ACTEW CORPORATION

ABN 86 069 381 960

Annual Report 2011

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 will be informed about our business and are entitled to services that are reliable, efficient, cost effective and sustainable.
- Our professional staff will be provided with a challenging, rewarding and safe workplace in contributing to the 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 and cost effective manner mindful of our public accountabilities.

Photos by Col Ellis and ACTEW.

Contents

Company Profile

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

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

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

Principal Registered Office

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Canberra ACT 2600

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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
Commonwealth Bank of Australia

ACN 069 381 960
ABN 86 069 381 960

Section one

The bark of a eucalypt at the Cotter.

Chairman and Managing Director's Reports

Message from the Chairman

ACTEW has achieved strong results again this year and made great steps towards delivering water security for the region. Our investments continued to perform well allowing us to provide good dividend payments to our voting shareholders.

We recorded a sound after tax profit of $60.8 million (M) in 2010–11, a decrease of $30.6M from the unusually strong 2009-10 result. A few key factors which affected the profit included:

- a decrease in water consumption due to higher rainfall resulted in water revenue at $11.6M lower than the prior year;
- an increase in finance costs of $19.9M as a result of an increase in net borrowings with $243M debt raising in June 2010 and a further $296.5M in June 2011; and
- higher prior year profits in the ActewAGL Joint Venture from the sale of Ecowise Environmental Pty Limited for an after tax net gain of $8.7M.

The total of liquids and held to maturity current financial assets has increased to $309M. ACTEW's gearing level is 52.8% in 2010–11, up from 41% in 2010, due to the increase in borrowings.

Dividends paid to the ACT Government during the year were $65.8M and $40.3M in income tax equivalent payments.

The ActewAGL investment continues to be very profitable for ACTEW with joint venture income of $83.8M, a decrease of $9.5M from 2009-10. This decrease was mainly due to the sale of Ecowise Environmental Pty Limited for a profit of $12.4M (an after tax net gain of $8.7M) and an increase in capital expenditure.

Cash distributions from ACTEW's 50% investment in the ActewAGL joint venture were $45.9M ($74.8M in 2010). The distribution was below the prior year mainly as a result of proceeds from the sale of Ecowise Environmental Pty Limited.

ACTEW's water security projects received the necessary planning and environmental approvals, with the construction phase of the Enlarged Cotter Dam and Murrumbidgee to Googong Water Transfer well underway. Working together these projects will greatly improve water supply in the ACT and region for several years to come.

Planning for future climate conditions remains a priority for ACTEW and future water options beyond the current water security projects will continue to be investigated.

I would like to thank ACTEW's Board, management and staff for their outstanding achievements and commitment during the year.

John Mackay AM
Chairman

Message from the Managing Director

A significant change to our water situation and the wettest spring in Canberra since 1983 saw an end to the drought conditions that afflicted our region for a decade. In September 2010 we were able to move out of Stage 3 Water Restrictions into the less severe Stage 2 due to the vastly improved storage levels and a positive weather outlook.

Dam levels continued to rise and in November 2010 water restrictions ceased and Permanent Water Conservation Measures were introduced. This was a major milestone and a relief for ACTEW and the community who had lived under water restrictions for almost eight years, half of that under strict Stage 3 conditions.

On 3 December 2010, another milestone occurred when combined dam levels reached 100% for the first time since 1998. The upgrade of the Googong Dam Spillway had been completed just prior to substantial rainfall, with the spillway passing up to 700 cubic meters (m^3) of water per second, the biggest flood ever recorded through Googong Dam. Unfortunately the rain we had all hoped for during the decade long drought was bittersweet, with many people across the ACT and particularly Queanbeyan affected by heavy rainfall and flooding.

Though the Cotter Dam worksite held up well against the extreme rain, the Cotter Precinct was hit particularly hard meaning work had to cease and the precinct closed on numerous occasions due to flood and safety risk. The Enlarged Cotter Dam team had to quickly put in place redesigned diversion arrangements to manage increased future flood risk during construction; an unexpected challenge that delayed the original work schedule.

In autumn 2011, the Cotter worksite faced another challenge with an undesirable geological feature – a fault between two monolithic rock segments – discovered in the valley floor. This meant that over 12,000m^3 of additional rock had to be excavated, delaying the commencement of roller compacted concrete for the main wall. Despite these challenges and related delays, I am very pleased that the Enlarged Cotter Dam project remains within budget and is planned for completion in mid 2012.

The Murrumbidgee to Googong Water Transfer has made impressive progress since construction began in January 2011. The project received final approval in late 2010 following two years of rigorous environmental assessments from three jurisdictions. Despite the protracted Commonwealth approval process and the need to meet additional strict approval conditions from environmental regulators we were able to keep costs constrained with only a 3% increase from the original budget. Construction on the pipeline, like the Enlarged Cotter Dam, is due for completion in mid 2012.

For ACTEW, it was also a year of assessment and improvement with the completion of a strategic review of sewerage services and commencement of a review of the Schemes of Temporary Water Restrictions and Permanent Water Conservation Measures. The sewerage review found a system that is appropriate for the ACT and with some modifications and enhancements will see us through into the future. The water restrictions review will capture the community's recent experiences of living with restrictions alongside ACTEW's experience managing scarce resources to ensure we have the best possible schemes in place should we need them in future.

For their immense dedication over an extremely challenging year, I thank my colleagues at ACTEW and ActewAGL, our water security alliance partners and the men and women at our two worksites working to deliver Canberra's new water infrastructure.

Mark Sullivan AO
Managing Director

Highlights

Water Security

ACTEW made significant progress in implementing its diversified portfolio of water supply projects.

Enlarging the Cotter Dam

Work on the Enlarged Cotter Dam progressed well during the year despite some challenges, with approximately half of the work now complete.

By July 2010 one of Australia's largest mobile crushing plants has been installed and commissioned at the Cotter Dam worksite and by May 2011 had successfully crushed 920,000 tonnes (t) of rock extracted from the onsite quarry and from the abutment excavations. This rock will be used in the roller compacted concrete required for the main dam, eliminating the need to source and transport rock from offsite.

Construction of the first saddle dam, one of two auxiliary clay and rock dams located in the lower lying valleys adjacent to the main wall, was finished in December 2010, and the second in January 2011. The saddle dams are in place to contain the increased water level when the new Cotter Reservoir fills.

The existing Cotter Dam overflows in December 2010 following heavy rainfall.

Construction of artificial fish rock reef habitats within the Cotter catchment commenced in early 2011 with approximately 4 kilometres (km) of habitat completed to date. Further information regarding fish management in the Cotter Reservoir can be found on page 11.

