

ACTEW CORPORATION LIMITED

ABN 86 069 381 960

2009-10 ANNUAL REPORT TO THE ACT GOVERNMENT





8 October 2010

Ms Katy Gallagher MLA
Deputy Chief Minister and Treasurer
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Dear Treasurer 

We are pleased to present ACTEW Corporation's 2010 Annual Report. The report has been prepared under section 6 (1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with reporting requirements applicable to the Corporation which are outlined in the Chief Minister's Annual Report Directions. The report also includes information required under other applicable legislation including *Corporations Act 2001* and Australian Accounting Standards.

To the best of our knowledge and belief, the Annual Report is an honest and accurate account of the operations of the company for the period 1 July 2009 to 30 June 2010 and that all material information has been included.

Yours sincerely


John Mackay AM
Chairman

Yours sincerely


Mark Sullivan AO
Managing Director

ACTEW Corporation Ltd.
ActewAGL House
Level 9, 221 London Circuit
GPO Box 366 Canberra ACT 2601

Tel. (02) 6248 3111
Fax. (02) 6248 3567
ABN 86 089 381 960

Contents

CONTENTS	2
PERFORMANCE AND FINANCIAL MANAGEMENT REPORTING	4
The Organisation	4
Mission Stakeholders and Values	5
OVERVIEW	6
Message from the Chairman	6
Message from the Managing Director	7
ACTEW's Investments	8
HIGHLIGHTS	9
Water Security	9
Water Supply and Demand	10
Water Operations	11
Sewerage Operations	12
Research and Development	12
Statistics	13
Environmental Management	13
Working with the Community	15
OUTLOOK	17
MANAGEMENT DISCUSSION AND ANALYSIS	19
CONSULTATION AND SCRUTINY REPORTING	23
Community Engagement	23
Internal and External Scrutiny	25
Legislative Assembly Committees Inquiries and Reports	26
LEGISLATIVE AND POLICY BASED REPORTING	28
Risk Management and Internal Audit	28
Fraud Prevention	28
Public Interest Disclosure	28
Freedom of Information	28
Internal Accountability	29
Staffing Profile	33
Workplace Health and Safety	34
Community Grants/Assistance/Sponsorship	34
Territory Records Act	37
Human Rights Act	37
Commissioner for the Environment	37
Ecologically Sustainable Development	37
Model Litigant Guidelines	38
FINANCIAL STATEMENTS	39

ANNEXED REPORTS	40
ActewAGL Joint Venture	40
ACTEW Distribution Limited	40
ACTEW Retail Limited	40
COMPLIANCE INDEX	41
OMISSIONS REPORT	42

Performance and Financial Management Reporting

The Organisation

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

Level 5 ActewAGL House
40 Bunda Street
Canberra ACT 2600

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

Auditor

Auditor-General of the ACT

Solicitors

Mallesons Stephen Jaques
Minter Ellison
DLA Phillips Fox

Bankers

Westpac Banking Corporation
Reserve Bank of Australia

ACN 069 381 960
ABN 86 069 381 960

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.

Overview

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

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

Details of ActewAGL's financial performance for 2009-10 can be found in the Annexed Reports.

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, mobile and fixed line telephony services. TransACT provides telecommunications services to the ACT Government and secure data centre space to a number of organisations.

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

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

Highlights

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.

Enlarging the 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.

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.

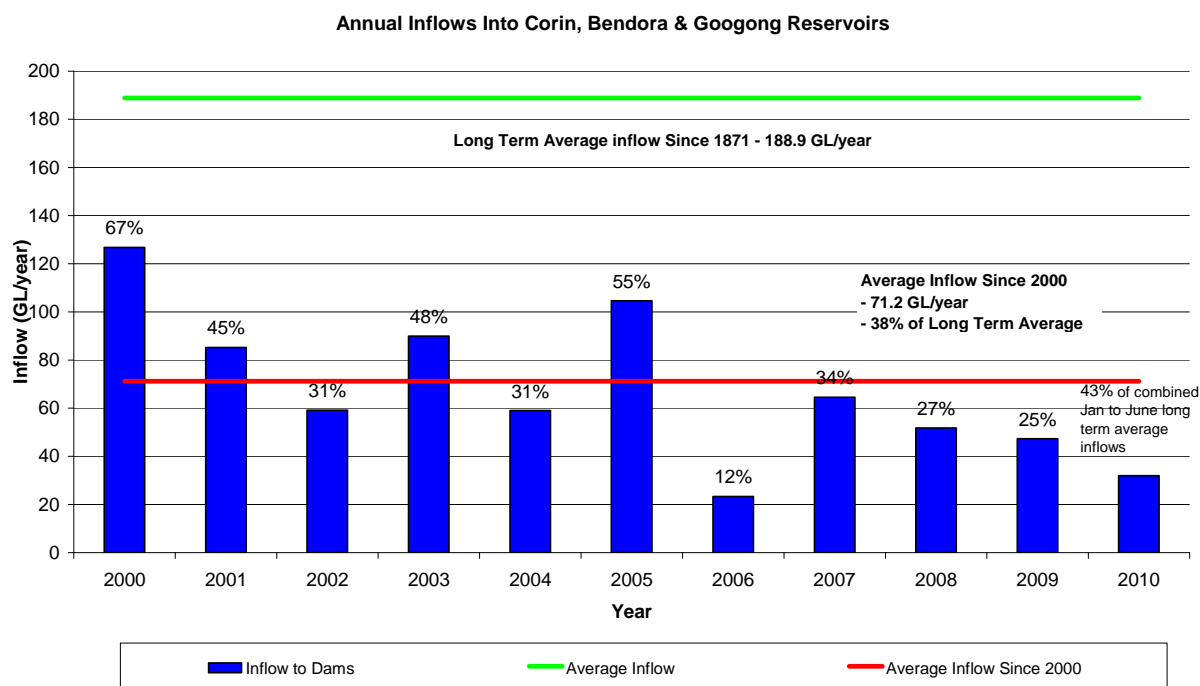
A proposed Intergovernmental Agreement between the NSW and ACT Governments to cover the transfer of water between the two jurisdictions was developed. The ACT and NSW Governments will continue negotiations in 2010.

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.



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 complete in late 2010.
- *Murrumbidgee and Cotter Pump 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 strategy and continued to monitor and enhance existing operations.

Capital Works

ACTEW invested \$44m in 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 need to reduce greenhouse gas emissions;
- opportunities to extend supply of treated effluent for landscape irrigation and other purposes;
- advanced technologies and regulatory changes; and
- affordability, sustainability and financial considerations.

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

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.

Statistics

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
WATER										
Customers	124,570	126,750	125,785	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										
No. of 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.

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 populations 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.

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 Report 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.

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.

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 Googong 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 supply 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.

Management Discussion and Analysis

The following financial information is based on audited Financial Statements for 2008-09 and 2009-10.

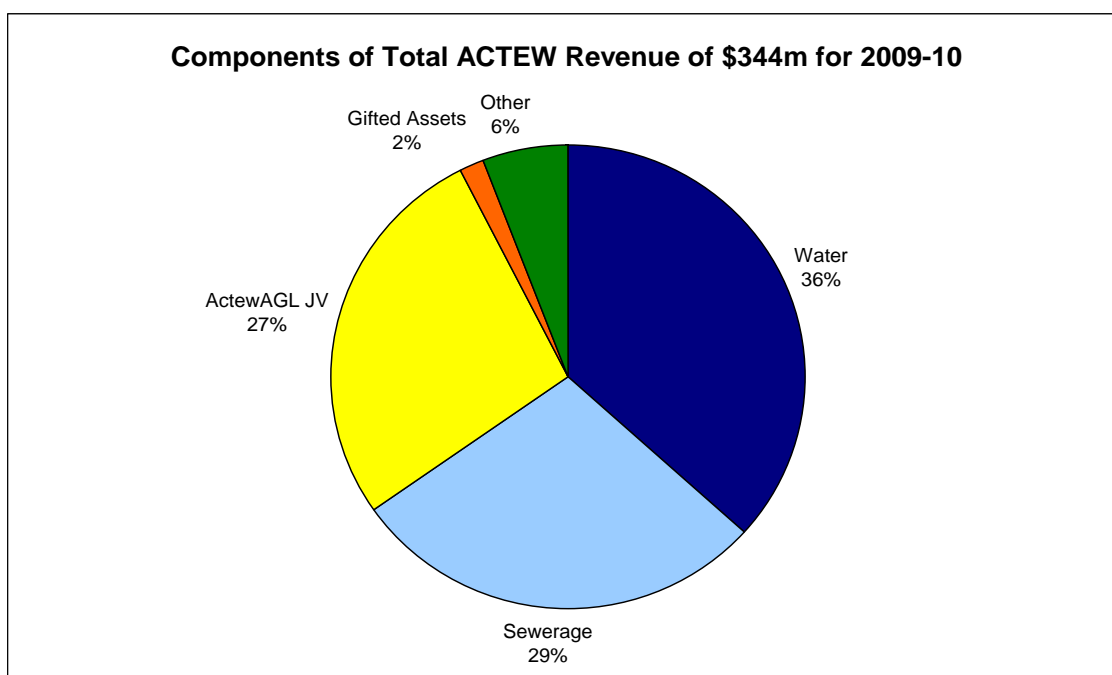
Operating Result

ACTEW recorded a net profit after income tax equivalents for 2009-10 of \$91.4m (2008-09: \$72.8m). There were a number of factors that contributed to this performance:

- Water and wastewater revenue was \$16m higher than prior year mainly due to an increase in customer numbers and sewerage fixtures;
- ActewAGL Joint Venture continued to perform strongly;
- Sale of Ecowise Environmental Pty Limited for an after tax net gain of \$8.7m (profit on sale \$12.4m);
- Operational costs (including depreciation) increased by \$2.5m, a detailed explanation is provided under the total expenditure comparison; and
- An increase in finance expense of \$3.7m from the \$96m debt raising in June 2009 and a further \$242m in June 2010.

Total Revenue

During 2009-10 ACTEW derived \$344m in revenue/distributions. The components of this are depicted in the following graph:



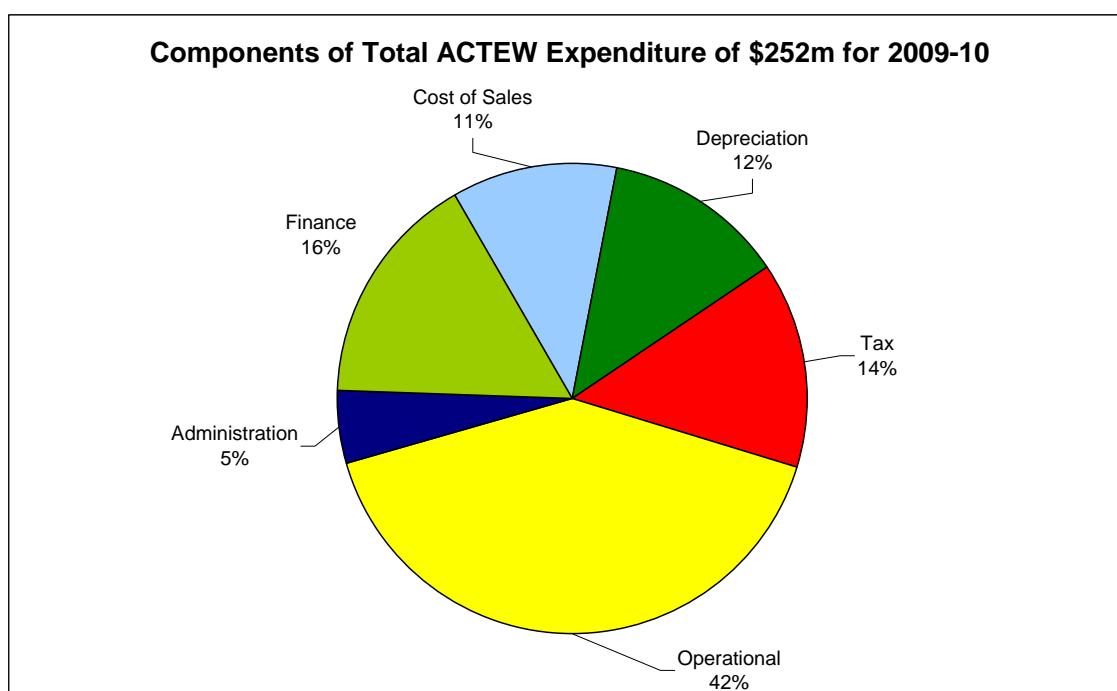
Comparison to 2008-09 Actual Income

Total revenue of \$344m was \$23.7m higher than 2008-09. Factors affecting this increase were:

- Water and sewerage revenue was \$16m higher than 2008-09 mainly from an increase in customer numbers and sewerage fixtures;
- The ActewAGL investment continues to be a very profitable investment for ACTEW with joint venture income of \$93.4m, \$12.9m above prior year. This result reflects the sale of Ecowise Environmental Pty Limited; and
- An offset to the increase in revenue with interest revenue, which was \$5m lower than 2008-09, mainly due to lower cash balances and lower yields.

