creek;

- Protect the endangered and threatened species of fish in the Cotter Reservoir and River;
- Liaise with the Environment Protection Authority regarding environmental flow requirements in our river systems addressing ecological assessments and ongoing drought conditions; and
- Monitor and report on water supply planning assumptions annually.

## **Investments**

- Manage ACTEW's investments in electricity, gas and telecommunications to achieve satisfactory returns;
- Facilitate the implementation of the second bulk supply point for the ACT electrical network;
- Work with the ACT Government on alternate power sources to address greenhouse gas abatement policies;
- Continue to support delivery of TransACT's services to the community and monitor TransACT's performance; and
- ACTEW to consider the implications of the possible divestment of Ecowise by its Joint Partner.

## **Customers**

- Maintain a high level of customer liaison and consultation;
- Engage and educate our customers on water and sewerage related issues; and
- Continue ACTEW's contribution to the ACT community by supporting organisations, events and initiatives.

## **Financial**

- Continue to review and model the short and medium term implications of the drought continuing, the Water Security Program - Major Projects and alternate water resources on the water prices for customers, shareholders and on the financial performance and position of ACTEW;
- Manage ACTEW's liquidity position in regards to major capital expenditure works on the Water Security Program and ACTEW's general Capital Expenditure program;
- Continue to develop, refine and monitor ACTEW's risk management strategies;
- Tailor the current policies and procedures to ensure clear accountability for ACTEW's significant capital expenditure program (Water Security Program – Major Projects capital expenditure and general capital expenditure program) leading to producing information in a timely, accurate and transparent matter; and
- Achieve earnings before interest and tax (EBIT) of approximately \$137.3m and declare shareholders a dividend out of 2009/10 profits of approximately \$61.5m.

# Supplementary Report to Government

*This supplementary report provides additional information which is required under the Chief Minister's 2007-2010 Annual Report Directions and not included in ACTEW's main Annual Report.*

## Management Discussion and Analysis

The following financial information is based on audited Financial Statements for 2007/08 and 2008/09.

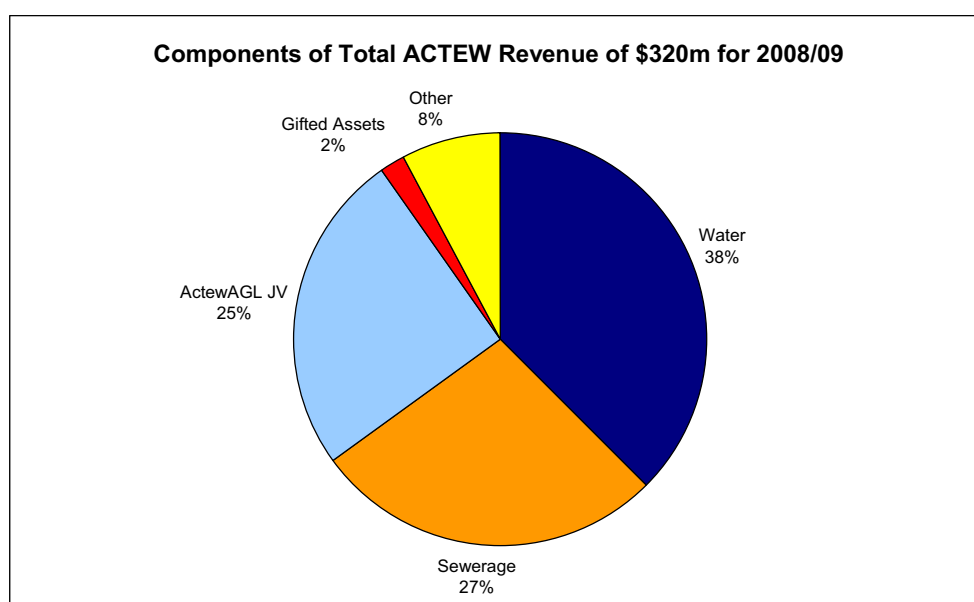
### Operating Result

ACTEW recorded a net profit after income tax equivalents for 2008/09 of \$72.8m (2007/08: \$75.9m). There were a number of factors that contributed to this performance:

- Water and sewerage revenue is \$23m (12.5%) higher than prior year mainly from the new regulatory period which allowed recovery of ACTEW's Water Security – Major Projects to secure Canberra's water supply security during the severest drought on record;
- ActewAGL Joint Venture continued to perform strongly;
- Operational costs (including depreciation) increased by \$38m, a detailed explanation is provided under the total expenditure comparison;
- An increase in interest expense of \$10.4m from the net \$235m debt raising in June 2008; and
- Income tax expense decreased by \$5.4m reflecting lower profits as well as an adjustment to prior year income tax expense through the annual income tax return.

### Total Revenue

During 2008/09 ACTEW derived \$320m in revenue/distributions, the components of this are depicted in the following graph:



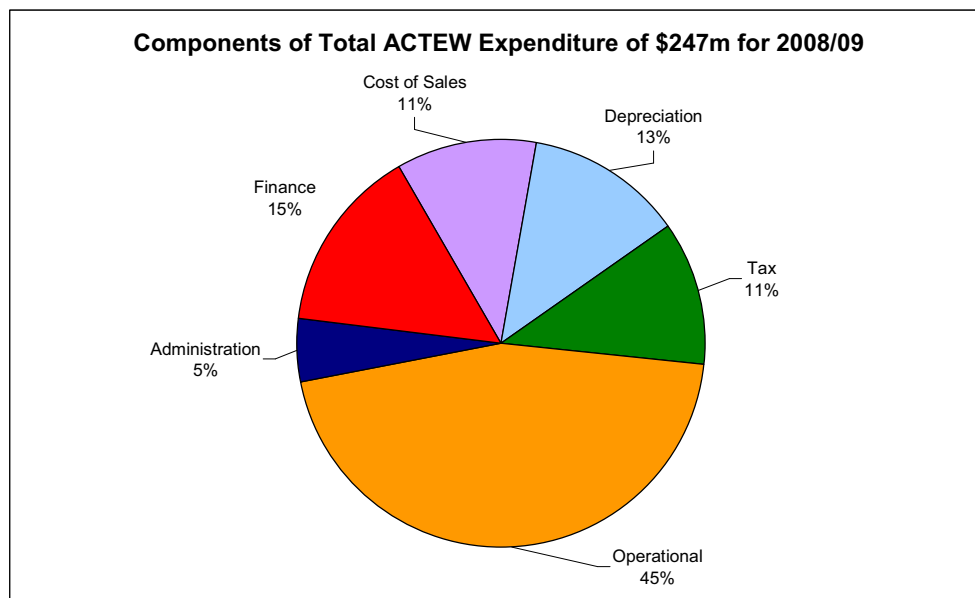
### Comparison to 2007/08 Actual Income

Total revenue of \$320m was \$39.9m higher than 2007/08. Factors affecting this increase were:

- Water and sewerage revenue is \$23m higher than 2007/08 mainly from the new regulatory period which allowed recovery of ACTEW's Water Security – Major Projects to secure Canberra's water supply security during continuing drought. Though higher than the prior year, water revenue was well below that estimated by the regulator due to lower consumption volumes as a result of continuing water restrictions;
- Interest revenue was \$7.9m higher than 2007/08 from the net \$235m debt raising in June 2008 which resulted in higher cash balances than prior year; and
- The ActewAGL investment continues to be a very profitable investment for ACTEW with joint venture income of \$80.5m, \$11.2m above prior year. This improved result reflects higher price and increased volumes in both gas and electricity as well as the sale of ActewAGL House.

### **Total Expenditure**

During 2008/09 ACTEW incurred \$247m in expenditure. The components of this are depicted in the following graph:



### **Comparison to 2007/08 Actual Expenditure**

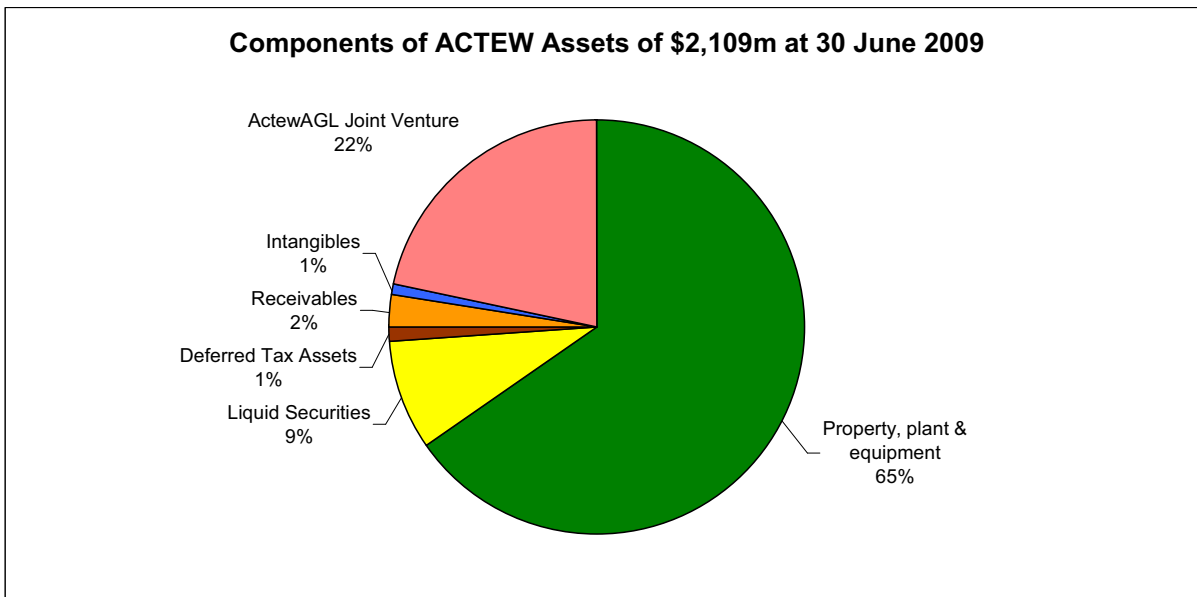
Total expenditure was \$43m higher than 2007/08 actual expenditure.

- Operational expense increased by \$36.2m due to the following factors:
  - Costs incurred on the Water Purification/Salt Reduction Scheme as part of Water Security – Major Projects were recorded as an expense under the accounting standards. This resulted from the recommendation to the ACT Government to delay the consideration of construction subject to the successful implementation of the other water supply projects; and
  - Operational expense includes the Utilities Management Agreement (UMA) with ActewAGL to manage and operate ACTEW'S water and sewerage infrastructure assets. This expenditure was \$11.5m above the prior year, mainly from the new regulatory period which included water operating costs in securing the water supply;
- Income tax expense decreased by \$5.4m reflecting lower profits as well as an adjustment to prior year income tax expense through the annual income tax return;

- Finance expense increased by \$10.4m due to increased net borrowings made in June 2008 of \$235m. This is expected to increase further in 2009/10 with a new \$97m borrowing in June 2009 plus expected borrowings during the year to fund the large capital expenditure program;
- Depreciation was \$1.8m higher than prior year due to the increase in capital expenditure incurred.

## Assets

ACTEW has \$2.1b in assets at 30 June 2009, the components being depicted in the following graph:



- ACTEW has a book value investment of \$1,379m in water and sewerage infrastructure (property, plant and equipment). An impairment of \$17m was determined in 2008/09 in water infrastructure asset resulting in a decrease of the 2006/07 revaluation of the water and sewerage assets to \$264m. The water business consists of two separate operations, water and sewerage services, and its activities can be described as follows:
  - **Water:** retailing and distribution of water including billing, sales, planning, design and maintenance of the network which reticulates water from water treatment plants to customers and the collection and treatment of bulk water supplies; and
  - **Wastewater:** management of billing, sales, planning, design and maintenance of the network which reticulates sewage from customer installations to sewage treatment plants and treatment of sewage, grease and oil disposals, to the required environmental standards.
- ACTEW has a book value investment of \$459m in the ActewAGL joint venture that operates in the energy sector. In 2006/07 a revaluation of ACTEW's share of the ActewAGL Distribution partnership occurred increasing the value by \$57m. No revaluation was carried out in 2008/09. The energy business consists of two separate operations, energy retailing and distribution. Both are conducted under the joint venture arrangements with AGL and ACTEW holding a 50% interest in the retail operation and Singapore Power and ACTEW holding a 50% interest in the distribution operation:
  - **ActewAGL Retail:** retailing of electricity and gas to franchise and non-franchise customers as well as various management services to both ACTEW and TransACT Communications Pty Ltd; and

- **ActewAGL Distribution:** delivery of gas and electricity including planning, design, construction, and operations of the networks and technical and management support functions.

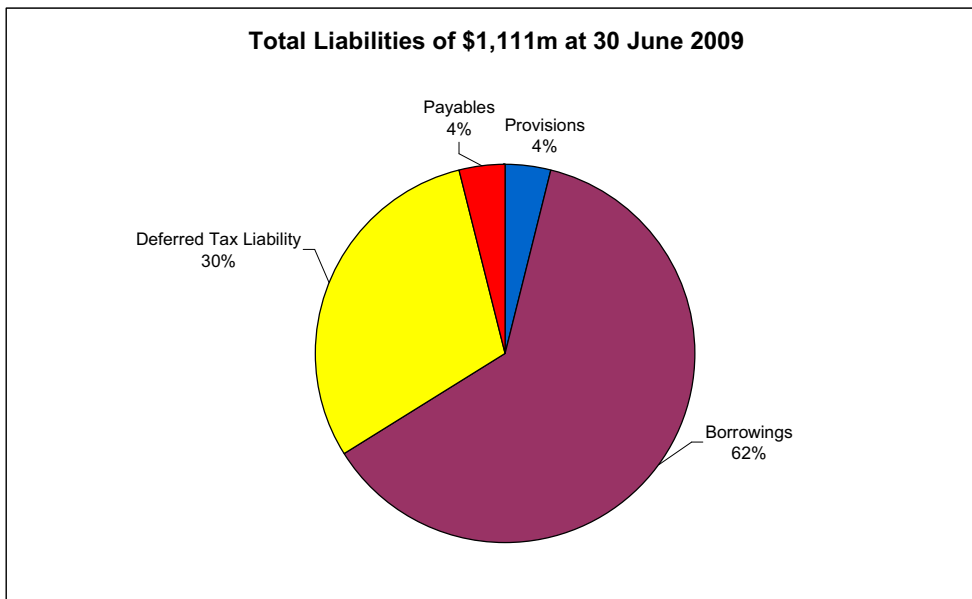
### Liquidity

Description	2007/08 Actual \$'000	2008/09 Actual \$'000
Current Assets	258,649	228,817
Current Liabilities	78,726	102,208
<b>Current Ratio</b>	<b>3.27</b>	<b>2.24</b>

The current ratio for 2008/09 has been affected by the short term investment of borrowings that will be used to fund water security capital projects. At 30 June 2009 the increased borrowings has resulted in a higher gearing ratio for the Group of 41%.

### Total Liabilities

ACTEW has \$1.1b in liabilities, the components being depicted in the following graph:



The major components are commented on:

- Outstanding borrowings at 30 June 2009 are \$690m. These borrowings have increased in recent years to fund large general and water security capital expenditure. ACTEW borrowed a further \$97m in June 2009 through the Indexed Annuity Bond 2048 facility.
- Deferred tax liability at 30 June 2009 of \$333m. This amount is mainly from higher income tax expense compared to income tax equivalent payments. The lower income tax payments are a result of higher tax vs accounting depreciation in calculating the tax profit compared to the accounting profit in both ACTEW Corporation and ActewAGL Distribution.

### Payments to the ACT Government

Payments to the ACT Government during 2008/09 were \$74.6m as dividends and \$15.9m as income tax equivalent payments.



