



ACTEW
CORPORATION

2010

ANNUAL REPORT

MISSION STAKEHOLDERS AND VALUES

Our Mission

- Manage our assets to maximise the efficiency, reliability and sustainability of water and sewerage services to the ACT and region in accordance with environmentally sustainable principles.
- Ensure a safe and reliable water supply for the ACT and region.
- Achieve a satisfactory return on our water, sewerage, 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 in achievement of our objectives.

Our Values

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

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COMPANY PROFILE

ACTEW Corporation Limited (ACTEW) is an unlisted public company with assets and investments in water, sewerage, electricity, gas and telecommunications. The company is owned by the ACT Government and has two voting shareholders: the Chief Minister and Deputy Chief Minister of the ACT.

ACTEW has two subsidiary companies: ACTEW Retail Limited and ACTEW Distribution Limited.

ACTEW owns the water and sewerage business and assets in the ACT. Investments include a 50% ownership of ActewAGL and an 18% shareholding in TransACT Communications Pty Limited.

Principal Registered Office

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DLA Phillips Fox

Bankers

Westpac Banking Corporation
Reserve Bank of Australia



Enlarged Cotter Dam site works

CHAIRMAN AND MANAGING DIRECTOR REPORTS

Message from the Chairman

ACTEW achieved strong performance outcomes and financial results this year as we continue to meet our commercial objectives and deliver our top priorities.

The ACT Auditor-General issued unqualified audit reports on the financial statements of the Corporation and its two subsidiary companies. Dividends paid to the voting shareholders totalled \$91.8m. ACTEW recorded an after tax profit of \$91.4m, an increase of \$18.6m on the previous year.

Water and sewerage revenue was \$16m higher than 2008-09 mainly due to an increase in customer numbers and sewerage fixtures. In November 2009 the sale of Ecowise Environmental Pty Limited was finalised resulting in an after tax net gain of \$8.7m.

Liquids increased to \$264.3m at 30 June 2010 due mainly to an increase in borrowings of \$243m in June 2010 to fund the large capital expenditure works incurred during the year and for future capital expenditure. ACTEW's gearing level is 49% due to these increased borrowings.

Our investments performed well. ActewAGL continues to be very profitable with income of \$93.4m, an increase of \$12.9m from 2008-09. Cash distributions from ACTEW's 50% investment in the joint venture were \$74.8m.

We continued to invest in water and sewerage assets and operations delivering \$112m in capital works.

ACTEW is committed to environmental management of existing water and sewerage operations and the planning, design and construction of the water security projects through the ongoing implementation of its Greenhouse Gas Abatement Strategy.

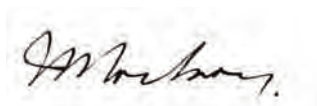
We continued to support ActewAGL and TransACT Communications Pty Limited as they considered expansions of their businesses and investments in the ACT and surrounding regions.

The water security projects remained a priority and we are now closer to achieving delivery of these important infrastructure projects. The Enlarged Cotter Dam and Murrumbidgee to Googong Pipeline are significant investments for both ACTEW and the community and will provide certainty of water supply for the coming decades.

Our support and involvement with the community continued with a 30% increase in sponsorship and funding for major events and community support activities and events. Throughout the year information sessions and attendance at major community events provided opportunities to educate and engage with the community on water conservation and the water security projects.

A number of changes to the Board occurred during the year and in December 2009 our shareholders appointed Dr Allan Hawke AC and Wendy Caird.

The Board, management and staff at ACTEW demonstrated their ongoing commitment and dedication throughout the year. I extend my thanks and gratitude to them and look forward to the coming year.



John Mackay AM
Chairman

Message from the Managing Director

This year has been one of great progress for ACTEW and water security is now in sight for the ACT region after a decade of drought and water shortages.

Since we established the Enlarged Cotter Dam worksite in November 2009, work has moved at an impressive rate. The Cotter Precinct is now home to our city's biggest construction site with work underway to prepare the landscape, construct two saddle dams and the main dam, while protecting the precious Cotter landscape.

It has also been a year of intense public discussion around water issues. The release of final costs for the Cotter Dam enlargement and Murrumbidgee to Googong Water Transfer in September 2009 sparked debate about water security, with some questioning whether the investment was justified and the dam itself needed.

It is true that we have had a very slight reprieve from water shortage in the latter part of this year, with some reasonable rainfall received since December 2009. While these showers have been great for our gardens and given dam levels a moderate boost, especially the Cotter system which remains our most reliable and productive catchment, there is no reason for complacency. Similar conditions in 2005 were followed by the driest year on record and a depletion of our storages to the lowest recorded levels. Inflows for 2009-10 were still more than 50% below long term averages. Over the last fifteen years our average inflow levels have decreased by 50% and in the four years since 2006 the average reduction has been more than 70%.

The cost of responding to the volatility of climate change is indeed high and, like most capital cities across the country, we find ourselves in a position where we must make large capital investments now for current and future generations.

It is absolutely essential that communities have confidence in investments as significant as the Enlarged Cotter Dam. That is why I continue to encourage and participate in public debate on water security. I am confident the investment we are currently making to diversify our water resources will go down in history as both good foresight and a prudent decision.

The Enlarged Cotter Dam will allow us to better capture inflows resulting from the sort of rain we have received recently. With the Murrumbidgee to Googong Water Transfer we will be able to move water and store it for times of scarcity in our largest dam, Googong. The Tantangara Transfer will give us access to water for years like 2006 when inflows to our own catchments were scarce.

Good steps have been taken this year towards the Murrumbidgee to Googong Water Transfer and we expect the planning and approvals to be completed by the end of 2010.

For their immense dedication over the past year I thank my fellow Directors and ACTEW staff, ActewAGL's Water Division for providing ongoing water and sewerage services, our construction partners and the men and women who are working so hard onsite to secure our water future. I also pass on thanks to the community for their continued commitment to sustainable water use.



Mark Sullivan AO
Managing Director

HIGHLIGHTS



Construction at Googong Dam Spillway



Enlarging the Cotter Dam

Water Security

ACTEW continued to implement its diversified portfolio of water supply projects to significantly improve water security for the ACT region.

Continued response to Drought and Climate Change

ACTEW continued to optimise the existing water supply system while implementing new infrastructure. Enhanced pumping capacity allowed water to be sourced from the Murrumbidgee River when flows were available, helping to supplement water from the four reservoirs.

ACTEW continued to progress a portfolio of water security projects which will help combat ongoing low inflows and changeable weather conditions.

Enlarged Cotter Dam

The construction phase of the Enlarged Cotter Dam officially commenced in November 2009 following Board approval of a total project cost of \$363 million (m) and the finalisation of all necessary planning and environmental approvals.

Once construction began ACTEW and its construction partners rapidly transformed the Cotter Dam area into a large-scale worksite. Site offices, fences and signage were erected and a temporary road network established to allow access to and around the site. Stripping of the abutments commenced and water diversion piping was installed to ensure that construction work can continue in the event of minor flooding.

By April 2010, a large onsite quarry was opened and a large crushing plant was commissioned to process raw rock extracted onsite. The plant is one of the largest crushing operations in Australia and capable of crushing up to five hundred tonnes of rock an hour. In total, it will crush approximately one million tonnes of rock to help make the volume of concrete needed to build the dam.

In June 2010, bulk earth works for the foundation of the concrete batch plants were completed with installation to

commence in July. The two batch plants will stand approximately 25m high and will produce on average sixty thousand cubic metres of concrete per month for seven months.

By the end of the year nearly one hundred and fifty people were working at the Cotter worksite and construction of the new dam was on track for completion in late 2011.

Murrumbidgee to Googong Water Transfer

ACTEW continued to plan and work towards approval for the Murrumbidgee to Googong Water Transfer. Infrastructure for this project includes an intake/low lift pump station, a high lift pump station, a 13km underground pipeline, an outlet structure, ancillary infrastructure (power supply) and a mini-hydro power generator.

The proposed pipeline route was chosen to lessen impact on local communities and the environment, to ensure safe work methods, and to minimise costs. Seventeen properties will require easements for the pipeline route and ACTEW is working with directly affected landholders. ACTEW is committed to a high standard of land remediation and will ensure that all affected land is restored as close to or better than existing condition.

In July 2009 the NSW Minister for Planning declared that the project would be critical infrastructure under Section 75 of the NSW *Environmental Planning and Assessment Act 1979*.

In November 2009, ACTEW was advised that the proposed action was considered a Controlled Action under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. The project is therefore being assessed by Public Environment Report (PER). A draft PER was lodged with the Department of the Environment, Water, Heritage and the Arts (DEWHA) in April 2010.

In April 2010 the NSW Minister for Planning approved the Environmental Assessment (EA) required by that State. ACT Government approval of the Environmental Impact Statement (EIS) followed in May.



Tantangara Dam



Artist's impression of low lift pump station for Murrumbidgee to Googong Water Transfer

Pending final Commonwealth and ACT approvals, construction of the Murrumbidgee to Googong Water Transfer is due to begin in late 2010.

The Tantangara Transfer

ACTEW completed the purchase of its water portfolio for the Tantangara Transfer project, which included 4.2 gigalitres (GL) of high security water entitlements and 12.5GL of general security entitlements.

Negotiations continued with Snowy Hydro Limited over a commercial agreement for the management and release of water from Tantangara Reservoir.

A proposed Intergovernmental Agreement between the NSW and ACT Governments to cover the transfer of water between the two jurisdictions was developed. The ACT and NSW Governments will continue negotiations in 2010.