Total Expenditure

During 2009-10 ACTEW incurred \$252m in expenditure. The components of this are depicted in the following graph:



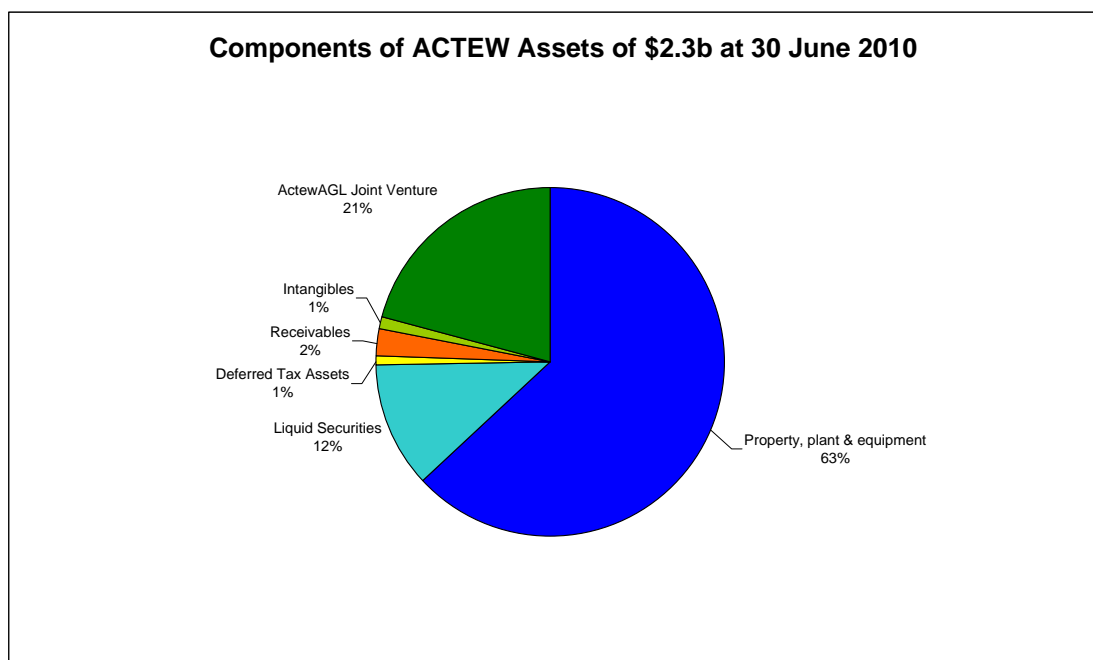
Comparison to 2008-09 Actual Expenditure

Total expenditure was \$2.5m higher than 2008-09 actual expenditure.

- Income tax expense increased by \$7.8m mainly reflecting higher profits;
- Impairment of assets of \$9m in 2009-10, which is an increase of \$6.4m from 2008-09;
- Finance expense increased by \$3.7m due to increased net borrowings of \$235m in June 2008 and a further \$242m in June 2010; and
- Offset by a decrease to project related expenses of \$10.6m for mainly due to the write-off of \$16m for the Water Purification Scheme in 2008-09.

Assets

ACTEW has \$2.3b in assets at 30 June 2010, the components are as depicted in the following graph:



ACTEW has a book value investment of \$1.5m in water and sewerage infrastructure (property, plant and equipment). An impairment of \$88.5m to water and sewerage infrastructure was determined in 2009-10. The water business consists of two separate operations, water and wastewater services, and its activities can be described as follows:

- Water: retailing and distribution of water including billing, sales, planning, design, construction and maintenance of the network and the collection and treatment of bulk water supplies and source water quality protection activities.
- Sewerage: management of billing, planning, design, construction and maintenance of the network and treatment of sewage, to the required environmental standards.

ACTEW has a book value investment of \$477m in the ActewAGL joint venture that operates in the energy sector. The energy business consists of two separate operations, energy retailing and distribution. Both are conducted under the joint venture arrangements with AGL and ACTEW holding a 50% interest in the two partnerships:

- ActewAGL Retail: retailing of electricity and gas to franchise and non-franchise customers including various support services and retailing of telecommunications services.
- ActewAGL Distribution: delivery of gas and electricity including planning, design, construction and operations of the networks and technical and management support functions.

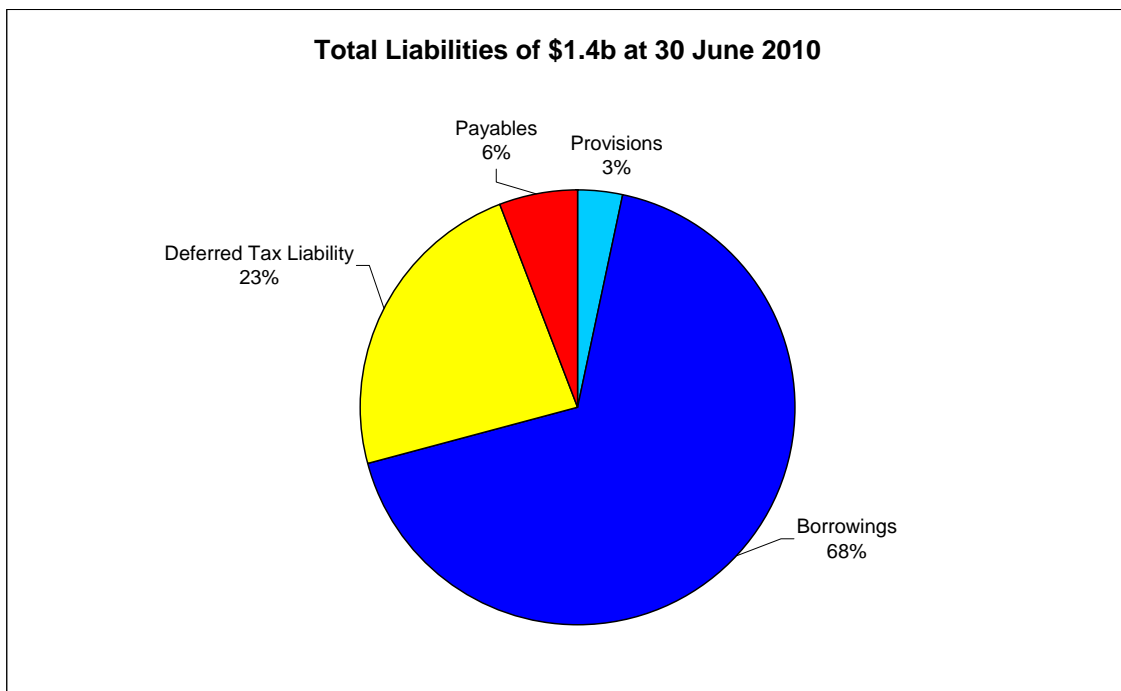
Liquidity

Description	2009-10 Actual \$'000	2008-09 Actual \$'000
Current Assets	324,601	228,817
Current Liabilities	135,950	102,208
Current Ratio	2.39	2.24

The current ratio has slightly improved for 2009-10 mainly as a result of further borrowings of \$242m in June 2010 through the Capital Indexed Bond 2030 facility partly offset by an increase to payables from water security projects capital expenditure.

Total Liabilities

ACTEW has \$1.4b in liabilities; the components are as depicted in the following graph:



The major components are commented on:

- Outstanding borrowings at 30 June 2010 are \$921m. These borrowings have increased in recent years to fund large general and water security capital expenditure. ACTEW borrowed a further \$242m in June 2010 through the Capital Indexed Bond 2030 facility.
- Deferred tax liability at 30 June 2010 of \$316m. This amount is mainly from higher income tax expense compared to income tax equivalent payments. The lower income tax payments are a result of higher tax vs accounting depreciation in calculating the tax profit compared to the accounting profit in both ACTEW Corporation and ActewAGL Distribution.

Payments to the ACT Government

Payments to the ACT Government during 2009-10 were \$91.8m as dividends and \$9.8m as income tax equivalent payments.

Consultation and Scrutiny Reporting

Community Engagement

ACTEW's program of community consultation, information and education activities during the year included:

Project/Event/Display	Consultation process (tools used)	Group/Individuals consulted
Community information session 7 August 2009	Presentation on water security projects	Engineers Australia
Community information session 13 August 2009	Presentation on water security projects	Engineers Australia and Turner Primary School
Information session 25 August 2009	Community drop in session on Murrumbidgee to Googong Water Transfer Draft EIS	Public – ACT, Williamsdale, Burra, Queanbeyan
Information session 27 August 2009	Community drop in session on Murrumbidgee to Googong Water Transfer Draft EIS	Public – ACT, Williamsdale, Burra, Queanbeyan
Information session 29 August 2009	Community drop in session on Murrumbidgee to Googong Water Transfer Draft EIS	Public – ACT, Williamsdale, Burra, Queanbeyan
Information session 1 September 2009	Community drop in session on Murrumbidgee to Googong Water Transfer Draft EIS	Public – ACT, Williamsdale, Burra, Queanbeyan
Information session 3 September 2009	Community drop in session on Murrumbidgee to Googong Water Transfer Draft EIS	Public – ACT, Williamsdale, Burra, Queanbeyan
Community information session 7 September 2009	Presentation on water security projects	Students from Natural Resource Management, ANU
Floriade 12 September - 11 October 2009	Water wise demonstration garden	Community and interested visitors
Community information session 15 September 2009	Information on traffic for local residents and users of the Cotter Precinct	Cotter residents and recreational users, ACT Roads
Community information session 15 September 2009	Presentation on water security projects	Engineers Australia
Community information session 24 September 2009	Presentation on water security projects	Australian National University students
Community information session 13 October 2009	Presentation on water security projects	Queanbeyan Development Board
Community information session 16 October 2009	Presentation on water security projects	Engineers Australia and Lyneham Primary School
Community information session 19 October 2009	Presentation on water security projects	Engineers Australia and Kingsford Smith School