## Community Engagement

The following community engagement activities were undertaken:

<b>Project/Event/Display</b>	<b>Consultation process (tools used)</b>	<b>Group/Individuals consulted</b>
Amazing World of Science 20-23 August 2008	Information display on water conservation, restrictions and water security	Canberra residents, school children
Floriade 13 September - 12 October 2008	Information and educational water wise garden	Canberra residents
<i>My Cotter, My Place</i> consultation program 22 September- 11 October 2008	Consultation conducted through information sessions/workshops in Belconnen, Woden, Civic and Tuggeranong. Online surveys through the ACTEW website were also conducted	Canberra residents
Spring Home Show 24-26 September 2008	Information display on water conservation, restrictions and water security	Canberra residents
National Water Week Community Fun Day 25 October 2008	Information display on water conservation, restrictions and water security	Canberra residents
Woden Community Festival 25 October 2008	Information display on water conservation, restrictions and water security	Canberra residents
Belconnen Community Festival 15 November 2008	Information display on water conservation, restrictions and water security	Canberra residents
Tuggeranong Community Festival 30 November 2008	Information display on water conservation, restrictions and water security	Canberra residents
Information session 9 December 2008	Proposed Murrumbidgee to Googong Water Transfer project	Burra and region residents
Community information session 18 December 2008	Water Security – Major Projects	Rotary Club of Canberra
Tuggeranong Hyperdome Shopping Centre display 7-9 January 2009	Information display on water conservation, restrictions and water security	Canberra residents
Canberra Centre Shopping Centre display 14-16 January 2009	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 19 January 2009	Water Security – Major Projects	Rotary Club Fyshwick
Westfield Woden Shopping Centre display 19-20 January 2009	Information display on water conservation, restrictions and water security	Canberra residents
Australia Day Picnic 26 January 2009	Information display on water conservation, restrictions and water security	Canberra residents
Riverside Plaza Queanbeyan Shopping	Information display on water conservation,	Queanbeyan residents

Centre display 22-23 January 2009	restrictions and water security	
Westfield Belconnen Shopping Centre display 28-30 January 2009	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 2 February 2009	Water Security – Major Projects	Rotary Club of Canberra East
Community information session 16 February 2009	Water Security – Major Projects	Canberra Business Council
Community information session 17 February 2009	Water wise gardening practices, water restrictions and water security	Belconnen Community Council
Community information session 23 February 2009	Water Security – Major Projects	Rotary Club of Weston
Community information session 25 February 2009	Water Security – Major Projects	Rotary Club of Tuggeranong
Community information session 25 February 2009	Water Security – Major Projects	Weston Creek Community Council
Royal Canberra Show 27 February -1 March 2009	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 10 March 2009	Proposed Murrumbidgee to Googong Water Transfer project	Burra and region residents
Canberra International Arboretum Open Day 15 March 2009	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 24 March 2009	Water wise gardening practices	Woden Community Services
Community information session 1 April 2009	Water Security – Major Projects	Rotary Club of Woden
Community information session 6 May 2009	Water wise gardening practices and water restrictions	Aranda Neighbourhood Watch group
Retirement and Lifestyle Expo 15-17 May 2009	Display on water conservation, restrictions and water security	Canberra residents
Community information session 27 May 2009	Water wise gardening practices, water restrictions and water security	CIT Horticulture Students
ActewAGL's Amazing World of Science 27-30 May 2009	Information display on water conservation, restrictions and water security	Canberra and region residents, school aged children
Queanbeyan Enviro Expo 12-13 June 2009	Information display on water conservation, restrictions and water security	Queanbeyan and region residents
Waterwise Gardening Workshops October 2008 - May 2009	Twenty seven educational and advisory workshops held during the year	Canberra and region residents
ACTEW Waterwise Garden Community	Group developed in early 2009 to provide ideas and feedback on the development of	Canberra and region residents

Reference Group ongoing	a new educational water wise garden	
----------------------------	-------------------------------------	--

## Internal and External Scrutiny

The Audit and Risk Management Committee reviews reports of all audits undertaken by the ACT Auditor-General. During the year the Auditor-General issued nine reports. ACTEW was included in two audits: 2007/08 Financial Audits, and the Proposal for a Gas-Fired Power Station and Data Centre – Site Selection. Neither report made recommendations about ACTEW.

## Legislative Assembly Committees - Inquiries and Reports

ACTEW appeared before a number of ACT Legislative Assembly Committees during the year.

In February 2009 ACTEW appeared before the Public Accounts Committee's Inquiry into the 2007/08 Annual and Financial Reports. The Committee's report which was released in April 2009, did not make any recommendations in relation to ACTEW.

ACTEW provided a written submission to the Committee on Climate Change, Environment and Water Inquiry into ACT Greenhouse Gas Reductions Targets and appeared before the Committee in May 2009. The Committee's report had not been released by the end of the reporting year.

In May 2009 ACTEW provided a written submission to the Select Committee on Campaign Advertising Inquiry into the *Government Agencies (Campaign Advertising) Bill 2008* and was invited to appear before the Committee in July 2009.

ACTEW appeared before the Select Committee on Estimates Inquiry into the 2009/10 ACT Budget in May 2009. The Committee's report, released in June 2009, made one recommendation in relation to ACTEW:

Recommendation	Government Response	Implementation
The Committee recommends that details of ACTEW expenditure, including the salaries of senior executives, be included in the Corporation's annual report.	Noted. ACTEW does report expenditure including the salaries of senior executives and other public company reporting requirements in its annual financial report in accordance with Australian Accounting standards and <i>Corporations Act 2001</i> . ACTEW's financial statements are audited and signed off each year by the ACT Auditor-General. In relation to executive remuneration, ACTEW will not breach the requirements of the Commonwealth <i>Privacy Act 1988</i> in relation to the disclosure of personal information and the Shareholders and the Government will not be asking ACTEW to do so.	None required

## Fraud Prevention

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

## Public Interest Disclosure

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

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

There were no public interest disclosures made during the year.

## Freedom of Information

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

### *Section 7 Statement*

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

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

Documents in the possession of ACTEW relate to all business and operational activities and are available from the Corporation's registered office which is located at Level 9 ActewAGL House, 221 London Circuit, Canberra.

### *Section 8 Statement*

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

### *Section 79 Statement*

No FOI requests were received during the year. One request received the previous year for the disclosure of documents was finalised and access was refused. There were no other requests made in relation to the provisions of the *Freedom of Information Act 1989*.

ACTEW engaged the Australian Government Solicitor to develop and present FOI information and awareness training sessions for all staff during the year. The sessions were presented in February and March 2009. Best practice notes and guidelines were also developed and provided to staff.

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

## Workplace Health and Safety

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

ACTEW's workplace health and safety program, *Always Safe* (previously *Lifeguard*), is an integrated health, safety and environment (HSE) management system based on International and Australian/New Zealand standards for occupational health, safety and environment management. The program is guided by an annual HSE action plan. The plan outlined fifteen action items all of which were implemented or are ongoing. An external audit of the program undertaken in November 2008 reported a 90% compliance.

ACTEW has a HSE Working Group which is made up of employee and employer representatives and ActewAGL's Manager Safety. The Working Group met ten times during the year.

*ACTive*, a free health and wellness program offers a range of activities and professional assistance to assist employees manage their health and wellness. During the year fitness assessments, free flu vaccinations, men's and women's information sessions as well as briefings on nutrition and personal fitness training were provided to staff.

## Community Grants/Assistance/Sponsorship

ACTEW provided support to the following recipients:

No.	Recipient	Purpose	Amount
1	Canberra Symphony Orchestra	Grand Gala Concert and Llewellyn Concert Series	\$40,000
2	Barnardos	Sponsorship of golf fundraising day	\$15,000
3	Australian National Eisteddfod	National Aria Competition	\$10,000
4	National Breast Cancer Foundation	"Pink Dinner" fundraising event	\$10,000
5	Malkara School	Donation to fundraising dinner	\$5,000
6	Australian Water Association ACT Branch	Two student research prizes	\$1,000
7	The Salvation Army	Donation	\$5,000
8	Australian Red Cross	Donation	\$5,000
9	The Smith Family	Donation	\$5,000
10	St Vincent de Paul Society	Donation	\$5,000
11	Cancer Council ACT	Donation	\$5,000
12	Lifeline Canberra	Donation	\$5,000
13	Artists Society of Canberra	<i>Along the Molonglo</i> annual art exhibition	\$1,500
14	Queanbeyan Art Society	<i>Along the Molonglo</i> annual art exhibition	\$500
15	artsACT	Glassworks smokestack gallery and public artwork	\$50,000
16	Softball ACT	International Skins Tournament	\$5,000

17	Institute of Engineers (ACT)	Heritage Week	\$5,000
18	Australian War Memorial	Christmas Carols Concert	\$35,000
19	Gold Creek Cougar Cricket Team	Sponsorship	\$800
20	Australian Science Festival	Co-sponsorship of the ActWAGL's <i>Amazing World of Science</i>	\$75,000
21	CAT Awards	Sponsorship of annual awards	\$2,000
22	Royal National Capital Agricultural Society	Sponsorship of National Wine Show Trophy	\$1,500
23	Department of Veterans' Affairs	Sponsorship of annual Legacy Golf Day	\$500
24	Eden Monaro Cancer Support Group	Charity Golf Day and Sports Dinner	\$1,100
25	ACT Heart Foundation	Donation	\$1,500
26	Canberra Legacy	Sponsorship of ANZAC Concert	\$2,000
27	Yass Race Club	Sponsorship of Annual Picnic Race Day	\$1,000
28	Vietnam Veterans Motorcycle Club	Sponsor Canberra and Cooma Hospitals Charity Fundraising	\$2,000
29	Hawker Primary School P&C Association	Donation of 200 water saver kits for school fete	\$-
30	Arboretum	Sponsorship of Bird's Nest	\$8,400
31	Queanbeyan City Council	World Environment Day Expo	\$5,000
32	Jazz Uncovered	Fundraising event for "Wellwishers" Humanitarian Aid	\$500
33	Department of Veterans' Affairs	Sponsorship of Kokoda Track Walk	\$6,000
34	ACT Schools' Rugby League	International Schoolboys U18 Rugby League Test Match	\$7,500
35	Calisthenics ACT	Sponsorship of ACT team to participate in national championships	\$2,500
36	Canberra International Music Festival	Sponsorship of Festival	\$5,000
37	Bell Shakespeare Company	<i>Hearts in a Row</i> Access Program	\$10,000
38	Pegasus Riding for the Disabled	Donation	\$5,000
39	Canberra Cancerians	Fundraising Ball	\$2,750

## Territory Records

During the year ACTEW continued to implement a training program for continuous improvement. A brochure *Get it right – managing, keeping and using records* was published and provided to all staff. The draft Records Management Procedures include arrangements for preserving records

containing information that allow Aboriginal and Torres Strait Islander peoples to establish links with their heritage.

ACTEW has assessed those records to which Section 28 of the Act should apply. Steps are being undertaken to finalise several Section 28 declarations to be submitted to the Director of Territory Records.

ACTEW has a Records Management Program that will be submitted to the Director of Territory Records following the approval of Records Disposal Schedules. Records Management Procedures are being finalised and reviewed by management before approval by the Principal Officer.

The approved list of specific Records Disposal Schedules includes:

<b>Records Disposal Schedule Name</b>	<b>Effective</b>	<b>Year and No</b>
Business Development Records	9/1/2009	N12009-9
Corporate Governance Records	9/1/2009	N12009-10
Water Management Records	14/9/2007	N12007-281
Sewerage Management Records	14/9/2007	N12007-282

## **Human Rights Act**

ACTEW's *Human Rights Policy Statement* outlines the Corporation's commitment to respecting and protecting human rights and applies to all operations and functions. There were no reports of matters or activities which contravened the Act during the year.

## **Commissioner for the Environment**

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

# Financial Statements



# **ACTEW Corporation Limited**

ABN 86 069 381 960

**General Purpose**

## **Financial Report**

**For the year ended 30 June 2009**

**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. The financial report is presented in the Australian currency.**

**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

A description of the nature of the consolidated entity's operations and its principal activity is included in the Company Profile on page 5 of the Annual Report and in the directors' report on pages 2 to 7.

The financial report was authorised for issue by the directors on 1 September 2009. The directors have the power to amend and reissue the financial report.

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**ACTEW Corporation Limited and Controlled Entities  
Directors' Report  
For the year ended 30 June 2009**

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 2009.

**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:

- John Angus Mackay AM, Chairman
- Michael Bernard Easson AM, Deputy Chairman
- Kevin Leslie Neil
- Mark Anthony Sullivan AO (director from 28 July 2008)
- Edward William Mathews PSM
- Elizabeth Anne Whitelaw
- Barbara Mary Byrne OAM (ceased 15 August 2009)

Refer to page 20 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 reporting, 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**

Nine directors' meetings were held during the financial year. The Audit and Risk Management Committee met five times during the year. The entire ACTEW Board meets as the Remuneration Committee. The Remuneration Committee did not meeting during the year due to the timing of board meetings, however it did meet in June 2008 and July 2009.

<b>Director</b>	<b>ACTEW Board Meetings</b>	<b>Audit &amp; Risk Management Committee Meetings</b>	<b>Remuneration Committee Meetings</b>
J A Mackay	9 <b>(9)</b>	-	-
M B Easson	9 <b>(9)</b>	5 <b>(5)</b>	-
K L Neil	9 <b>(9)</b>	4 <b>(5)</b>	-
M A Sullivan	9 <b>(9)</b>	-	-
E W Mathews	8 <b>(9)</b>	5 <b>(5)</b>	-
E A Whitelaw	8 <b>(9)</b>	-	-
B M Byrne	7 <b>(9)</b>	3 <b>(5)</b>	-

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

### **Principal Activities**

The principal activities of ACTEW during the year were to:

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

The principal activities of the subsidiary companies were as follows:

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

## Review and results of operations

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

	2009 \$ million	2008 \$ million
Revenue (excludes ActewAGL joint venture profits)	239.5	210.8
Profit before income tax expense	100.9	109.4
Income tax	28.1	33.5
Profit for the year	72.8	75.9
Payments to ACT Government:		
Interim dividend for current years profit	55.6	57.0
Final dividend for previous years profit	19.0	13.7
	74.6	70.7
Tax equivalent payments	15.9	14.9
Total payments to ACT Government	90.5	85.6

Revenue is higher than prior year mainly from the new regulatory period which allowed recovery of ACTEW's investment in projects to secure Canberra's water supply security during continuing drought. There was also higher interest revenue from the net \$235m debt raising in June 2008 resulting in higher short term liquids.

Profit for the year decreased compared to prior year mainly due costs incurred on the Water Purification/Salt Reduction Scheme as part of Water Security Major Projects recorded as an expense under accounting standards.

### Dividends

An interim dividend of \$55.6m (2008 interim: \$56.9m) was paid in June 2009. The directors have recommended the payment of a 2008-09 final dividend of \$17.1m (2008 final: \$18.9m).

### Significant changes in the state of affairs

ACTEW extended the Indexed Annuity Bond 2048 borrowing and received a further \$96.8m in June 2009 to fund future capital works projects and expenditure mainly for water security major projects.

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

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

### Likely developments and expected results of operations

Relevant issues are treated elsewhere in this report.

## Regulation and Licence Compliance

### Utility Services Licence

ACTEW must comply with the obligations set out in the Utility Services Licence which was issued by the Independent Competition and Regulatory Commission (ICRC) under the *Utilities Act 2000* on 29 June 2001. On 30 September 2008 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 2008-09. Compliance details were:

	Compliance 2008-09	Target
Googong pollution control licence compliance *	99.3%	100%
Sewage treatment discharge compliance**	88.8%	100%
Sewage treatment incinerator air emission compliance ***	99.3%	100%

\* Googong pollution control licence period runs from 15 August 2008 to 14 August 2009. A minor overflow of the Googong sludge lagoons occurred on 21 March 2009. EPA NSW advised that this event was a breach of the licence but no regulatory action would arise as a result of this. Modifications to the lagoons are being undertaken to avoid the problem in future.

\*\* Non compliances were experienced with the secondary treatment process at Lower Molonglo Water Quality Control Centre due to a combination of weather and flow conditions. An upgrade of the secondary treatment is currently underway which will improve process controls and biological nutrient removal as well as the capacity of the facility. A research project is also underway to model the very complex processes and biology involved in treatment to better understand what triggers these events.

\*\*\* Lower Molonglo Water Quality Control Centre's non compliances with stack emissions were of short duration, generally less than one hour. A review of incinerators is currently underway to identify means to improve performance.

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 2007*, 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 will be provided to the EPA in October 2009 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 with the exception of one incident in October 2008 that was not filed on time.

### **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 11.

## Rounding of amounts

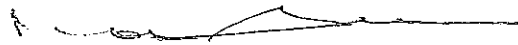
In accordance with Class Order 98/0100 issued by the Australian Securities and Investments Commission, all amounts in this report and the financial statements have been rounded to the nearest thousand dollars unless otherwise specifically stated.

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



John A Mackay AM  
Chairman

Canberra  
1 September 2009



Mark Sullivan AO  
Managing Director

Canberra  
1 September 2009



*ACTEW Corporation Limited and Controlled Entities*

**Directors' Declaration  
for the year ended 30 June 2009**

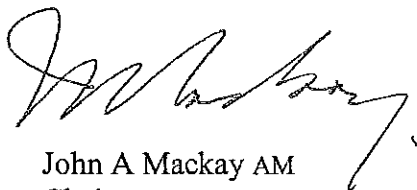
The directors declare that the financial report and notes set on pages 12 to 56:

- 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 company and consolidated entity's financial position as at 30 June 2009 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:

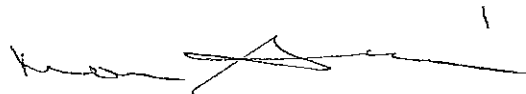
- a) the financial report and notes are in accordance with the *Corporations Act 2001*.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



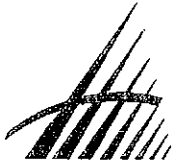
John A Mackay AM  
Chairman

Canberra  
1 September 2009



Mark Sullivan AO  
Managing Director

Canberra  
1 September 2009



## ACT AUDITOR-GENERAL'S OFFICE

### INDEPENDENT AUDIT REPORT ACTEW CORPORATION LIMITED

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

#### **Report on the financial report**

I have audited the financial report of ACTEW Corporation Limited (the Company) for the year ended 30 June 2009. The financial report is comprised of the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes and the directors' declaration for the Company and the consolidated entity.