Planning began for vegetation and biodiversity offset activities, with values which cannot be remediated on the Enlarged Cotter Dam to be offset in the nearby Paddy's River, Pierces Creek and Cotter River catchments. ACTEW has committed to restore 400 hectares (ha) of degraded land through a program of erosion control, weed management and native plantings. Information regarding offsetting greenhouse gas emissions relating to the Enlarged Cotter Dam can be found on page 11.

By June 2011, the right and left abutments and the valley floor had been excavated with around 280,000m^3 of rock extracted in preparation for construction of the main dam. Two roller compacted concrete batch plants and an associated conveyor system were also completed and commissioned in preparation for construction of the main dam. Construction of the dam intake tower commenced and by June 2011 the total completed height of the tower was 21.9 metres (m) of the required 65m.

The project faced two major unexpected challenges during the year, which delayed the construction schedule. Extreme rainfall events in spring 2010 and summer 2011 caused significant damage to the Cotter Precinct and the worksite, resulting in the need to redesign diversion arrangements to mitigate future flood risk during construction.

In autumn an undesirable geological feature was identified in the valley floor which also caused delay. The geological feature was a seam, or fault, between two monolithic rock segments filled with weathered and unstable rock and clay. It ran parallel to the right hand abutment along the length of the dam, and ran up to nine meters below the foundation level in some areas. As a result, over 12,000m^3 of additional rock had to be excavated, delaying the commencement of roller compacted concrete (RCC) while the Enlarged Cotter Dam team focused on removing the unsuitable material, excavating to solid foundations, and using dental and mass concrete to fill the seams and excavation required prior to RCC placement.

Despite these challenges, the Enlarged Cotter Dam project remains within budget and is planned for completion in mid 2012.

Pipes for the Murrumbidgee to Googong Water Transfer.

Murrumbidgee to Googong Water Transfer

Construction of the Murrumbidgee to Googong Water Transfer commenced following approval of the Development Application by the Federal Minister for Sustainability, Environment, Water, Population and Communities in October 2010. This was the final step in a rigorous two year environmental assessment process to meet the requirements of the ACT, NSW and Commonwealth Governments.

Site facilities were established in late 2010 and construction on high and low lift pump stations commenced in January 2011.

Voluntary agreements were finalised with all affected landholders regarding corridor easements and by autumn 2011 *Property Interaction Plans* were in place to provide the landholders with a commitment from ACTEW regarding the rehabilitation of their land affected by the easement, following construction.

In May 2011 the delivery of pipes commenced. The pipes are placed in laydown areas along the construction corridor and most are 6m in length and 1m in diameter. By June, work to establish a pipeline corridor was completed including fencing, tree clearing and weed control, and excavation of the pipe and conduit trench began.

ACTEW committed to offsetting vegetation lost as a result of the Murrumbidgee to Googong Water Transfer through the rehabilitation and protection of approximately 92ha of woodland in the Williamsdale area, of which approximately 70ha is endangered Box Gum Woodland. As part of the offset package, a rehabilitation program is in place for the endangered *Swainsona recta* (*Small Purple Pea*), undertaken in conjunction with the Australian National Botanic Gardens.

The Murrumbidgee to Googong Water Transfer is scheduled for completion in mid 2012.

Water Supply and Demand

Monitoring and management of water storages and the promotion of sustainable water use continued during the year.

Water Storages

Water storage levels improved greatly throughout the year, with the ACT's reservoirs reaching capacity for the first time in 12 years.

While inflows remained low during winter, consistent early spring rainfall and follow up rain events in November and December 2010 saw combined dam storages rise to 100 per cent by early December 2010. Inflows over the financial year totalled 436.5 gigalitres (GL) which was well above the long-term average of 227.1GL and the highest in 23 years.

Water Restrictions and Water Conservation Measures

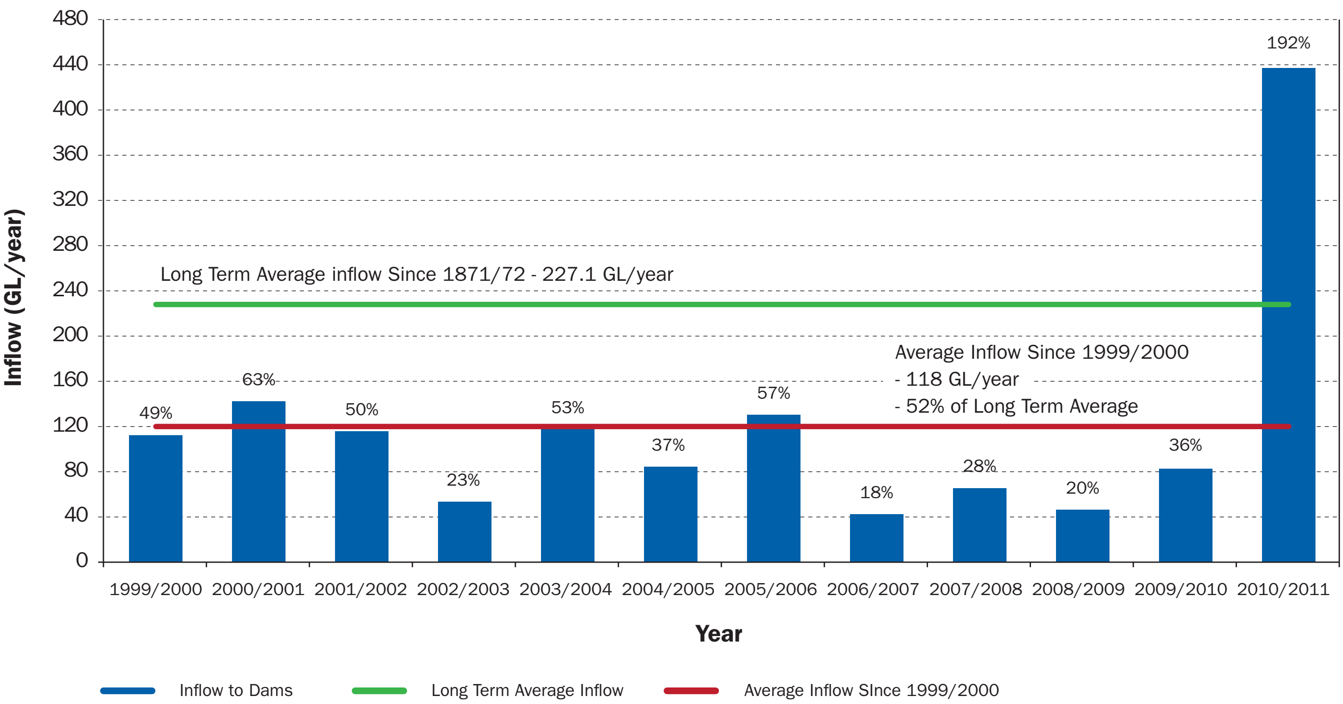
Stage 3 Temporary Water Restrictions remained in place until 31 August 2010. Stage 2 Restrictions were introduced from 1 September 2010 and Permanent Water Conservation Measures from 1 November 2010, in line with the improved water situation.