Spring Home Show 23-25 October 2009	Information display on water conservation, restrictions and water security	Canberra residents
Majura Community Festival 24 October 2009	Information display on water conservation, restrictions and water security	Canberra residents
Woden Community Festival 31 October 2009	Information display on water conservation, restrictions and water security	Canberra residents
Tuggeranong Community Festival 29 November 2009	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 21 December 2009	Cotter Dam Discovery Trail information session	Key stakeholders, Canberra and Queanbeyan residents
Re-opening Casuarina Sands 9 January 2010	Re-opening Casuarina Sands following an upgrade of facilities due to the closure of Cotter Avenue for construction	Canberra and residents
Community information session 23 February 2010	Presentation on water security projects	Rotary Club - Weston Creek
Royal Canberra Show 26-28 February 2010	Information available on water conservation, restrictions and water security	Canberra and region residents and visitors to the show
Festival of the Forests 14 March 2010	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 25 March 2010	Presentation on water security projects	Radford College
'I Dig Heritage' 10 April 2010	I Dig Heritage – community invited to take part in heritage salvage dig at the Cotter Precinct	Canberra residents
Heritage Salvage Presentation 14 April 2010	Presentation to showcase the heritage salvage work done at the Enlarged Cotter Dam site	Canberra residents
Community information session 3 May 2010	Presentation on water security projects, water saving and water restrictions	Gungahlin Probus Club
Community information session 10 May 2010	Presentation on water security projects, water saving and water restrictions	Canberra North Ladies Club
Community information session 11 May 2010	Cotter Dam Discovery Trail signage presentation	Key stakeholders, Canberra and Queanbeyan residents
Community information session 11 May 2010	Presentation on water security projects, water saving and water restrictions	Canberra North Men's Probus Club

Community information session 12 May 2010	Presentation on water security projects, water saving and water restrictions	University of the Third Age
Retirement and Lifestyle Expo 14-16 May 2010	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 3 June 2010	Presentation on water saving	Rosary Primary School
World Environment Day 14 March 2010	Information display on water conservation, restrictions and water security	Canberra residents
Community information session 7 June 2010	Presentation on water security projects, water saving and water restrictions	Deakin Combined Probus Club
Community information session 9 June 2010	Presentation on water security projects	Canberra Sunrise Rotary Club
Community information session 11 June 2010	Presentation on water security projects	Belconnen Community Service
Community information session 17 June 2010	Presentation on water security projects	Probus Club
Community information session 28 June 2010	Presentation on water security projects	ACT Walking for Pleasure
Community information session 28 June 2010	Presentation on water security projects, water saving and water restrictions	Ngunnawal Probus Club
Waterwise Gardening Workshops September 2009 - May 2010	Thirty one educational and advisory workshops held during the year	Canberra and region residents
ACTEW Waterwise Garden Community Reference Group ongoing	Group developed in early 2009 to provide ideas and feedback on the development of a new educational water wise garden	Canberra and region residents
Friends of the Cotter Community Group ongoing	Group developed in 2008 for residents with an interest in the progress of the Enlarged Cotter Dam project.	Canberra and region residents

Internal and External Scrutiny

ACTEW's Audit and Risk Management Committee reviews reports of all audits undertaken by the Auditor-General. During the year the Auditor-General issued seven reports. ACTEW was included in two audits. Details of the audits and the findings and recommendations are outlined below.

Name of Report/Inquiry	Recommendations/Outcomes	Response
2008-09 Financial Audits issued in December 2009	The Auditor-General issued unqualified audit reports for the ACTEW group for 2008-09. Five recommendations were made relating to improvements to accounting arrangements and controls over borrowings, fixed assets and employee provisions.	Agreed to address and implement

Water Demand Management issued in June 2010	The audit found that Permanent Water Conservation Measures and Temporary Water Restrictions were well managed and achieved significant water savings. Eight recommendations were made, four of which related to ACTEW. These were:	
	<u>Recommendation No. 2:</u> ACTEW should consult appropriately with the ACT EPA on any proposals or decisions on Temporary Water Restrictions or Permanent Water Conservation Measures.	Agreed in part
	<u>Recommendation No. 3:</u> ACTEW should update its procedures to reflect a consultative approach as required by the Utilities (Water Conservation) Regulations 2006. All consultation should be documented.	Agreed
	<u>Recommendation 4:</u> For future reporting, ACTEW should consider the measurement of water savings against a new consumption baseline that does not include the savings already achieved from the Permanent Water Conservation Measures. In the interim period, ACTEW should make it clear to the community that the savings are a combined result from Temporary Water Restrictions and the ACT Government's demand management program.	Agreed
	<u>Recommendation No. 5:</u> ACTEW should improve the transparency of its decision making process by providing, to the extent practicable, information to the public of the relative significance of weighting of the key factors considered by ACTEW in selecting stages of water restrictions.	Agreed in part

Legislative Assembly Committees Inquiries and Reports

ACTEW appeared before a number of ACT Legislative Assembly Committees during the year. In July 2009 ACTEW appeared before the Select Committee on Campaign Advertising which was inquiring into the *Government Agencies (Campaign Advertising) Bill 2008*. The Committee released its report in August 2009 and made fourteen recommendations. The Government did not support the recommendation relating to territory owned corporations.

In December 2009 and February 2010 ACTEW appeared before the Standing Committee on Public Accounts which was scrutinising the 2008-09 Annual and Financial Reports. The Committee released its

report in March 2010 and made thirty-six recommendations. In May 2010 the Government responded and agreed to recommendation number twenty-five relating to the disclosure of executive remuneration for territory owned corporations. At 30 June 2010 the Government had not responded to the remaining recommendations.

In February 2010 the Legislative Assembly resolved to establish a Select Committee on Privileges to examine whether a breach of privilege or contempt of the Legislative Assembly had been committed by ACTEW's Managing Director in relation to evidence given to two Assembly Committees about the Murrumbidgee to Googong Water Transfer project. The Managing Director appeared before the Committee in April 2010. The Committee released its report in June 2010 and found that no breach or contempt had occurred.

ACTEW appeared before the Select Committee on Estimates Inquiry into the 2010-11 ACT Budget in May 2010. The Committee's report was tabled in the Legislative Assembly in June 2010. There were no recommendations relating to ACTEW.

Legislative and Policy Based Reporting

Risk Management and Internal Audit

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.

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.

Fraud Prevention

The fraud prevention program comprises policies and procedures for the prevention, reporting and investigation of fraudulent activities and practices within and against the Corporation. There were no reports or allegations of fraud or corruption within ACTEW during the year.

Public Interest Disclosure

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

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

There were no public interest disclosures made during the year.

Freedom of Information

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

Section 7 Statement

ACTEW owns the ACT's water and sewerage business and assets, is a 50% owner of ActewAGL, and has an 18% shareholding in TransACT Communications Pty Limited. ACTEW is governed by a six person board. ACTEW's office is located in the central business district, provides wheelchair access and is accessible by public and private transport. Paid parking is also available in close proximity to the office.

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

Documents in the possession of ACTEW relate to all business and operational activities and are available from the Corporation's registered office which is located at Level 5, ActewAGL House, 40 Bunda Street, Canberra.

Section 8 Statement

The legislative instruments upon which ACTEW administers Permanent Water Conservation Measures and Temporary Water Restrictions are as follows:

- Australian Capital Territory, Utilities (Water Conservation) Declaration 2006 (No 2), Notifiable Instrument NI2006-475;
- *Magistrates Court Act 1930*;
- *Magistrates Court (Utilities Water Conservation Infringement Notices) Regulation 2006*;
- Scheme of Water Conservation Measures;
- Scheme of Temporary Water Restrictions on the Use of Water from ACTEW Corporation Water Supply System;
- *Utilities Act 2000*;
- *Utilities (Water Conservation) Regulation 2006*; and
- Utilities (Water Restrictions Scheme) Approval 2006 (No 1), Disallowable Instrument DI2006-212, and Scheme of Temporary Water Restrictions.

These documents are available on the ACT Legislation Register website www.legislation.act.gov.au

A full list of internal documentation ACTEW uses in the administration of Permanent Water Conservation Measures and Temporary Water Restrictions is available upon request from the Water Conservation Office on 6248 3131.

Section 79 Statement

Six applications were made during 2009-10 to access documents. Two requests were granted full access to the documents, two requests were granted partial access to the documents, one request was not applicable and for one request a decision is still pending. No charges or application fees were paid or requested.

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

Internal Accountability

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 in the Financial Statements at page 39.

ACTEW's corporate governance structures and practices provide guidance and the framework for the management and achievement of the corporation's objectives. It includes 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.

ACTEW's code of conduct outlines the high standards of honesty, integrity and ethical and law-abiding behaviour expected of all ACTEW personnel. There were no breaches of the code during the year.

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. 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 had 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.

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.

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 and senior managers during the year is outlined below. Directors of ACTEW Distribution Limited and ACTEW Retail Limited are not remunerated.

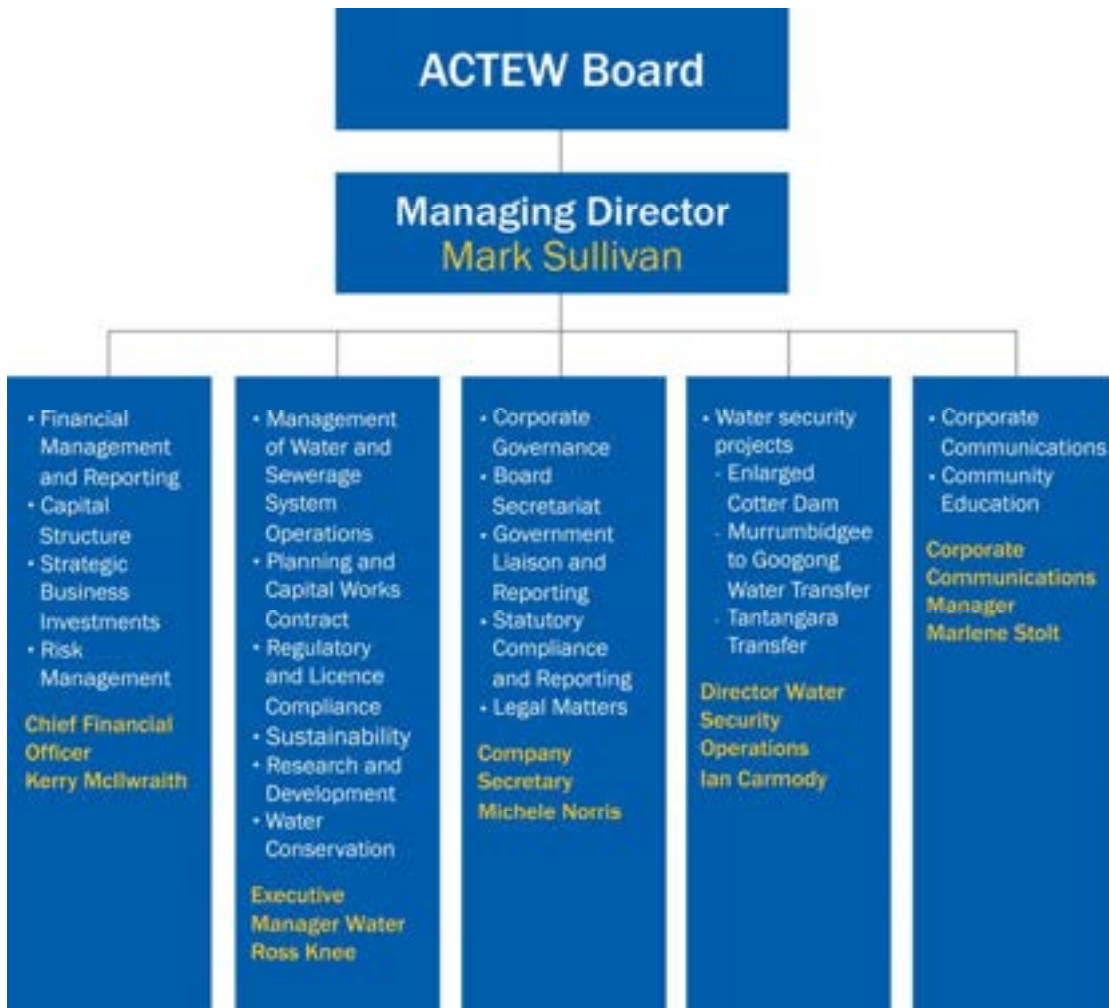
Name and Position	Short term employee benefits	Post employment benefits superannuation	Other long term benefits	Termination benefits	Total
	\$	\$	\$	\$	\$
John Mackay Non Executive Chairman	54,826	4,934	-	-	59,760
Michael Easson Non Executive Deputy Chairman	31,525	2,837	-	-	34,362
Mark Sullivan Managing 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
TOTAL DIRECTORS	723,185	100,426	-	-	823,611
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 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 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

Staffing Profile

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.