The consolidated entity is comprised of ACTEW Corporation Limited and the entities it controlled at the end of, or during the financial years ended 30 June 2008 and 30 June 2009.

#### **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 maintaining 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.

#### **The auditor's responsibility**

My responsibility is to express an independent audit opinion on the financial report of the Company based on my audit as required by the *Corporations Act 2001*.

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

I formed the audit opinion by performing audit procedures to obtain evidence about the amounts and disclosures in the financial report. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial report, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

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

The audit is not designed to provide assurance on the prudence of decisions made by the Company and the consolidated entity.

### **Electronic presentation of the audited financial report**

Those viewing an electronic presentation of this financial report should note that the 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**

I followed applicable independence requirements of Australian professional ethical pronouncements in conducting the audit.

### **Audit opinion**

In my opinion:

- (a) the financial report of the Company is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company and the consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the consolidated financial report complies with International Financial Reporting Standards as disclosed in Note 1.

The audit opinion should be read in conjunction with the above information.



Tu Pham  
Auditor-General  
(0 September 2009



## ACT AUDITOR-GENERAL'S OFFICE



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

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

In relation to the audit of the financial report of ACTEW Corporation Limited for the year ended 30 June 2009, 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  
1 September 2009

## Income Statement

For the year ended 30 June 2009

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from continuing operations	5	220,255	189,475	278,192	236,239
Other income	6	19,253	21,330	19,253	21,330
		<u>239,508</u>	<u>210,805</u>	<u>297,445</u>	<u>257,569</u>
ACT Government charges		28,051	27,742	28,051	27,742
Employment and associated costs		6,655	6,311	6,655	6,311
Depreciation and amortisation expense	7	31,258	29,464	31,258	29,464
Finance costs	7	37,020	26,654	37,020	26,654
Project related expenses		108,260	77,153	108,260	77,153
Investments in associates' equity accounted losses	39	321	787	321	787
Impairment of investments		(321)	(787)	(321)	(787)
Impairment of assets		2,567	-	2,567	-
Other expenses arising from ordinary activities		5,323	3,429	5,297	3,399
Share of net (profit) of joint ventures partnership accounted for using the equity method	40	(80,517)	(69,345)	-	-
<b>Profit before income tax</b>		<b>100,891</b>	<b>109,397</b>	<b>78,337</b>	<b>86,846</b>
Income tax expense	8	28,098	33,500	6,024	11,426
<b>Profit for the year</b>		<b><u>72,793</u></b>	<b><u>75,897</u></b>	<b><u>72,313</u></b>	<b><u>75,420</u></b>

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

ACTEW Corporation Limited and Controlled Entities

**Balance Sheet**

As at 30 June 2009

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	10	110,669	108,764	110,669	108,764
Loans and receivables	11	63,236	95,900	63,236	95,900
Trade and other receivables	12	36,516	36,957	117,667	105,508
Other	13	18,459	17,027	18,459	17,027
<b>Total Current Assets</b>		<b>228,880</b>	<b>258,648</b>	<b>310,031</b>	<b>327,199</b>
<b>Non-Current Assets</b>					
Trade and other receivables	14	-	-	305,880	298,441
Held-to-maturity investments	15	7,000	15,001	7,000	15,001
Investments accounted for using the equity method	16	459,035	437,291	1,250	1,250
Derivative financial instrument	17	-	1,124	-	1,124
Other financial assets	18	-	-	1,400	1,400
Property, plant and equipment	19	1,378,726	1,276,960	1,378,726	1,276,960
Other	20	-	251	-	251
Deferred tax assets	21	21,117	19,759	7,806	9,124
Intangible assets	22	17,708	-	17,708	-
<b>Total Non-Current Assets</b>		<b>1,883,586</b>	<b>1,750,386</b>	<b>1,719,770</b>	<b>1,603,551</b>
<b>TOTAL ASSETS</b>		<b>2,112,466</b>	<b>2,009,034</b>	<b>2,029,801</b>	<b>1,930,750</b>
<b>Current Liabilities</b>					
Trade and other payables	23	43,770	28,913	43,734	28,887
Borrowings	24	16,539	11,572	16,539	11,572
Provisions	25	36,426	36,546	36,426	36,546
Other	26	5,536	1,694	5,536	1,694
<b>Total Current Liabilities</b>		<b>102,271</b>	<b>78,725</b>	<b>102,235</b>	<b>78,699</b>
<b>Non-Current Liabilities</b>					
Borrowings	27	673,638	590,235	673,638	590,235
Derivative financial instrument	17	3,114	-	3,114	-
Provisions	28	1,487	1,831	1,487	1,831
Deferred tax liability	29	333,196	324,429	269,683	264,728
<b>Total Non-Current Liabilities</b>		<b>1,011,435</b>	<b>916,495</b>	<b>947,922</b>	<b>856,794</b>
<b>TOTAL LIABILITIES</b>		<b>1,113,706</b>	<b>995,220</b>	<b>1,050,157</b>	<b>935,493</b>
<b>NET ASSETS</b>		<b>998,760</b>	<b>1,013,814</b>	<b>979,644</b>	<b>995,257</b>
<b>Equity</b>					
Contributed equity	30	758,871	758,871	758,871	758,871
Reserves	31	232,088	247,142	192,363	207,417
Retained profits	32	7,801	7,801	28,410	28,969
<b>TOTAL EQUITY</b>		<b>998,760</b>	<b>1,013,814</b>	<b>979,644</b>	<b>995,257</b>

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

## Cash Flow Statement

For the year ended 30 June 2009

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
		Inflows / (Outflows)		Inflows / (Outflows)	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers (inclusive of goods & services tax)		220,519	188,812	220,519	188,812
Payments to suppliers and employees (inclusive of goods & services tax)		(144,557)	(116,916)	(144,557)	(116,916)
Sub-Total		75,962	71,896	75,962	71,896
Interest received		12,526	3,386	12,526	3,386
Income tax equivalents paid		(15,850)	(14,946)	(15,850)	(14,946)
Interest paid		(38,334)	(27,170)	(38,334)	(27,170)
<b>Net Cash Inflow from Operating Activities</b>	41	<b>34,304</b>	<b>33,166</b>	<b>34,304</b>	<b>33,166</b>
<b>Cash Flows from Investing Activities</b>					
Payments for property, plant and equipment		(127,899)	(63,100)	(127,899)	(63,100)
Payments for intangibles		(17,708)	-	(17,708)	-
Distribution received from joint venture partnerships		58,773	56,500	58,773	56,500
Net proceeds/(payments) for investments		8,001	2,115	8,001	2,115
<b>Net Cash Outflow from Investing Activities</b>		<b>(78,833)</b>	<b>(4,485)</b>	<b>(78,833)</b>	<b>(4,485)</b>
<b>Cash Flows from Financing Activities</b>					
Repayment of borrowings		(8,426)	(76,573)	(8,426)	(76,573)
Proceeds from borrowings		96,796	300,000	96,796	300,000
Dividend paid		(74,600)	(70,683)	(74,600)	(70,683)
<b>Net Cash Inflow from Financing Activities</b>		<b>13,770</b>	<b>152,744</b>	<b>13,770</b>	<b>152,744</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(30,759)</b>	<b>181,425</b>	<b>(30,759)</b>	<b>181,425</b>
<b>Cash and Cash Equivalents at the Beginning of the Financial Year</b>		<b>204,664</b>	<b>23,239</b>	<b>204,664</b>	<b>23,239</b>
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	10,11	<b>173,905</b>	<b>204,664</b>	<b>173,905</b>	<b>204,664</b>

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

## Statement of Changes in Equity

For the year ended 30 June 2009

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total Equity at the Beginning of the Financial Year		1,013,814	1,013,231	995,257	995,151
ACTEW China loan forgiven		-	-	(79)	-
Fixed asset revaluation increment net of tax	31	(12,193)	145	(12,193)	145
Changes in the fair value of cash flow hedges, net of tax	31	(2,861)	438	(2,861)	438
Profit for the year		72,793	75,897	72,313	75,420
Total recognised income and expense for the year		57,739	76,480	57,180	76,003
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid		(72,793)	(75,897)	(72,793)	(75,897)
		(72,793)	(75,897)	(72,793)	(75,897)
Total Equity at the End of the Financial Year		998,760	1,013,814	979,644	995,257

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 2009

### Note 1: Summary of significant accounting policies

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

#### (a) Basis of preparation

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

##### *Compliance with IFRSs*

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

##### *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.

##### *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 Ltd as at 30 June 2009 and the results of all subsidiaries for the year then ended. ACTEW Corporation Ltd 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of ACTEW Corporation Ltd. 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 2009

### Note 1: Summary of significant accounting policies

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#### (ii) Associates

Associates are all entities over which ACTEW Corporation has 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 Group's 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 are 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 40.

##### *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 40.

#### (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 Jemena Networks (ACT) Pty Ltd being 50% owner of the ActewAGL Distribution Partnership. The majority of employees of ACTEW Corporation have been seconded to the Partnership. The Partnerships reimburse 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 2009

### 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 replacement cost.

#### (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 replacement cost of those assets.

## Notes to the Financial Statements

For the year ended 30 June 2009

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

#### (g) Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance 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 director's 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% (2008 - 10.14%).

At 30 June 2009, 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 (2008: \$59.5million). This provision is reviewed annually. (Refer Note 16)

#### (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 2009

### 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 (Refer 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.

##### *Financial assets - reclassification*

A non-derivative trading financial asset may be reclassified out of the available-for-sale category if the financial asset is no longer held for the purpose of selling it in the near term. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### *Change in accounting policy*

ACTEW Corporation has adopted the policy of reclassifying financial assets out of the available-for-sale category to held-for-maturity for the current reporting period following amendments made to AASB 139 *Financial Instruments: Recognition and Measurement* in October 2008. These financial assets are valued at amortised cost. Refer to Note 15.

##### *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.

**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**

*Water Licences*

Under the Tantangara Transfer project, water is purchased and transferred from the Murrumbidgee Regulated River System and stored and released from Tantangara Reservoir in the Snowy Mountains Scheme, to the ACT. ACTEW Corporation commence purchase of water licences in mid-2009. Water licences are recognised at cost less impairment losses. Water licences have an infinite useful life and are thus not subject to amortisation, but are tested for impairment by comparing their recoverable amount with their carrying amount. Water licences are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired.

**(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 24 and 27.

**(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 2009

### 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 seven years or greater is recognised as a current provision for employee benefits. Long service leave less than seven 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 2008-09 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 2009. This payment is made to the ACT Department of 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 the ACT Department of 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 17. Movements in the hedging reserve in reserves are shown in Note 31.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 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

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 have been published that are not mandatory for 30 June 2009 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.*

The revised AASB 8 is applicable to annual reporting periods commencing on or after 1 January 2009. 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. 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*

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.

##### *(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 will apply the revised standard from 1 July 2009.

##### *(iv) AASB 7 Amendments to Financial Instrument Disclosures*

The revised AASB 7 is applicable to annual reporting periods commencing on or after 1 January 2009. Additional disclosure is required on fair value measurement of financial instruments and enhanced disclosure on liquidity risk is required, primarily a separate liquidity risk analysis for derivatives and non-derivative financial liabilities. The Group will apply the revised standards from 1 July 2009.



ACTEW Corporation Limited and Controlled Entities  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

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

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**(x) New accounting standards and UIG interpretations (continued)**

The following is a listing of pronouncements that are not mandatory for reporting periods 30 June 2009 and does not impact the Group:

- (i) AASB 2008-6 and 2008-5 Amendments arising from the first annual improvements project*
- (ii) AASB 3 Business combinations (revised), AASB 127 Consolidated and separate financial statements (revised) and AASB 2008-3 Amendments arising from the revisions to AASB 3 and AASB 127*
- (iii) Interpretation 15 Agreements for the construction of real estate*
- (iv) AASB 2008-8 Amendments to accounting for eligible hedged items*
- (v) AASB 2008-7 Amendments to accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate*
- (vi) AASB 2008-2 Amendments to accounting for puttable financial instruments and obligations arising on liquidation*
- (vii) AASB 2008-1 Amendments to accounting for share-based payments, specifically vesting conditions and cancellations*
- (viii) Interpretation 18 Transfers of Assets from customers*
- (ix) Interpretation 16 Hedges of a net investment in a foreign operation*
- (x) Interpretation 17 Hedges of a net investment in a foreign operation*

Below is a listing of pronouncements that are mandatory for the first time in 30 June 2009 reporting periods but does not impact the Group:

- (i) AASB 2008-10 Reclassification of Financial Assets (AASB 139 Financial instruments: recognition and measurement and AASB 7 Financial instruments: disclosures)*
- (ii) AASB 139 Amendments on Embedded Derivatives*
- (iii) Interpretation 12 Service concession arrangements*
- (iv) Interpretation 13 Customer loyalty programmes*
- (v) Interpretation 14 The limit on a defined benefit asset, minimum funding requirements and their interaction*
- (vi) AASB 1049 Whole of government and general government sector financial reporting*
- (vii) AASB 1052 Disaggregated disclosures*
- (viii) AASB 1050 Administered items*
- (ix) AASB 2007-9 Amendments arising from the review of AAS 27, AAS 29 and AAS 31*
- (x) AASB 1051 Land under roads*
- (xi) AASB 1004 Contributions*

## Notes to the Financial Statements

For the year ended 30 June 2009

### 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:

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial assets</b>					
Cash and cash equivalents	10	110,669	108,764	110,669	108,764
Loans and receivables	11	63,236	95,900	63,236	95,900
Trade and other receivables	12	36,516	36,957	117,667	105,508
Held-to-maturity investments	15	7,000	15,001	7,000	15,001
Other financial assets	18	-	-	1,400	1,400
		<u>217,421</u>	<u>256,622</u>	<u>299,972</u>	<u>326,573</u>
<b>Financial liabilities</b>					
Trade and other payables	23	43,770	28,913	43,734	28,887
Borrowings	24,27	690,177	601,807	690,177	601,807
		<u>733,947</u>	<u>630,720</u>	<u>733,911</u>	<u>630,694</u>

#### (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 2009 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 2009 \$215.8 million was outstanding.

##### (2) Indexed annuity bond

On 12 of June 2008 ACTEW raised a \$300 million CPI linked Indexed Annuity Bond (IAB) and a further \$97 million on 3 June 2009 (maturity date 12 June 2048). At 30 June 2009, \$399 million was outstanding.

##### (3) Liability interest rate swap contract

ACTEW's loan from the ACT Government bears a variable interest rate based on 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 2009, the notional principal amount is \$70 million (2008 - \$70 million) and the interest rate swap contract will expire within 3 years (2008 - 4 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 2009

### Note 2: Financial risk management (continued)

#### (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 27 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. The securities listed below with less than an "A-" rating have had credit ratings downgraded after purchase. 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Trade Receivables</b>				
- Unbilled revenue	11,015	8,725	11,015	8,725
- Current Receivables	15,931	15,789	15,931	15,789
- Past Due Receivables	8,666	8,295	8,666	8,295
- Provision for Impairment	(482)	(113)	(482)	(113)
<b>Total Trade Receivables</b>	<b>35,130</b>	<b>32,696</b>	<b>35,130</b>	<b>32,696</b>
<b>Bad Debts Written off</b>	<b>25</b>	<b>24</b>	<b>25</b>	<b>24</b>
The spread of rated investments is as follows:				
<b>Cash at bank and short-term deposits</b>				
- AAA	14,137	-	14,137	-
- AA	-	1,000	-	1,000
- A3	4,993	-	4,993	-
- A2	30,000	-	30,000	-
- A1+	49,578	101,061	49,578	101,061
- A1	11,961	6,703	11,961	6,703
	<b>110,669</b>	<b>108,764</b>	<b>110,669</b>	<b>108,764</b>
<b>Short term investments</b>				
- A1+	-	95,900	-	95,900
- A1	60,000	-	60,000	-
- AA-	2,000	-	2,000	-
- Non	1,236	-	1,236	-
	<b>63,236</b>	<b>95,900</b>	<b>63,236</b>	<b>95,900</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 2: Financial risk management (continued)

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Held-to-maturity investments</b>				
- AAA	-	5,528	-	5,528
- AA+	-	1,000	-	1,000
- AA	-	4,000	-	4,000
- AA-	1,000	1,473	1,000	1,473
- A+	-	2,000	-	2,000
- A	1,000	1,000	1,000	1,000
- BBB	1,000	-	1,000	-
- BB+	2,000	-	2,000	-
- BBB-	2,000	-	2,000	-
	<b>7,000</b>	<b>15,001</b>	<b>7,000</b>	<b>15,001</b>

#### (c) Liquidity risk

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

As at 30 June 2009, the Group no longer has a bank overdraft facility (2008: \$8 million) and hence did not have any undrawn borrowing facilities (2008: \$Nil).