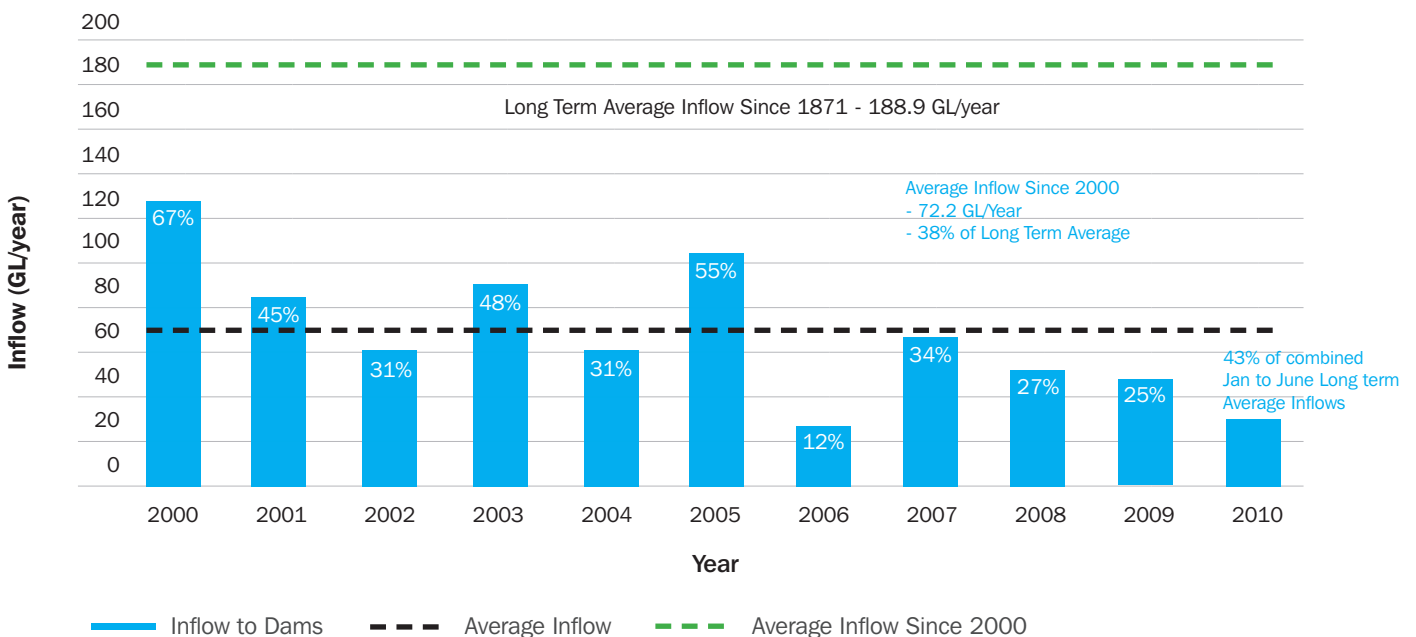
Water Supply and Demand

ACTEW worked to monitor water storages, manage water restrictions and promote sustainable water use.

Water Storages

The year saw some welcome improvements in reservoir levels. While inflows remained low during winter, consistent early spring rainfall and follow up rain events in February and March 2010 saw combined dam storages rise to 55.3% by the end of June 2010. Inflows over the financial year totalled 88.8GL which was below the long-term average of 188GL but the best in five years.

Annual Inflows into Corin, Bendora and Googong Reservoirs



HIGHLIGHTS

Water Restrictions

Stage 3 Water Restrictions remained in place for the entire year, which was the third year under this stage.

ACTEW continued to assist in the sustainable use and management of potable water. Water consumption over the year amounted to 45.1GL, a saving of 27GL compared to estimated consumption without restrictions and demand management activities by ACTEW and the ACT Government.

Industry Consultation Program

ACTEW's industry consultation program continued to encourage sustainable water use practices by local businesses that rely on outside use of water. This program was initiated in 2007.

Following detailed consultation with peak bodies and representatives during the year, ACTEW began working on Water Efficiency Management Plans which will help businesses to develop an in-depth knowledge of their water use, increase their water efficiency and employ permanent sustainable water use practices. The Plans will be in place through all stages of water restrictions as well as during Permanent Water Conservation Measures, which will apply once restrictions are no longer required.

Working with Large Water Users

ACTEW's Large Customer Demand Management Program, managed by ActewAGL, continued during the year. The program continually monitors the water use of one hundred large customers and enables leaks to be quickly identified and fixed. To date, the program has achieved water savings in excess of 600 megalitres (ML) per year.

The success of the program was recognised in March by the Australian Water Association, when it was announced winner of the 2010 National Program Innovation Award.

Use of Non-potable Water

The use of recycled water across the ACT increased during the year. An effluent reuse volume of 4.3GL was achieved, equating to a total reuse of 13.6%.

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

Water Operations

ACTEW managed its assets to maximise effectiveness of existing water operations.

Capital Works

ACTEW invested in an ongoing capital works program to meet growth and ensure continual operation and protection of the ACT's water infrastructure and assets. 2009-10 again saw a large annual capital expenditure program with \$68m invested in water assets. Projects included:

- **Googong Dam Spillway Upgrade**
A major upgrade of the Googong Dam Spillway to repair erosion, provide protection against possible extreme flood events and protect downstream areas in Queanbeyan and Canberra. This project is expected to be completed in late 2010.
- **Murrumbidgee and Cotter Pumping Station Works**
A larger pumping station was constructed in the Murrumbidgee River and improvements were undertaken at the Cotter Pump Station including renewal of large supply mains. These works allow more water to be supplied from the Cotter Reservoir and Murrumbidgee River.
- **Gungahlin Water Supply**
Construction of four new reservoirs, associated trunk mains and pumping stations continued to support development of new suburbs in Gungahlin. Work is expected to be completed in late 2010.

- **Uriarra Village**

Work to provide water and sewerage services to Uriarra Village commenced and is expected to be completed in 2011.

Murray Darling Basin Cap

Only 18GL of the 40GL allocated to the ACT under the ACT Water Cap was used during the year. This was due to water restrictions and the responsiveness of the ACT community to drought and water shortages.

ACTEW monitored the development of a draft Murray Darling Basin Plan which is due to be released in late 2010. Any changes to current allocations could significantly impact on the ACT.

Source Water Quality Protection Programs

ACTEW continued implementation of the Regional Source Water Protection Program which was developed to reduce and manage risks to the ACT drinking water supply.

Through the program, ACTEW has committed to a number of programs across the ACT and the upper Murrumbidgee River catchment to improve overall water quality. These include:

- Funding for a Water Watch Coordinator for the upper Murrumbidgee region;
- Improved signage in the Murrumbidgee and Cotter catchments to educate recreational users of the importance of preventing pollution and fires; and
- Initiating a collaborative project with Greening Australia to reduce livestock access to Paddys River using fences and off-river stock watering points.

Water Quality

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

Sewerage Operations

ACTEW reviewed its sewerage services and continued to monitor and enhance existing operations.

Capital Works

ACTEW invested \$44m on works related to sewerage assets, including:

- **Sewer Renewals and Ventilation Improvements**
Sewerage system improvements during the year included renewal of mains affected by tree roots, and improvements to sewer ventilation which will reduce corrosion and minimise nuisance odours.
- **LMWQCC Secondary Treatment Upgrade**
Upgrade works continued during the year and are expected to be completed in late 2010. The upgrade will ensure treated water discharged from the plant continues to minimise the impact on the Murrumbidgee River system, while catering for forecast population growth.

Reviewing our Sewerage System

ACTEW initiated a review to set the future direction for the sewerage business. The first stage of the Strategic Review of Sewerage Services developed and evaluated potential future directions of the ACT's sewerage system, identified emerging issues and assessed required upgrades and replacements. A future challenge will be supplying water and sewerage services to a larger population from a smaller water resource. Other potential challenges were identified as:

- Climate change and the likely need to reduce greenhouse gas emissions;
- Opportunities to extend supply of treated effluent for landscape irrigation and other purposes;
- Advanced technologies; and
- Affordability, sustainability and financial considerations.

Findings from the first stage of the Strategic Review of Sewerage Services will be available in late 2010.

HIGHLIGHTS

Statistics

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water										
Customers	124,570	126,750	129,114	131,893	134,020	136,890	138,917	141,046	143,741	146,608
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	211.6**	207.4**	207.4	207.4	207.4
No. of reservoirs***	44	44	44	44	44	44	44	44	44	46
Capacity of reservoirs (GL)	891	891	891	891	891	891	891	891	891	917
No. of pumping stations	21	21	21	21	23	23	23	23	23	24
Length of mains (km)	2,933	2,948	2,964	2,985	3,013	3,057	3,007*	2,980*	3,059	3,096
Total consumption (ML)	62,834	65,904	65,567	52,262	51,719	54,340	51,060	43,556	44,955	45,118
Consumption/person p/a (kL)	186	194	206	145	144	149	136	115	116	114
Rainfall (mm)	618	633	340	463	593	629	428	455	511	612
Sewerage										
Customers	121,618	123,641	125,785	128,446	130,355	133,217	135,241	137,262	139,794	142,577
No. of pumping stations	28	28	28	26	26	27	27	27	27	26
Quantity of sewerage treated (ML)	30,277	30,645	28,313	27,959	27,293	29,019	26,437	25,707	25,307	26,769
Sewage treated/person p/a (kL)	97	97.6	89	87	84	88	79	75	73	75
Length of mains (km)	2,852	2,875	2,897	2,921	2,948	2,985	2,993	3,014	3,059	3,094

Above information supplied by ActewAGL and current as of July 2010

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

** Bathymetry survey down-rated storage capacity.

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

Research and Development

ACTEW's ongoing applied research and development program continued to deliver significant outcomes including:

- Through the Microbial Source Tracking (MST) Project ActewAGL and other water utilities have begun to identify, prioritise and remediate point sources of pollution of source waters which have the potential to contaminate supply.
- The assessment of microbial growth in distribution biofilms in potable and recycled water project has been completed with ActewAGL anticipating the use of the tool on an ongoing basis.
- A novel Bayesian risk assessment model was developed as a tool to assist ACTEW in identifying specific factors or processes that had the greatest influence within the overall public perceptions of recycled water in the ACT. The researcher was selected as one of three finalists for the Australian Water Association NSW water industry awards.
- As part of the Filamentous Bacteria project at the Lower Molonglo Water Quality Control Centre (LMWQCC), a BioWin computer model was developed and calibrated which has assisted greatly with operational decision making, planning and implementation of the secondary treatment augmentation.

The first recipient of the Aspi Baria PhD Scholarship continued studies at the Australian National University (ANU) in 2009-10. The study includes investigating the role of the treatment processes on the fate and transport of trace organic compounds and nutrients entering the Murrumbidgee River. The scholarship was initiated by ACTEW in honour of a respected water scientist from ACTEW who passed away in 2007.