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.



At 30 June 2010 there were forty employees:

Male employees	21
Female employees	19
Full time employees	37
Part time employees	3
Age <20	1
Age 20-30	12
Age 30-40	12
Age 40-50	4
Age 50-60	10
Age 60+	1

Executive Group	6
Finance Group	6
Water Group	5
Water Security Projects	12
Communications Group	5
Water Conservation Office	6

Workplace Health and Safety

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

ACTEW's workplace health and safety program *Always Safe* is an integrated health, safety and environment (HSE) management system based on International and Australian/New Zealand standards for occupational health, safety and environment management. The program is guided by an annual HSE action plan which was developed in consultation with all ACTEW staff at a dedicated workshop. In 2009-10 the plan outlined fifteen action items all of which were implemented or are ongoing.

ACTEW has a HSE Working Group which is made up of employee and employer representatives and ActewAGL's Manager Safety. The Working Group met 11 times during the year.

ACTive, a free health and wellness program offers a range of activities and professional assistance to help employees manage their health and wellness. During the year fitness assessments, free flu vaccinations, men's and women's health information sessions as well as briefings on nutrition and personal fitness training were provided to staff. The 2009-10 ACTive Program also included a quit smoking program.

Community Grants/Assistance/Sponsorship

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 the 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.

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.

ACTEW provided support to the following recipients:

Major Events Program

Name	Purpose	Amount
Australian Science Festival	Annual science festival	\$75,000
Canberra Symphony Orchestra	Grand Gala Concert and Llewellyn Concert series	\$40,000
Canberra Area Theatre (CAT) Awards	Annual theatre awards	\$20,000

Fastpitch Softball League ACT	International skins tournament	\$3,000
Australian National Eisteddfod	National Aria competition	\$10,000
Royal National Capital Agricultural Society	National Wine Show of Australia	\$1,500
Canberra Youth Music Inc	Youth Music Festival	\$10,000
Canberra Women's Golf Classic	Golf tournament	\$20,000
Australian War Memorial	Christmas Carols	\$35,000
Canberra International Music Festival	Annual music festival	\$10,000
Bell Shakespeare Theatre Company	<i>Hearts in a Row</i> theatre access program	\$10,000
Basketball Canberra	Lauren Jackson appeal	\$20,000
Australian Water Association	Annual conference	\$2,500
Australian Association for Environmental Education	In-kind support for conference	\$-
Calisthenics ACT Incorporated	National championships	\$15,000

Community Support Program

Name	Purpose	Amount
Artists Society of Canberra	<i>Along the Molonglo</i> annual art exhibition	\$1,800
Queanbeyan Art Society	<i>Along the Molonglo</i> annual art exhibition	\$750
Australian Meteorological and Oceanographic Society	Annual conference	\$5,000
The Canberra Hospital Paediatrics Unit	Donation	\$5,000
Guises Creek Rural Fire Brigade	Donation	\$3,000
Department of Veteran's Affairs	Spring ball	\$ - in kind
Barnardos Children's Foundation	Golf fundraising day	\$15,000
Australian Water Association ACT Branch	Student research prize	\$1,000
ArtSound FM	Donation	\$5,000

National Breast Cancer Foundation	Annual <i>Pink</i> fundraising dinner	\$10,000
Engineers Australia (ACT)	Excellence awards dinner	\$2,500
Macarthur Scout Group	Australian Jamboree	\$500
Malkara School	Fundraising dinner	\$5,000
Vietnam Veterans' Motor Cycle Club	Donation to cancer fundraising event	\$2,000
Cancer Council	Sponsorship of fundraising golf day	\$1,500
Marymead Child and Family Centre	Proceeds from raffle	\$1,535
Arthritis ACT	Donation	\$1,500
Clare Holland House	Donation	\$1,000
ACT Eden Monaro Cancer Support Group	Hawaiian Ball fundraising dinner	\$1,300
Canberra Amateur Swimming Club	Christmas classic junior swimming event	\$250
Yass Picnic Races	Annual picnic races <i>Fashions on the Field</i>	\$1,000
Legacy Club of Canberra	ANZAC Concert	\$5,000
The Salvation Army	Donation	\$5,000
Australian Red Cross	Donation	\$5,000
The Smith Family	Donation	\$5,000
St Vincent de Paul	Donation	\$5,000
Cancer Council of the ACT	Donation	\$3,500
Lifeline Canberra	Donation	\$5,000
ACT Scouts	Donation	\$1,080
Vietnam Veterans' Motor Cycle Club	Annual hospital ride appeal	\$2,500
Hawker Primary School	Donation of items for school fete	\$ - in kind
Malkara School	Contribution to fundraising event	\$7,659
Pegasus Riding for the Disabled	Donation	\$5,000

Snowy Hydro SouthCare	Donation	\$5,000
Menslink	International Men's Week breakfast and donation	\$2,000
Reid Residents' Association	Sustainable cottage garden competition	\$1,800
RSPCA	Donation	\$1,000

Territory Records Act

ACTEW continued implementation of the requirements of the *Territory Records Act 2002* particularly in relation to the disposal of records in accordance with approved Records Disposal Schedules. ACTEW is updating its Records Management Program to include procedures for:

- the disposal of core business records including legacy records;
- dealing with access requests for records that have been exempted from access; and
- managing plans, drawings and web content as records.

ACTEW has initiated a project with the aim of using the new disposal schedules to determine the records that can be destroyed, and those that need to be kept and transferred to secondary storage. It is anticipated that once these have been processed, the specific disposal schedules will be used to make disposal decisions as new records and files are created.

ACTEW's approved list of specific Records Disposal Schedules is as follows.

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

ACTEW has in place arrangements for preserving those records that contain information to allow Aboriginal and Torres Strait Islander peoples to establish links with their heritage.

Human Rights Act

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

Commissioner for the Environment

No investigations into ACTEW were carried out by the Commissioner.

Ecologically Sustainable Development

ACTEW participates in ActewAGL's *Be Green* campaign, which encourages staff to reduce their impact on the environment both at work and home.

Since the inception of the *Be Green* campaign in March 2008, ActewAGL and ACTEW have managed to achieve some great results, including reducing electricity use by approximately 138,897 kilowatt hours and water use by 1,337 kilolitres.

ACTEW leases seven vehicles. Three hybrid sedans are used for staff to attend public events and meetings and four four-wheel drive vehicles are used on site and for access to the water security projects.

Detailed information on ACTEW's environmental initiatives and activities are outlined on pages 13-15.

Model Litigant Guidelines

ACTEW is a separate legal entity from the Territory and utilises the services of a number of legal firms including Mallesons Stephen Jaques, Minter Ellison and DLA Phillips Fox.

These firms act in a manner consistent with, and in accordance with, the Model Litigant Guidelines in undertaking work associated with litigation conducted by ACTEW and its subsidiary companies. This is in addition to their obligations and professional duties in relation to practicing as a solicitor under the *Legal Profession Act 2006 (ACT)*, the *Legal Profession Regulation 2007 (ACT)* and the *Legal Profession (Solicitors) Rules 2007 (ACT)*.

Financial Statements

ACTEW Corporation Limited

ABN 86 069 381 960

General Purpose

Financial Report

For the year ended 30 June 2010

Contents

For the year ended 30 June 2010

Directors' report.....	2
Directors' declaration.....	8
Independent audit report and auditors independence declaration.....	9
Consolidated income statement.....	12
Consolidated statement of comprehensive income.....	13
Consolidated balance sheet.....	14
Consolidated statement of cash flows.....	15
Consolidated statement in changes in equity.....	16
Notes to the consolidated financial statements.....	17

These financial statements are the consolidated financial statements of the consolidated entity consisting of ACTEW Corporation Limited and its controlled entities. The financial report is presented in the Australian currency.

The financial statements were authorised for issue by the directors on 25 August 2010 . The directors have the power to amend and reissue the financial report.

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 16 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, secretarial 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 50thile 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

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

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.

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.

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	10 <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

		Capital	Retained Profits	Reserves	Total
	Notes	\$'000	\$'000	\$'000	\$'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>758,871</u>	<u>7,801</u>	<u>175,370</u>	<u>942,042</u>

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

Contents of the notes to the consolidated financial statements	Page
1 Summary of significant accounting policies	17
2 Financial risk management	24
3 Critical accounting judgements and estimates	24
4 Segment information	25
5 Revenue from continuing operations	28
6 Other income	28
7 Expenses	28
8 Income tax expense	29
9 Dividends	30
10 Current assets - cash and cash equivalents	30
11 Current assets - other financial assets	30
12 Current assets - trade and other receivables	31
13 Current assets - other	31
14 Non-current assets - held-to-maturity investments	31
15 Non-current assets - investments accounted for using the equity method	31
16 Non-current assets - property, plant and equipment	32
17 Non-current assets - deferred tax assets	33
18 Non-current assets - intangible assets	34
19 Current liabilities - trade and other payables	34
20 Current liabilities - borrowings	34
21 Current liabilities - provisions	35
22 Current liabilities - other	35
23 Non-current liabilities - borrowings	35
24 Non-current liabilities - derivative financial instrument	36
25 Non-current liabilities - provisions	36
26 Non-current liabilities - deferred tax liabilities	37
27 Contributed equity	38
28 Reserves	38
29 Retained profits	39
30 Key management personnel	40
31 Commitments for expenditure	40
32 Contingent liabilities	40
33 Investment in controlled entities	41
34 Investments in associates	41
35 Interests in joint ventures	42
36 Events subsequent to balance date	42
37 Parent entity financial information	43

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.

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.

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.

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 28.

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 Note1(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.

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 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

Notes to the Consolidated Financial Statements

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.

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	91,445	72,793
	<u>108,588</u>	<u>91,743</u>
Amount paid during the year	(91,823)	(74,600)
Closing balance	<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		243,117	158,532
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	3,000	3,236
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>

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)	(4,028)	(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

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

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	9	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).

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

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	<u>2</u>	<u>2</u>
b) Total capital	\$'000	\$'000
Contributed Capital	758,871	758,871
Total capital	<u>758,871</u>	<u>758,871</u>

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	<u>(264,321)</u>	<u>(170,669)</u>
Net debt		657,112	519,508
Total equity		<u>942,042</u>	<u>998,760</u>
Total capital		<u>1,599,154</u>	<u>1,518,268</u>
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	<u>175,370</u>	<u>232,088</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

28 Reserves (continued)

Movements in reserves:	2010 \$'000	2009 \$'000
Asset revaluation		
Balance 1 July	224,447	236,640
Revaluation - net		
Water	(39,838)	(12,193)
Wastewater	(18,081)	-
Revaluation of Joint Venture investment ActewAGL Distribution Partnership	-	-
Balance 30 June	166,528	224,447
Hedging reserve - cash flow hedges		
Balance at 1 July	(2,179)	682
Revaluation - net	1,201	(2,861)
Balance 30 June	(978)	(2,179)

(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 \$'000	2009 \$'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	7,801	7,801

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:	a)	484,780	439,540
b) Other expenditure commitments:	a)	260,203	358,963
c) Lease commitments:	b)		
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.

Notes to the Consolidated Financial Statements

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) (ii) is set out below:

	2010	2009
	\$'000	\$'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
	<u>118,137</u>	<u>65,225</u>

(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	1,294,143	1,050,157
Equity		
Contributed equity	758,871	758,871
Reserves		
Asset revaluation	126,803	184,722
Hedging reserve	(978)	(2,179)
General insurance	9,820	9,820
Retained profits	27,929	28,410
	<u>922,445</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.