The Group has increased its gearing ratio to 41% (2008: 37%) following the raising of an additional \$97 million indexed bond in June 2009.

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

Group - At 30 June 2009	Less than	6-12	Between 1	Between 2	Over 5	Total	Carrying
	6 months	months	and 2 years	and 5 years	years	contractual cash flows	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	43,770	-	-	-	-	43,770	43,770
Variable rate	18,216	18,437	37,563	118,442	904,334	1,096,992	614,826
Fixed rate	2,350	2,234	1,330	-	-	5,914	5,351
<b>Total non-derivatives</b>	<b>64,336</b>	<b>20,671</b>	<b>38,893</b>	<b>118,442</b>	<b>904,334</b>	<b>1,146,676</b>	<b>663,947</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	71,292	-	79,901	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>71,292</b>	<b>-</b>	<b>79,901</b>	<b>70,000</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 2: Financial risk management (continued)

Group - At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	28,913	-	-	-	-	28,913	28,913
Variable rate	17,641	17,875	36,452	115,310	865,398	1,052,676	522,364
Fixed rate	2,583	4,817	3,569	-	-	10,969	13,535
<b>Total non-derivatives</b>	<b>49,137</b>	<b>22,692</b>	<b>40,021</b>	<b>115,310</b>	<b>865,398</b>	<b>1,092,558</b>	<b>564,812</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	75,596	-	84,205	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>75,596</b>	<b>-</b>	<b>84,205</b>	<b>70,000</b>
<b>ACTEW Corporation Ltd - At 30 June 2009</b>							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Non-interest bearing	43,734	-	-	-	-	43,734	43,734
Variable rate	18,216	18,437	37,563	118,442	904,334	1,096,992	614,826
Fixed rate	2,350	2,234	1,330	-	-	5,914	5,351
<b>Total non-derivatives</b>	<b>64,300</b>	<b>20,671</b>	<b>38,893</b>	<b>118,442</b>	<b>904,334</b>	<b>1,146,640</b>	<b>663,911</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	2,152	2,152	4,305	71,292	-	79,901	70,000
<b>Total derivatives</b>	<b>2,152</b>	<b>2,152</b>	<b>4,305</b>	<b>71,292</b>	<b>-</b>	<b>79,901</b>	<b>70,000</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 2: Financial risk management (continued)

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

#### (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 2009

### Note 3: Critical accounting judgements and estimates

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#### *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 2009 amount totalled \$11 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 2009 (2008: \$1.4 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% (2008: 10.14%). This valuation method determined a \$20m impairment of the water network assets. This impairment charge has been allocated to gifted assets of \$3 million in the income statement (equal the value of water network assets received during 2008-09) and the remaining \$17 million has been recorded as a decrement to the asset revaluation reserve and deferred tax asset.

### Note 4: Segment information

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#### **Business segments**

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

#### *Water and wastewater*

The supply of water and the provision of sewerage services.

#### *Investments*

This segment includes activities of the wholly owned subsidiaries, and investing activities of the parent company.

#### *Unallocated*

This segment includes corporate activities 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 I(w) 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 2009

### 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 Jemena Networks (ACT) Pty Ltd 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 2009

### Note 4: Segment information (continued)

#### Primary reporting - business segments

Year ended 30 June 2009

	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
<i>Income statement</i>				
Sales to external customers	121,989	88,520	-	210,509
Other revenue	8,373	13,011	81,791	103,175
Total segment revenue	130,362	101,531	81,791	313,684
Segment result (excluding interest, gifted assets, impairment and tax expense)	20,643	32,764	80,731	134,138
Tax expense	653	5,372	22,073	28,098
Segment result for the year	18,520	2,004	52,269	72,793
<i>Balance Sheet</i>				
Segment assets	875,508	752,425	484,533	2,112,466
Segment liabilities	520,703	387,825	205,178	1,113,706
Investments in associates and joint venture partnership	-	-	459,035	459,035
<i>Other</i>				
Acquisition of property, plant and equipment	92,208	53,872	-	146,080
Depreciation and amortisation	14,434	16,824	-	31,258
Impairment of assets	2,567	-	-	2,567

ACTEW Corporation Limited and Controlled Entities  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

**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
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

ACTEW Corporation Limited and Controlled Entities  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

**Note 5: Revenue from continuing operations**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Sales revenue</b>					
Water revenue		120,357	101,224	120,357	101,224
Sewerage revenue		87,995	84,207	87,995	84,207
		<b>208,352</b>	<b>185,431</b>	<b>208,352</b>	<b>185,431</b>
<b>Other revenue</b>					
Interest		11,903	4,044	11,903	4,044
Dividend revenue		-	-	57,937	46,764
	a	<b>220,255</b>	<b>189,475</b>	<b>278,192</b>	<b>236,239</b>

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

**Note 6: Other income**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Commonwealth subvention	a	9,818	9,643	9,818	9,643
Contributed assets		6,341	9,040	6,341	9,040
Regulated income		1,626	1,487	1,626	1,487
Contestable income		38	38	38	38
Other income		1,430	1,122	1,430	1,122
		<b>19,253</b>	<b>21,330</b>	<b>19,253</b>	<b>21,330</b>

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.

ACTEW Corporation Limited and Controlled Entities  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

**Note 7: Expenses**

Operating profit from ordinary activities includes the revenues disclosed in Note 5 and 6 above and the following specific net expenses:

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
Finance costs	37,020	26,654	37,020	26,654
Depreciation:				
Water system assets	14,276	13,588	14,276	13,588
Sewerage system assets	16,666	15,538	16,666	15,538
Infrastructure land and buildings	6	13	6	13
Non-infrastructure land and buildings	259	315	259	315
Plant and equipment	51	10	51	10
<b>Total Depreciation</b>	<b>31,258</b>	<b>29,464</b>	<b>31,258</b>	<b>29,464</b>
Rental expenses relating to operating leases	300	147	300	147
Impairment losses - financial assets - trade receivables	369	37	369	37
Impairment losses - assets	2,567	-	2,567	-

ACTEW Corporation Limited and Controlled Entities  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

**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	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Income tax expense</b>					
Current tax		15,181	12,900	(8,034)	(5,164)
Decrease/(Increase) in deferred tax asset	21	(3,043)	(235)	385	681
(Decrease)/Increase in deferred tax liabilities	29	17,218	19,620	13,404	16,032
Adjustment to prior year		(1,258)	1,215	269	(123)
		<u>28,098</u>	<u>33,500</u>	<u>6,024</u>	<u>11,426</u>

Income tax expense is attributable to:

Profit from continuing operations		28,098	33,500	6,024	11,426
Aggregate income tax expense		<u>28,098</u>	<u>33,500</u>	<u>6,024</u>	<u>11,426</u>

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

Profit from continuing operations before income tax equivalents		100,891	109,397	78,337	86,846
Income tax calculated at 30%		<u>30,267</u>	<u>32,819</u>	<u>23,501</u>	<u>26,054</u>

**Tax effect of permanent differences:**

Over provision prior years					
Intercompany dividends		-	-	(17,381)	(14,029)
Non-deductible expenses		(279)	108	(365)	47
Research and development		-	(523)	-	(523)
Adjustment to prior year income tax expense		(1,890)	1,096	269	(123)
<b>Income tax expense</b>		<u>28,098</u>	<u>33,500</u>	<u>6,024</u>	<u>11,426</u>

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

Deferred tax liability - credited directly to equity during the reporting period (note 29)		(6,497)	101,692	(6,497)	84,667
		<u>(6,497)</u>	<u>101,692</u>	<u>(6,497)</u>	<u>84,667</u>

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

ACTEW Corporation Limited and Controlled Entities  
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**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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance	18,950	13,736	18,950	13,736
Amount appropriated from operating profit	72,793	75,897	72,313	75,420
	91,743	89,633	91,263	89,156
Amount transferred from retained profits	-	-	-	477
Amount paid during the year	(74,600)	(70,683)	(74,600)	(70,683)
Closing balance	17,143	18,950	16,663	18,950

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

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and on hand	12,137	4,716	12,137	4,716
Short-term deposits	98,532	104,048	98,532	104,048
<b>Cash and cash equivalents</b>	<b>110,669</b>	<b>108,764</b>	<b>110,669</b>	<b>108,764</b>
Loans and receivables	63,236	95,900	63,236	95,900
<b>Cash as per statement of cash flows</b>	<b>173,905</b>	<b>204,664</b>	<b>173,905</b>	<b>204,664</b>

a) The cash flow statement includes cash on hand and in banks and short-term money market investments with maturities of three months or less and interest rates for cash at bank and deposits.

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**Note 11: Loans and receivables**

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term deposits	63,236	95,900	63,236	95,900
<b>Total loans and receivables</b>	<b>63,236</b>	<b>95,900</b>	<b>63,236</b>	<b>95,900</b>

a) Short-term deposits are investments that have a maturity dates between 3 to 12 months. These securities are held at amortised cost and have interest rates between 3.31% and 4.85%.

**Note 12: Current assets - trade and other receivables**

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Water revenue receivable	22,847	19,098	22,847	19,098
Sewerage revenue receivable	10,641	10,959	10,641	10,959
Other trade receivables	2,125	2,753	2,125	2,752
Allowance for impairment of receivables	(482)	(113)	(482)	(113)
Sub total trade receivables	35,131	32,696	35,131	32,696
Sundry receivables and accrued revenue	1,385	4,139	1,385	4,139
Sundry receivables and accrued revenue - related parties	-	-	81,151	68,551
Prepayments	-	122	-	122
Sub total sundry debtors	1,385	4,261	82,536	72,812
<b>Total trade receivables</b>	<b>36,516</b>	<b>36,957</b>	<b>117,667</b>	<b>105,508</b>

**(a) Impaired trade receivables**

The group has recognised a loss of \$25,000 (2008: \$24,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2009. The loss has been included in 'other expenses' in the income statement.

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

	Consolidated	
	2009 \$'000	2008 \$'000
At 1 July	113	76
Allowance for impairment recognised / (released) during the year	394	61
Receivables (written off) / recovered during the year as uncollectible	(25)	(24)
	<b>482</b>	<b>113</b>

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

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

As at 30 June 2009, trade receivables of \$8,666,000 (2008 - \$8,296,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Up to 3 months	3,810	4,339	3,810	4,339
3 to 6 months	2,298	1,958	2,298	1,958
Over 6 months	2,558	1,999	2,558	1,999
	<b>8,666</b>	<b>8,296</b>	<b>8,666</b>	<b>8,296</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 12: Current assets - trade and other receivables (continued)

**(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 13: Current assets - other

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Employee entitlement receivable - related parties	18,459	17,027	18,459	17,027
<b>Total other assets</b>	<b>18,459</b>	<b>17,027</b>	<b>18,459</b>	<b>17,027</b>

### Note 14: Non-current assets - trade and other receivables

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Non-interest bearing loans to subsidiaries	-	-	305,880	298,441
<b>Total receivables</b>	<b>-</b>	<b>-</b>	<b>305,880</b>	<b>298,441</b>

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

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

**(b) Fair values**

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

**(c) Credit risk**

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

**(d) Repayment of loan**

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

### Note 15: Non-current assets - held-to-maturity investments

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Long-term securities	7,000	15,001	7,000	15,001
<b>Total held-to-maturity investments</b>	<b>7,000</b>	<b>15,001</b>	<b>7,000</b>	<b>15,001</b>

a) Long-term securities are held-to-maturity investments that have been reclassified from securities available-for-sale in the current reporting period. These securities are held at amortised cost and have interest rates between 3.74% and 4.89%, while maturity dates are from July 2010 to December 2010.



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For the year ended 30 June 2009

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

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Investments in joint venture partnerships	40	457,785	436,041	-	-
Investment in TransACT	39	1,250	1,250	1,250	1,250
<b>Total investments using equity method</b>		<b>459,035</b>	<b>437,291</b>	<b>1,250</b>	<b>1,250</b>

**Note 17: Derivative financial instrument**

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>				
Interest rate swap contracts - cash flow hedges	-	1,124	-	1,124
<b>Total derivative financial instruments</b>	<b>-</b>	<b>1,124</b>	<b>-</b>	<b>1,124</b>
<b>Non-current liabilities</b>				
Interest rate swap contracts - cash flow hedges	3,114	-	3,114	-
<b>Total derivative financial instruments</b>	<b>3,114</b>	<b>-</b>	<b>3,114</b>	<b>-</b>

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

ACTEW's loan from the ACT Government bears a variable interest rate based upon the 90-day bank bill swap reference rate (BBSW). Due to exposure to fluctuating interest rates ACTEW entered into an interest rate swap contract under which it 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 18: Non-current assets - other financial assets**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Investments in controlled entities	38	-	-	1,400	1,700
Investment in other entities		-	440	-	-
Investment provision for diminution	38	-	(440)	-	(300)
<b>Total other financial assets</b>		<b>-</b>	<b>-</b>	<b>1,400</b>	<b>1,400</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 19: Non-current assets - property, plant and equipment

	Construction in progress	Water	Sewerage	Infra - structure land & buildings	Non-infra - structure land & buildings	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2007</b>							
Cost	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
<b>Year ended 30 June 2008</b>							
Opening net book amount	40,588	577,392	595,523	2,658	13,204	35	1,229,400
Revaluation/(impairment)	-	57	88	-	-	-	145
Additions	68,175	-	-	-	-	-	68,175
Construction capitalised	(6,101)	3,500	2,293	-	308	-	-
Gifted assets	-	5,155	3,884	-	-	-	9,039
Transfer/adjustments	(2,396)	2,635	(560)	5	(21)	2	(335)
Depreciation charge	-	(13,588)	(15,538)	(13)	(315)	(10)	(29,464)
Closing net book amount	100,266	575,151	585,690	2,650	13,176	27	1,276,960
<b>At 30 June 2008</b>							
Cost or fair value	100,266	588,682	601,140	2,817	16,945	60	1,309,910
- Valuation	-	57	88	-	-	-	145
Accumulated depreciation	-	(13,588)	(15,538)	(167)	(3,769)	(33)	(33,095)
Net book amount	100,266	575,151	585,690	2,650	13,176	27	1,276,960
<b>Year ended 30 June 2009</b>							
Opening net book amount	100,266	575,151	585,690	2,650	13,176	27	1,276,960
Revaluation/(impairment)	-	(19,985)	-	-	-	-	(19,985)
Additions	142,077	38,699	22,803	42	4,324	216	208,161
Construction capitalised	(62,123)	-	-	-	-	-	(62,123)
Gifted assets	-	2,567	3,774	-	-	-	6,341
Transfer/adjustments	630	-	-	-	-	-	630
Depreciation charge	-	(14,276)	(16,666)	(6)	(259)	(51)	(31,258)
Closing net book amount	180,850	582,156	595,601	2,686	17,241	192	1,378,726
<b>At 30 June 2009</b>							
Cost or fair value	180,850	630,005	627,805	2,859	21,269	276	1,463,064
Valuation	-	(19,985)	-	-	-	-	(19,985)
Accumulated depreciation	-	(27,864)	(32,204)	(173)	(4,028)	(84)	(64,353)
Net book amount	180,850	582,156	595,601	2,686	17,241	192	1,378,726

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) 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 2009

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

#### Valuation

##### *Water and Sewerage non current assets*

ACTEW Corporation undertook an independent valuation 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 2009. This valuation resulted in the the water and wastewater assets being valued at \$1.4 billion, with an impairment of \$20 million of the water network assets.

##### *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 20: Non-current assets - other

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee entitlement receivable- related parties	-	251	-	251
<b>Total other</b>	<b>-</b>	<b>251</b>	<b>-</b>	<b>251</b>

**Notes to the Financial Statements**

For the year ended 30 June 2009

**Note 21: Non-current assets - deferred tax assets**

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
<b>Amounts recognised in profit and loss</b>				
Audit fees	7	5	-	-
Distributions from joint venture partnerships	13,303	10,647	-	-
Employee entitlements	6,098	5,569	6,097	5,569
Capital in progress provision	-	150	-	150
Insurance losses	30	30	30	30
Accrued Expenses	-	3,236	-	3,236
Other	1,679	122	1,679	139
<b>Total deferred tax assets</b>	<b>21,117</b>	<b>19,759</b>	<b>7,806</b>	<b>9,124</b>
Deferred tax assets to be recovered within				
12 months	21,087	18,717	7,776	8,847
Deferred tax assets to be recovered after more than				
12 months	30	1,042	30	277
	<b>21,117</b>	<b>19,759</b>	<b>7,806</b>	<b>9,124</b>
<b>Movements</b>				
Opening balance as at 1 July	19,759	13,234	9,124	5,922
Movements in the income statement	3,043	235	(385)	(680)
Adjustments to prior year tax effect balances	(1,685)	6,290	(933)	3,882
Closing balance at 30 June	<b>21,117</b>	<b>19,759</b>	<b>7,806</b>	<b>9,124</b>

**Note 22: Intangible assets**

Consolidated	Licences	Total
	\$'000	\$'000
<b>Year ended 30 June 2009</b>		
Opening net book value	-	-
Additions - acquisitions	17,708	17,708
Impairment charge	-	-
Closing net book amount	<b>17,708</b>	<b>17,708</b>
<b>At 30 June 2009</b>		
Cost	17,708	17,708
Accumulated impairment	-	-
Net book amount	<b>17,708</b>	<b>17,708</b>

Under the Tantangara Transfer project, ACTEW has purchased water licences to extract and transfer water from the Murrumbidgee Regulated River System, which is stored and released from Tantangara Reservoir in the Snowy Mountains Scheme, to the ACT.