The first project funded by the ACTEW perpetual endowment fund began in May 2010. The funds were granted to a research fellow at the Fenner School of Environment and Society at ANU.

ACTEW funded a PhD scholarship at the University of Canberra (UC). The recipient will examine the development of biodiversity in the vegetation planted as offsets for areas cleared during the construction of the Enlarged Cotter Dam. ACTEW is also collaborating with the Institute of Applied Ecology at UC on an investigation of the potential impacts of climate change on water quality.

Environmental Management

ACTEW continued to pursue sustainable outcomes for planning, design, construction and operation of its infrastructure.

Greenhouse Gas Abatement Strategy

ACTEW began implementing its Greenhouse Gas Abatement Strategy which was initiated in 2009 to reduce and offset emissions associated with the water security projects. Through the strategy, ACTEW is avoiding and reducing emissions where possible and pursuing offsets when necessary.

From May 2010 biodiesel was used for construction vehicles at the Enlarged Cotter Dam worksite, providing a reduction in greenhouse gas emissions from fuels of approximately 5%.

A mini-hydro generator is included in plans for the Murrumbidgee to Googong Water Transfer and initial estimates show that it will provide approximately one fifth of the energy required to operate the pump stations.

Investigation to find suitable land in the ACT for forestry offsets during the year was not successful. ACTEW signed contracts with two suppliers to deliver 900,000 tonnes of carbon sink forestry offsets over the next thirty years which will result in over 800 hectares of forests being planted in New South Wales and around 2,600 hectares in Western Australia. Planting has commenced and is expected to be completed by summer 2010.

ACTEW also began investigating offset and abatement options for its broader water and sewerage business.

Implementing a Fish Management Plan for the Cotter Reservoir

Preparation of a Fish Management Plan was a key condition for approval of the Cotter Dam enlargement by DEWHA and the ACT Planning and Land Authority (ACTPLA). The Plan was developed in consultation with regulators and focuses on minimising the impacts of the Enlarged Cotter Dam on five threatened aquatic species:

- Macquarie Perch (*Macquaria australasica*)
- Trout Cod (*Maccullochella macquariensis*)
- Murray Cod (*Maccullochella peelii peelii*)
- Two-spined Blackfish (*Gadopsis bispinosus*), and
- Murray River Crayfish (*Euastacus armatus*)

The Fish Management Plan incorporates a growing body of knowledge on the threatened species. Research projects and studies undertaken during the year provided information to:

- Enable the construction of artificial shelter habitats for Macquarie Perch so the fish can avoid predation when their current habitat is inundated by the enlarged Cotter Reservoir;
- Investigate ways to enhance the local Murray River crayfish population;
- Identify measures to prevent the spread of the Epizootic Haematopoietic Necrosis (EHN) virus, which is fatal to Macquarie Perch;
- Establish populations of Macquarie Perch through translocation to sites outside of the Cotter Reservoir;
- Undertake necessary field investigations and apply the results in the management of alien fish populations;
- Identify the main food sources for Macquarie Perch;

- Support the investigation and installation of fish way structures that enable threatened species to reach their spawning areas; and
- Develop a comprehensive program to monitor changes to populations of threatened aquatic species, potentially affected by the Enlarged Cotter Dam.

ACTEW and its construction partners continued to work closely with researchers from UC, ANU, Griffith University and the University of Sydney during the year. Studies were peer reviewed to ensure that the information collected for the Fish Management Plan was scientifically robust.

Maintaining Environmental Flows

ACTEW continued to work closely with the ACT Environment Protection Authority (EPA) to ensure that the ACT's waterways are protected through the provision of environmental flows.

While the ongoing drought conditions have created significant challenges with regard to the provision of environmental flows, 2009-10 has seen some significant environmental gains made in the Cotter system.

The extensive and ongoing ecological monitoring undertaken continues to provide vital information to allow ACTEW and the ACT EPA to collaboratively undertake effective adaptive management of our water supply catchments.

Salt Reduction Strategy

ACTEW continued to develop options to address levels of total dissolved solids (TDS) in discharge from LMWQCC and look at ways to expand environmental monitoring and assessments. TDS is a measure of salt and the concentration has risen due to the drought and the community's reduction in water use.

ACTEW is assisting the ACT Government with a submission to the Federal Government to provide funding for the source management program and an expanded recycling network to reduce salt loads to the Murrumbidgee River.



ACTEW's public information campaign 'Save Water for Life'

Monitoring the Catchments

ACTEW continued to undertake ecological monitoring in the Queanbeyan, Cotter and Murrumbidgee Rivers and Burra Creek. The locations and programs are prioritised using the objectives contained in the ACT Aquatic Species and Riparian Zone Conservation Strategy, advice from the ACT EPA and the presence of nationally and territory listed threatened species such as the Two-spined Blackfish and Macquarie Perch.

These programs are critical in ensuring that ACTEW's current and proposed operations are undertaken in a manner that protects the environmental values of the area. The monitoring programs, which were developed in consultation with the ACT Government, underpin the adaptive management approach to the protection of environmental flows in the ACT.

Environmental Management Plan

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

Outcomes for 2009-10 are published in ActewAGL's Annual and Sustainability Report 2010 which is available at www.actewagl.com.au

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.

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.

ACTEW's program of community engagement continued on the Enlarged Cotter Dam and Murrumbidgee to Googong Water Transfer projects. 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 continued throughout the year. Between September 2009 and May 2010, thirty one free community Waterwise Gardening Workshops were held across the ACT.

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 Majura Community Festivals
- Festival of the Forests, National Arboretum
Canberra Open Day
- World Environment Day

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

HIGHLIGHTS



Waterwise Gardening Workshop

Cotter Dam Discovery Trail and Viewing Platform

Work began on the Cotter Dam Discovery Trail in April 2010. This new permanent feature of the Cotter Precinct was conceived in response to community feedback which indicated Canberrans wanted to engage with the dam building process as it took place.

The Discovery Trail will span a 1.4km loop and feature a 16m wide platform at the end, providing visitors with extensive views of the Enlarged Cotter Dam construction site. Interpretive signage telling the story of water in the ACT region will be included on the trail allowing visitors to learn about the Cotter, its history, ecology and the environment.

The Discovery Trail and viewing platform will replace the walking trail to the existing dam base which was highlighted by the community as a favourite activity at the Cotter in the past.

The Cotter Dam Discovery Trail and viewing platform will open to the public in spring 2010.

Maintaining Recreational Spaces during Construction

The Cotter Avenue recreation area was closed in January 2010 due to its proximity to the Enlarged Cotter Dam construction site. To ensure recreational access could continue in the popular Cotter Precinct, ACTEW undertook rehabilitation works at nearby Casuarina Sands. The upgrade included improvements to parking, facilities and provision for additional shade, BBQs and picnic tables.

New Online Engagement Initiatives

ACTEW initiated two new online initiatives to allow the community to engage with the Enlarged Cotter Dam. A time lapse camera was put in place to capture daily photos from the worksite and make them available to the public via ACTEW's website. Documentaries on construction as well as the Cotter environment and heritage were made available to the community via ACTEW's website.

Sponsorship and Community Support Program

ACTEW provides sponsorships, donations and in-kind donations to a variety of programs, events, charities and organisations that benefit local and regional communities. One of our ongoing priorities is to fulfil our role as a socially responsible company and good corporate citizen. The program provides for two categories of sponsorship: Major events and Community support.

Major events fall into five categories: cultural, arts, sport, education and community, and includes events such as

- Australian Science Festival,
- Canberra Symphony Orchestra,
- Canberra Area Theatre Awards,
- Australian National Eisteddfod,
- Australian War Memorial Christmas Carols,
- Canberra International Music Festival,
- Bell Shakespeare Theatre Company, and the
- International Softball Skins Tournament.

A total of fifteen events were sponsored in 2009–10.



Re-opening of Casuarina Sands Recreational Area



Roadside water signage

The Community Support Program provides financial and in-kind assistance to fundraising events and activities, and donations and minor sponsorships to organisations such as

- The Smith Family,
- Vietnam Veterans' Motorcycle Club,
- Lifeline Canberra,
- Yass Picnic Races,
- Salvation Army,
- Barnardos Children's Foundation,
- ACT Eden Monaro Cancer Support Group,
- ACT Scouts,
- Canberra Hospital Paediatrics Unit,
- Queanbeyan Art Society,
- St Vincent de Paul,
- National Breast Cancer Foundation,
- Guises Creek Rural Fire Brigade, and the
- Snowy Hydro South Care Helicopter Rescue Service.

A total of thirty seven organisations and events were supported during the year.

Corporate Governance

ACTEW has reporting and compliance obligations under Commonwealth and ACT legislation including *Corporations Act 2001*, *Privacy Act 1989*, *Territory-owned Corporations Act 1990*, *Work Safety Act 2008*, *Utilities Act 2000*, *Water Resources Act 2007*, *Environment Protection Act 1997*, *Water and Sewerage Act 2000* and the *Public Health Act 1997*. A number of licences and regulations govern the operations of the water and sewerage business. Details of compliance for 2009–10 are on page 4 of the Financial Statements.

ACTEW's corporate governance structures and practices provide guidance and the framework for the management and achievement of the corporation's objectives. They include governance, Board and Committee charters, policies, procedures, delegations, guidelines, a code of conduct, a risk management register, an annual internal audit plan and a legislative compliance manual. The documents detail and promote the high standards of governance, accountability and compliance required of all personnel. Compliance and information sessions are conducted for all staff on various legislative requirements and obligations.

ACTEW has agreed commercial and business objectives, activities and priorities with the voting shareholders. These are detailed in an annual Statement of Corporate Intent (SCI). The 2009–10 SCI was tabled in the ACT Legislative Assembly on 17 September 2009. 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

At 30 June 2010, ACTEW's Audit and Risk Management Committee comprised two non-Executive Directors: Mr Michael Easson (Chairman) and Mr Ted Mathews. The Committee met four times during the year. Details of Directors' attendance at the meetings are on page 4 of the Financial Statements.