Water consumption during the year amounted to 40.9GL, a saving of 20.9GL, compared to estimated consumption without restrictions, conservation measures and demand management initiatives by ACTEW and the ACT Government.

Water restrictions review

A review of Permanent Water Conservation Measures and Temporary Water Restrictions was initiated in early 2011, consulting with residents and affected industry groups on the current schemes and getting feedback on proposed changes. More than 360 people completed online surveys,

Annual Inflows Into Corin, Bendora, Cotter & Googong Reservoirs



The Googong Dam Spillway before (left) and after (right) upgrade works.

approximately 40 people attended community drop-in sessions, over 280 industry stakeholders were consulted, and 20 written submissions were received during the consultation period which ran from April to June 2011.

A report including recommendations will be finalised in late 2011 and will incorporate a full analysis of the feedback received during consultation, an economic and regulatory assessment as well as a revised estimate of the water savings likely to be delivered under the revised schemes.

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 16.7% since July 2010.

We continued to work with the ACT Government on their review of *Think water, act water* which has a reuse target of 20% by 2013.

Reviewing planning assumptions

The annual review of ACTEW's major planning assumptions was published in January 2011 and proposed no major changes.

Whilst the wet conditions of late 2010 resulted in reservoirs filling to capacity, such an event is within the range of outcomes projected by ACTEW when considering future climate. The average inflows into the four dams over the last 17 years remains well below the longer term average and very close to projections for inflows for the next 20 years.

The 2010 *Review of Planning Variables for Water Supply and Demand Assessment report* is available on ACTEW's website.

Water Operations

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

Capital Works

Investment in capital works totalled $53M for water assets in 2010–11 (excluding the water security projects). Major projects undertaken included:

Googong Dam Spillway Upgrade

A major upgrade of the Googong Dam Spillway was completed in late 2010 to repair erosion, provide protection against possible extreme flood events, and protect downstream areas in Queanbeyan and Canberra.

Murrumbidgee and Cotter Pump Station Works

Works were completed in early 2011 on the construction of a larger pumping station in the Murrumbidgee River, as well as improvements at the Cotter Pump Station including renewal of the large supply mains.

Gungahlin Water Supply

Works including construction of new reservoirs, associated trunk mains and pumping stations to support the development of new suburbs in Gungahlin were completed and commissioned.

Uriarra Village

Work to provide water and sewerage services to Uriarra Village were completed with commissioning to occur in July 2011.

Murray Darling Basin Cap

Only 9GL of the 40GL allocated to the ACT under the ACT net Water Cap was used by ACTEW during the year. This was due to the very wet summer which substantially reduced water demand (41GL) and increased return flows from the Lower Molonglo Water Quality Control Centre to the Molonglo River of 32GL.

We continued to work with the ACT Government to put forward the ACT position for the draft Murray Darling Basin Plan, arguing against any changes to the current 40GL net allocation and growth.

Source Water Quality Protection Programs

ACTEW continued implementation of the Regional Source Water Protection Program across the ACT and the upper Murrumbidgee River catchment to improve overall drinking water quality including:

- continued funding for a Water Watch Coordinator for the upper Murrumbidgee region;
- signage in the Murrumbidgee, Cotter and Queanbeyan River areas and their catchments to educate users of recreational areas in the importance of preventing pollution and fires;
- partnerships with ACT Government, particularly where land management programs could have an impact on water quality such as the use of herbicide in drinking water catchments, fire management and onsite sewerage management systems;
- liaison with adjacent local governments, in particular with respect to the management of septic systems and the Googong Township development application process;
- supporting the new formed Actions for Clean Water (ACWA), which will identify and prioritise options for landscape mitigations to reduce the occurrence of erosions that leads to turbidity events in the Murrumbidgee River; and
- continuation of the 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*. Details of compliance are included in the Directors' Report at page 24 of the Financial Statements.

Sewerage Operations

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

Capital Works

Investment in capital works totalled $27M for sewerage assets in 2010–11. Major projects undertaken included:

Lower Molonglo Water Quality Control Centre Secondary Treatment Upgrade

A $71M upgrade of the Lower Molonglo Water Quality Control Centre Secondary Treatment was completed in June 2011. This will ensure treated water discharged from the plant continues to minimise the impact on the Murrumbidgee River system while catering for forecast population growth.

Molonglo Valley Trunk Sewer

At an approximate cost of $5M, construction of the Molonglo Valley Trunk Sewer commenced in August 2010 and will service the new suburbs of Wright and Coombs in the Molonglo Valley.

Reviewing our sewerage system

A Strategic Review of Sewerage Services was completed during the year and the findings released in a report, *Future Sewerage Options – Canberra Sewerage Strategy 2010–2060* in February 2011.

The report confirms that ACTEW's sewerage services are sustainable and effective but highlighted several areas requiring further future work. Key activities of the next phase of the strategy are to develop strategic plans for both the Fyshwick and Lower Molonglo Treatment Plants to ensure ongoing affordability, reliability and performance. Key program areas include:

- a strategic plan for Fyshwick Sewage Treatment Plant;
- development of a source control program (focusing on total dissolved solids);
- a strategic plan for Lower Molonglo Water Quality Control Centre;
- refinement of the Lower Molonglo Water Quality Control Centre water quality program; and
- a strategy plan for network management and operation.

Wastewater source management

Development of a policy for wastewater source management continued. The policy will improve management of liquid trade waste in ACTEW's sewerage network. Extensive monitoring and consultation will commence in 2012 to inform the finalisation and implementation of the policy.