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 23: Current liabilities - trade and other payables

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Trade payables		620	545	620	545
Other payables and accruals		41,500	24,948	41,464	24,922
Income tax payable		1,650	3,420	1,650	3,420
<b>Total payables</b>		<b>43,770</b>	<b>28,913</b>	<b>43,734</b>	<b>28,887</b>

### Note 24: Current liabilities - borrowings

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
<b>Unsecured</b>					
Loans		16,539	11,572	16,539	11,572
<b>Total borrowings</b>		<b>16,539</b>	<b>11,572</b>	<b>16,539</b>	<b>11,572</b>

#### Financing arrangements

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

Total standby facility	-	8,000	-	8,000
Used standby facility	-	-	-	-
Unused standby facility	-	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 27.

### Note 25: Current liabilities - provisions

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Employee entitlements		697	424	697	424
Employee entitlements - seconded employees		18,459	17,027	18,459	17,027
Provision for dividend	9	17,143	18,950	17,143	18,950
Workers' compensation (Pre 1989)		127	145	127	145
<b>Total provisions</b>		<b>36,426</b>	<b>36,546</b>	<b>36,426</b>	<b>36,546</b>

#### 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	
Carrying amount at start of year	18,950	145	19,095
Provisions accrued	17,143	131	17,274
Provisions paid	(18,950)	(149)	(19,099)
Carrying amount at the end of year	17,143	127	17,270

ACTEW Corporation Limited and Controlled Entities  
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**Note 26: Current liabilities - other**

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Unearned revenue	5,536	1,689	5,536	1,689
Security deposits received	-	5	-	5
<b>Total other</b>	<b>5,536</b>	<b>1,694</b>	<b>5,536</b>	<b>1,694</b>

**Note 27: Non-current liabilities - borrowings**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
<b>Unsecured</b>					
Loans		673,638	590,235	673,638	590,235
<b>Total non-current borrowings</b>	a,b	<b>673,638</b>	<b>590,235</b>	<b>673,638</b>	<b>590,235</b>

a. The main portion of total borrowings is two CPI linked indexed annuity bonds. ACTEW borrowed \$250 million on 17 April 2000 at a yield of 3.89% which matures on 17 April 2020 and \$397million, which consists of \$300 million borrowed on 12 June 2008 at a yield of 2.42% and a further \$97 million maturing on 12 June 2048 at a yield of 3.94%. The bonds are issued paying a base coupon amount, with a CPI component attached. Principal and interest payments are made quarterly with the interest component directly reflecting the movements in the CPI. As at 30 June 2009 the total principal outstanding was \$614.8 million (2008 - \$522.4 million).

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% (2008 - 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 2009 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 2009

### Note 27: Non-current liabilities - Borrowings (continued)

2009 (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	Over 5 years \$'000	
Borrowings	(614,826)	-	-	-	-	-	-	(614,826)
Commonwealth Loan	-	(4,092)	(1,259)	-	-	-	-	(5,351)
Floating rate note	(70,000)	-	-	-	-	-	-	(70,000)
	<u>(684,826)</u>	<u>(4,092)</u>	<u>(1,259)</u>	-	-	-	-	<u>(690,177)</u>
Weighted average interest rate	5.64%	11.36%	11.36%					

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	Over 5 years \$'000	
Borrowings	(522,364)	-	-	-	-	-	-	(522,364)
Commonwealth loan	-	(4,092)	(4,092)	(1,259)	-	-	-	(9,443)
Floating rate note	(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%				

#### Fair value

The fair value information has not been disclosed as these instruments are specific and the term and credit ratings involved vary. This has resulted in no reliable measurement.

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 28: Non-current liabilities - provisions

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee entitlements	35	74	35	74
Employee entitlements- seconded employees	-	251	-	251
Insurance losses	100	100	100	100
Workers' compensation (Pre 1989)	1,352	1,406	1,352	1,406
<b>Total provisions</b>	<b>1,487</b>	<b>1,831</b>	<b>1,487</b>	<b>1,831</b>

### 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	1,406	1,506
Provisions accrued	-	-	-
Provisions paid	-	(54)	(54)
Carrying amount at end of year	100	1,352	1,452

### Note 29: Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Amounts recognised in profit and loss</b>				
Distributions from ActewAGL Retail Partnership	46,488	42,676	-	-
Interest receivable	78	265	78	265
Unread consumption	3,304	2,617	3,304	2,617
Depreciation	184,876	171,996	184,876	171,996
Gifted assets	(2,283)	-	(2,283)	-
Joint venture receivable	5,538	5,183	5,538	5,183
<b>Total Deferred Tax Liabilities</b>	<b>238,001</b>	<b>222,737</b>	<b>191,513</b>	<b>180,061</b>
<b>Amounts recognised in equity</b>				
Asset revaluation	96,129	101,355	79,104	84,330
Cash flow hedges	(934)	337	(934)	337
<b>Total Deferred Tax Liabilities</b>	<b>95,195</b>	<b>101,692</b>	<b>78,170</b>	<b>84,667</b>
<b>Total Deferred Tax Liabilities</b>	<b>333,196</b>	<b>324,429</b>	<b>269,683</b>	<b>264,728</b>
Deferred tax liabilities to be recovered within 12 months	8,920	8,251	8,920	8,312
Deferred tax liabilities to be recovered after more than 12 months	324,276	316,178	260,763	256,416
	<b>333,196</b>	<b>324,429</b>	<b>269,683</b>	<b>264,728</b>
<b>Movements</b>				
Opening balance 1 July	324,429	304,588	264,728	248,530
Adjustments to prior year tax effect balances	(1,953)	(10)	(1,953)	(65)
Movement to the income statement	17,216	19,620	13,404	16,032
Movement to equity (cash flow hedging reserve)	(1,271)	231	(1,271)	231
Movement to equity (asset revaluation reserve)	(5,225)	-	(5,225)	-
Closing balance at 28 February	<b>333,196</b>	<b>324,429</b>	<b>269,683</b>	<b>264,728</b>



## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 30: Contributed equity

Notes	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	Shares	Shares	\$	\$
<b>a) Paid up capital:</b>				
Ordinary shares fully paid (par value \$0.30)	2	2	\$0.60 only	\$0.60 only
<b>Total share capital</b>	<b>2</b>	<b>2</b>	<b>\$0.60 only</b>	<b>\$0.60 only</b>
<b>b) Total capital</b>				
	\$'000	\$'000	\$'000	\$'000
Contributed Capital	758,871	758,871	758,871	758,871
<b>Total capital</b>	<b>758,871</b>	<b>758,871</b>	<b>758,871</b>	<b>758,871</b>

### c) Movement in ordinary share capital

There has been no movement in share capital.

### 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 to accommodate future investments.

The net debt to equity ratio at 30 June 2009 and 30 June 2008 were as follows:

Notes	Consolidated		ACTEW Corporation Ltd		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Total borrowings	24, 27	690,177	601,807	690,177	601,807
Less: cash as per statement of cash flows	10	(173,905)	(204,664)	(173,905)	(204,664)
Net debt		516,272	397,143	516,272	397,143
Total equity		998,760	1,013,814	979,644	995,257
Total capital		1,515,032	1,410,957	1,495,915	1,392,400
Net debt to capital ratio		34.1%	28.1%	34.5%	28.5%

### Note 31: Reserves

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reserves</b>				
Asset revaluation	224,447	236,640	184,722	196,915
Hedging reserve	(2,179)	682	(2,179)	682
General insurance	9,820	9,820	9,820	9,820
<b>Total reserves</b>	<b>232,088</b>	<b>247,142</b>	<b>192,363</b>	<b>207,417</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 31: Reserves (continued)

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Movements in reserves:</b>				
Asset revaluation				
Balance at the beginning of the year	236,640	236,495	196,915	196,770
Revaluation - gross				
Water	(12,193)	57	(12,193)	57
Wastewater	-	88	-	88
	<u>224,447</u>	<u>236,640</u>	<u>184,722</u>	<u>196,915</u>
Hedging reserve - cash flow hedges				
Balance at the beginning of the year	682	244	682	244
Revaluation - gross	(2,861)	438	(2,861)	438
	<u>(2,179)</u>	<u>682</u>	<u>(2,179)</u>	<u>682</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. In 2008-09 an impairment of \$20 million was assessed with \$12m recorded against the property, plant and equipment revaluation reserve.

##### (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 32: Retained profits

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the financial year	7,801	7,801	28,969	29,446
Net profits available for reserves and dividends	72,793	75,897	72,313	75,420
Total available for appropriation	80,594	83,698	101,282	104,866
ACTEW China loan forgiven	-	-	(79)	-
Dividends provided for or paid	(72,793)	(75,897)	(72,793)	(75,897)
Retained profits at the end of the financial year	<u>7,801</u>	<u>7,801</u>	<u>28,410</u>	<u>28,969</u>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 33: Key management personnel

#### (a) Directors

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

(i) Chairman - non-executive

J A Mackay - Chairman

(ii) Managing Director

M A Sullivan - Managing Director

(iii) Non-executive directors

M B Easson

K L Neil

E W Mathews

E A Whitelaw

B M Byrne

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

#### (b) Key management personnel remuneration

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term benefits	1,341,014	1,393,888	1,341,014	1,393,888
Post-employment benefits	185,198	134,432	185,198	134,432
<b>Total benefits</b>	<b>1,526,212</b>	<b>1,528,320</b>	<b>1,526,212</b>	<b>1,528,320</b>

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

#### Loans to board members

There were no loans to any directors as at 30 June 2009.

#### 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 34: Remuneration of auditors

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$	\$	\$	\$
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	175,000	152,000	175,000	152,000
Audit or review of financial reports of controlled entities	25,000	28,700	-	-
<b>Total remuneration of auditor</b>	<b>200,000</b>	<b>180,700</b>	<b>175,000</b>	<b>152,000</b>

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 2009

### Note 34: Remuneration of auditors (continued)

	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>(b) Taxation and other services</b>				
PricewaterhouseCoopers (Contract Auditor for the ACT Auditor-General, acting in its own capacity in providing these services)				
- Other services	136,314	45,000	136,314	45,000
<b>Total remuneration of taxation and other services</b>	<b>136,314</b>	<b>45,000</b>	<b>136,314</b>	<b>45,000</b>

### Note 35: Commitments for expenditure

Notes	Consolidated		ACTEW Corporation Ltd	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>a) Capital expenditure commitments:</b>				
Total capital expenditure contracted for at balance date but not provided for in accounts payable:				
Within 1 year	a 183,440	173,574	183,440	173,574
Later than 1 year but not later than 5 years	a 256,100	386,473	256,100	386,473
	<b>439,540</b>	<b>560,047</b>	<b>439,540</b>	<b>560,047</b>
<b>b) Other expenditure commitments:</b>				
Total other expenditure contracted for at balance date but not provided for in accounts payable:				
Within 1 year	a 85,352	82,997	85,352	82,997
Later than 1 year but not later than 5 years	a 273,611	369,357	273,611	369,357
	<b>358,963</b>	<b>452,354</b>	<b>358,963</b>	<b>452,354</b>
<b>c) Lease commitments:</b>				
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:				
Within 1 year	b 481	302	481	302
Later than 1 year but not later than 5 years	b 446	473	446	473
	<b>927</b>	<b>775</b>	<b>927</b>	<b>775</b>

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 35: Commitments for expenditure (continued)

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- 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 Pinnacle the supplier for computer equipment and Toyota Finance Australia the supplier of Motor Vehicles.

### Note 36: Contingent liabilities

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ACTEW Corporation Ltd has underwritten a \$25 million (2008 - \$25 million) standby debt facility for TransACT Communications. At 30 June 2009 \$3 million was undrawn (2008 - \$3 million)

At the end of June 2009 there was \$4.3 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.

During the year, ACTEW breached the conditions of its environmental licence with the EPA. The EPA was notified and a final report is due to be presented to the EPA by September 2009. The quantum of any contingent liability is unknown at the date of the report.

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 37: 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 and ACTEW Distribution 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>	
	2009	2008
	\$	\$
The following transactions occurred with related parties:		
Dividend revenue	57,936,721	46,763,694
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables (tax funding agreement)	20,936,738	21,754,647
Current receivables (other)	60,214,509	46,796,392
Current payables and other	17,143,424	18,949,786
Non interest bearing loans	305,880,412	298,441,275

#### 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% (2008 - 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 38.

#### Other related parties

	<u>ACTEW Corporation Ltd</u>	
	2009	2008
	\$'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	108,260	77,153
Capital expenses	79,348	57,778
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	18,459	17,027
Current accounts payables and other	18,459	17,027
Non-current receivables	0	251
Non-current accounts payables and other	0	251

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 38: Investment in controlled entities

Name of Entity	Country of Incorporation	Class of shares	Equity Holding	Equity Holding	Cost of Investment	Cost of Investment
			2009	2008	2009	2008
			%	%	\$'000	\$'000
ACTEW Distribution Ltd	Australia	Ordinary	100%	100%	400	400
ACTEW Retail Ltd	Australia	Ordinary	100%	100%	1,000	1,000
ACTEW China Pty Ltd	Australia	Ordinary	100%	100%	0	300
Provision for diminution of investment in ACTEW China Pty Ltd					0	(300)
					<u>1,400</u>	<u>1,400</u>

### Note 39: Investments in associates

Name of Company	Ownership Interest	Consolidated		ACTEW Corporation Ltd	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
TransACT Communications Pty Limited	18.0%				
Movement in carrying amount of investments in associates					
Amount invested in TransACT Communications Pty Limited		60,799	60,799	60,799	60,799
Prior year equity accounted losses		(50,583)	(49,796)	(50,583)	(49,796)
Current year equity accounted losses and prior year adjustments		(321)	(787)	(321)	(787)
Provision for diminution		(8,645)	(8,966)	(8,645)	(8,966)
Carrying amount at end of financial year		<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
Share of associates expenditure commitments					
Lease commitments		819	476	819	476
Remuneration commitments		202	238	202	238
Total expenditure commitments		<u>1,021</u>	<u>714</u>	<u>1,021</u>	<u>714</u>
Capital and other commitments		4,273	8,927	4,273	8,927
		<u>5,294</u>	<u>9,641</u>	<u>5,294</u>	<u>9,641</u>
Share of associates revenues, expenses and results					
Revenues		14,350	13,767	14,350	13,767
Expenses		14,671	14,554	14,671	14,554
Operating loss before tax		<u>(321)</u>	<u>(787)</u>	<u>(321)</u>	<u>(787)</u>

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 2009.
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 2009

**Note 40: Interests in joint ventures**

**(a) Joint Venture Partnership**

ACTEW Retail Ltd entered into joint venture partnership with AGL Ltd to manage the retail operation of the ACT electricity and gas networks. ACTEW Distribution Ltd entered into a joint venture partnership with Jemena Networks (ACT) Pty Ltd 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) (iii) is set out below:

	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Movement in carrying amount of investment in the partnership</b>				
Carrying amount of investment in partnership	457,785	436,041	-	-
<b>Share of partnerships assets and liabilities</b>				
Current assets	108,461	82,039	-	-
Non-current assets	401,972	402,355	-	-
Total assets	510,433	484,394	-	-
Current liabilities	86,944	79,129	-	-
Non-current liabilities	1,680	4,040	-	-
Total liabilities	88,624	83,169	-	-
Net assets	421,809	401,225	-	-
<b>Share of partnership's revenues, expenses and results</b>				
Revenues	429,568	386,467	-	-
Expenses	349,051	317,122	-	-
Profit before income tax	80,517	69,345	-	-
<b>Share of partnership's commitments</b>				
Lease commitments	25,763	20,196	-	-
Remuneration commitments	19,524	51,783	-	-
Total expenditure commitments	45,287	71,979	-	-
Capital and other commitments	19,938	34,161	-	-
	65,225	106,140	-	-



## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 40: Interests in joint ventures (continued)

#### (b) 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 \$350,137 (2007-08 \$955,412) as at 30 June 2009.

### Note 41: Reconciliation of profit after income tax to net cash inflow from operating activities

Notes	Consolidated		ACTEW Corporation Ltd	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Reconciliation of operating profit after income tax expense to net cash flows from operations:</b>				
Profit for the year	72,793	75,897	72,313	75,420
Depreciation and amortisation	31,258	29,464	31,258	29,464
Contributed assets received free of charge	(6,341)	(9,039)	(6,341)	(9,039)
Profit from Joint Venture Partnership	(80,517)	(69,345)	-	-
Asset writedown	-	(120)	-	(120)
Capitalisation of labour	(1,887)	(664)	(1,887)	(664)
Provision for doubtful debts	394	59	394	59
<b>Changes in operating assets and liabilities:</b>				
(Increase)/decrease in receivables	226	(9,946)	(78,675)	(78,497)
(Increase)/decrease in deferred tax assets	(1,358)	(6,525)	1,318	(3,202)
(Increase)/decrease in other financial assets	(1,432)	498	(1,432)	498
(Increase)/decrease in other assets	251	175	251	175
Increase/(decrease) in payables	6,965	3,611	6,965	3,611
Increase/(decrease) in provisions	1,343	(667)	1,343	(667)
Increase/(decrease) in provision for deferred income tax equivalents	8,767	19,504	4,955	15,863
Increase/(decrease) in other liabilities	3,842	264	3,842	264
<b>Net cash inflow from operating activities</b>	<b>34,304</b>	<b>33,166</b>	<b>34,304</b>	<b>33,166</b>

### Note 42: Events subsequent to balance date

Queanbeyan City Council undertook legal proceedings against ACTEW and the ACT Government by disputing the validity of the Utilities Networks Facilities Tax (UNFT) and the Water Abstraction Charge (WAC).