The Audit and Risk Management Committee Charter was reviewed by the Committee and the Board during the year. ACTEW maintains a risk management register which identifies and addresses risks associated with the company's responsibilities, activities and accountabilities. Separate risk registers are maintained for the water security projects and by ActewAGL for the maintenance and operation of the water and sewerage assets and business.

Quarterly reviews and an annual review of the register were undertaken during the year and provided to the Audit and Risk Management Committee and the Board. Implementation of the new International Risk Management Standard ISO 31000:2009 commenced in May.

ACTEW's auditor is the ACT Auditor-General. Internal audit activities are coordinated by ActewAGL's Internal Audit Services group. PricewaterhouseCoopers provides external audit services to the Corporation. Other independent auditors are engaged as appropriate. During the year, five internal audits were undertaken.



John Mackay



Michael Easson



Mark Sullivan



Edward (Ted) Mathews

Members of the ACTEW Board

At 30 June 2010 the Board comprised six Directors: five non-Executive Directors and one Executive Director. The Board met nine times during the year. Details of Directors' attendance at the meetings are on page 3 of the Financial Statements. Directors' profiles are outlined below.

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 Board of Governors for the National Arboretum Canberra and the Canberra Glassworks. He is a Director of Canberra Investment Corporation Limited and the Little Company of Mary Healthcare, and a Member of the Canberra Raiders Board and University of Canberra Council.

Mr Mackay was Chief Executive Officer of ACTEW (1998–2000) and Chief Executive Officer of ActewAGL (2000–2008).

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 EG Funds Management, a business consultant to Allens Arthur Robinson, a Director of ING Real Estate Group and Stadium Australia Management Limited, and Deputy Chairman of ActewAGL.

Mr Easson was appointed a Director in July 1995 and Deputy Chairman in 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 Director of TransACT Communications Pty Limited. He is a Member of the ActewAGL Joint Venture Partnerships Board, the Australian Taxation Office Audit Committee, and the John James Memorial Foundation Limited Board.

Mr Sullivan was Secretary of the Department of Veterans' Affairs, President of the Repatriation Commission and Chair of the Military Rehabilitation and Compensation Commission (2004–2008), Secretary of the Department of Family and Community Services (2001–2004), Chief Executive Officer of the Aboriginal and Torres Strait Islander Commission (1991–2001) and Deputy Secretary of the Department of Immigration and Multicultural Affairs (1988–1999).

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.

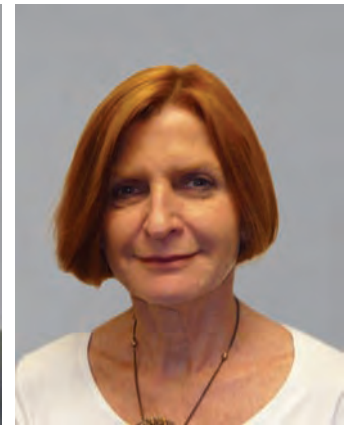
Edward (Ted) Mathews PSM, BA, MAICD – Director

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

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



Dr Allan Hawke



Wendy Caird

He was appointed to the Board in August 2002. Mr Mathews is an Alternate Member of the ActewAGL Joint Venture Partnerships Board. He is a Member of the Audit and Risk Management Committee and Chairman of the ActewAGL Audit and Risk Management Committee.

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

**Dr Allan Hawke AC,
BSc(Hons), PhD (ANU), FAIM, FIPAA, FAICD –
Director**

Allan Hawke was appointed to the Board in December 2009. He holds a Bachelor of Science degree with first class honours and is a Doctor of Philosophy (ANU).

Dr Hawke was Secretary of the Department of Veterans' Affairs (1994–1996), Department of Transport and Regional Services (1996–1999) and the Department of Defence (1999–2002). He was Australian High Commissioner to New Zealand (2003–2005) and Chancellor of the ANU (2006–2008).

He is Chairman of the MTAA Superannuation Fund Trustee Board and the Civil Aviation Safety Authority, a Director of Datacom, Chairman of the Prime Ministerial Advisory Council on Ex-Service matters and a Member of the Canberra Raiders Board.

Dr Hawke was appointed a Companion of the Order of Australia in June 2010, and awarded an Australian Centenary Medal in 2001. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Public Administration Australia.

**Wendy Caird MAICD –
Director**

Wendy Caird was appointed to the Board in December 2009. Ms Caird held a number of positions with Public Services International (France) including as Co-chair Asia Pacific Region (1998–2002), a Member of the Executive Board (1997–2002), Global Director of the Quality Public Services campaign (2002–2006) and a Member of the Global Coordinating Committee of the “Global Call to Action Against Poverty: (Make Poverty History)” campaign (2005–2006).

Ms Caird also held a number of executive positions with the Community and Public Sector Union (Australia) from 1983, including as NSW Branch Secretary until her appointment as National Secretary in 1993. During this period she was Vice President of the Australian Council of Trade Unions and an Executive Member of the NSW Labour Council. She represented Australia at International Labour Organisation meetings including as co-chair of the Workers Group.

She is a small business owner, Vice President of the Kangaroo Valley (KV) Tourist Association, and a member of the KV Community Association and KV Environment Group.



ACTEW's Executives: (L-R)

Mark Sullivan, Michele Norris, Kerry McIlwraith, Ross Knee

Executives

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

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

Ross Knee, MEng (Civil) – Executive Manager Water

Mr Knee commenced with ACTEW in 2005. He is responsible for the strategic management of the water and sewerage system operations, planning and capital works, regulatory and licence compliance, sustainability, and research and development. Mr Knee is a Chartered Professional Engineer.

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

Mr McIlwraith was appointed Chief Financial Officer in October 2006. He is responsible for financial management and reporting, strategic business analysis and investments, and risk management. He is a Director of ACTEW Distribution Limited and ACTEW Retail Limited. Mr McIlwraith is a Fellow of Certified Practising Accountants Australia.

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, statutory compliance and reporting, secretariat services and support to the Board, government liaison and reporting, and legal matters for the Corporation and subsidiary companies. Ms Norris is 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.

Remuneration

The voting shareholders determine the remuneration for Directors.

The Board meets as the Remuneration Committee. The Committee sets the remuneration and employment terms and conditions for the Managing Director, and reviews and assesses 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 met once during the year.

Remuneration paid to the corporation's directors, executives and senior managers during the year is outlined on the following page. Directors of ACTEW Distribution Limited and ACTEW Retail Limited are not remunerated.

ABOUT ACTEW CORPORATION

Name and position	Short term employee benefits (\$)	Post employment benefits superannuation (\$)	Other long term benefits (\$)	Termination benefits (\$)	Total (\$)
John Mackay Non Executive Chairman	54,826	4,934	-	-	59,760
Michael Easson Non Executive Deputy Chairman	31,525	2,873	-	-	34,362
Mark Sullivan Managing Director	552,907	85,063	-	-	637,970
Edward (Ted) Mathews Non Executive Director	27,413	2,467	-	-	29,880
Barbara Byrne (until 15 August 2009) Non Executive Director	3,901	351	-	-	4,252
Elizabeth Whitelaw (until 5 November 2009) Non Executive Director	10,122	949	-	-	11,071
Kevin Neil (until 5 December 2009) Non Executive Director	12,337	1,110	-	-	13,447
Allan Hawke (from 6 December 2009) Non Executive Director	15,077	1,357	-	-	16,434
Wendy Caird (from 6 December 2009) Non Executive Director	15,077	1,357	-	-	16,434
Ross Knee Executive Manager Water	337,466	44,449	-	-	381,915
Kerry McIlwraith Chief Financial Officer	170,594	14,443	-	-	185,037
Michele Norris Company Secretary	166,466	24,448	-	-	190,914
Gary Bickford (until 30 September 2009) Director, Water Security, Major Projects	308,800	13,642	17,087	192,974	532,503
Ian Carmody (from 1 October 2009) Director, Water Security Operations	199,974	17,998	-	-	217,972
Marlene Stolt Corporate Communications Manager	156,392	20,214	-	-	176,606
Total Directors	723,185	100,426	-	-	823,611
Total Senior Managers	1,339,693	135,193	17,087	192,974	1,684,947
Total Directors and Senior Managers	2,062,878	235,619	17,087	192,974	2,508,558