Research and Development

Several projects were developed as part of the ongoing applied research and development program including:

- partnership in a successful Australian Research Council Industry Linkage Grant entitled *"Genomics for persistence of Australian freshwater fish"*. This project will investigate the resilience of native fish in the Cotter River catchment to the effects of climate change and be supported by local scientists from the University of Canberra;
- a variety of projects assessing the tolerance of aquatic ecosystems in the Murrumbidgee catchment to total dissolved solids (TDS). These are supporting the TDS Management Strategy by determining the appropriate indicators are in place with respect to the Lower Molonglo Water Quality Control Centre effluent, to ensure the protection of the Upper Murrumbidgee River ecosystem; and
- supporting the development of research and environmental science in the ACT through a variety of honours and PhD projects and scholarships as well as research projects at the University of Canberra and the Australian National University.

Statistics

The below information is the most recent and best available data at the time of production, and takes into account updates of previous years' information. Information supplied by ActewAGL and current as of August 2011.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
WATER										
Customers	126,750	129,114	131,893	134,020	136,890	138,917	141,046	143,741	146,608	150,310
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	211.6**	207.4**	207.4	207.4	207.4	207.4
No. of reservoirs * **	44	44	44	44	44	44	44	44	46	46
Capacity of reservoirs (ML)	891	891	891	891	891	891	891	891	917	917
No. of pumping stations	21	21	21	23	23	23	23	23	24	25
Length of mains (km)	2,948	2,964	2,985	3,013	3,057	3,007*	2,980*	3,059	3,096	3,134
Total extractions (ML)	65,904	65,567	52,262	51,719	54,340	51,060	43,556	44,955	45,133	40,914
Consumption / person p/a (kL)****	194	206	145	144	149	136	115	116	114	101
Rainfall (mm)*****	633	340	463	593	629	428	455	511	612	866
SEWERAGE										
No. of customers	123,641	125,785	128,446	130,355	133,217	135,241	137,262	139,794	142,577	146,231
No. of pumping stations	28	28	26	26	27	27	27	27	26	26
Quantity of effluent discharging (ML)	30,645	28,313	27,959	27,293	29,019	26,437	25,707	25,307	26,769	32,243
Sewage effluent/ person p/a (kL)	98	89	87	84	88	79	75	73	75	89
Length of mains (km)	2,875	2,897	2,921	2,948	2,985	2,993	3,014	3,059	3,094	3,134

* Length of mains reduced through improvement in data quality collection.
** Bathymetry survey down-rated storage capacity.
*** Not including treatment plant or recycled water reservoirs.
**** Includes water losses in network.
***** Supplied by Bureau of Meteorology, recorded at Canberra Airport.

Approximately 4km of fish habitat was constructed in the new Cotter Reservoir inundation area to protect the endangered Macquarie Perch.

Environmental Management

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

Greenhouse Gas Abatement Strategy

ACTEW continued to build on its Greenhouse Gas Abatement Strategy which was initiated in 2008 to address emissions associated with the delivery of the water security projects. Biodiesel has been used during construction of the Enlarged Cotter Dam and a mini-hydro has been incorporated into the Murrumbidgee to Googong Water Transfer project to recover energy. Carbon sink forestry offsets have been secured for construction and operation emissions resulting from the water security projects over the next 30 years. The first of these offset certificates was provided to ACTEW in June 2011.

Work is continuing to identify and cost opportunities for greenhouse gas emission abatement across the operations of its water business and developing a strategy and action plan to meet ACT Government requirements and mitigate carbon tax implications.

The primary target set by ACT Government is to reduce emissions in line with a 40% reduction of 1990 levels by 2020. ACTEW will identify and cost appropriate options to achieve the targets. This will be completed towards the end of 2011.

Implementing a fish management plan for the Cotter Reservoir

Achievements of the fish management plan this year have included:

- construction of approximately 4kms of rock reef fish habitat in the Cotter Reservoir for the endangered Macquarie Perch;
- in conjunction with the University of Sydney, identification and implementation of measures to sterilise the area between the old and new Cotter Dams. This will ensure that the Epizootic Haematopoietic Necrosis (EHN) virus doesn't spill into the reservoir during the filling phase;
- removal of alien fish species such as Carp and Redfin Perch from the area between the existing and new dams to ensure they don't enter the new reservoir. This is especially important for Redfin as it is a carrier of the EHN virus;

- works to establish populations of Macquarie Perch at sites outside of the Cotter Reservoir through translocation;
- research undertaken including a Cormorant diet study showed that this bird species are a significant predator of the Macquarie Perch; and
- research to identify the main food sources of Macquarie Perch.

Maintaining environmental flows

ACTEW continued to meet its environmental flow obligations. While the ongoing drought conditions during the 2010–11 created significant challenges with regard to the provision of environmental flows, the wet weather in the latter part the year resulted in significant environmental flows across all catchments. While the laboratory analyses are yet to be finalised, in-stream ecological health is expected to have undergone dramatic improvement.

Monitoring the catchments

A three year Murray Cod monitoring program recently commenced. This iconic species is listed as threatened under federal legislation. The program will be undertaken by the Institute of Applied Ecology and will seek to provide information on how best to balance water extraction from the Murrumbidgee River and provide healthy habitats for the Murray Cod. ACTEW continued to closely monitor all water supply catchments to ensure that water extraction is being undertaken in an environmentally responsible manner.

Environmental management plan

ActewAGL undertakes environmental management of ACTEW's water and sewerage operations through its five-year *Environmental Management Plan* and maintains certification against the Australian and International Environmental Management Standard ISO 14001. Outcomes for 2010–11 are published in ActewAGL's *Annual Report and Sustainability Report 2011*.

Working with the Community

A high level of community engagement was maintained during the year, informing and educating residents and businesses on water related matters.

Two public information campaigns were undertaken to inform the community about changes to water restriction levels and targeted programs around the importance of sustainable water use. Roadside LED water signage was removed in response to the improved water storage situation.

Information and educational displays were held at events across the ACT including:

- Floriade;
- Spring Home and Leisure Show;
- Woden and Tuggeranong Community Festivals;
- Royal Canberra Show;
- Festival of the Forests;
- University of Canberra Living Green Festival;
- Retirement and Lifestyle Expo; and
- World Environment Day.

A water supply map and webcam from the Enlarged Cotter Dam site were added to the updated ACTEW website.

An ACTEW education officer facilitates a tour of the Cotter Dam Discovery Trail.

An artist's impression of the upgraded Cotter Avenue recreation area.

The program of community engagement on the Enlarged Cotter Dam continued to achieve high participation levels. Approximately 22,000 people have visited the Cotter Dam Discovery Trail since it opened in September 2010 and nearly 2,000 people visited the Cotter Dam worksite during two public open days.

The Cotter Dam Education Kit was launched in July 2010 and distributed to all ACT primary and secondary schools. It contains curriculum units aligned to the national curriculum, as well as visual tools such as photos, video and maps to assist learning. Since the kit was launched, approximately 1,600 students have visited the Cotter Dam Discovery Trail as part of their studies.