On 24 August 2009 the federal court determined the Utilities (Network Facilities Tax) Act 2006 to be invalid so far as it purports to impose a tax on the water network facility of ACTEW. The Water Abstraction Charge levied on ACTEW by the ACT was determined to be valid.

It is unknown if further legal action will occur following this decision. The amount relating to the UNFT for ACTEW is immaterial resulting in no provision for impairment.

# Annexed Reports

## **A.1 ActewAGL Joint Venture**

**ActewAGL Joint Venture**

**Summary Financial Report**

**for the year ended 30 June 2009**

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for the year ended 30 June 2009

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# Introduction to the Summary Financial Report

for the year ended 30 June 2009

## Financial highlights

### Profit

Net profit for the year ended 30 June 2009 was \$158.7 million. This compares to previous year's net profit of \$136.8 million.

Total operating revenue for the year ended 30 June 2009 was \$788.4 million compared to \$717.1 million in the previous year. The increase in revenue reflects the price rises for electricity and gas in line with the regulatory price determinations, higher volumes as a result of Canberra's population growth, cooler winter temperatures and increased consumption by major commercial customers. Higher construction revenues for drought-related initiatives also contributed to the increase in revenue.

Total expenses for the year ended 30 June 2009 were \$642.3 million, compared to \$582.1 million for the prior year. Energy purchases continued to increase due to higher transmission charges and wholesale energy prices. Employment costs have increased due to a general pay increment awarded under the new employee enterprise agreement and the growth in employee numbers is in accordance with business expansion. Operating expenses have increased due to the sale and leaseback of ActewAGL House, increased maintenance on the gas and electricity networks and higher costs associated with the construction work and the Water Security Program for ACTEW Corporation Ltd.

### Cash flow

The Group generated \$191.6 million from its operating activities for the year ended 30 June 2009 compared to \$178.1 million in 2007-08. The increase in cash flows of about \$13.5 million (7.6%) is mainly due to the increase in receipts from customers as a result of higher revenue.

The investing net cash outflow of \$61.5 million, a decrease of \$0.8 million (1.3%) compared to \$62.3 million in the prior year. The proceeds from sale of ActewAGL House of \$17.5 million has been reinvested in fixed interest rates securities. Investment in capital maintains and grows our network business. For 2008-09 financial year, the major investment projects continue to develop several sub-transmission projects to ensure security of supply to existing and future electrical load within the ACT, construction of multiple major substations for office developments, government departments, retail and residential purposes and the completion of the north Nowra gas high pressure system upgrade.

Cash surplus to the Group's operational and capital requirements is returned to the partners in the form of cash distributions. In 2008-09 financial year, \$117.5 million was distributed to ActewAGL's partners, \$4.5 million (4%) higher than the \$113 million in the prior year.

### Financial position

As at 30 June 2009, the Group has net assets of \$843.6 million, compared to \$802.5 million in June 2008. The increase in net assets is mainly due to the increase in working capital and capital investment in the network business. Current assets are \$216.9 million compared to \$164.1 million in June 2008. Current liabilities are \$173.9 million compared to \$158.3 million at the same time last year. The Group does not have any borrowings other than finance leases.

The carrying value of property, plant and equipment is \$774.8 million compared to \$761.5 million in June 2008, primarily due to investment in system-related assets.

### Partner returns

The return on funds employed for 2008-09 financial year based on the net profit before taxation was 18.6% compared to 16.9% in the prior year.

## Operation highlights

### New corporate headquarters

On 5 September 2008, ActewAGL House was sold for \$17.5 million. The new corporate headquarters will be located at 6 Mort Street, in a building that is designed to achieve a 5 star NABERS Energy rating and a 4 star Green Star rating. The successful fitout and management of the building will showcase ActewAGL's community leadership and commitment to the environment in the ACT. The relocation should be completed in 2010.

### Acquisition of 28 Oakden Street

The ActewAGL Distribution Partnership has acquired the land located at 28 Oakden Street, Greenway, ACT for \$5.25 million on 4 August 2009.

The site will be refurbished for ActewAGL Networks Division's current and future requirements and also the relocation of the current warehouse facility situated at Mildura Street, Fyshwick, ACT.

### Restructure of Geographical Information Solutions (GIS)

GIS is the smallest business unit within the Ecowise Group generating approximately \$3 million in revenue annually. A significant portion of its revenue is derived from providing geographical information services to ActewAGL Distribution Partnership. The services provided by GIS include capturing the location of the electricity and gas networks infrastructure electronically and displaying the information over a geographical map. From a strategic perspective, ActewAGL Distribution Partnership made an offer to Ecowise Environmental Pty Ltd to transfer GIS for \$2.5 million. This was accepted and the transfer was completed on 5 August 2009.

### Divestment of the Ecowise Group

The board members have approved the proposal of divesting the Ecowise Group of companies. An active program has been initiated to seek interest from large laboratory, consulting and utility organisations with the aim to complete the sale within the next financial year.

The summarised financial report is consistent with the special purpose financial report from which it is derived.

AclewAGL Joint Venture

# Introduction to the Summary Financial Report

for the year ended 30 June 2009

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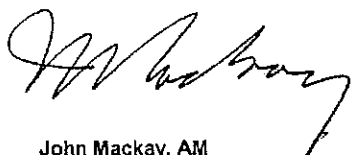
## Joint Venture Board's Declaration

for the year ended 30 June 2009

The board members declare that:

- (a) the summarised financial report on pages 7 to 10 for the year ended 30 June 2009 is consistent with the special purpose financial report signed on 30 June 2009 from which it is derived, and
- (i) comply with applicable 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 2009 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  
Canberra  
28 August 2009



Mark Sullivan, AO  
Board Member  
Canberra  
28 August 2009





ACT AUDITOR-GENERAL'S OFFICE



## INDEPENDENT AUDIT REPORT

### To the Partners of ActewAGL Joint Venture

#### Report on the Summary Financial Report

We have audited the accompanying summary financial report of the ActewAGL Joint Venture (the Joint Venture), comprising the summary balance sheet as at 30 June 2009, the summary income statement, statement of changes in equity and cash flow statement for the year then ended, which are derived from the special purpose financial report of the Joint Venture for the year ended 30 June 2009. We expressed an unmodified audit opinion on that financial report in our independent audit report dated 28 August 2009.

#### The Responsibility of Joint Venture Board for the Financial Report

The board of the Joint Venture is responsible for the preparation and presentation of the summary financial report in accordance with the accounting policies described in Note 1 to the financial report. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the summary financial information, 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 summary financial report based on our procedures, which were conducted 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 summary financial report is free of material misstatement.

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 Summary Financial Report

Those viewing an electronic presentation of this audited financial report should note that the 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, available from the Joint Venture, to confirm the accuracy of this electronically presented information.

## Auditors' Opinion

In our opinion, the information reported in the summary financial report of ActewAGL Joint Venture for the year ended 30 June 2009 is consistent, in all material respects, with the special purpose financial report from which it was derived.

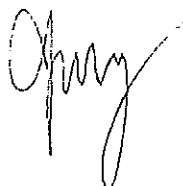
For a better understanding of the Joint Venture's financial position and performance and of the scope of our audit, the summary financial report should be read in conjunction with the special purpose financial report and the auditors' report thereon.

DELOITTE TOUCHE TOHMATSU



Tu Pham  
Auditor-General

28 August 2009



J M Stanley  
Partner  
Chartered Accountants

28 August 2009

**Income Statement**

for the year ended 30 June 2009

	2009 \$'000	2008 \$'000 Restated *
Revenue from continuing operations	788,427	717,095
Other income	10,335	61
	<u>798,762</u>	<u>717,156</u>
Energy purchases	(310,763)	(279,304)
Employee costs	(143,718)	(135,518)
Depreciation	(33,369)	(33,039)
Subcontractor expense	(93,528)	(79,721)
Leases	(12,838)	(12,124)
Material costs	(14,802)	(13,418)
Finance costs	(3,020)	(2,991)
Other expenses	(30,252)	(25,989)
Shares of net profits of associates and joint venture partnerships accounted for using the equity method	264	482
	<u>(642,026)</u>	<u>(581,622)</u>
Profit before income tax	156,736	135,534
Income tax expense	-	-
Profit from continuing operations	<u>156,736</u>	<u>135,534</u>
Discontinued operation		
Profit from discontinued operation, net of income tax	1,985	1,298
Net profit for the year	<u>158,721</u>	<u>136,832</u>

\* Restated for discontinued operations.

**Balance Sheet**

as at 30 June 2009

	2009	2008
	\$'000	\$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	24,677	18,140
Held-to-maturity investments	18,500	-
Trade and other receivables	125,008	132,456
Inventories	9,078	8,285
Non-current assets classified as held for sale	39,658	5,190
Derivative financial instruments	-	6
<b>Total current assets</b>	<b>216,921</b>	<b>164,077</b>
<b>Non-current assets</b>		
Receivables	51	85
Investments accounted for using the equity method	985	822
Intangible assets	28,110	40,015
Deferred tax assets	-	2,329
Property, plant and equipment	774,798	761,459
<b>Total non-current assets</b>	<b>803,944</b>	<b>804,710</b>
<b>Total Assets</b>	<b>1,020,865</b>	<b>968,787</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	117,209	119,776
Other	17,431	14,729
Provisions	19,983	23,514
Current tax liabilities	-	239
Non-current liabilities classified as held for sale	19,264	-
<b>Total current liabilities</b>	<b>173,887</b>	<b>158,258</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	-	367
Provisions	1,566	1,747
Other	1,793	5,965
<b>Total non-current liabilities</b>	<b>3,359</b>	<b>8,079</b>
<b>Total Liabilities</b>	<b>177,246</b>	<b>166,337</b>
<b>NET ASSETS</b>	<b>843,619</b>	<b>802,450</b>
<b>JOINT VENTURE FUNDS</b>		
Joint Venture Funds	843,619	802,444
Reserves	-	6
<b>Total Joint Venture Funds</b>	<b>843,619</b>	<b>802,450</b>

# Statement of Changes in Equity

for the year ended 30 June 2009

	Joint venture funds	Reserves	Total
	\$'000	\$'000	\$'000
Balance as at 1 July 2007	778,612	10	778,622
Changes in the fair value of cash flow hedges, net of tax	-	(4)	(4)
Net profit for year	136,832	-	136,832
<b>Total recognised income and expense for the year</b>	<b>136,832</b>	<b>(4)</b>	<b>136,828</b>
Transactions with joint venture parties in their capacity as joint venture parties:			-
Distributions paid	(113,000)	-	(113,000)
<b>Balance as at 30 June 2008</b>	<b>802,444</b>	<b>6</b>	<b>802,450</b>
Balance as at 1 July 2008	802,444	6	802,450
Changes in the fair value of cash flow hedges, net of tax	-	(6)	(6)
Net profit for year	158,721	-	158,721
<b>Total recognised income and expense for the year</b>	<b>158,721</b>	<b>(6)</b>	<b>158,715</b>
Transactions with joint venture parties in their capacity as joint venture parties:			-
Distributions paid	(117,546)	-	(117,546)
<b>Balance as at 30 June 2009</b>	<b>843,619</b>	<b>-</b>	<b>843,619</b>

**Cash Flow Statement**

for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	936,008	836,951
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(745,280)</u>	<u>(660,436)</u>
	190,728	176,515
Interest received	2,196	2,370
Interest and other costs of finance paid	(690)	(444)
Income taxes paid	<u>(613)</u>	<u>(339)</u>
<b>Net cash inflow from operating activities</b>	<u>191,621</u>	<u>178,102</u>
<b>Cash flows from investing activities</b>		
Payment for purchase of investments, net of cash acquired	-	(527)
Payments for held-to-maturity investments	(18,500)	-
Dividends received	700	-
Payments for property, plant and equipment	(61,257)	(64,166)
Proceeds from sale of interest in associate	-	275
Proceeds from sale of property, plant and equipment	<u>17,528</u>	<u>2,103</u>
<b>Net cash outflow from investing activities</b>	<u>(61,529)</u>	<u>(62,315)</u>
<b>Cash flows from financing activities</b>		
Distributions paid to partners	(117,546)	(113,000)
Receipts from borrowings	890	6,458
Repayment of borrowings	<u>(1,399)</u>	<u>(1,193)</u>
<b>Net cash outflow from financing activities</b>	<u>(118,055)</u>	<u>(107,735)</u>
<b>Net increase in cash and cash equivalents</b>	12,037	8,052
Cash and cash equivalents at the beginning of the financial year	18,140	10,088
Transfer to non-current assets held for sale	<u>(5,500)</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<u>24,677</u>	<u>18,140</u>

**A.2 ACTEW Distribution Limited**

# **ACTEW Distribution Limited**

**ABN 83 073 025 224**

**General Purpose**

## **Financial Statements**

**For the year ended 30 June 2009**



ACTEW Distribution Limited

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This financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 2 September 2009. The directors have the power to amend and reissue the financial report.

## **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

#### **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 2009 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

### **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:

<b>Director</b>	<b>No. of meetings attended</b>	<b>No. of meetings eligible to attend</b>
Michael J Costello AO	3	3
Simon P Wallace	3	3
Kerry N McIlwraith	3	3

### **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 \$13,672,000 (2008: \$14,113,000) was \$38,110,000 (2007: \$28,820,000) for the financial year ended 30 June 2009. A final dividend has been proposed by the Directors of \$38,110,000 (2008: \$28,820,000).

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

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

## **Environmental Regulations**

ACTEW Distribution Limited had various environmental reporting requirements and obligations in each state that it held a retail licence. The licences were issued to the ActewAGL Distribution Partnership and reporting and compliance obligations are undertaken by the partnership.

## **Indemnification of Directors and Officers**

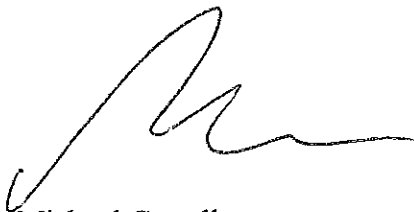
During the financial year, ACTEW Corporation Limited maintained an overall package of insurance that included insurance for Directors and Officers of the Corporation and its controlled entities. The premium is included in an overall package of insurance arranged by the Corporation and is not separately 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 6.

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



Michael Costello AO  
Chairman  
Canberra

2 September 2009



Simon Wallace  
Director  
Canberra

2 September 2009

**ACTEW Distribution Limited  
Directors' Declaration**

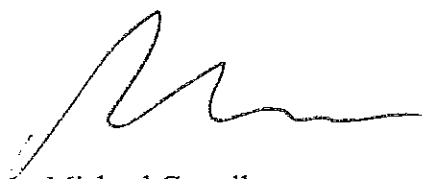
The Directors declare that the financial report and notes set on pages 9-23:

- 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 2009 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

2 September 2009



Simon Wallace  
Director  
Canberra

2 September 2009



## ACT AUDITOR-GENERAL'S OFFICE

### INDEPENDENT AUDIT REPORT ACTEW DISTRIBUTION LIMITED

**To the Members of the ACT Legislative Assembly and  
ACTEW Distribution Limited**

#### **Report on the financial report**

I have audited the financial report of ACTEW Distribution Limited (the Company) for the year ended 30 June 2009. The financial report is comprised of the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes and the directors' declaration for the Company.