ABOUT ACTEW CORPORATION

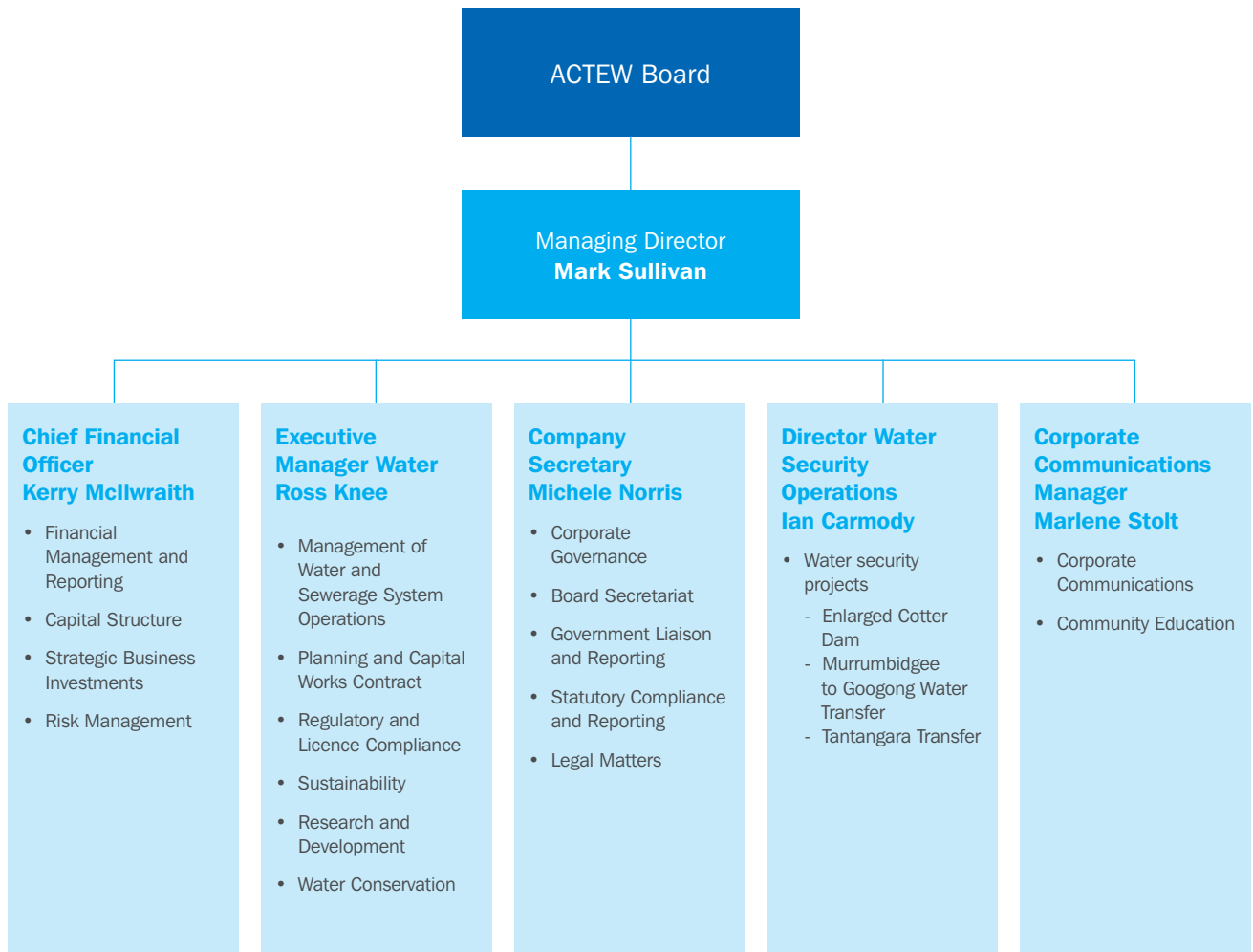
Organisational Overview

ACTEW's organisational structure reflects the diversity of the company's responsibilities, and functions as owner of the water and sewerage assets and business and an investor in electricity, gas and telecommunications businesses.

At 30 June 2010 there were forty employees. Staff have high levels of responsibility and accountability for business

and investment performance, governance, regulatory and licence compliance and must have the relevant technical knowledge, experience and skills.

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

ACTEW is a 50% owner of ActewAGL, a multi utility provider of electricity and gas services to the ACT and surrounding regional New South Wales centres. ActewAGL comprises two partnerships: ActewAGL Retail (a partnership between ACTEW Retail Limited and AGL ACT Retail Investments Pty Ltd); and ActewAGL Distribution (a partnership between ACTEW Distribution Limited and Jemena Networks (ACT) Pty Limited). ACTEW's water and sewerage assets and business are operated and maintained under a long term contract by ActewAGL.

Members of the ActewAGL Joint Venture Partnerships Board at 30 June 2010 were:

- Mr John Mackay AM – Chairman
- Mr Jim Galvin
- Ms Lim Lay Hong
- Mr Michael Easson AM – Deputy Chairman
- Mr Lim Howe Run
- Mr Mark Sullivan AO

More information on ActewAGL can be found at www.actewagl.com.au

TransACT Communications Pty Limited

TransACT operates a broadband communications network across Canberra. ACTEW has an 18% shareholding in the company. The Directors at 30 June 2010 were:

- Mr John Mackay AM – Chairman
- Mr John Troy
- Mr Michael Delaney
- Mr David Yuile
- Mr Andrew Gibson
- Mr Mark Sullivan AO
- Mr Varun Bery
- Mr Andrew Bailey
- Mr Lim Howe Run
- Mr Andrew Cooper
- Mr Ivan Slavich

TransACT's range of communication services includes video on demand, permanent high-speed connections to the internet, free to air and pay television services, and 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 and mobile and video services to residential and commercial customers.

More information on TransACT can be found at www.transact.com.au

OUTLOOK

Outlook

ACTEW's priorities for 2010–11 are:

Water Supply and Demand

- Continue detailed planning, design and construction work associated with enlarging the Cotter Dam to 78GL capacity.
- Obtain approvals and commence construction of the Murrumbidgee to Goongong Water Transfer.
- Finalise arrangements for the Tantangara Transfer including negotiations for a commercial agreement with Snowy Hydro Limited.
- Develop strategies for the implementation of the revised Permanent Water Conservation Measures and review the Temporary Water Restrictions.
- Work with the ACT Government to achieve their desired reduction in per capita mains water consumption of 12% by 2013 and 25% by 2023.
- Work with authorities and stakeholders to achieve appropriate management arrangements for the water catchments.
- Work with the ACT Government to achieve an appropriate sustainable diversion limit in the Murray Darling Basin Plan.

Sewerage

- Complete a strategic review of the sewerage system.
- Work with the ACT Government to develop an appropriate strategy to meet the target of 20% use of recycled water by 2013, and assist with the review of *Think water, act water*.
- Implement strategies to address total dissolved solids, including salt limits, in the discharge from the Lower Molonglo Water Quality Control Centre.
- Identify and implement changes to trade waste practices to improve performance of the sewerage system.

Environment

- Investigate and develop appropriate carbon abatement strategies for ACTEW's existing water and sewerage operations and continue implementation of strategies for the water security projects.
- Continue to implement appropriate ecological monitoring and protection programs for endangered and threatened species in the Cotter and Murrumbidgee Rivers and Burra Creek.
- Liaise and comply with relevant environmental protection agencies requirements in relation to environmental flows.

Investments

- Support sound strategies for future investments and regional expansions for TransACT and ActewAGL.
- Manage investments in electricity, gas and telecommunications.

Financial

- Stress test the financial model for implications of the continuing drought including ACTEW's profitability and capital structure.
- Manage the liquidity position in regards to major capital expenditure works.
- Continue to develop and implement risk management strategies in line with the new Australian Risk Management Standard.
- Achieve earnings before interest and tax (EBIT) of \$168.9m and declare shareholders a dividend out of 2010–11 profits of approximately \$73m.

SECTION TWO FINANCIAL STATEMENTS

General Purpose Financial Report

For the year ended 30 June 2010

ACTEW Corporation Limited
ABN 86 069 381 960

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ACTEW Corporation Limited and Controlled Entities

Directors' Report

For the year ended 30 June 2010

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 2010.

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 (ceased 5 December 2009)
- Mark Anthony Sullivan AO
- Edward William Mathews PSM
- Elizabeth Anne Whitelaw (ceased 5 November 2009)
- Barbara Mary Byrne OAM (ceased 15 August 2009)
- Allan Douglas Hawke AC (from 6 December 2009)
- Wendy Caird (from 6 December 2009)

Refer to page 18 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 and in 2000 was appointed Assistant Company Secretary and in December 2003, Company Secretary. She is responsible for the management and coordination of corporate governance, statutory compliance and reporting, secretariat services and support to the Board, government liaison and reporting, and legal matters for the Corporation and subsidiary companies. Ms Norris is 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.

Directors' Meetings

Nine directors' meetings were held during the financial year. The Audit and Risk Management Committee met four times during the year. The entire ACTEW Board meets as the Remuneration Committee. The Remuneration Committee met once during the year.

Details of directors' attendance at these meetings is outlined below.

Director	ACTEW Board Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings
J A Mackay	9 (9)	0 (0)	1 (1)
M B Easson	6 (9)	3 (4)	0 (1)
K L Neil	5 (5)	2 (2)	0 (1)
M A Sullivan	9 (9)	0 (0)	1 (1)
E W Mathews	9 (9)	4 (4)	1 (1)
E A Whitelaw	4 (5)	0 (0)	1 (1)
B M Byrne	0 (1)	0 (1)	0 (1)
A D Hawke	4 (4)	0 (0)	0 (0)
W Caird	4 (4)	0 (0)	0 (0)

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 revenue and results is set out below:

	2010 \$ million	2009 \$ million
Revenue (excludes ActewAGL joint venture profits)	250.3	239.5
Profit before income tax expense	127.3	100.9
Income tax	35.9	28.1
Profit for the year	91.4	72.8
Payments to ACT Government:		
Interim dividend for current years profit	74.7	55.6
Final dividend for previous years profit	17.1	19.0
	91.8	74.6
Tax equivalent payments	9.8	15.9
Total payments to ACT Government	101.6	90.5

Profit for the year increased due to the profit on sale of Ecowise Environmental Pty Ltd and a decrease in expenses as prior year included costs incurred on the Water Purification/Salt Reduction Scheme recorded as an expense under accounting standards.

Dividends

An interim dividend of \$74.7m (2009 interim: \$55.6m) was paid in June 2010. The directors have recommended the payment of a 2009-10 final dividend of \$16.8m (2009 final: \$17.1m).

Significant changes in the state of affairs

ACTEW raised a Capital Indexed Bond 2030 in June 2010 and received a further \$243m 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.

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 2009 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 2009-10. Compliance details were:

	Compliance 2009-10	Target
Googong pollution control licence compliance	100%	100%
Sewage treatment discharge compliance*	95.2%	100%
Sewage treatment incinerator air emission compliance**	99.5%	100%

* Non compliances were experienced with respect to the level of total dissolved solids in the discharge. The limit of maintaining a twelve monthly rolling average 50%ile below 500 mg/L was exceeded on the 8 July 2009 due to high total dissolved solids readings in the first half of 2009. ACTEW continues to look at a range of options to address this issue in the long term and is working with the ACT Environment Protection Authority (EPA) to investigate and implement feasible initiatives.

** Lower Molonglo Water Quality Control Centre's non compliances with stack emissions were of short duration, generally less than one hour. Upgrades to the current incinerator are currently being developed for project delivery.

ACTEW has assessed that there are no other particular or significant environmental regulations that apply.

Licence to Take Water

Issued by the EPA under the *Water Resources Act 2007*, the licence provides for taking of water covered by water access entitlements and the protection of environmental flows. ACTEW provided its annual report to the EPA on 30 October 2009. ACTEW complied with the requirements of the licence throughout 2009-10. ACTEW provided monthly reports to the EPA detailing compliance with the environmental flows requirements.