Community engagement on the Murrumbidgee to Googong Water Transfer project continues to focus on mitigating the impact of construction works on affected residents.

Maintaining recreational spaces during construction

Plans to rehabilitate the Cotter Avenue recreation area commenced. The Cotter Avenue recreation area has been closed to the public since January 2010 due to its proximity to the Enlarged Cotter Dam construction works and will be re-opened upon completion of the new dam.

The Angle Crossing recreation area has been closed to the public since January 2011 due to the Murrumbidgee to Googong Water Transfer construction works. ACTEW upgraded the Tharwa Sandwash recreation area to provide an alternative location.

Sponsorship and Community Support Program

ACTEW provides sponsorships, donations and in-kind donations to a variety of events, organisations and activities that benefit local and regional communities. The program provides two categories of sponsorship: major events and community support.

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

- Australian Science Festival;
- Canberra Symphony Orchestra;
- Canberra Area Theatre (CAT) Awards;
- National Eisteddfod;
- Royal National Capital Agricultural Society;
- Bell Shakespeare Theatre Company; and
- Canberra Women's Golf Classic.

A total of 63 sponsorships and donations were provided during the year.

About ACTEW Corporation

Corporate Governance

Reporting and compliance obligations are detailed in 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 2010–11 are in the Financial Statements at page 4.

ACTEW's corporate governance structures and practices provide 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 2010–11 SCI was tabled in the ACT Legislative Assembly on 23 September 2010. 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.

Risk Management and Internal Audit

At 30 June 2011, ACTEW's Audit and Risk Management Committee comprised two Non-Executive Directors: Mr Michael Easson (Chairman) and Mr Ted Mathews. The Committee met five times during the year.

The Audit and Risk Management Committee Charter was reviewed by the Committee and the Board during the year.

A risk management register which identifies and addresses risks associated with the company's responsibilities, activities and accountabilities is maintained. 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 in accordance with the International Risk Management Standard ISO 31000:2009 during the year and provided to the Audit and Risk Management Committee and the Board.

ACTEW's auditor is the ACT Auditor-General. Internal audit services were provided by Deloitte and PricewaterhouseCoopers during the year. One internal audit was completed and two audits were underway.

Members of the ACTEW Board

At 30 June 2011 the Board comprised seven Directors: six 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 has been Chairman of ACTEW since July 2008. He is also Chairman of ActewAGL, TransACT Communications Pty Limited and the Board of Governors for the National Arboretum Canberra.

He is a Director of Canberra Investment Corporation Limited and the Little Company of Mary Healthcare, and a Member of the Canberra Raiders Board. He was appointed the inaugural Chairman of the Canberra Glassworks in 2006 and retired from the position in January 2011.

Mr Mackay was Chief Executive Officer of ACTEW from 1998 until 2000. He was appointed Chief Executive Officer of the newly formed joint venture ActewAGL in late 2000 and held the position until his retirement in 2008.

On 1 January 2011 Mr Mackay took up his appointment as Chancellor of the University of Canberra.

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.

John Mackay

Michael Easson

Mark Sullivan

Ted Mathews

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 to the Board 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, a Director of TransACT Communications Pty Limited, and Chairman of ACTEW Distribution Limited and ACTEW Retail 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 (1999-2001) 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 Practicing 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 2001 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

Wendy Caird

Rachel Peck

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 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), and 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.

Rachel Peck - BEng (Civil) (Hons), MBA, MAICD

Rachel Peck was appointed to the Board in May 2011. She is Principal of peckvonhartel. Ms Peck is a former Divisional Council Member of the Property Council of Australia (ACT), and previously held a number of other committee positions with the Council including as a Member of the Infrastructure Committee, the Economic Development Committee and the Planning Committee. Ms Peck was an Interim Board Member of the Canberra International Arboretum from 2005 until 2006.

Ms Peck attended the Australia 2020 Summit and in 2010 completed a Masters of Business Administration at the Melbourne Business School. She was awarded a Future Leaders' Award in 2006 and was the Telstra ACT Young Business Woman of the Year in 2008. She is a Member of the Australian Institute of Company Directors.

Ross Knee

Simon Wallace

Michele Norris

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. Mr Knee is a Director of ACTEW Distribution Limited and ACTEW Retail Limited.

Simon Wallace B.Com, CPA
Chief Financial Officer

Simon Wallace was appointed Chief Financial Officer in May 2011. He commenced with ACTEW in 2004 and was the Corporation's Chief Accounting Officer. He holds a Bachelor of Commerce degree from the Australian National University and is a Certified Practicing Accountant. Mr Wallace is a Director of ACTEW Distribution Limited and ACTEW Retail Limited.

Michele Norris FAICD FAIM
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 corporate and governance 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, a Fellow of the Australian Institute of Management, an Affiliate of Chartered Secretaries Australia and a Justice of the Peace.

Kerry McIlwraith B.COM, MBA, FCPA
Chief Financial Officer (until May 2011)

Mr McIlwraith was appointed Chief Financial Officer in October 2006 and retired in May 2011. He was responsible for financial management and reporting, strategic business analysis and investments, and risk management. He was also a Director of ACTEW Distribution Limited and ACTEW Retail Limited. Mr McIlwraith is a Fellow of Certified Practicing Accountants Australia.

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 twice 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.

Remuneration

Name and Position	Short term benefits ($)	Post employment benefits superannuation ($)	Other long term benefits ($)	Termination benefits ($)	Total ($)
John Mackay Non Executive Chairman	65,262	5,873	-	-	71,135
Michael Easson Non Executive Director	37,468	3,372	-	-	40,840
Mark Sullivan Managing Director	529,617	91,554	-	-	621,171
Edward (Ted) Mathews Non Executive Director	32,582	2,932	-	-	35,514
Allan Hawke Non Executive Director	31,450	2,831	-	-	34,281
Wendy Caird Non Executive Director	31,450	2,831	-	-	34,281
Rachel Peck Non Executive Director (from 2 May 2011)	4,387	395	-	-	4,782
TOTAL DIRECTORS	**732,216**	**109,788**	**-**	**-**	**842,004**
Ross Knee Executive Manager Water	377,211	50,799	-	-	428,010
Kerry McIlwraith Chief Financial Officer (until 11 May 2011)	138,668	14,402	-	81,119	234,189
Simon Wallace Chief Financial Officer (from 12 May 2011)	28,626	1,960	-	-	30,586
Michele Norris Company Secretary	196,126	27,156	-	-	223,282
Ian Carmody Director, Water Security Operations	405,640	32,881	-	-	438,521
Kirsten Bartlett Community Engagement Manager	111,920	9,511	-	-	121,431
TOTAL SENIOR MANAGERS	**1,258,191**	**136,709**	**-**	**81,119**	**1,476,019**
TOTAL DIRECTORS AND SENIOR MANAGERS	**1,990,407**	**246,497**	**-**	**81,119**	**2,318,023**

Organisational Overview

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

Staff have high levels of responsibility and accountability for business and investment performance, governance, and regulatory and licence compliance and must have the relevant technical knowledge, experience and skills.