#### **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 maintaining 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.

#### **The auditor's responsibility**

My responsibility is to express an independent audit opinion on the financial report of the Company based on my audit as required by the *Corporations Act 2001*.

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

I formed the audit opinion by performing audit procedures to obtain evidence about the amounts and disclosures in the financial report. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial report, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

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

The audit is not designed to provide assurance on the prudence of decisions made by the Company.

### **Electronic presentation of the audited financial report**

Those viewing an electronic presentation of this financial report should note that the 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**

I followed applicable independence requirements of Australian professional ethical pronouncements in conducting the audit.

### **Audit opinion**

In my opinion:

- (a) the financial report of 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 2009 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 complies with International Financial Reporting Standards as disclosed in Note 1(a): 'Basis of Preparation'.

The audit opinion should be read in conjunction with the above information.



Tu Pham  
Auditor-General  
10 September 2009



## ACT AUDITOR-GENERAL'S OFFICE



### Auditor's Independence Declaration

#### To the Directors of ACTEW Distribution Limited

In relation to the audit of the financial report of ACTEW Distribution Limited for the year ended 30 June 2009, 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  
2 September 2009



**ACTEW Distribution Limited**  
**Income statement**  
for the year ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Share of net profit of the ActewAGL Distribution Partnership accounted for using the equity method	3	<u>51,795</u>	<u>42,947</u>
<b>Total Revenue</b>		<b><u>51,795</u></b>	<b><u>42,947</u></b>
Other expenses	4	<u>13</u>	<u>13</u>
<b>Total expenses</b>		<b><u>13</u></b>	<b><u>13</u></b>
<b>Profit before income tax equivalents expense</b>		<b>51,782</b>	<b>42,934</b>
Income tax equivalents expense	5	<u>13,672</u>	<u>14,113</u>
<b>Profit for the year</b>		<b><u>38,110</u></b>	<b><u>28,820</u></b>

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

ACTEW Distribution Limited

**Balance sheet**

as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>Non current assets</b>			
Investment in the ActewAGL Distribution Partnership accounted for using the equity method	7	449,736	429,714
Deferred tax assets	8	7,303	7,956
<b>Total non current assets</b>		<u>457,039</u>	<u>437,670</u>
<b>Total assets</b>		<u>457,039</u>	<u>437,670</u>
<b>Current liabilities</b>			
Payables	9	12	14
Provisions	10	38,110	28,820
<b>Total current liabilities</b>		<u>38,122</u>	<u>28,834</u>
<b>Non current liabilities</b>			
Deferred tax liabilities	11	55,028	52,090
Other	12	323,764	316,621
<b>Total non-current liabilities</b>		<u>378,792</u>	<u>368,711</u>
<b>Total liabilities</b>		<u>416,914</u>	<u>397,545</u>
<b>Net assets</b>		<u>40,125</u>	<u>40,125</u>
<b>Equity</b>			
Contributed equity	13	400	400
Reserves	14	39,725	39,725
Retained profits	15	-	-
<b>Total equity</b>		<u>40,125</u>	<u>40,125</u>

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

ACTEW Distribution Limited  
**Cash flow statement**  
for the year ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>			
Distributions received from the ActewAGL Distribution Partnership		31,773	31,000
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(15)</u>	<u>(13)</u>
<b>Net cash inflows from operating activities</b>	21	<u>31,758</u>	<u>30,987</u>
<b>Cash flow from financing activities</b>			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(10,080)	(13,890)
Dividend paid to ACTEW Corporation Limited		<u>(28,821)</u>	<u>(25,466)</u>
<b>Net cash (outflows) from financing activities</b>		<u>(38,901)</u>	<u>(39,356)</u>
<b>Net (decrease) / increase in cash held</b>		<u>(7,143)</u>	<u>(8,369)</u>
<b>Financed by:</b>			
<b>Parent Company intercompany loan account movements</b>			
Balance at the beginning of the financial year		(316,621)	(308,252)
Balance at the end of the financial year		<u>(323,764)</u>	<u>(316,621)</u>
<b>Total movement</b>		<u>(7,143)</u>	<u>(8,369)</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 2009

	Note	2009 \$'000	2008 \$'000
Total equity at the beginning of the financial year		<u>40,125</u>	<u>40,125</u>
Profit for the year		<u>38,110</u>	<u>28,820</u>
Total recognised income and expense for the year		<u><u>38,110</u></u>	<u><u>28,820</u></u>
Transactions with equity holders in their capacity as equity holders:			
Dividends payable to ACTEW Corporation Limited	10	<u>(38,110)</u>	<u>(28,820)</u>
		<u><u>(38,110)</u></u>	<u><u>(28,820)</u></u>
Total equity at the end of the financial year		<u><u>40,125</u></u>	<u><u>40,125</u></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 2009

**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 2008.

*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 Distribution 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 2009**

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

**(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.

**(h) 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 2009

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

**(l) 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. ACTEW Distribution Limited's assessment of the impact of these new standards and interpretations is set out below.

*(i) 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.

The following is a listing of pronouncements that are not mandatory for reporting periods 30 June 2009 and does not impact the Group:

*(i) AASB 2008-6 and 2008-5 Amendments arising from the first annual improvements project*

*(ii) AASB 3 Business combinations (revised), AASB 127 Consolidated and separate financial statements (revised) and AASB 2008-3 Amendments arising from the revisions to AASB 3 and AASB 127*

*(iii) Interpretation 15 Agreements for the construction of real estate*

*(iv) AASB 2008-8 Amendments to accounting for eligible hedged items*

*(v) AASB 2008-7 Amendments to accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate*

*(vi) AASB 2008-2 Amendments to accounting for puttable financial instruments and obligations arising on liquidation*

*(vii) AASB 2008-1 Amendments to accounting for share-based payments, specifically vesting conditions and cancellations*

*(viii) Interpretation 18 Transfers of Assets from customers*

*(ix) Interpretation 16 Hedges of a net investment in a foreign operation*

*(x) Interpretation 17 Hedges of a net investment in a foreign operation*

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

*(xii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123*

*(xiii) AASB 7 Amendments to Financial Instrument Disclosures*

**ACTEW Distribution Limited**  
**Notes to the financial statements**  
**for the year ended 30 June 2009**

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

Below is a listing of pronouncements that are mandatory for the first time in 30 June 2009 reporting periods but does not impact the Group:

- (i) *AASB 2008-10 Reclassification of Financial Assets (AASB 139 Financial instruments: recognition and measurement and AASB 7 Financial instruments: disclosures)*
- (ii) *AASB 139 Amendments on Embedded Derivatives*
- (iii) *Interpretation 12 Service concession arrangements*
- (iv) *Interpretation 13 Customer loyalty programmes*
- (v) *Interpretation 14 The limit on a define benefit asset, minimum funding requirements and their interaction*
- (vi) *AASB 1049 Whole of government and general government sector financial reporting*
- (vii) *AASB 1052 Disaggregated disclosures*
- (viii) *AASB 1050 Administered items*
- (ix) *AASB 2007-9 Amendments arising from the review of AAS 27, AAS 29 and AAS 31*
- (x) *AASB 1051 Land under roads*
- (xi) *AASB 1004 Contributions*

**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**

*(i) Foreign exchange risk*

ACTEW Retail Limited is not exposed to foreign exchange risk as business operations are conducted in Australian dollars and the entity does not operate internationally.

*(ii) Price risk*

ACTEW Retail Limited is not exposed to price risk as no shares are held in listed entities.

**Note 3: Revenue**

	2009	2008
	\$'000	\$'000
<b>Revenue</b>		
Share of net profit or loss of the ActewAGL Distribution Partnership accounted for using the equity method	51,795	42,947
<b>Revenue</b>	<b>51,795</b>	<b>42,947</b>

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



ACTEW Distribution Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 4: Expenses**

	2009	2008
	\$'000	\$'000
<b>Expenses</b>		
Other operating expenses	13	13
	<u>13</u>	<u>13</u>

**Note 5: Income tax equivalents**

	2009	2008
	\$'000	\$'000
<b>(a) Income tax equivalents</b>		
Current tax	11,734	10,878
Decrease/(increase) in deferred tax assets	8 405	(315)
(Decrease)/increase in deferred tax liabilities	11 2,939	2,380
Adjustments to the prior year income tax expense	<u>(1,406)</u>	<u>1,170</u>
	<u>13,672</u>	<u>14,113</u>

Income tax expense is attributable to:

Profit from continuing operations	<u>13,672</u>	<u>14,113</u>
Aggregate income tax equivalents expense	<u>13,672</u>	<u>14,113</u>

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

Profit from continuing operations before income tax equivalents expense	<u>51,782</u>	<u>42,934</u>
Income tax calculated @ 30%	15,536	12,879
Other items		
- Non-deductible items	34	64
Adjustment to prior year income tax expense	<u>(1,898)</u>	<u>1,170</u>
Income tax equivalents expense	<u>13,672</u>	<u>14,113</u>

ACTEW Distribution is exempt from federal income tax.

**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.

ACTEW Distribution Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 6: Dividends**

	2009 \$'000	2008 \$'000
Balance at the beginning of the financial year	28,821	25,466
Amount appropriated from profit for the year	<u>38,110</u>	<u>28,820</u>
	66,931	54,286
Dividends paid during the year	<u>(28,821)</u>	<u>(25,465)</u>
Balance at the end of the financial year	<u><u>38,110</u></u>	<u><u>28,821</u></u>

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

	2009 \$'000	2008 \$'000
Investments in the ActewAGL Distribution Partnership	<u>449,736</u>	<u>429,714</u>
<b>Total investment</b>	<u><u>449,736</u></u>	<u><u>429,714</u></u>

**Note 8: Non-current assets - deferred tax assets**

	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:		
<b>Amounts recognised in profit and loss</b>		
Audit fees	3	-
Distributions from ActewAGL Distribution Partnership	<u>7,300</u>	<u>7,956</u>
<b>Total Deferred Tax Assets</b>	<u><u>7,303</u></u>	<u><u>7,956</u></u>
<b>Movements</b>		
Balance at the beginning of the financial year	7,956	5,749
Movements in the income statement	(405)	315
Adjustments to prior year tax effect balances	<u>(248)</u>	<u>1,892</u>
Balance at the end of the financial year	<u><u>7,303</u></u>	<u><u>7,956</u></u>

ACTEW Distribution Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 9: Current liabilities - payables**

	2009 \$'000	2008 \$'000
Trade payables	12	14
<b>Total trade payables</b>	<b>12</b>	<b>14</b>

**Note 10: Current liabilities - provisions**

	2009 \$'000	2008 \$'000
Dividend	38,110	28,820
<b>Total provisions</b>	<b>38,110</b>	<b>28,820</b>

**Note 11: Non current liabilities - deferred tax liabilities**

The balance comprises temporary differences attributable to:	2009 \$'000	2008 \$'000
Amounts recognised in the profit and loss		
Distributions from ActewAGL Distribution partnership	38,003	35,065
Asset revaluation reserve	17,025	17,025
<b>Total deferred tax liabilities</b>	<b>55,028</b>	<b>52,090</b>
<b>Movements:</b>		
Balance at the beginning of the financial year	52,090	49,660
Adjustments to prior year tax effect balances	(1)	50
Movements to the income statement	2,939	2,380
Balance at the end of the financial year	<b>55,028</b>	<b>52,090</b>

**Note 12: Non current liabilities - other**

	2009 \$'000	2008 \$'000
Intercompany loan liability - ACTEW Corporation Limited	323,764	316,621
<b>Total other</b>	<b>323,764</b>	<b>316,621</b>

(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 2009

**Note 13: Contributed equity**

	2009	2008	2009	2008
	Par Value	Par Value	Shares	Shares
(a) Share capital :				
Ordinary shares fully paid	<u>\$1.00</u>	<u>\$1.00</u>	400,000	400,000
<b>Total share capital</b>	<u><b>\$1.00</b></u>	<u><b>\$1.00</b></u>	<u><b>400,000</b></u>	<u><b>400,000</b></u>

	2009	2008
	\$'000	\$'000
(b) Total Capital		
Ordinary shares fully paid	<u>400</u>	<u>400</u>
<b>Total capital</b>	<u><b>400</b></u>	<u><b>400</b></u>

(c) Contributed equity

There was no movement in contributed equity

**Note 14: Reserves**

	2009	2008
	\$'000	\$'000
Asset revaluation reserve		
ActewAGL revaluation	<u>39,725</u>	<u>39,725</u>
<b>Total Reserves</b>	<u><b>39,725</b></u>	<u><b>39,725</b></u>
Movements in the asset revaluation reserve:		
Balance at the beginning of the financial year	<u>39,725</u>	<u>39,725</u>
Balance at the end of the financial year	<u><b>39,725</b></u>	<u><b>39,725</b></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**

	2009	2008
	\$'000	\$'000
Retained profits at the beginning of the financial year	-	-
Net profit for the year	38,110	28,820
Dividends provided for	<u>(38,110)</u>	<u>(28,820)</u>
<b>Retained profits at the end of the financial year</b>	<u><b>-</b></u>	<u><b>-</b></u>

ACTEW Distribution Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 16: Remuneration of auditor**

	2009	2008
	\$	\$
Remuneration for the audit of the financial report of the Company:		
Audit of financial reports	<u>12,000</u>	12,000
<b>Total remuneration of auditor</b>	<u><b>12,000</b></u>	<u><b>12,000</b></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.

**Note 18: Commitments for expenditure**

As at 30 June 2009, the Company had not committed to any future expenditure (2008 - 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  
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 (2008 - Nil)

*(ii) Retirement benefits*

There were no retirement benefits paid to directors as at 30 June 2009 (2008 - 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 2009 (2008 - 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 2009

**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.

		2009	2008
		\$	\$
	Note		
The following transactions occurred with related parties:			
Revenue from the ActewAGL Distribution Partnership	3	51,794,716	42,947,047
The following balances are outstanding at the reporting date in relation to transactions with other related parties:			
Dividend payable to ACTEW Corporation Limited	6	38,109,721	28,820,916
Intercompany loan liability - ACTEW Corporation Limited	12	323,764,341	316,621,012

**Note 20: Interests in joint venture**

ACTEW Retail Ltd and ACTEW Distribution Limited have entered into joint venture partnerships with AGL Energy and Jemena Networks (ACT) Pty Ltd 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:

	2009	2008
	\$'000	\$'000
<b>Share of the ActewAGL Distribution Partnership assets and liabilities</b>		
Current assets	66,007	47,094
Non-current assets	387,319	387,399
Total assets	<u>453,326</u>	<u>434,493</u>
Current liabilities	48,744	46,484
Non-current liabilities	980	3,755
Total liabilities	<u>49,724</u>	<u>50,239</u>
Net assets	<u>403,602</u>	<u>384,254</u>
<b>Share of the ActewAGL Distribution Partnership's revenues, expenses and results</b>		
Revenue	242,283	222,168
Expenses	190,489	179,221
Net profit for the year	<u>51,795</u>	<u>42,947</u>
<b>Share of the ActewAGL Distribution Partnership's commitments</b>		
Lease commitments	24,699	19,757
Remuneration commitments	17,753	45,751
Capital and other commitments	19,465	33,703
Total expenditure commitments	<u>61,917</u>	<u>99,210</u>

**ACTEW Distribution Limited**  
**Notes to the financial statements**  
for the year ended 30 June 2009

**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**

	2009	2008
	\$'000	\$'000
<b>Reconciliation of profit for the year to net cash inflows from operating activities</b>		
Profit for the year	38,110	28,820
Share of profits of the ActewAGL Distribution Partnership using the equity method	(51,795)	(42,947)
Distributions from Parent Company, ACTEW Corporation Limited	31,773	31,000
Transfer tax to ACTEW Corporation Limited	13,672	14,113
<b>Changes in operating assets and liabilities :</b>		
Increase/(decrease) in other debtors and accounts	(2)	2
<b>Net cash inflow from operating activities</b>	<u>31,758</u>	<u>30,988</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.

### **A.3 ACTEW Retail Limited**



# **ACTEW Retail Limited**

**ABN 23 074 371 207**

**General Purpose**

## **Financial Statements**

**For the year ended 30 June 2009**

ACTEW Retail Limited  
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for the year ended 30 June 2009

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This financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 2 September 2009. The directors have the power to amend and reissue the financial report.

## **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

#### **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 2009, 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

### **Directors' Meetings**

<b>Director</b>	<b>No. of meetings attended</b>	<b>No. of meetings eligible to attend</b>
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 \$8,402,000 (2008: \$7,962,000) was \$19,827,000 (2008: \$17,942,000) for the financial year ended 30 June 2009. A final dividend has been proposed by the Directors of \$19,827,000 (2008: \$17,942,000).

### **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 held a retail licence. The licences were issued to the ActewAGL Retail Partnership and reporting and compliance obligations are undertaken by the partnership.