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 notifiable event which was detected from a sample in September 2009 that was notified to ACT Health.

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 directors and officers of the corporation and wholly owned subsidiary companies against liabilities and legal costs arising in the course of their duties including as a

FINANCIAL STATEMENTS

director appointed by ACTEW or by a subsidiary company of ACTEW to serve on the board of a company or partnership that is part owned directly or indirectly by ACTEW or by a subsidiary company of ACTEW, 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.

No liability has arisen under these indemnities as at the date of this report.

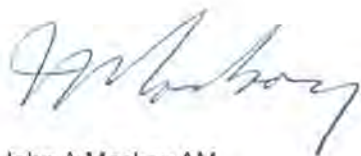
Auditor's Independence Declaration

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

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
25 August 2010



Mark Sullivan AO
Managing Director

Canberra
25 August 2010

ACTEW Corporation Limited and Controlled Entities

Directors' Declaration

for the year ended 30 June 2010

In the director's opinion:

(a) the financial statements and notes set on pages 11-43 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, 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.

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



John A Mackay AM
Chairman

Canberra
25 August 2010



Mark Sullivan AO
Managing Director

Canberra
25 August 2010



ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT ACTEW CORPORATION LIMITED

To the Members of the ACT Legislative Assembly and ACTEW Corporation Limited and Controlled Entities

Report on the financial report

I have audited the financial report of ACTEW Corporation Limited and Controlled Entities (the Company) for the year ended 30 June 2010. The financial report is comprised of the consolidated income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

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.

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 financial report. If users of the financial 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 the financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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



Tu Pham
Auditor-General
8 September 2010



ACT AUDITOR-GENERAL'S OFFICE



Auditor's Independence Declaration

To the Directors of ACTEW Corporation Limited and Controlled Entities

In relation to the audit of the financial report of ACTEW Corporation Limited and Controlled Entities for the year ended 30 June 2010, 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
25 August 2010

Consolidated Income Statement

For the year ended 30 June 2010

		2010	2009
	Notes	\$'000	\$'000
Revenue from continuing operations	5	231,127	220,255
Other income	6	19,222	19,253
		<u>250,349</u>	<u>239,508</u>
ACT Government charges		28,635	28,051
Employment and associated costs		7,197	6,655
Depreciation and amortisation expense	7	31,446	31,258
Finance costs	7	40,696	37,020
Project related expenses		97,623	108,260
Impairment of assets		8,983	2,567
Other expenses arising from ordinary activities		5,242	5,323
Investments in associates' equity accounted losses	34	(614)	321
Reversal of impairment of investments		(2,832)	(321)
Share of net (profit) of joint ventures partnership accounted for using the equity method		<u>(93,378)</u>	<u>(80,517)</u>
Profit before income tax		127,351	100,891
Income tax expense	8	35,906	28,098
Profit for the year		<u>91,445</u>	<u>72,793</u>

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

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

		2010	2009
	Notes	\$'000	\$'000
Profit for the year		91,445	72,793
Other comprehensive income			
Fixed asset revaluation decrement net of tax	28	(57,919)	(12,193)
Changes in the fair value of cash flow hedges, net of tax	28	<u>1,201</u>	<u>(2,861)</u>
Other comprehensive income for the year, net of tax		(56,718)	(15,054)
Total comprehensive income for the year		<u>34,727</u>	<u>57,739</u>

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

Consolidated Balance Sheet

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Current Assets			
Cash and cash equivalents	10	264,321	170,669
Other financial assets	11	3,000	3,236
Trade and other receivables	12	37,782	36,516
Other	13	19,498	18,459
Total Current Assets		324,601	228,880
Non-Current Assets			
Held-to-maturity investments	14	935	7,000
Investments accounted for using the equity method	15	481,107	459,035
Property, plant and equipment	16	1,452,676	1,378,726
Deferred tax assets	17	19,530	21,117
Intangible assets	18	27,463	17,708
Total Non-Current Assets		1,981,711	1,883,586
TOTAL ASSETS		2,306,312	2,112,466
Current Liabilities			
Trade and other payables	19	80,548	43,770
Borrowings	20	12,374	16,539
Provisions	21	36,967	36,426
Other	22	6,061	5,536
Total Current Liabilities		135,950	102,271
Non-Current Liabilities			
Borrowings	23	909,059	673,638
Derivative financial instrument	24	1,397	3,114
Provisions	25	1,435	1,487
Deferred tax liability	26	316,429	333,196
Total Non-Current Liabilities		1,228,320	1,011,435
TOTAL LIABILITIES		1,364,270	1,113,706
NET ASSETS		942,042	998,760
Equity			
Contributed equity	27	758,871	758,871
Reserves	28	175,370	232,088
Retained profits	29	7,801	7,801
TOTAL EQUITY		942,042	998,760

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

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010	2009
Notes	\$'000	\$'000
Cash Flows From Operating Activities		
Receipts from customers (inclusive of goods & services tax)	237,309	220,519
Payments to suppliers and employees (inclusive of goods & services tax)	<u>(137,689)</u>	<u>(144,557)</u>
Sub-Total	99,620	75,962
Interest received	6,194	12,526
Income tax equivalents paid	(9,765)	(15,850)
Interest paid	<u>(39,220)</u>	<u>(38,334)</u>
Net Cash Inflow from Operating Activities	<u>56,829</u>	<u>34,304</u>
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(167,172)	(127,899)
Payments for intangibles	(16,492)	(17,708)
Distribution received from joint venture partnerships	74,753	58,773
Net proceeds for other financial assets	<u>6,301</u>	<u>4,765</u>
Net Cash Outflow from Investing Activities	<u>(102,610)</u>	<u>(82,069)</u>
Cash Flows from Financing Activities		
Repayment of borrowings	(11,712)	(8,426)
Proceeds from borrowings	242,968	96,796
Dividend paid	<u>(91,823)</u>	<u>(74,600)</u>
Net Cash Inflow from Financing Activities	<u>139,433</u>	<u>13,770</u>
Net Increase (Decrease) in Cash and Cash Equivalents	93,652	(33,995)
Cash and Cash Equivalents at the Beginning of the Financial Year	170,669	204,664
Cash and Cash Equivalents at the End of the Financial Year	<u>10</u> <u>264,321</u>	<u>170,669</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Notes	Capital \$'000	Retained Profits \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2008		758,871	7,801	247,142	1,013,814
Total comprehensive income for the year		-	72,793	(15,054)	57,739
Transactions with owners in their capacity as owners					
Dividends provided for or paid	9	-	(72,793)	-	(72,793)
Balance at 30 June 2009		<u>758,871</u>	<u>7,801</u>	<u>232,088</u>	<u>998,760</u>
Total comprehensive income for the year			91,445	(56,718)	34,727
Transactions with owners in their capacity as owners					
Dividends provided for or paid	9	-	(91,445)	-	(91,445)
Balance at 30 June 2010		<u><u>758,871</u></u>	<u><u>7,801</u></u>	<u><u>175,370</u></u>	<u><u>942,042</u></u>

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

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for 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 - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The consolidated financial statements of the ACTEW group comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Early adoption of standards

The group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure requirements.*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The adoption of AASB 1053 and AASB 2010-2 allowed the ACTEW group to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

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.

Financial statement presentation

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 2010 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. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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.

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(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 other comprehensive income. The cumulative post acquisition movements are adjusted against the cost of 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 other comprehensive income. 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 35.

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 35.

(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 Consolidated Financial Statements

For the year ended 30 June 2010

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 Limited and its subsidiaries have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity.

(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.

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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 allowance 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 every five years 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 10.22% - 11.05% (2009 - 10.14%).

At 30 June 2010, ACTEW had invested \$60.8 million in TransACT Communications Pty Ltd. The allowance for impairment of the TransACT investment is \$56.1 million (2009: \$59.5million). This allowance is reviewed annually. (Refer Note 34)

(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 Consolidated Financial Statements

For the year ended 30 June 2010

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) 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.

(iii) 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 held-for-trading 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.

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. These instruments 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 and available for sale" categories 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.

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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 commenced 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 (Note 18).

Carbon Credits

ACTEW has committed to offset the carbon production associated with the construction and operation of the Water Security Major Projects (WSMP). ACTEW has confirmed contracts with AusCarbon Pty Ltd and CO2 Australia Limited to supply 900,000 tonnes of carbon credits over 30 years. The legislation framework governing carbon credits remains uncertain at this stage. An impairment of the full amount (\$1.9m) has been recognised for the period ended 30 June 2010.

(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 20 and 23.

(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 Consolidated Financial Statements

For the year ended 30 June 2010

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 2009-10 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 2010. 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 24. Movements in the hedging reserve in reserves are shown in Note 26.

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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) Parent entity financial information

The financial information for the parent entity, Actew Corporation Ltd, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements except for interest in the Joint Venture, which are accounted at cost.

2 Financial risk management

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.

3 Critical accounting judgements and estimates

Revenue Recognition

ACTEW water revenue includes an estimated accrual for water consumed but not yet billed. This is a regular occurrence at the end of each reporting period. The estimate is calculated on outstanding water consumed (net of estimated losses) for the period less actual billing. This is multiplied by the average price of water consumption. The June 2010 amount totalled \$12.3 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 \$1.5 billion as at 30 June 2010 (2009: \$1.4 billion). The DCF was determined over an eight-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 10.22% and 11.05% (2009: 10.14%). This valuation method determined an \$88.5m impairment of the water and sewerage infrastructure assets. This impairment charge has been allocated to gifted assets of \$5.9 million in the income statement (equal the value of water network assets received during 2009-10) and the remaining \$82.6 million has been recorded as a decrement to the asset revaluation reserve and deferred tax asset.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

4 Segment information

Management has determined the operating segments that are used to make strategic decisions.

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.