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

ACTEW Board

Managing Director
Mark Sullivan

- Management of Water and Sewerage System Operations
- Planning and Capital Works Contract
- Regulatory and Licence Compliance
- Sustainability
- Research and Development
- Water Conservation

Executive Manager Water, Ross Knee

- Financial Management and Reporting
- Capital Structure
- Strategic Business Investments
- Risk Management

Chief Financial Officer, Simon Wallace

- Corporate Governance
- Board Secretariat
- Government Liaison and Reporting
- Statutory Compliance and Reporting
- Legal Matters

Company Secretary, Michele Norris

- Water security projects
  - Enlarged Cotter Dam
  - Murrumbidgee to Googong Water Transfer

Director Water Security Operations, Ian Carmody

- Corporate Communications
- Community Education

Community Engagement Manager, Kirsten Bartlett

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 2011 were:

- Mr John Mackay AM – Chairman
- Mr Michael Fahey - Deputy Chairman
- Mr Paul Adams
- Mr Michael Easson AM
- Mr Lim Howe Run
- Mr Mark Sullivan AO

Details of ActewAGL's financial performance for 2010–11 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 2011 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.

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

Outlook

ACTEW's priorities for 2011–12 are:

Water Supply and Demand

- Complete construction of the Enlarged Cotter Dam and Murrumbidgee to Googong Water Transfer projects.
- Contribute to the review being undertaken by the ACT Government of *Think water, act water.*
- Continue to advise and work with the ACT Government to achieve an appropriate sustainable diversion limit in the Murray Darling Basin Plan for the ACT.
- Assist the ACT Government finalise the intergovernmental agreement on water trading between the ACT and NSW and finalise the commercial agreement between ACTEW and Snowy Hydro Limited for the Tantangara Transfer project.
- Complete a review of water restrictions and conservations measures and present findings to the ACT Government.

Sewerage

- Implement recommendations of the Canberra Sewerage Strategy 2010–2060 including the development of strategic plans for Fyshwick Sewerage Treatment Plant and Lower Molonglo Water Quality Control Centre.
- Work with the ACT Government to review effluent reuse targets as part of the review of *Think water, act water.*
- Develop the trade waste policy to refine pricing and identify customer impacts.

Environment

- Continue the development of strategies to address new environmental legislative requirements and a greenhouse gas abatement strategy for the water business.
- Develop environmental priorities and implement annual reporting for the water and sewerage business.
- Continue implementation of ecological monitoring and protection programs for endangered or threatened aquatic and flora species in the catchments, particularly for the water security projects.

Investments

- Continue to actively manage our 50% ownership of ActewAGL with a particular focus on energy matters emerging in a competitive market.
- Contribute to the strategic management of TransACT through representation on the Board.
- Maintain partner relationships with AGL Energy Limited and Jemena Limited for the ongoing strong performance and reputation of ActewAGL.

Financial

- Achieve earnings before interest and tax (EBIT) of $203M and declare a dividend from 2011–12 profits of $88.8M.
- Maintain liquidity levels through borrowings to fund capital expenditure projects and dividend payments while maintaining an acceptable level of gearing.
- Continue development of the 2013-18 pricing submission to the Independent Competition and Regulatory Commission.

Corporate

- Work with ActewAGL to engender accountability and commitment at all levels for a safe working environment.
- Return an enhanced Cotter Precinct to the community following completion of the Enlarged Cotter Dam.
- Implement new workers' compensation arrangements that are relevant to our structure and business, and are fair and equitable.
- Continue management of ACTEW's strategic and operational risk profile.

Section two

The aggregate stockpile at the Enlarged Cotter Dam site.

Financial Statements

For the year ended 30 June 2011
ACTEW Corporation Limited
ABN 86 069 381 960

Table of Contents

ACTEW Corporation Limited and Controlled Entities

Directors' Report

For the year ended 30 June 2011

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 2011.

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
- Mark Anthony Sullivan AO
- Edward William Mathews PSM
- Allan Douglas Hawke AC
- Wendy Caird
- Rachel Peck (from 2 May 2011)

Refer to page 14 of the Annual Report for information on directors' experience and qualifications.

Company Secretary

Michele Norris joined ACTEW in August 1999 as Legal Compliance Education Manager and in 2000 was appointed Assistant Company Secretary and in December 2003, Company Secretary. She is responsible for the management and coordination of corporate governance, statutory compliance and reporting, secretariat services and support to the Board, government liaison and reporting, and legal matters for the Corporation and subsidiary companies. Ms Norris is Company Secretary of ACTEW Distribution Limited and ACTEW Retail Limited. She is a Fellow of the Australian Institute of Company Directors, a 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 five times during the year. The entire ACTEW Board meets as the Remuneration Committee. The Remuneration Committee met twice 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)**	**2 (2)**
M B Easson	7 **(9)**	**5 (5)**	**1 (2)**
M A Sullivan	9 **(9)**	0 **(0)**	**2 (2)**
E W Mathews	8 **(9)**	5 **(5)**	**2 (2)**
A D Hawke	8 **(9)**	0 **(0)**	**2 (2)**
W Caird	9 **(9)**	0 **(0)**	**2 (2)**
R S H Peck	2 **(2)**	0 **(0)**	**1 (1)**

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:

	2011 $ million	2010 $ million
Revenue (excludes ActewAGL joint venture profits)	248.0	250.3
Profit before income tax expense	94.1	127.3
Income tax	33.3	35.9
Profit for the year	60.8	91.4
Payments to ACT Government:		
Interim dividend for current year profit	49.0	74.7
Final dividend for previous year profit	16.8	17.1
	65.8	91.8
Tax equivalent payments	40.3	9.8
Total payments to ACT Government	106.1	101.6

Profit for the year decreased from prior year due to lower water consumption, an increase in impairment of assets required under Australian Accounting Standards and prior year profit was larger than normal resulting from the profit on sale of Ecowise Environmental Pty Ltd.