Annexed Reports

ActewAGL Joint Venture

**Summary Financial Report
for the year ended 30 June 2010**

ActewAGL Joint Venture Summary Financial Report - 30 June 2010

	Page
Financial statements	
Introduction to the summary financial report	3
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flows	8
Joint Venture Board's declaration	9
Auditors' report	10
Auditors' independence declaration	12

Introduction to the summary financial report

Financial highlights

Profit

Net profit for the year ended 30 June 2010 was \$184.8 million. This compares to the prior year's net profit of \$158.7 million. The increase in profit is due mainly to ActewAGL's sale of its interests in the Ecowise Group of Companies and Grapevine Ventures during the financial year.

Total operating revenue for the year ended 30 June 2010 was \$818.9 million compared to \$788.4 million in the prior year. The increase in revenue is due mainly to price rises for electricity and gas in line with regulatory price determinations (having taken into account amongst other things, increase in transmission charges and wholesale energy costs and additional infrastructure investments), higher volumes as a result of Canberra's population growth, successful penetration into the NSW market, higher average temperatures during the summer months and an increase in consumption by major commercial customers.

Total expenses for the year ended 30 June 2010 were \$665.4 million, compared to \$642.3 million for the prior year. Energy purchases continued to increase due to higher transmission charges and wholesale energy prices. Employment costs also increased due to general pay increments awarded under the Enterprise Bargaining Agreement and growth in employee numbers in line with growth of the business. Operating expenses are higher due to the relocation of corporate headquarters, increased maintenance on the gas and electricity networks and one-off expenditure for a number of key projects undertaken in the 2009-10 financial year.

Cash flow

The Group generated \$194.0 million from its operating activities for the year ended 30 June 2010 compared to \$191.6 million in the prior year.

The investing net cash outflow of \$32.1 million, is a decrease of \$29.4 million compared to \$61.5 million in the prior year. This is mainly due to the proceeds received from sale of Ecowise Environmental Pty Ltd amounting to \$40.1 million. The investment in capital maintains and grows the network business. For the 2009-10 financial year, the major investment projects undertaken included the fitout of the new corporate headquarters, development of several distribution and sub-transmission projects to ensure security of supply to existing and future electrical load within the ACT such as the Southern point of supply project, construction of multiple major substations for office developments, government departments, retail and residential purposes, continuing pole replacement program, Angle Crossing pump station project and the connection of secondary mains in Queanbeyan and Jerrabomberra which will improve the security of supply to the secondary gas network.

Cash surplus to the Group's operational and capital requirements is returned to the partners in the form of cash distributions. In 2009-10 financial year, \$148.6 million was distributed to ActewAGL's partners, \$31.1 million higher than the \$117.5 million in the prior year due mainly to the sale of Ecowise Group of Companies and Grapevine Ventures.

Financial position

As at 30 June 2010, the Group has net assets of \$879.8 million compared to \$843.6 million in the prior year. The increase in net assets is mainly due to the increase in working capital and capital investment in the network business. Cash available as at 30 June 2010 was \$19.1 million more compared to prior year due to routine suppliers payments falling the day after the close of the financial year. Current assets are \$205.3 million compared to \$216.9 million in the prior year. Current liabilities are \$182.9 million compared to \$173.9 million at the same time last year. The Group does not have any borrowings other than finance leases.

The carrying value of property, plant and equipment is \$832.8 million compared to \$774.8 million in June 2009, primarily due to investment in system-related assets.

Partners' return

The return on funds employed for 2009-10 financial year based on the net profit before taxation was 21.0% compared to 18.6% in the prior year.

Operation highlights

Sale of Ecowise Environmental Pty Ltd

On 12 November 2009, ActewAGL Distribution Partnership entered into a Share Sale Agreement to sell to Australian Laboratory Services Pty Ltd all of its shares in its wholly owned subsidiary Ecowise Environmental Pty Ltd. The consideration for the sale was \$40.1 million. The sale was completed on 30 November 2009.

Sale of Grapevine Ventures

On 30 April 2010, ActewAGL Retail partnership completed the sale of its 50% interest in Grapevine Ventures to TransACT Capital Communications Pty Ltd for a cash consideration of \$2.5 million.

Investment in Better Place (Australia) Pty Ltd

On 24 July 2009, ActewAGL CEO, Michael Costello and Better Place founder and CEO, Shai Agassi with Evan Thornley, head of Better Place Australia announced that Canberra has been chosen as the first city-wide rollout of electricity vehicle infrastructure in Australia. Following the announcement, ActewAGL invested \$2.0 million in ordinary shares with Better Place (Australia) Pty Ltd. ActewAGL and Better Place Australia are working closely to implement the infrastructure plan. Better Place Australia is aiming to begin construction of charge locations and battery swap stations in 2011 and commence supporting customers in 2012. ActewAGL will be responsible for sourcing and distributing the renewable energy that Better Place Australia will use to power its electric vehicles within the ACT.

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

ActewAGL Joint Venture
Statement of comprehensive income
For the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Revenue from continuing operations	818,934	788,427
Other income	<u>28,663</u>	<u>10,335</u>
	<u>847,597</u>	<u>798,762</u>
Energy purchases	(328,623)	(310,763)
Employee costs	(163,261)	(143,718)
Depreciation and amortisation expense	(34,047)	(33,369)
Subcontractor expenses	(78,470)	(93,528)
Leases	(15,309)	(12,838)
Material costs	(14,912)	(14,802)
Finance costs	(2,766)	(2,570)
Project related expenses	(15,520)	(21,509)
Selling expenses	(9,130)	(7,529)
Other expenses	(3,322)	(1,664)
Share of net profits of associates and joint venture partnership accounted for using the equity method	<u>474</u>	<u>264</u>
Profit before income tax	<u>182,711</u>	<u>156,736</u>
Income tax expense	<u>-</u>	<u>-</u>
Profit from continuing operations	<u>182,711</u>	<u>156,736</u>
Discontinued operations		
Profit from discontinued operations	<u>2,059</u>	<u>1,985</u>
Net profit for the year	<u>184,770</u>	<u>158,721</u>
Other comprehensive income		
Changes in the fair value of cash flow hedges	<u>-</u>	<u>(6)</u>
Other comprehensive income for the year, net of tax	<u>-</u>	<u>(6)</u>
Total comprehensive income for the year	<u>184,770</u>	<u>158,715</u>
Profit is attributable to:		
Owners of ActewAGL Joint Venture	<u>184,770</u>	<u>158,721</u>
	<u>184,770</u>	<u>158,721</u>
Total comprehensive income for the year is attributable to:		
Owners of ActewAGL Joint Venture	<u>184,770</u>	<u>158,715</u>
	<u>184,770</u>	<u>158,715</u>

ActewAGL Joint Venture
 Balance sheet
 As at 30 June 2010

	2010 \$'000	2009 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	43,769	24,677
Held-to-maturity investments	-	18,500
Trade and other receivables	151,263	125,008
Inventories	10,248	9,078
Assets classified as held for sale	-	39,658
Total current assets	<u>205,280</u>	<u>216,921</u>
Non-current assets		
Receivables	130	51
Investments accounted for using the equity method	-	985
Available-for-sale financial assets	2,000	-
Intangible assets	28,110	28,110
Deferred tax assets	-	-
Property, plant and equipment	832,778	774,798
Total non-current assets	<u>863,018</u>	<u>803,944</u>
Total Assets	<u>1,068,298</u>	<u>1,020,865</u>
LIABILITIES		
Current liabilities		
Trade and other payables	129,675	109,040
Other current liabilities	21,377	17,431
Provisions	31,796	28,152
Liabilities directly associated assets classified as held for sale	-	19,264
Total current liabilities	<u>182,848</u>	<u>173,887</u>
Non-current liabilities		
Deferred tax liabilities	-	-
Provisions	3,048	1,566
Other non-current liabilities	2,623	1,793
Total non-current liabilities	<u>5,671</u>	<u>3,359</u>
Total Liabilities	<u>188,519</u>	<u>177,246</u>
NET ASSETS	<u>879,779</u>	<u>843,619</u>
JOINT VENTURE FUNDS		
Joint venture funds	879,779	843,619
Reserves	-	-
Total Joint Venture Funds	<u>879,779</u>	<u>843,619</u>

ActewAGL Joint Venture
Statement of changes in equity
For the year ended 30 June 2010

	Joint venture funds \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2008	802,444	6	802,450
Total comprehensive income for the year	158,721	(6)	158,715
Transactions with owners in their capacity as owners:			
Distributions paid	<u>(117,546)</u>	<u>-</u>	<u>(117,546)</u>
Balance at 30 June 2009	<u>843,619</u>	<u>-</u>	<u>843,619</u>
Balance at 1 July 2009	843,619	-	843,619
Total comprehensive income for the year	184,770	-	184,770
Transactions with owners in their capacity as owners:			
Distributions paid	<u>(148,610)</u>	<u>-</u>	<u>(148,610)</u>
Balance at 30 June 2010	<u>879,779</u>	<u>-</u>	<u>879,779</u>

ActewAGL Joint Venture
Statement of cash flows
For the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	918,098	936,008
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(726,741)</u>	<u>(745,280)</u>
	191,357	190,728
Interest received	3,548	2,196
Interest and other costs of finance paid	(264)	(690)
Income taxes paid	<u>(690)</u>	<u>(613)</u>
Net cash inflow from operating activities	<u>193,951</u>	<u>191,621</u>
Cash flows from investing activities		
Proceeds from held-to-maturity investments	18,500	-
Payments for held-to-maturity investments	-	(18,500)
Dividends received	-	700
Payments for property, plant and equipment	(93,910)	(61,257)
Proceeds from disposal of property, plant and equipment	699	17,528
Payments for investment	(2,000)	-
Proceeds from sale of interest in joint venture	486	-
Proceeds from sale of subsidiary	37,720	-
Repayment of loans	5,130	-
Return of capital	631	-
Return of partnership funds	<u>632</u>	<u>-</u>
Net cash outflow from investing activities	<u>(32,112)</u>	<u>(61,529)</u>
Cash flows from financing activities		
Distributions paid to partners	(148,610)	(117,546)
Proceeds from borrowings	1,007	890
Finance lease payments	<u>(644)</u>	<u>(1,399)</u>
Net cash outflow from financing activities	<u>(148,247)</u>	<u>(118,055)</u>
Net increase in cash and cash equivalents	13,592	12,037
Cash and cash equivalents at the beginning of the financial year	24,677	18,140
Transfer to non-current assets held for sale	<u>5,500</u>	<u>(5,500)</u>
Cash and cash equivalents at end of year	<u>43,769</u>	<u>24,677</u>

**ActewAGL Joint Venture
Joint Venture Board's declaration
30 June 2010**

The board members declare that:

- (a) the summarised financial report on pages 5 to 8:
 - (i) comply with applicable Accounting Standards and other mandatory professional reporting requirement;
and
 - (ii) gives a true and fair view of the joint venture's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the joint venture will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the joint venture board.



John Mackay, AM
Chairman
Canberra
25 August 2010



Mark Sullivan, AO
Board member
Canberra
25 August 2010



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

To the Partners of ActewAGL Joint Venture

Report on the Summary Financial Report

We have audited the accompanying summary financial report of the ActewAGL Joint Venture (the Joint Venture), comprising the summary balance sheet as at 30 June 2010 and the summary statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, which are derived from the special purpose financial report of the Joint Venture for the year ended 30 June 2010. We expressed an unmodified audit opinion on that financial report in our independent audit report dated 25 August 2010.

The Responsibility of Joint Venture Board for the Financial Report

The board of the Joint Venture is responsible for the preparation and presentation of the summary financial report in accordance with the accounting policies described in Note 1 to the financial report. This includes responsibility for establishing and maintaining internal controls relevant to the preparation and fair presentation of the summary financial information, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the summary financial report is free of material misstatement.