## **Indemnification of Directors and Officers**

During the financial year, ACTEW Corporation Limited maintained an overall package of insurance that included insurance for Directors 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 6.

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



Michael Costello AO  
Chairman  
Canberra

2 September 2009



Simon Wallace  
Director  
Canberra

2 September 2009

**ACTEW Retail Limited**

**Directors' Declaration**

The Directors declare that the financial report and notes set on pages 9-23:

- 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 2009 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

2 September 2009



Simon Wallace  
Director  
Canberra

2 September 2009



## ACT AUDITOR-GENERAL'S OFFICE

### INDEPENDENT AUDIT REPORT

### ACTEW RETAIL LIMITED

## To the Members of the ACT Legislative Assembly and ACTEW Retail Limited

### Report on the financial report

I have audited the financial report of ACTEW Retail Limited (the Company) for the year ended 30 June 2009. The financial report is comprised of the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes and the directors' declaration for the Company.

### 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 maintaining 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.

### The auditor's responsibility

My responsibility is to express an independent audit opinion on the financial report of the Company based on my audit as required by the *Corporations Act 2001*.

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

I formed the audit opinion by performing audit procedures to obtain evidence about the amounts and disclosures in the financial report. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial report, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

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

The audit is not designed to provide assurance on the prudence of decisions made by the Company.

### **Electronic presentation of the audited financial report**

Those viewing an electronic presentation of this financial report should note that the 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**

I followed applicable independence requirements of Australian professional ethical pronouncements in conducting the audit.

### **Audit opinion**

In my opinion:

- (a) the financial report of 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 2009 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 complies with International Financial Reporting Standards as disclosed in Note 1(a): 'Basis of Preparation'.

The audit opinion should be read in conjunction with the above information.



Tu Pham  
Auditor-General  
10 September 2009





## ACT AUDITOR-GENERAL'S OFFICE



### Auditor's Independence Declaration

#### To the Directors of ACTEW Retail Limited

In relation to the audit of the financial report of ACTEW Retail Limited for the year ended 30 June 2009, 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  
2 September 2009

**ACTEW Retail Limited**  
**Income statement**  
for the year ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		28,173	25,849
Other revenue from ActewAGL Retail Partnership		69	69
<b>Total revenue</b>	3	<u>28,242</u>	<u>25,918</u>
Other expenses	4	13	13
<b>Total expenses</b>		<u>13</u>	<u>13</u>
<b>Profit before income tax equivalents expense</b>		28,229	25,905
Income tax equivalents expense	5	8,402	7,962
<b>Profit for the year</b>		<u>19,827</u>	<u>17,942</u>

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

ACTEW Retail Limited

**Balance sheet**

as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>Current assets</b>			
Receivables	7	<u>6,737</u>	<u>6,737</u>
<b>Total current assets</b>		<u>6,737</u>	<u>6,737</u>
<b>Non current assets</b>			
Investments accounted for using the equity method	8	27,342	26,100
Deferred tax assets	9	<u>6,007</u>	<u>2,678</u>
<b>Total non current assets</b>		<u>33,349</u>	<u>28,778</u>
<b>Total assets</b>		<u>40,086</u>	<u>35,515</u>
<b>Current Liabilities</b>			
Payables	10	24	11
Provisions	11	<u>19,827</u>	<u>17,942</u>
<b>Total current liabilities</b>		<u>19,851</u>	<u>17,953</u>
<b>Non current liabilities</b>			
Deferred tax liabilities	12	8,485	7,610
Other	13	<u>10,750</u>	<u>8,952</u>
<b>Total non-current liabilities</b>		<u>19,235</u>	<u>16,562</u>
<b>Total liabilities</b>		<u>39,086</u>	<u>34,515</u>
<b>Net assets</b>		<u>1,000</u>	<u>1,000</u>
<b>Equity</b>			
Contributed equity	14	1,000	1,000
Retained profits	15	-	-
<b>Total equity</b>		<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 2009

	Notes	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>			
Distributions received from the ActewAGL Retail Partnership		27,000	25,500
Payments to suppliers and employees (inclusive of goods and services tax)		-	(12)
<b>Net cash inflow from operating activities</b>	21	<u>27,000</u>	<u>25,488</u>
<b>Cash flows from financing activities</b>			
Transfer income tax equivalents paid from ACTEW Corporation Limited		(10,856)	(7,868)
Payment of dividends to ACTEW Corporation Limited		(17,942)	(12,863)
<b>Net cash (outflow) from financing activities</b>		<u>(28,798)</u>	<u>(20,731)</u>
<b>Net increase/(decrease) in cash held</b>		<u>(1,798)</u>	<u>4,757</u>
<b>Financed by</b>			
<b>Parent Company intercompany loan account movements</b>			
opening balance at the beginning of the financial year		(8,952)	(13,709)
closing balance at the end of the financial year		(10,750)	(8,952)
<b>Total movement</b>		<u>(1,798)</u>	<u>4,757</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 2009

	Notes	2009 \$'000	2008 \$'000
Total equity at the beginning of the financial year		<u>1,000</u>	<u>1,000</u>
Profit for the year		<u>19,827</u>	<u>17,942</u>
Total recognised income and expense for the year		<u>19,827</u>	<u>17,942</u>
Transactions with equity holders in their capacity as equity holders:			
Dividends payable to ACTEW Corporation Limited	15	<u>(19,827)</u>	<u>(17,942)</u>
		<u>(19,827)</u>	<u>(17,942)</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 2009

**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 2008:

*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 2009**

**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**

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 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 2009

**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 2009 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) 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.

The following is a listing of pronouncements that are not mandatory for reporting periods 30 June 2009 and does not impact the Group:

*(i) AASB 2008-6 and 2008-5 Amendments arising from the first annual improvements project*

*(ii) AASB 3 Business combinations (revised), AASB 127 Consolidated and separate financial statements (revised) and AASB 2008-3 Amendments arising from the revisions to AASB 3 and AASB 127*

*(iii) Interpretation 15 Agreements for the construction of real estate*

*(iv) AASB 2008-8 Amendments to accounting for eligible hedged items*

*(v) AASB 2008-7 Amendments to accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate*

*(vi) AASB 2008-2 Amendments to accounting for puttable financial instruments and obligations arising on liquidation*

*(vii) AASB 2008-1 Amendments to accounting for share-based payments, specifically vesting conditions and cancellations*

*(viii) Interpretation 18 Transfers of Assets from customers*

*(ix) Interpretation 16 Hedges of a net investment in a foreign operation*

*(x) Interpretation 17 Hedges of a net investment in a foreign operation*

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

*(xii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123*

*(xiii) AASB 7 Amendments to Financial Instrument Disclosures*

Below is a listing of pronouncements that are mandatory for the first time in 30 June 2009 reporting periods but does not impact the Group:

*(i) AASB 2008-10 Reclassification of Financial Assets (AASB 139 Financial instruments: recognition and measurement and AASB 7 Financial instruments: disclosures)*

*(ii) AASB 139 Amendments on Embedded Derivatives*

*(iii) Interpretation 12 Service concession arrangements*

*(iv) Interpretation 13 Customer loyalty programmes*

*(v) Interpretation 14 The limit on a defined benefit asset, minimum funding requirements and their interaction*

*(vi) AASB 1049 Whole of government and general government sector financial reporting*

*(vii) AASB 1052 Disaggregated disclosures*

*(viii) AASB 1050 Administered items*

*(ix) AASB 2007-9 Amendments arising from the review of AAS 27, AAS 29 and AAS 31*

*(x) AASB 1051 Land under roads*

*(xi) AASB 1004 Contributions*



## **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**

#### *(i) Foreign exchange risk*

ACTEW Retail Limited is not exposed to foreign exchange risk as business operations are conducted in Australian dollars and the entity does not operate internationally.

#### *(ii) Price risk*

ACTEW Retail Limited is not exposed to price risk as no shares are held in listed entities.

ACTEW Retail Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 3: Revenue from continuing operations**

	Notes	2009 \$'000	2008 \$'000
<b>Revenue</b>			
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		28,173	25,849
Other revenue from the ActewAGL Retail Partnership		69	69
<b>Revenue</b>		<u>28,242</u>	<u>25,918</u>

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

**Note 4: Expenses**

	2009 \$'000	2008 \$'000
<b>Expenses</b>		
Other operating expenses	13	13
	<u>13</u>	<u>13</u>

**Note 5: Income tax equivalents**

		2009 \$'000	2008 \$'000
<b>(a) Income tax equivalents expense</b>			
Current tax		11,480	7,187
Decrease/(increase) in deferred tax assets	9	(3,833)	(601)
(Decrease)/increase in deferred tax liabilities	12	875	1,207
Adjustments to prior year income tax expense		(120)	169
		<u>8,402</u>	<u>7,962</u>

Income tax expense is attributable to:

Profit from continuing operations	8,402	7,962
Aggregate income tax equivalents expense	<u>8,402</u>	<u>7,962</u>

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

Profit from continuing operations before income tax equivalents expense	28,229	25,905
Income tax calculated @ 30%	8,470	7,772
Other items		
- Non- assessable items	-	(21)
- Non-deductible items	52	43
- Share of ActewAGL Retail Partnership profits	-	-
Adjustment to the prior year income tax expense	(120)	168
Income tax equivalents expense	<u>8,402</u>	<u>7,962</u>

**ACTEW Retail Limited**  
**Notes to the financial statements**  
for the year ended 30 June 2009

**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**

	2009 \$'000	2008 \$'000
Balance at the beginning of the financial year	17,942	12,863
Amount appropriated from operating profit for the year	19,827	17,942
	<u>37,769</u>	<u>30,805</u>
Dividends paid during the year	17,942	12,863
Balance at the end of the financial year	<u>19,827</u>	<u>17,942</u>

**Note 7: Current asset - receivables**

	2009 \$'000	2008 \$'000
Receivable from ACTEW Corporation Limited for tax losses	6,737	6,737
<b>Total receivables</b>	<u>6,737</u>	<u>6,737</u>

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

	2009 \$'000	2008 \$'000
Investments in the ActewAGL Retail partnership	27,342	26,100
<b>Total investments</b>	<u>27,342</u>	<u>26,100</u>

ACTEW Retail Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 9: Non-current assets - deferred tax assets**

	2009	2008
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<b>Amounts recognised in profit and loss</b>		
Audit fees	4	4
Distributions from ActewAGL Retail Partnership	6,003	2,674
<b>Total Deferred Tax Assets</b>	<u>6,007</u>	<u>2,678</u>
<b>Movements</b>		
Balance at the beginning of the financial year	2,678	1,562
Movements in the income statement	3,833	601
Adjustments to prior year tax effect balances	(504)	515
Balance at the end of the financial year	<u>6,007</u>	<u>2,678</u>

**Note 10: Current liabilities - payables**

	2009	2008
	\$'000	\$'000
Other creditors and accruals	24	11
<b>Total accounts payable</b>	<u>24</u>	<u>11</u>

**Note 11: Current liabilities - provisions**

	2009	2008
	\$'000	\$'000
Dividend payable to ACTEW Corporation Limited	19,827	17,942
<b>Total provisions</b>	<u>19,827</u>	<u>17,942</u>

**Note 12: Non-current liabilities - deferred tax liabilities**

	2009	2008
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<b>Amounts recognised in the profit and loss</b>		
Distributions from ActewAGL Retail Partnership	8,485	7,610
<b>Total Deferred Tax Liabilities</b>	<u>8,485</u>	<u>7,610</u>
<b>Movements</b>		
Balance at the beginning of the financial year	7,610	6,398
Adjustments to the prior year's tax effect balances	-	5
Movement to the income statement	875	1,207
Balance at the end of the financial year	<u>8,485</u>	<u>7,610</u>

ACTEW Retail Limited  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 13: Non-current liabilities - Other**

		2009 \$'000	2008 \$'000
Intercompany loan liability - ACTEW Corporation Limited	(a)	10,750	8,952
<b>Total Other</b>		<u>10,750</u>	<u>8,952</u>

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

**Note 14: Contributed equity**

Share capital :	2009	2008	2009	2008
	Par Value	Par Value	Shares	Shares
(a) Ordinary shares fully paid	\$1.00	\$1.00	1,005	1,005
<b>Total share capital</b>	<u>\$1.00</u>	<u>\$1.00</u>	<u>1,005</u>	<u>1,005</u>
			2009	2008
			\$	\$
(b) Ordinary shares fully paid			1,000,005	1,000,005
<b>Total capital</b>			<u>1,000,005</u>	<u>1,000,005</u>

(c) There was no movement in contributed equity.

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

**Note 15: Retained profits**

	2009 \$'000	2008 \$'000
Retained profits at the beginning of the financial year	-	-
Net profits	19,827	17,942
Dividends provided for	(19,827)	(17,942)
<b>Retained profits at the end of the financial year</b>	<u>-</u>	<u>-</u>

**Note 16: Remuneration of auditor**

	2009 \$	2008 \$
Remuneration for the audit of the financial report of the Company:		
Audit of financial reports	12,000	12,000
<b>Total remuneration of auditor</b>	<u>12,000</u>	<u>12,000</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 2009**

**Note 18: Commitments for expenditure**

As at 30 June 2009, the Company had not committed to any future expenditure (2008 - 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  
 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 (2008 - Nil).

*(ii) Retirement benefits*

There were no retirement benefits paid to directors as at 30 June 2009 (2008 - Nil).

*(iii) Loans to directors*

There were no loans to any directors as at 30 June 2009 (2008 - 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.

		2009	2008
		\$	\$
The following transactions occurred with related parties:	Note		
Revenue from the ACTEW Retail Partnership	3	28,172,714	25,848,875
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	19,827,001	17,942,778
Intercompany loan liability - ACTEW Corporation Limited	13	10,749,592	8,952,520

**ACTEW Retail Limited**  
**Notes to the financial statements**  
for the year ended 30 June 2009

**Note 20: Interests in joint venture**

ACTEW Retail Ltd and ACTEW Distribution Limited have entered into joint venture partnerships with AGL Ltd and Jemena Networks (ACT) Pty Ltd 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:

<b>Share of the ActewAGL Retail Partnership assets and liabilities</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	59,854	50,153
Non-current assets	14,653	14,956
Total assets	<u>74,507</u>	<u>65,109</u>
Current liabilities	55,599	47,853
Non-current liabilities	700	284
Total liabilities	<u>56,299</u>	<u>48,137</u>
Net assets	<u>18,208</u>	<u>16,972</u>

<b>Share of the ActewAGL Retail Partnership revenues, expenses and results</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	283,071	256,775
Expenses	254,898	230,926
Net profit for the year	<u>28,173</u>	<u>25,849</u>

<b>Share of the ActewAGL Retail Partnership commitments</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease commitments	1,065	439
Remuneration commitments	1,772	6,033
Capital and other commitments	473	459
Total expenditure commitments	<u>3,310</u>	<u>6,930</u>

**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 2009

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

	2009	2008
	\$'000	\$'000
<b>Reconciliation of profit for the year to net cash in flows from operating activities</b>		
Profit for the year	19,827	17,942
Share of profits of the ActewAGL Retail partnership	(28,173)	(25,849)
Other revenue from ActewAGL Retail Partnership	(69)	(69)
Distributions from Parent Company, ACTEW Corporation Limited	27,000	25,500
Transfer tax to ACTEW Corporation Limited	8,402	7,963
<b>Changes in operating assets and liabilities :</b>		
Increase/(decrease) in other creditors and accruals	13	-
<b>Net cash inflow from operating activities</b>	<u>27,000</u>	<u>25,488</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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C.22 ACT Women's Plan	n/a

# Omissions report

Reporting Requirement	Reason/s for Omissions
Aboriginal and Torres Strait Islander Reporting	Not applicable to ACTEW.
ACT Multicultural Strategy	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 9.
Ecologically Sustainable Development	Not applicable to ACTEW. However, refer to pages 13-15.
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 22.
Strategic Asset Management	Not applicable to ACTEW. However ACTEW manages its assets and infrastructure through its capital works program. Refer to page 9.
Strategic Bushfire Management Plan	Not applicable to ACTEW.
Workplace Relations	Not applicable to ACTEW.

# Terms and acronyms

## TERMS

b	billion
kL	kilolitre = one thousand litres
GL	gigalitre = one thousand million litres
m	million
ML	megalitre = one million litres

## ACRONYMS

ACTEW	ACTEW Corporation Limited
AGL	Previously The Australian Gas Light Company now AGL Energy Limited
ANU	Australian National University
EBIT	Earnings before interest and tax
Ecowise	Ecowise Environmental Pty Limited
EMP	Environment Management Plan
EPA	Environment Protection Authority
HSE	Health, safety and environment
LMWQCC	Lower Molonglo Water Quality Control Centre
NCPL	Neighbourhood Cable Pty Ltd
R&D	Research and development
SCI	Statement of Corporate Intent
SWPP	Source Water Protection Program
TDS	Total dissolved solids
TransACT	TransACT Communications Pty Limited
UMA	Utilities Management Agreement

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