Dividends

An interim dividend of $49m (2010 interim: $74.7m) was paid in June 2011. The directors have recommended the payment of a 2010-11 final dividend of $11.8m (2010 final: $16.8m).

Significant changes in the state of affairs

ACTEW has undertaken a Medium Term Note borrowing in June 2011 and received $297m to fund future capital works projects and expenditure mainly for water security major projects.

Matters subsequent to the end of the financial year

The Australian Governments initial carbon price of $23/tonne next financial year as announced in July 2011, is significantly greater than the S16/tonne average cost of carbon offsets ACTEW achieved for the Water Security Program offsets.

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 2010 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 2010-11. Compliance details were:

	Compliance 2010-11	Target
Googong pollution control licence compliance#	100%	100%
Sewage treatment discharge compliance*	99.9%	100%
Sewage treatment incinerator air emission compliance **	99.1%	100%

final confirmation from NSW EPA pending.

* Non compliances were experienced with respect to wet weather events in September and December 2010. Reports were provided to the EPA and EPA responded that the events were managed adequately.

** 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. However, ACTEW does have a register of approval conditions applied through the major project assessment process that require compliance. ACTEW has maintained compliance with all current approval commitments.

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 2010. ACTEW complied with the requirements of the licence throughout 2010-11. 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 *Australian Drinking Water Guidelines 2004* under this Licence. ACTEW complied with all reporting requirements 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

26 August 2011

Mark Sullivan AO
Managing Director

Canberra

26 August 2011

ACTEW Corporation Limited and Controlled Entities

Directors' Declaration

for the year ended 30 June 2011

In the director's opinion:

(a) the financial statements and notes set on pages 11-44 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 2011 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

26 August 2011

Mark Sullivan AO
Managing Director

Canberra

26 August 2011

ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT

ACTEW CORPORATION LIMITED

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

Report on the financial report

The financial report of ACTEW Corporation Limited and Controlled Entities (the Company) for the year ended 30 June 2011 has been audited. The financial report comprises 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 Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements, *Corporations Act 2001* and *Corporations Regulations 2001*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error and the accounting policies and estimates used in the preparation of the financial report.

The auditor's responsibility

Under the *Corporations Act 2001*, I am responsible for expressing an independent audit opinion on the financial report of the Company.

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

I formed the audit opinion following the use of 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.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

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

Applicable independence requirements of Australian professional ethical pronouncements were followed 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 2011 and its performance for the year ended on that date; and

(b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and *Corporations Regulations 2001*.

The audit opinion should be read in conjunction with other information disclosed in this report.

Dr Maxine Cooper
Auditor-General
1 September 2011

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 2011, 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.

M. Cooper

Dr Maxine Cooper
Auditor-General
26 August 2011

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
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ACTEW Corporation Limited and Controlled Entities

Consolidated Income Statement

For the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Revenue from continuing operations	5	**230,628**	231,127
Other income	6	**17,406**	19,222
		248,034	250,349
ACT Government charges		**27,667**	28,635
Employment and associated costs		**7,770**	7,197
Depreciation and amortisation expense	7	**31,651**	31,446
Finance costs	7	**60,570**	40,696
Project related expenses		**92,128**	97,623
Impairment of assets		**11,417**	8,983
Other expenses arising from ordinary activities		**6,611**	5,242
Investments in associates' equity accounted losses	34	**(133)**	(614)
Reversal of impairment of investments		**133**	(2,832)
Share of net (profit) of joint ventures partnership accounted for using the equity method		**(83,848)**	(93,378)
Profit before income tax		**94,068**	127,351
Income tax expense	8	**33,257**	35,906
Profit for the year		**60,811**	91,445
Attributable to:			
Owners of ACTEW Corporation Limited		60,811	91,445
		60,811	**91,445**

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 2011

	Notes	2011 $'000	2010 $'000
Profit for the year		60,811	91,445
Other comprehensive income			
Fixed asset revaluation decrement net of tax	27	-	(57,919)
Changes in the fair value of cash flow hedges	27	968	1,201
Other comprehensive income for the year, net of tax		968	(56,718)
Total comprehensive income for the year		61,779	34,727

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

ACTEW Corporation Limited and Controlled Entities

Consolidated Balance Sheet

for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Current Assets			
Cash and cash equivalents	10	308,968	264,321
Other financial assets	11	-	3,000
Trade and other receivables	12	42,553	37,782
Other	13	19,850	19,498
Total Current Assets		371,371	324,601
Non-Current Assets			
Held-to-maturity investments	14	740	935
Investments accounted for using the equity method	15	519,029	481,107
Property, plant and equipment	16	1,659,135	1,452,676
Intangible assets	18	21,037	27,464
Total Non-Current Assets		2,199,941	1,962,181
TOTAL ASSETS		2,571,312	2,286,782
Current Liabilities			
Trade and other payables	19	79,591	80,548
Borrowings	20	81,488	12,374
Provisions	21	32,085	36,967
Other	22	2,996	6,061
Total Current Liabilities		196,160	135,950
Non-Current Liabilities			
Borrowings	23	1,137,235	909,059
Derivative financial instrument	24	429	1,397
Provisions	25	1,404	1,435
Deferred tax balances	17	293,074	296,899
Total Non-Current Liabilities		1,432,142	1,208,790
TOTAL LIABILITIES		1,628,302	1,344,740
NET ASSETS		943,010	942,042
Equity			
Contributed equity	26	758,871	758,871
Reserves	27	176,338	175,370
Retained profits	28	7,801	7,801
TOTAL EQUITY		943,010	942,042

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

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Cash Flows From Operating Activities			
Receipts from customers (inclusive of goods & services tax)		225,560	237,309
Payments to suppliers and employees (inclusive of goods & services tax)		(138,973)	(137,689)
Sub-Total		86,587	99,620
Interest received		8,688	6,194
Income tax equivalents paid		(40,321)	(9,765)
Interest paid		(58,050)	(39,220)
Net Cash (Outflow)/Inflow from Operating Activities		(3,096)	56,829
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(228,611)	(167,172)
Payments for intangibles		(4,290)	(16,492)
Proceeds from disposal of property, plant and equipment		9	-
Distribution received from joint venture partnerships		45,926	74,753
(Investments in)/proceeds from other financial assets		3,196	6,301
Net Cash Outflow from Investing Activities		(183,770)	(102,610)
Cash Flows from Financing Activities			
Repayment of borrowings		723	(11,712)
Proceeds from borrowings		296,535	242,968
Dividend paid		(65,745)	(91,823)
Net Cash Inflow from Financing Activities		231,513	139,433
Net (Decrease)/Increase in Cash and Cash Equivalents		44,647	93,652
Cash and Cash Equivalents at the Beginning of the Financial Year		264,321	170,669
Cash and Cash Equivalents at the End of the Financial Year	10	308,968	264,321