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

Auditors' Independence Declaration

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

Electronic Presentation of the Audited Summary Financial Report

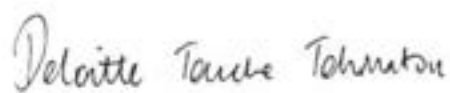
Those viewing an electronic presentation of this audited financial report should note that the audit does not provide assurance on the integrity of information presented electronically and does not provide an opinion on any other information which may have been hyperlinked to or from this report.

If users of the report are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial report, available from the Joint Venture, to confirm the accuracy of this electronically presented information.

Auditors' Opinion

In our opinion, the information reported in the summary financial report of ActewAGL Joint Venture for the year ended 30 June 2010 is consistent, in all material respects, with the special purpose financial report from which it was derived.

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



DELOITTE TOUCHE TOHMATSU



Tu Pham
Auditor-General

25 August 2010



J M Stanley
Partner
Chartered Accountants

25 August 2010



ACT AUDITOR-GENERAL'S OFFICE



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

ActewAGL Joint Venture

As joint auditors for the audit of the summary financial report of the ActewAGL Joint Venture for the year ended 30 June 2010, we declare that to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T. Pham

Tu Pham
Auditor-General

25 August 2010

J M Stanley

J M Stanley
Partner
Chartered Accountants

25 August 2010

ACTEW Distribution Limited

ABN 83 073 025 224

General Purpose

Financial Statements

For the year ended 30 June 2010

Contents

for the year ended 30 June 2010

Company Profile.....	2
Directors' report.....	3
Directors' declaration.....	5
Independent audit report and auditors independence declaration.....	6
Statement of comprehensive income.....	9
Balance Sheet.....	10
Cash Flow Statement.....	11
Statement in changes in equity.....	12
Notes to the financial statements.....	13

This financial report is presented in the Australian currency.

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

ACTEW Distribution Limited

Company Profile

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

Principal Registered Office

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

Postal address: GPO Box 366, Canberra ACT 2601
Telephone: (02) 6248 3871
Facsimile: (02) 6248 3567
Website: www.actew.com.au

Principal Place of Business

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

Auditor

Auditor-General for the ACT

Solicitors

Mallesons Stephen Jaques
Minter Ellison

Bankers

Westpac Banking Corporation

ACN 073 025 224
ABN 83 073 025 224

Directors' Report

In respect of the financial year ended 30 June 2010 the Directors of ACTEW Distribution Limited submit the following report made out in accordance with a resolution of the Directors.

Directors

Michael John Costello AO, Chairman
Simon Peter Wallace
Kerry Noel McIlwraith

Company Secretary

Michele Norris

Directors' Meetings

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

Director	No. of meetings attended	No. of meetings eligible to attend
M J Costello AO	2	2
S P Wallace	2	2
K N McIlwraith	2	2

Principal activities / likely developments and expected results of operations

Since 3 October 2000 the Company has held the 50% interest of ACTEW Corporation Limited in the ActewAGL Distribution Partnership. ACTEW Distribution is a holding company of ActewAGL Distribution Joint Venture and therefore its operations and the expected results of those operations are dependent on that of the ActewAGL Distribution Joint Venture.

Significant changes in the state of affairs

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

Trading results and dividends / review of operations

A dividend of \$45,089,000 (\$38,110,000) has been declared by the directors to be paid which is 100% of 30 June 2010 after tax net profit.

Matters subsequent to the end of the financial year

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

Environmental Regulations

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

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 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.

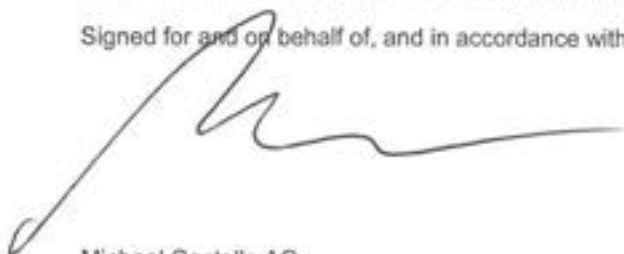
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the *Corporations Act 2001* is set out on page 6.

Rounding of Amounts

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

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



Michael Costello AO
Chairman
Canberra

24 August 2010



Simon Wallace
Director
Canberra

24 August 2010

Directors' Declaration

In the director's opinion:

(a) the financial statements and notes set out on pages 9-21 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 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.



Michael Costello AO
Chairman
Canberra

24 August 2010



Simon Wallace
Director
Canberra

24 August 2010



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT ACTEW DISTRIBUTION LIMITED

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

Report on the financial statements

I have audited the financial statements of ACTEW Distribution Limited (the Company) for the year ended 30 June 2010. The financial statements are comprised of the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, accompanying notes and directors' declaration.

Responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements 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 statements.

The auditor's responsibility

My responsibility is to express an independent audit opinion on the financial statements 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 statements are free of material misstatement.

I formed the audit opinion by performing audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, 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 statements

Those viewing an electronic presentation of these financial statements 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 these financial statements. If users of the financial statements 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 statements 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 statements of the Company are 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 Distribution Limited

In relation to the audit of the financial statements of ACTEW Distribution Limited 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
24 August 2010

Statement of comprehensive income

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Share of net profit of the ActewAQL Distribution Partnership accounted for using the equity method			
Total Revenue	2	<u>62,984</u>	<u>51,795</u>
Other expenses	3	<u>14</u>	<u>13</u>
Total expenses		<u>14</u>	<u>13</u>
Profit before income tax equivalents expense		62,970	51,782
Income tax equivalents expense	4	<u>17,881</u>	<u>13,672</u>
Profit for the year		<u>45,089</u>	<u>38,110</u>
Other comprehensive income		-	-
Total comprehensive income		<u>45,089</u>	<u>38,110</u>

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

Balance sheet

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Non current assets			
Investments accounted for using the equity method	6	464,567	449,735
Deferred tax assets	7	8,967	7,303
Total non current assets		<u>473,534</u>	<u>457,039</u>
Total assets		<u>473,534</u>	<u>457,039</u>
Current liabilities			
Payables	8	12	12
Provisions	9	45,089	38,110
Total current liabilities		<u>45,101</u>	<u>38,122</u>
Non current liabilities			
Deferred tax liabilities	10	58,299	55,028
Other	11	330,009	323,764
Total non-current liabilities		<u>388,308</u>	<u>378,792</u>
Total liabilities		<u>433,409</u>	<u>416,914</u>
Net assets		<u>40,125</u>	<u>40,125</u>
Equity			
Contributed equity	12	400	400
Reserves	13	39,725	39,725
Retained profits	14	-	-
Total equity		<u>40,125</u>	<u>40,125</u>

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

Cash flow statement

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Distributions received from the ActewAGL Distribution Partnership		48,153	31,773
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(14)</u>	<u>(15)</u>
Net cash inflows from operating activities		<u>48,139</u>	<u>31,758</u>
Cash flow from financing activities			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(16,274)	(10,080)
Dividend paid to ACTEW Corporation Limited	5	<u>(38,110)</u>	<u>(28,821)</u>
Net cash (outflows) from financing activities		<u>(54,384)</u>	<u>(38,901)</u>
Net (decrease) / increase in cash held		<u>(6,245)</u>	<u>(7,143)</u>
Financed by:			
Parent Company intercompany loan account movements			
Balance at the beginning of the financial year		(323,764)	(316,621)
Balance at the end of the financial year	11	<u>(330,009)</u>	<u>(323,764)</u>
Net (decrease) in cash held		<u>(6,245)</u>	<u>(7,143)</u>

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

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

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

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		400	-	39,725	40,125
Total comprehensive income for the year		-	38,110	-	38,110
Transactions with owners in their capacity as owners					
Dividends provided for or paid	5	-	(38,110)	-	(38,110)
Balance at 30 June 2009		<u>400</u>	<u>-</u>	<u>39,725</u>	<u>40,125</u>
Total comprehensive income for the year		-	45,089	-	45,089
Transactions with owners in their capacity as owners					
Dividends provided for or paid		-	(45,089)	-	(45,089)
Balance at 30 June 2010		<u>400</u>	<u>-</u>	<u>39,725</u>	<u>40,125</u>

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

Notes to the financial statements

for the year ended 30 June 2010

Contents of the notes to the financial statements	Page
1 Summary of significant accounting policies	14
2 Revenue from continuing operations	16
3 Expenses	16
4 Income tax equivalents	16
5 Dividends	17
6 Non-current assets - investments accounted for using equity method	17
7 Non-current assets - deferred tax assets	17
8 Current liabilities - payables	18
9 Current liabilities - provisions	18
10 Non-current Liabilities - deferred tax liabilities	18
11 Non-current liabilities - other	18
12 Contributed equity	19
13 Reserves	19
14 Retained profits	19
15 Contingent liabilities	19
16 Commitments for expenditure	19
17 Related parties	20
18 Interests in joint ventures	21
19 Events subsequent to balance date	21

Notes to the financial statements

for the year ended 30 June 2010

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The consolidated financial statements of ACTEW Distribution Limited 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 entity to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

Historical cost convention

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

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) Income tax equivalents

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Tax consolidation legislation

ACTEW Corporation and its wholly-owned Australian controlled entities implemented tax consolidation from 1 July 2003. ACTEW Retail Limited, as a subsidiary in the tax consolidation group, continues to account for its own current and deferred tax amounts. The tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

Notes to the financial statements

for the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(d) Revenue recognition

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

(e) Trade receivables

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

(f) Trade and other payables

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

(g) Joint ventures partnership

The interest in the ActewAGL Distribution partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the income statement, and the share movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 16. ACTEW Distribution Limited's share in the ActewAGL Distribution Partnership has been adjusted to fair value to align to ACTEW Corporation Limited's change in accounting policy on property, plant and equipment from historical cost to fair value. The valuation of these assets is confined by application of cash generating unit test (CGUT) based on expected net cash flow of ActewAGL Distribution Partnership discounted to present value.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and bank overdrafts.

(i) Dividends

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

(j) Rounding of amounts

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

(k) Goods and Services Tax

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

Notes to the financial statements

for the year ended 30 June 2010

2 Revenue

Revenue

Share of net profit or loss of the ActewAGL Distribution Partnership accounted for using the equity method

Revenue

<u>62,984</u>	<u>51,795</u>
<u>62,984</u>	<u>51,795</u>

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

3 Expenses

Expenses

Other operating expenses

	2010 \$'000	2009 \$'000
	<u>14</u>	<u>13</u>
	<u>14</u>	<u>13</u>

4 Income tax equivalents

(a) Income tax equivalents

Current tax
(Increase)/decrease in deferred tax assets
Increase in deferred tax liabilities
Adjustments to the prior year income tax expense

	2010 \$'000	2009 \$'000
	18,249	11,734
7	(1,664)	405
10	3,271	2,939
	<u>(1,975)</u>	<u>(1,406)</u>
	<u>17,881</u>	<u>13,672</u>

Income tax expense is attributable to:

Profit from continuing operations
Aggregate income tax equivalents expense

<u>17,881</u>	<u>13,672</u>
<u>17,881</u>	<u>13,672</u>

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

Profit from continuing operations before income tax equivalents expense
Income tax calculated @ 30%
Other items
- Other non-assessable income
- Non-deductible items
- Previously unrecognised temporary difference
Adjustment to prior year income tax expense
Income tax equivalents expense

<u>62,970</u>	<u>51,782</u>
18,891	15,536
(66)	
28	34
1,003	
<u>(1,975)</u>	<u>(1,898)</u>
<u>17,881</u>	<u>13,672</u>

ACTEW Distribution is exempt from federal income tax.