Geographical segments

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

Notes to and forming part of the segment information

a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and consolidated entity as disclosed in Note 1(w) and the accounting standard AASB 8 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, and other assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on a reasonable estimate of usage. Segment liabilities consist primarily of trade and other payables and employee benefits. Segment assets and liabilities do not include income taxes.

b) Inter-segment transfers

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

c) Equity accounted investments

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

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ACTEW Corporation Limited and Controlled Entities

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For the year ended 30 June 2010

Note 4: Segment information (continued)

Primary reporting - business segments

Year ended 30 June 2010

	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
Income statement				
Sales to external customers	128,339	98,953	-	227,292
Other revenue	8,316	13,733	94,386	116,435
Total segment revenue	136,655	112,686	94,386	343,727
Segment result (excluding interest, gifted assets, impairment and tax expense)	35,000	33,821	93,637	162,458
Tax expense	653	8,377	26,876	35,906
Segment result for the year	15,885	14,672	60,888	91,445
Balance Sheet				
Segment assets	1,033,499	765,670	507,070	2,306,239
Segment liabilities	717,404	419,151	227,715	1,364,270
Investments in associates and joint venture partnership	-	-	481,107	481,107
Other				
Acquisition of property, plant and equipment	160,529	30,595	-	191,124
Depreciation and amortisation	13,542	17,903	-	31,445
Impairment of assets	5,863	3,120	-	8,983

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

Note 4: Segment information (continued)

Primary reporting - business segments

Year ended 30 June 2009

	Water \$'000	Wastewater \$'000	Investments \$'000	Consolidated \$'000
Income statement				
Sales to external customers	121,989	88,520	-	210,509
Other revenue	10,940	16,785	81,791	109,516
Segment revenue	132,929	105,305	81,791	320,025
Segment result (excluding interest, gifted assets 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
Balance Sheet				
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
Other				
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

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For the year ended 30 June 2010

5 Revenue from continuing operations

	Notes	2010 \$'000	2009 \$'000
Sales revenue			
Water revenue		126,086	120,357
Sewerage revenue		98,430	87,995
		<u>224,516</u>	<u>208,352</u>
Other revenue			
Interest		6,611	11,903
	a	<u>231,127</u>	<u>220,255</u>

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

6 Other income

	Notes	2010 \$'000	2009 \$'000
Commonwealth subvention	a	9,827	9,818
Contributed assets		5,590	6,341
Regulated income		1,911	1,626
Other income		1,894	1,468
		<u>19,222</u>	<u>19,252</u>

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.

7 Expenses

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

	2010 \$'000	2009 \$'000
Profit before income tax includes the following specific expenses:		
Finance costs	40,696	37,020
Depreciation:		
Water system assets	13,322	14,276
Sewerage system assets	17,675	16,666
Infrastructure land and buildings	6	6
Non-infrastructure land and buildings	254	259
Plant and equipment	189	51
Total Depreciation	<u>31,446</u>	<u>31,258</u>
Superannuation	643	611
Rental expenses relating to operating leases	443	300
Impairment losses - financial assets - trade receivables	166	369
Impairment losses - assets	8,983	2,567

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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	2010 \$'000	2009 \$'000
(a) Income tax expense			
Current tax		32,351	15,181
Decrease/(Increase) in deferred tax asset	17	1,587	(3,043)
(Decrease)/Increase in deferred tax liabilities	26	7,541	17,218
Adjustment to prior year		(5,573)	(1,258)
		<u>35,906</u>	<u>28,098</u>
Income tax expense is attributable to:			
Profit from continuing operations		<u>35,906</u>	<u>28,098</u>
Aggregate income tax expense		<u>35,906</u>	<u>28,098</u>

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

Profit from continuing operations before income tax equivalents	127,351	100,891
Income tax calculated at 30%	38,205	30,267
Other items		
Other non assessable income	(667)	-
Non-deductible expenses	721	(279)
Inter-company dividends	(144)	-
Previously unrecognised temporary differences	3,688	-
Research and development	(324)	-
Adjustment to prior year income tax expense	(5,573)	(1,890)
Income tax expense	<u>35,906</u>	<u>28,098</u>

(c) Amounts recognised directly in equity

Deferred tax liability - credited directly to equity during the reporting period (note 26)	<u>24,308</u>	(6,497)
	<u>24,308</u>	(6,497)

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

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 the parent entity, 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.

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

9 Dividends

	2010 \$'000	2009 \$'000
Opening balance	17,143	18,950
Amount appropriated from operating profit	<u>91,445</u>	<u>72,793</u>
Amount paid during the year	<u>108,588</u>	<u>91,743</u>
Closing balance	<u>(91,823)</u>	<u>(74,600)</u>
	<u>16,765</u>	<u>17,143</u>

10 Current assets - cash and cash equivalents

	Notes	2010 \$'000	2009 \$'000
Cash at bank and on hand		21,204	12,137
Short-term deposits		<u>243,117</u>	<u>158,532</u>
Cash and cash equivalents		<u>264,321</u>	<u>170,669</u>

11 Current assets - other financial assets

	2010 \$'000	2009 \$'000
Held to maturity assets	<u>3,000</u>	<u>3,236</u>
Total other financial assets	<u>3,000</u>	<u>3,236</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

12 Current assets - trade and other receivables

	2010 \$'000	2009 \$'000
Water revenue receivable	22,300	22,847
Sewerage revenue receivable	9,473	10,641
Other trade receivables	4,143	2,125
Allowance for impairment of receivables	(648)	(482)
Sub total trade receivables	<u>35,268</u>	<u>35,131</u>
Sundry receivables and accrued revenue	2,514	1,385
Sub total sundry debtors	<u>2,514</u>	<u>1,385</u>
Total trade receivables	<u>37,782</u>	<u>36,516</u>

(a) Movements in the allowance for impairment of receivables are as follows:

	2010 \$'000	2009 \$'000
At 1 July	482	113
Allowance for impairment recognised during the year	413	394
Receivables written off during the year as uncollectible	(247)	(25)
	<u>648</u>	<u>482</u>

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

(b) Other trade receivables

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

13 Current assets - other

	2010 \$'000	2009 \$'000
Employee entitlement receivable - related parties	19,496	18,459
Other	2	-
Total other assets	<u>19,498</u>	<u>18,459</u>

14 Non-current assets - held-to-maturity investments

	2010 \$'000	2009 \$'000
Long-term securities	935	7,000
Total held-to-maturity investments	<u>935</u>	<u>7,000</u>

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

	Notes	2010 \$'000	2009 \$'000
Investments in joint venture partnerships	35	476,411	457,785
Investment in TransACT	34	4,696	1,250
Total investments using equity method		<u>481,107</u>	<u>459,035</u>

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

16 Non-current assets - property, plant and equipment

	Water \$'000	Sewerage \$'000	Infra - structure land & buildings \$'000	Non-infra - structure land & buildings \$'000	Plant & equipment \$'000	Total \$'000
At 30 June 2008						
Cost or fair value	661,865	627,720	2,817	17,368	139	1,309,910
Valuation	57	88	-	-	-	145
Accumulated depreciation	(13,588)	(15,538)	(167)	(3,769)	(33)	(33,095)
Net book amount	648,334	612,270	2,650	13,599	106	1,276,960
Year ended 30 June 2009						
Opening net book amount	648,334	612,270	2,650	13,599	106	1,276,960
Revaluation/(impairment)	(19,985)	-	-	-	-	(19,985)
Additions	90,103	51,767	-	4,035	132	146,038
Gifted assets	2,567	3,774	-	-	-	6,341
Transfer/adjustments	(1,099)	1,817	43	(133)	1	630
Depreciation charge	(14,276)	(16,666)	(6)	(259)	(51)	(31,258)
Closing net book amount	705,644	652,963	2,687	17,243	189	1,378,726
At 30 June 2009						
Cost or fair value	753,493	685,167	2,860	21,271	273	1,463,064
Valuation	(19,985)	-	-	-	-	(19,985)
Accumulated depreciation	(27,864)	(32,204)	(173)	(4,026)	(84)	(64,353)
Net book amount	705,644	652,963	2,687	17,243	189	1,378,726
Year ended 30 June 2010						
Opening net book amount	705,644	652,963	2,687	17,243	189	1,378,726
Revaluation/(impairment)	(59,263)	(28,942)	-	-	-	(88,205)
Additions	155,536	25,602	-	3,826	2,083	187,047
Gifted assets	2,351	3,239	-	-	-	5,590
Transfer/adjustments	3,862	(3,028)	4,076	(3,964)	18	964
Depreciation charge	(13,322)	(17,675)	(6)	(254)	(189)	(31,446)
Closing net book amount	794,808	632,159	6,757	16,851	2,101	1,452,676
At 30 June 2010						
Cost or fair value	895,257	710,980	6,936	21,133	2,374	1,636,680
Valuation	(59,263)	(28,942)	-	-	-	(88,205)
Accumulated depreciation	(41,186)	(49,879)	(179)	(4,282)	(273)	(95,799)
Net book amount	794,808	632,159	6,757	16,851	2,101	1,452,676

- All fixed assets are held by the parent entity.
- The directors have reviewed the carrying amount of these assets to ensure there is no material difference between their fair value and carrying amount at balance date.
- Water and sewerage infrastructure assets, and land and buildings are stated at their fair value. All other assets are at cost.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

16 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 2010. This valuation resulted in the the water and wastewater assets being valued at \$1.4 billion, with an impairment of \$88.5 million of the water and wastewater 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.

17 Non-current assets - deferred tax assets

	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Audit fees	7	7
Distributions from joint venture partnerships	12,325	13,303
Employee entitlements	6,613	6,098
Insurance losses	-	30
Other	585	1,679
Total deferred tax assets	19,530	21,117
Deferred tax assets to be recovered within 12 months	19,530	21,087
Deferred tax assets to be recovered after more than 12 months	-	30
	19,530	21,117
Movements		
Opening balance as at 1 July	21,117	19,759
Movements in the income statement	(1,587)	3,043
Adjustments to prior year tax effect balances	-	(1,685)
Closing balance at 30 June	19,530	21,117

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ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

18 Non-current assets - intangible assets

	Notes	Carbon Credits [^] \$'000	Licences* \$'000	Total \$'000
At 30 June 2009				
Cost		-	17,708	17,708
Accumulated impairment		-	-	-
Net book amount		-	17,708	17,708
Year ended 30 June 2010				
Opening net book value		-	17,708	17,708
Additions - acquisitions		1,905	11,243	13,148
Impairment charge	a), b)	(1,905)	(1,488)	(3,393)
Closing net book amount		-	27,463	27,463
At 30 June 2010				
Cost		1,905	28,951	30,856
Accumulated impairment		(1,905)	(1,488)	(3,393)
Net book amount		-	27,463	27,463

* 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.