Notes to the financial statements

for the year ended 30 June 2010

4 Income tax equivalents (continued)

Tax consolidation legislation

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

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

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

5 Dividends

	2010 \$'000	2009 \$'000
Balance at the beginning of the financial year	38,110	28,821
Amount appropriated from profit for the year	45,089	38,110
	<u>83,199</u>	<u>66,931</u>
Dividends paid during the year	(38,110)	(28,821)
Balance at the end of the financial year	<u>45,089</u>	<u>38,110</u>

6 Non-current assets - investment accounted for using the equity method

	2010 \$'000	2009 \$'000
Investments in the ActewAGL Distribution Partnership	464,567	449,736
Total investment	<u>464,567</u>	<u>449,736</u>

7 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	3	3
Distributions from ActewAGL Distribution Partnership	8,964	7,300
Total Deferred Tax Assets	<u>8,967</u>	<u>7,303</u>
Movements		
Balance at the beginning of the financial year	7,303	7,956
Movements in the income statement	1,664	(405)
Adjustments to prior year tax effect balances	-	(248)
Balance at the end of the financial year	<u>8,967</u>	<u>7,303</u>

Notes to the financial statements

for the year ended 30 June 2010

8 Current liabilities - payables

	2010 \$'000	2009 \$'000
Trade payables	12	12
Total trade payables	<u>12</u>	<u>12</u>

9 Current liabilities - provisions

	2010 \$'000	2009 \$'000
Dividend	45,089	38,110
Total provisions	<u>45,089</u>	<u>38,110</u>

10 Non-current liabilities - deferred tax liabilities

The balance comprises temporary differences attributable to:	2010 \$'000	2009 \$'000
Amounts recognised in the profit and loss		
Distributions from ActewAGL Distribution Partnership	41,257	38,003
Asset revaluation reserve	17,025	17,025
Hedge Reserve	17	-
Total deferred tax liabilities	<u>58,299</u>	<u>55,028</u>
Movements:		
Balance at the beginning of the financial year	55,028	52,090
Adjustments to prior year tax effect balances	-	(1)
Movements to the income statement	3,271	2,939
Balance at the end of the financial year	<u>58,299</u>	<u>55,028</u>

11 Non-current liabilities - other

	2010 \$'000	2009 \$'000
Intercompany loan liability - ACTEW Corporation Limited	330,009	323,764
Total other	<u>330,009</u>	<u>323,764</u>

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

Notes to the financial statements

for the year ended 30 June 2010

12 Contributed equity

	2010 Par Value	2009 Par Value	2010 Shares	2009 Shares
(a) Share capital :				
Ordinary shares fully paid	\$1.00	\$1.00	400,000	400,000
Total share capital	<u>\$1.00</u>	<u>\$1.00</u>	<u>400,000</u>	<u>400,000</u>

	2010 \$'000	2009 \$'000
(b) Total Capital		
Ordinary shares fully paid	400	400
Total capital	<u>400</u>	<u>400</u>

(c) Contributed equity

There was no movement in contributed equity

13 Reserves

	2010 \$'000	2009 \$'000
Asset revaluation reserve		
ActewAGL revaluation	39,725	39,725
Total Reserves	<u>39,725</u>	<u>39,725</u>

Movements in the asset revaluation reserve:

Balance at the beginning of the financial year	39,725	39,725
Balance at the end of the financial year	<u>39,725</u>	<u>39,725</u>

(i) Asset Revaluation Reserve

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

14 Retained profits

	2010 \$'000	2009 \$'000
Retained profits at the beginning of the financial year	-	-
Net profit for the year	45,089	38,110
Dividends provided for	(45,089)	(38,110)
Retained profits at the end of the financial year	<u>-</u>	<u>-</u>

15 Contingent liabilities

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

16 Commitments for expenditure

As at 30 June 2010, the Company had not committed to any future expenditure (2009 - Nil)

Notes to the financial statements

for the year ended 30 June 2010

17 Related parties

Director disclosures

(a) Directors

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

M. Costello
K McIlwraith
S Wallace

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

(b) Remuneration of directors

(i) Directors' fees

No director has been remunerated in respect of ACTEW Distribution Limited (2009 - Nil)

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2010 (2009 - Nil). All remuneration of key management personnel is paid through ACTEW Corporation Limited.

(iii) Loans to directors

There were no loans to any directors as at 30 June 2010 (2009 - Nil)

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

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

(c) Key management personnel remuneration

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

(d) Parent entity

The ultimate parent entity in the wholly-owned group is ACTEW Corporation Limited.

The ultimate parent entity is the ACT Government which owns 100% of the shares of ACTEW Corporation Limited.

The principal activity of the Company is to manage a 50% interest in a joint venture between ACTEW Corporation Limited and Jemena.

All transactions with the wholly - owned group are at arm's length.

	Note	2010 \$	2009 \$
The following transactions occurred with related parties:			
Revenue from the ActewAGL Distribution Partnership	2	62,984,173	51,794,716
The following balances are outstanding at the reporting date in relation to transactions with other related parties:			
Dividend payable to ACTEW Corporation Limited	5	45,089,249	38,109,721
Intercompany loan liability - ACTEW Corporation Limited	11	339,009,400	323,764,341

Notes to the financial statements

for the year ended 30 June 2010

18 Interests in joint venture

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

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

	2010 \$'000	2009 \$'000
Share of the ActewAGL Distribution Partnership's commitments		
Lease commitments	56,132	24,699
Capital and other commitments	65,616	19,465
Total expenditure commitments	<u>121,748</u>	<u>44,164</u>

Contingent liabilities relating to the ActewAGL Joint Venture

Each of the partners in the ActewAGL Distribution Partnership are jointly and severally liable for the debts of the Partnership.

The assets of the Partnership exceed its debts.

A number of bank guarantees have been provided by the partnership for the normal operations of the business.

19 Events subsequent to balance date

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

ACTEW Retail Limited

ABN 23 074 371 207

General Purpose

Financial Statements

For the year ended 30 June 2010

Contents

for the year ended 30 June 2010

Company Profile.....	2
Directors' report.....	3
Directors' declaration.....	5
Independent audit report and auditors independence declaration.....	6
Statement of comprehensive income.....	9
Balance Sheet.....	10
Cash Flow Statement.....	11
Statement in changes in equity.....	12
Notes to the financial statements.....	13

This financial report is presented in the Australian currency.

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

ACTEW Retail Limited

Company Profile

ACTEW Retail Limited is a wholly owned subsidiary company of ACTEW Corporation Limited. ACTEW Retail Limited holds the 50% investment of ACTEW Corporation Limited in the ActewAGL Retail Partnership. The Company is limited by shares and incorporated and domiciled in Australia.

Directors

Michael John Costello AO, Chairman
Simon Peter Wallace
Kerry Noel McIlwraith

Principal Registered Office

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

Postal address: GPO Box 366, Canberra ACT 2601
Telephone: (02) 6248 3871
Facsimile: (02) 6248 3567
Website: www.actew.com.au

Principal Place of Business

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

Auditor

Auditor-General for the ACT

Solicitors

Mallesons Stephen Jaques
Minter Ellison

Bankers

Westpac Banking Corporation

ACN 074 371 207
ABN 23 074 371 207

Directors' Report

In respect of the financial year ended 30 June 2010, the Directors submit the following report.

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

Michael John Costello AO, Chairman
Simon Peter Wallace
Kerry Noel McIlwraith

Directors' Meetings

Director	No. of meetings attended	No. of meetings eligible to attend
M J Costello AO	1	1
S P Wallace	1	1
K N McIlwraith	1	1

Principal activities / likely developments and expected results of operations

Since 3 October 2000 the Company has held the 50% interest of ACTEW Corporation Limited in the ActewAGL Retail Partnership. ACTEW Retail is a holding company of ActewAGL Retail Joint Venture and therefore its operations and the expected results of those operations are dependent on that of the ActewAGL Retail Joint Venture.

Trading Results and Dividends

A dividend of \$20,905,000 (2009: \$19,827,000) has been declared by the directors to be paid which is 100% of 30 June 2010 after tax net profit.

Review of operations

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs.

Matters subsequent to the end of the financial year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulations

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

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 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by the *Corporations Act 2001* is set out on page 6.

Rounding of Amounts

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

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



Michael Costello AO
Chairman
Canberra

24 August 2010



Simon Wallace
Director
Canberra

24 August 2010

ACTEW Retail Limited

Directors' Declaration

In the director's opinion:

(a) the financial statements and notes set out on pages 9 to 21 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 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.



Michael Costello AO
Chairman
Canberra

24 August 2010



Simon Wallace
Director
Canberra

24 August 2010



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

ACTEW RETAIL LIMITED

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

Report on the financial statements

I have audited the financial statements of ACTEW Retail Limited (the Company) for the year ended 30 June 2010. The financial statements are comprised of the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, accompanying notes and directors' declaration.

Responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements 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 statements.

The auditor's responsibility

My responsibility is to express an independent audit opinion on the financial statements 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 statements are free of material misstatement.

I formed the audit opinion by performing audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, 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 statements

Those viewing an electronic presentation of these financial statements 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 these financial statements. If users of the financial statements 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 statements 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 statements of the Company are 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 Retail Limited

In relation to the audit of the financial statements of ACTEW Retail Limited 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
24 August 2010

Statement of comprehensive income

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		29,844	28,173
Other revenue from ActewAGL Retail Partnership		69	69
Total revenue	2	<u>29,913</u>	<u>28,242</u>
Other expenses	3	<u>13</u>	<u>13</u>
Total expenses		<u>13</u>	<u>13</u>
Profit before income tax equivalents expense		29,900	28,229
Income tax equivalents expense	4	8,995	8,402
Profit for the year		<u>20,905</u>	<u>19,827</u>
Other comprehensive income		-	-
Total comprehensive income		<u>20,905</u>	<u>19,827</u>

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

Balance sheet

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Current assets			
Receivables	6	<u>6,737</u>	<u>6,737</u>
Total current assets		<u>6,737</u>	<u>6,737</u>
Non current assets			
Investments accounted for using the equity method	7	30,656	27,342
Deferred tax assets	8	<u>3,365</u>	<u>6,007</u>
Total non current assets		<u>34,021</u>	<u>33,349</u>
Total assets		<u>40,758</u>	<u>40,086</u>
Current Liabilities			
Payables	9	12	24
Provisions	10	<u>20,905</u>	<u>19,827</u>
Total current liabilities		<u>20,917</u>	<u>19,851</u>
Non current liabilities			
Deferred tax liabilities	11	10,407	8,485
Other	12	<u>8,434</u>	<u>10,750</u>
Total non-current liabilities		<u>18,841</u>	<u>19,235</u>
Total liabilities		<u>39,758</u>	<u>39,086</u>
Net assets		<u>1,000</u>	<u>1,000</u>
Equity			
Contributed equity	13	1,000	1,000
Retained profits	14	<u>-</u>	<u>-</u>
Total equity		<u>1,000</u>	<u>1,000</u>

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

Cash flow statement

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Distributions received from the ActewAGL Retail Partnership		26,600	27,000
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(26)</u>	<u>-</u>
Net cash inflow from operating activities		<u>26,574</u>	<u>27,000</u>
Cash flows from financing activities			
Transfer income tax equivalents paid from ACTEW Corporation Limited		(4,431)	(10,856)
Payment of dividends to ACTEW Corporation Limited	5	<u>(19,827)</u>	<u>(17,942)</u>
Net cash (outflow) from financing activities		<u>(24,258)</u>	<u>(28,798)</u>
Net increase/(decrease) in cash held		<u>2,316</u>	<u>(1,798)</u>
Financed by			
Parent Company intercompany loan account movements			
Balance at the beginning of the financial year		(10,750)	(8,952)
Balance at the end of the financial year	12	<u>(8,434)</u>	<u>(10,750)</u>
Net increase in cash held		<u>2,316</u>	<u>(1,798)</u>

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

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

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

Statement of changes in equity

for the year ended 30 June 2010

	Notes	Capital \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 July 2008		1,000	-	1,000
Total comprehensive income for the year		-	19,827	19,827
Transactions with owners in their capacity as owners				
Dividends provided for or paid	5	-	(19,827)	(19,827)
Balance at 30 June 2009		<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total comprehensive income for the year			20,905	20,905
Transactions with owners in their capacity as owners				
Dividends provided for or paid		-	(20,905)	(20,905)
Balance at 30 June 2010		<u>1,000</u>	<u>-</u>	<u>1,000</u>

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

Notes to the financial statements

for the year ended 30 June 2010

Contents of the notes to the financial statements	Page
1 Summary of significant accounting policies	14
2 Revenue from continuing operations	16
3 Expenses	16
4 Income tax equivalents	16
5 Dividends	17
6 Current assets - receivables	17
7 Non-current assets - investments accounted for using equity method	17
8 Non-current assets - deferred tax assets	18
9 Current liabilities - payables	18
10 Current liabilities - provisions	18
11 Non-current Liabilities - deferred tax liabilities	18
12 Non-current liabilities - other	19
13 Contributed equity	19
14 Retained profits	19
15 Contingent liabilities	19
16 Commitments for expenditure	19
17 Related parties	20
18 Interests in joint ventures	21
19 Events subsequent to balance date	21

Notes to the 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 financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - 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 ACTEW Retail Limited 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 entity to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

on the current or prior year financial statements.

Historical cost convention

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

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) Income Tax Equivalents

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Tax consolidation legislation

ACTEW Corporation and its wholly-owned Australian controlled entities implemented tax consolidation from 1 July 2003. ACTEW Retail Limited, as a subsidiary in the tax consolidation group, continues to account for its own current and deferred tax amounts. The tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

Notes to the financial statements

for the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(c) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(d) Revenue recognition

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

(e) Trade receivables

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

(f) Trade and other payables

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

(g) Joint venture partnership

The interest in the ActewAGL Joint Venture Partnerships accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the income statement, and the share movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 18.

ACTEW Retail Limited's share in the ActewAGL Retail Partnership has been adjusted to fair value to align to ACTEW Corporation Limited's change in accounting policy on property, plant and equipment from historical cost to fair value. The valuation of these assets is confined by application of cash generating unit test (CGUT) based on expected net cash flow of ActewAGL Retail Partnership discounted to present value.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and bank overdrafts.

(i) Dividends

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

(j) Rounding of amounts

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

(k) Goods and Services Tax (GST)

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

Notes to the financial statements

for the year ended 30 June 2010

2 Revenue from continuing operations

	2010 \$'000	2009 \$'000
Revenue		
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method	29,844	28,173
Other revenue from the ActewAGL Retail Partnership	69	69
Revenue	<u>29,913</u>	<u>28,242</u>

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

3 Expenses

	2010 \$'000	2009 \$'000
Expenses		
Other operating expenses	13	13
	<u>13</u>	<u>13</u>

4 Income tax equivalents

	Notes	2010 \$'000	2009 \$'000
(a) Income tax equivalents expense			
Current tax		7,090	11,480
Decrease/(increase) in deferred tax assets	8	2,642	(3,833)
(Decrease)/increase in deferred tax liabilities	11	1,922	875
Adjustments to prior year income tax expense		(2,659)	(120)
		<u>8,995</u>	<u>8,402</u>
Income tax expense is attributable to:			
Profit from continuing operations		8,995	8,402
Aggregate income tax equivalents expense		<u>8,995</u>	<u>8,402</u>
(b) Numerical reconciliation of income tax equivalents expense to the prima facie tax payable			
Profit from continuing operations before income tax equivalents expense		29,900	28,229
Income tax calculated @ 30%		8,970	8,470
Other items			
- Research & Development concessions		(14)	
- Non-assessable items		-	-
- Non-deductible items		49	52
- Previously unrecognised temporary difference		2,649	
- Share of ActewAGL Retail Partnership profits		-	-
Adjustment to the prior year income tax expense		(2,659)	(120)
Income tax equivalents expense		<u>8,995</u>	<u>8,402</u>

Notes to the financial statements

for the year ended 30 June 2010

Tax consolidation legislation

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

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

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

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

5 Dividends

	2010 \$'000	2009 \$'000
Balance at the beginning of the financial year	19,827	17,942
Amount appropriated from operating profit for the year	20,905	19,827
	<u>40,732</u>	<u>37,769</u>
Dividends paid during the year	19,827	17,942
Balance at the end of the financial year	<u>20,905</u>	<u>19,827</u>

6 Current asset - receivables

	2010 \$'000	2009 \$'000
Receivable from ACTEW Corporation Limited for tax losses	6,737	6,737
Total receivables	<u>6,737</u>	<u>6,737</u>

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

	2010 \$'000	2009 \$'000
Investments in the ActewAGL Retail partnership	30,656	27,342
Total investments	<u>30,656</u>	<u>27,342</u>

Notes to the financial statements

for the year ended 30 June 2010

8 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	4	4
Distributions from ActewAGL Retail Partnership	3,361	6,003
Total Deferred Tax Assets	<u>3,365</u>	<u>6,007</u>
Movements		
Balance at the beginning of the financial year	6,007	2,678
Movements in the income statement	(2,642)	3,833
Adjustments to prior year tax effect balances		(504)
Balance at the end of the financial year	<u>3,365</u>	<u>6,007</u>

9 Current liabilities - payables

	2010 \$'000	2009 \$'000
Other creditors and accruals	12	24
Total accounts payable	<u>12</u>	<u>24</u>

10 Current liabilities - provisions

	2010 \$'000	2009 \$'000
Dividend payable to ACTEW Corporation Limited	20,905	19,827
Total provisions	<u>20,905</u>	<u>19,827</u>

11 Non-current liabilities - deferred tax liabilities

	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in the profit and loss		
Distributions from ActewAGL Retail Partnership	10,407	8,485
Total Deferred Tax Liabilities	<u>10,407</u>	<u>8,485</u>
Movements		
Balance at the beginning of the financial year	8,485	7,610
Adjustments to the prior year's tax effect balances	-	-
Movement to the income statement	1,922	875
Balance at the end of the financial year	<u>10,407</u>	<u>8,485</u>

Notes to the financial statements

for the year ended 30 June 2010

12 Non-current liabilities - other

		2010 \$'000	2009 \$'000
Intercompany loan liability - ACTEW Corporation Limited	(a)	8,434	10,750
Total Other		8,434	10,750

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

13 Contributed equity

Share capital :	2010 Par Value	2009 Par Value	2010 Shares	2009 Shares
(a) Ordinary shares fully paid	\$1.00	\$1.00	1,005	1,005
Total share capital	\$1.00	\$1.00	1,005	1,005
			2010 \$	2009 \$
(b) Ordinary shares fully paid			1,000,005	1,000,005
Total capital			1,000,005	1,000,005

(c) There was no movement in contributed equity.

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

14 Retained profits

	2010 \$'000	2009 \$'000
Retained profits at the beginning of the financial year	-	-
Net profits	20,905	19,827
Dividends provided for	(20,905)	(19,827)
Retained profits at the end of the financial year	-	-

15 Contingent liabilities

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

16 Commitments for expenditure

As at 30 June 2010, the Company had not committed to any future expenditure (2009 - Nil).

Notes to the financial statements

for the year ended 30 June 2010

17 Related parties

Directors and Director Related Entities

(a) Directors

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

M Costello
K McIlwraith
S Wallace

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

(b) Remuneration of directors

(i) Directors' remuneration

No director has been remunerated in respect of ACTEW Retail Limited (2009 - Nil).

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2010 (2009 - Nil).

(iii) Loans to directors

There were no loans to any directors as at 30 June 2010 (2009 - Nil).

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

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

(c) Key management personnel remuneration

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

(d) Parent entity

The ultimate parent entity in the wholly-owned group is ACTEW Corporation Limited.

The ultimate parent entity is the ACT Government which owns 100% of the shares of ACTEW Corporation Limited.

The principal activity of the company is to manage a 50% interest in a joint venture between ACTEW Corporation Limited and AGL Limited. All transactions between the wholly-owned group are at arm's length.

	Notes	2010 \$	2009 \$
The following transactions occurred with related parties:			
Revenue from the ACTEW Retail Partnership	2	29,844,395	28,172,714
The following balances are outstanding at the reporting date in relation to transactions with other related parties:			
Receivables from ACTEW Corporation Limited	6	6,736,996	6,736,996
Dividend payable to ACTEW Corporation Limited	5	20,905,349	19,827,001
Intercompany loan liability - ACTEW Corporation Limited	12	8,433,627	10,749,592

Notes to the financial statements

for the year ended 30 June 2010

18 Interests in joint venture

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

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

Share of the ActewAGL Retail Partnership commitments	2010 \$'000	2009 \$'000
Lease commitments	1,000	1,065
Capital and other commitments	16,908	473
Total expenditure commitments	<u>17,908</u>	<u>1,538</u>

Contingent liabilities relating to the ActewAGL Joint Venture

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

19 Events subsequent to balance date

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

Compliance Index

Transmittal Certificate	1
Section A - Performance and Financial Management Reporting	
A.1 The Organisation	4, 29
A.2 Overview	6-7
A.3 Highlights	9-16
A.4 Outlook	17
A.5 Management Discussion and Analysis	19
A.6 Financial Report	39
A.7 Statement of Performance	39
A.8 Strategic Indicators	n/a
A.9 Analysis of Agency Performance	6-7
Section B – Consultation and Scrutiny Reporting	
B.1 Community Engagement	15, 23
B.2 Internal & External Scrutiny	25
B.3 Legislative Assembly Committee Inquiries and Reports	26
B.4 Legislation report	n/a
Section C –Legislative and Policy Based Reporting	
C.1 Risk Management and Internal Audit	28
C.2 Fraud Prevention	28
C.3 Public Interest Disclosure	28
C.4 Freedom of Information	28
C.5 Internal Accountability	29
C.6 HR Performance	n/a
C.7 Staffing Profile	33
C.8 Learning and Development	n/a
C.9 Workplace Health and Safety	34
C.10 Workplace Relations	n/a
C.11 Strategic Bushfire Management Plan	n/a
C.12 Strategic Asset Management	n/a
C.13 Capital Works	11, 12
C.14 Government Contracting	n/a
C.15 Community Grants/Assistance/Sponsorship	23
C.16 Territory Records Act	37
C.17 Human Rights Act	37
C.18 Commissioner for the Environment	37
C.19 ACT Multicultural Strategy	n/a
C.20 Aboriginal and Torres Strait Islander Reporting	n/a
C.21 Ecologically Sustainable Development	37
C.22 ACT Women's Plan	n/a
C.23 Model Litigant Guidelines	38

Omissions report

Reporting Requirement	Reason/s for Omissions
A.8 Strategic Indicators	Not applicable to ACTEW.
B.4 Legislative Report	Not applicable to ACTEW.
C.6 HR Performance	Not applicable to ACTEW.
C.8 Learning and Development	Not applicable to ACTEW.
C.10 Workplace Relations	Not applicable to ACTEW.
C.11 Strategic Bushfire Management Plan	Not applicable to ACTEW.
C.12 Strategic Asset Management	Not applicable to ACTEW. However ACTEW manages its assets and infrastructure through its capital works program. Refer to pages 6, 12 and 13.
C.13 Capital Works	Not applicable to ACTEW. However details of ACTEW's capital works program are at pages 11 and 12.
C.14 Government Contracting	Not applicable to ACTEW.
C.19 ACT Multicultural Strategy	Not applicable to ACTEW.
C.20 Aboriginal and Torres Strait Islander Reporting	Not applicable to ACTEW.
C.22 ACT Women's Plan	Not applicable to ACTEW.