[^] ACTEW has committed to offset the carbon production associated with the construction and operation of the Water Security Major Projects (WSMP). ACTEW has confirmed contracts with AusCarbon Pty Ltd and CO2 Australia Limited to supply 900,000 tonnes of carbon credits over 30 years.

a) As part of the annual impairment assessment, ACTEW engaged Parsons Brinckerhoff to undertake an analysis of recent water transactions and current trade offers within the market. Through taking prices used in this analysis an impairment of \$1.5m has been charged against the water licences for the period ended 30 June 2010.

b) The legislation framework governing carbon credits remains uncertain at this stage. An impairment of the full amount has been recognised for the period ended 30 June 2010.

19 Current liabilities - trade and other payables

	2010 \$'000	2009 \$'000
Trade payables	16,093	620
Other payables and accruals	45,750	41,500
Income tax payable	18,705	1,650
Total payables	80,548	43,770

20 Current liabilities - borrowings

	2010 \$'000	2009 \$'000
Unsecured		
Loans	12,374	16,539
Total borrowings	12,374	16,539

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

21 Current liabilities - provisions

	Notes	2010 \$'000	2009 \$'000
Employee entitlements		598	697
Employee entitlements - seconded employees		19,619	18,459
Provision for dividend	g	16,765	17,143
Workers' compensation (Pre-1989)		(15)	127
Total provisions		36,967	36,426

22 Current liabilities - other

	2010 \$'000	2009 \$'000
Unearned revenue	6,061	5,536
Security deposits received	-	-
Total other	6,061	5,536

23 Non-current liabilities - borrowings

	Notes	2010 \$'000	2009 \$'000
Unsecured			
Loans		909,059	673,638
Total non-current borrowings	a,b	909,059	673,638

a. The main portion of total borrowings is two CPI linked indexed annuity bonds (IABs) and a capital indexed bond (CIB). The IABs consist of \$250 million borrowed 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. The CIB of \$243million was acquired on 17 June 2010 at a yield of 3.72% and matures on 17 June 2030. Interest payments are made on a quarterly basis with the principal inflated by CPI with full payment in 2030. As at 30 June 2010 the total principal outstanding was \$850 million (2009 - \$614.8 million).

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ACTEW Corporation Limited and Controlled Entities

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For the year ended 30 June 2010

23 Non-current liabilities - borrowings (continued)

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% (2009 - 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 2010 the notional principal amount is \$70 million and the interest rate swap contract will expire on 19 October 2011.

24 Non-current liabilities - derivative financial instrument

	2010 \$'000	2009 \$'000
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	1,397	3,114
Total derivative financial instruments	<u>1,397</u>	<u>3,114</u>

(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. 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.

25 Non-current liabilities - provisions

	2010 \$'000	2009 \$'000
Employee entitlements	83	35
Insurance losses	-	100
Workers' compensation (Pre-1989)	1,352	1,352
Total provisions	<u>1,435</u>	<u>1,487</u>

Movements in consolidated non-current provisions

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

	Insurance Losses \$'000	Workers' Compensation (Pre-1989) \$'000	Total \$'000
Carrying amount at start of year	100	1,352	1,452
Charged /(credited) to profit or loss			
- unused amounts reversed	(100)	-	(100)
Carrying amount at end of year	<u>-</u>	<u>1,352</u>	<u>1,352</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

26 Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:

	2010 \$'000	2009 \$'000
Amounts recognised in profit and loss		
Distributions from ActewAGL Retail Partnership	51,665	46,488
Interest receivable	204	78
Unread consumption	3,702	3,304
Depreciation	185,392	184,876
Gifted assets	(2,097)	(2,283)
Joint venture receivable	5,822	5,538
Other	-	-
Total Deferred Tax Liabilities	244,688	238,001
Amounts recognised in equity		
Asset revaluation	71,305	96,129
Cash flow hedges	436	(934)
Total Deferred Tax Liabilities	71,741	95,195
Total Deferred Tax Liabilities	316,429	333,196
Deferred tax liabilities to be recovered within 12 months	9,727	8,920
Deferred tax liabilities to be recovered after more than 12 months	306,702	324,276
	316,429	333,196
Movements		
Opening balance 1 July	333,196	324,429
Adjustments to prior year tax effect balances	-	(1,953)
Movement to the income statement	7,541	17,216
Movement to equity (cash flow hedging reserve)	514	(1,271)
Movement to equity (asset revaluation reserve)	(24,822)	(5,225)
Closing balance at 30 June	316,429	333,196

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For the year ended 30 June 2010

27 Contributed equity

	2010 Shares	2009 Shares
a) Paid up capital:		
Ordinary shares fully paid (par value \$0.30)	2	2
Total share capital	2	2
b) Total capital	\$'000	\$'000
Contributed Capital	758,871	758,871
Total capital	758,871	758,871

c) Movement in ordinary share capital

There has been no movement in share capital.

d) Capital risk management

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

The Group's strategy is to maintain financial flexibility to accommodate future investments.

The net debt to equity ratio at 30 June 2010 and 30 June 2009 were as follows:

	Notes	2010 \$'000	2009 \$'000
Total borrowings	20,23	921,433	690,177
Less: cash as per statement of cash flows	10	(264,321)	(170,669)
Net debt		657,112	519,508
Total equity		942,042	998,760
Total capital		1,599,154	1,518,268
Net debt to capital ratio		41.1%	34.2%

28 Reserves

	2010 \$'000	2009 \$'000
(a) Reserves		
Asset revaluation	166,528	224,447
Hedging reserve	(978)	(2,179)
General insurance	9,820	9,820
Total reserves	175,370	232,088

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

28 Reserves (continued)

Movements in reserves:	2010	2009
	\$'000	\$'000
Asset revaluation		
Balance 1 July	224,447	236,640
Revaluation - net		
Water	(39,838)	(12,193)
Wastewater	(18,081)	-
<i>Revaluation of Joint Venture investment</i>		
ActewAGL Distribution Partnership	-	-
Balance 30 June	<u>166,528</u>	<u>224,447</u>
Hedging reserve - cash flow hedges		
Balance at 1 July	(2,179)	682
Revaluation - net	1,201	(2,861)
Balance 30 June	<u>(978)</u>	<u>(2,179)</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 2009-10 an impairment of \$88.5 million was assessed with \$82.6million 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.

29 Retained profits

Movements in retained earnings were as follows:	2010	2009
	\$'000	\$'000
Retained profits at the beginning of the financial year	7,801	7,801
Net profits available for reserves and dividends	91,445	72,793
Total available for appropriation	99,246	80,594
Dividends provided for or paid	(91,445)	(72,793)
Retained profits at the end of the financial year	<u>7,801</u>	<u>7,801</u>

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

30 Key management personnel

(a) Key management personnel remuneration

	2010 \$	2009 \$
Total benefits	1,581,475	1,526,212

31 Commitments for expenditure

	2010 \$'000	2009 \$'000
a) Capital expenditure commitments:	484,780	439,540
b) Other expenditure commitments:	260,203	358,963
c) Lease commitments:		
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:		
Within 1 year	932	481
Later than 1 year but not later than 5 years	3,050	446
Later than 5 years	7,060	-
	<u>11,042</u>	<u>927</u>

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.

32 Contingent liabilities

The Group has underwritten a \$25 million (2009 - \$25 million) standby debt facility for TransACT Communications. At 30 June 2010 \$3 million was undrawn (2009 - \$3 million).

There are legal proceedings between Actew Corporation Ltd and Queanbeyan City Council in regards to Utilities Network Facilities Tax and Water Abstraction Charge recoveries. This is subject to a full federal court appeal. A provision for impairment has not been raised for any disputed amounts.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

33 Investment in controlled entities

Name of Entity	Country of Incorporation	Class of shares	Equity Holding	
			2010	2009
			%	%
ACTEW Distribution Ltd	Australia	Ordinary	100%	100%
ACTEW Retail Ltd	Australia	Ordinary	100%	100%

34 Investments in associates

	Ownership Interest	2010 \$'000	2009 \$'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
Prior year equity accounted losses		(50,904)	(50,583)
Current year equity accounted losses and prior year adjustments		614	(321)
Provision for diminution		(5,813)	(8,645)
Carrying amount at end of financial year		<u>4,696</u>	<u>1,250</u>

At 30 June 2010 ACTEW reassessed the value of its investment in TransACT Communications Pty Ltd due to changing market conditions and updated business forecasts. The review, performed on a discounted cashflow basis, reduced the investment provision in TransACT Communications for \$3.4million throughout the year. ACTEW's 18.06% investment in TransACT Communications Pty Ltd is now carried at \$4.7million.

FINANCIAL STATEMENTS

ACTEW Corporation Limited and Controlled Entities

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For the year ended 30 June 2010

35 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:

	2010 \$'000	2009 \$'000
Share of partnership's commitments		
Lease commitments	36,521	25,763
Remuneration commitments	48,308	19,524
Total expenditure commitments	84,829	45,287
Capital and other commitments	33,308	19,938
	118,137	65,225

(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 \$182,053 (2009 \$350,137) as at 30 June 2010.

36 Events subsequent to balance date

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

37 Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 \$'000	2009 \$'000
Balance Sheet		
Current Assets	411,341	310,031
Total Assets	2,216,588	2,029,801
Current Liabilities	135,926	102,235
Total Liabilities	1,295,540	1,050,157
Equity		
Contributed equity	758,871	758,871
Reserves		
Asset revaluation	144,884	184,722
Hedging reserve	(978)	(2,179)
General insurance	9,820	9,820
Retained profits	28,008	28,410
	<u>940,605</u>	<u>979,644</u>
Profit or loss for the year	<u>90,964</u>	<u>72,313</u>
Total comprehensive income	<u>34,246</u>	<u>57,259</u>

b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2010 or 30 June 2009.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2010 or 30 June 2009.

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