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

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Capital	Retained Profits	General Reserve	Hedge Reserve	Property, Plant and Equipment Revaluation Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2009	758,871	7,801	9,820	(2,179)	224,447	998,759
Profit for the year	-	91,445	-	-	-	91,445
Other comprehensive income for the year, net of tax				1,201	(57,919)	(56,718)
Total comprehensive income for the year	-	91,445	-	1,201	(57,919)	34,727
Transactions with owners in their capacity as owners						-
Dividends provided for or paid	-	(91,445)	-	-	-	(91,445)
Balance at 30 June 2010	758,871	7,801	9,820	(978)	166,528	942,042
Profit for the year	-	60,811	-	-	-	60,811
Other comprehensive income for the year, net of tax				968	-	968
Total comprehensive income for the year	-	60,811	-	968	-	61,779
Transactions with owners in their capacity as owners						-
Dividends provided for or paid	-	(60,811)	-			(60,811)
						-
Balance at 30 June 2011	**758,871**	**7,801**	**9,820**	**(10)**	**166,528**	**943,010**

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 2011

Contents of the notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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, the *Corporations Act 2001* and other requirements of the law.

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 were no other new or revised standards that impacted on the current or prior year financial statements.

Historical Cost Convention

This financial report has been prepared on a historical cost basis except for the revaluation of property, plant and equipment that have been measured at fair value.

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by ACTEW Corporation Ltd as at 30 June 2011 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 2011

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.

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.

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 2011

1 Summary of significant accounting policies (continued)

(d) Income tax equivalents

ACTEW Corporation Limited 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 and subsequently revalued as part of the class of property, plant and equipment to which the assets belong.

(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 and subsequently reavalues as part of the class of property, plant and equipment to which the assets belong.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are undertaken by external independent valuers 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. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

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.

At 30 June 2011, ACTEW had invested $60.8 million in TransACT Communications Pty Ltd. The allowance for impairment of the TransACT investment is $56.1 million (2010: $56.1million). 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 that are readily convertible to cash and bank overdrafts.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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 reporting 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 reclasified 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.

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 arm's 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 reporting 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 ($6.4m) has been recognised for the period ended 30 June 2011.

(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 based on the Consumer Price Index (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 2011

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 2010-11 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 2011. This payment is made to the Treasury Directorate 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 Treasury Directorate.

(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 2011

1 Summary of significant accounting policies (continued)

(u) Rounding of amounts

ACTEW is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998. In accordance with that Class Order 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. Details of segments are contained in Note 4.

(x) Parent entity financial information

The financial information for the parent entity, ACTEW Corporation Limited, 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 reporting 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 2011 amount totalled $13.3 million (2010 - $12.3m).

Impairment test

The final valuation of water and sewerage assets was determined by application of a discounted cash flow analysis (DCF). This method valued the assets at $1.7 billion as at 30 June 2011 (2010: $1.4 billion). The DCF was determined over an seven-year period using ACTEW's forecast net cash flow results with a terminal value based on cashflow perpetuity discounted using a post-tax nominal cash flow of 7.74%. The results determined no material impairment to the assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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 Energy Limited 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 2011

Note 4: Segment information (continued)

Primary reporting - business segments

As at 30 June 2011	Water $'000	Wastewater $'000	Investments $'000	Consolidated $'000
Income statement				
Sales to external customers	116,558	107,272	-	223,830
Other revenue including share of net profit of joint venture partnership	8,431	11,167	84,993	104,591
Total segment revenue	124,989	118,439	84,993	328,421
Segment result before tax expense	(30,600)	48,816	75,852	94,068
Tax expense	(14,513)	23,152	24,618	33,257
Segment result for the year	(16,087)	25,664	51,234	60,811
Balance Sheet				
Segment assets	1,250,966	781,938	538,408	2,571,312
Segment liabilities	934,916	434,333	259,053	1,628,302
Investments in associates and joint venture partnership	-	-	519,029	519,029
Other				
Acquisition of property, plant and equipment	211,350	24,335	-	235,685
Depreciation and amortisation	13,731	17,920	-	31,651
Impairment of assets	11,417	-	-	11,417

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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 including share of net profit of joint venture partnership	8,316	13,733	94,386	116,435
Segment revenue	136,655	112,686	94,386	343,727
Segment result before tax expense	16,538	23,049	87,764	127,351
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 2011

5 Revenue from continuing operations

	Notes	2011 $'000	2010 $'000
Sales revenue			
Water revenue		114,523	126,086
Sewerage revenue		106,770	98,430
		221,293	224,516
Other revenue			
Interest		9,335	6,611
	a	230,628	231,127

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

6 Other income

	Notes	2011 $'000	2010 $'000
Commonwealth subvention	a	10,195	9,827
Contributed assets		3,461	5,590
Regulated income		1,908	1,911
Other income		1,842	1,894
		17,406	19,222

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:

	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:		
Finance costs	60,570	40,696
Depreciation:		
Water system assets	13,558	13,322
Sewerage system assets	17,606	17,675
Infrastructure land and buildings	141	6
Non-infrastructure land and buildings	260	254
Plant and equipment	86	189
Total Depreciation	31,651	31,446
Superannuation	757	643
Rental expenses relating to operating leases	763	443
Impairment losses (reversed)/recognised- financial assets - trade receivables	(136)	166
Impairment losses - assets	11,417	8,983

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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	2011 $'000	2010 $'000
(a) Income tax expense			
Current tax		**35,294**	32,351
Adjustment to prior year		**1,781**	(5,573)
		37,075	26,778
Deferred tax			
Deferred tax expense recongnised in the current year		**(3,818)**	9,128
Defered tax reclassified from equity to profit or loss			
Aggregate income tax expense		**33,257**	35,906
(b) Numerical reconciliation of income tax equivalents to prima facie tax payable			
Profit from continuing operations before income tax equivalents		**94,068**	127,351
Income tax calculated at 30%		**28,220**	38,205
Other items			
Other non assessable income		**(13)**	(667)
Non-deductible expenses		**3,616**	721
Inter-company dividends		**(143)**	(144)
Previously unrecognised temporary differences			3,688
Research and development		**(204)**	(324)
Adjustment to prior year income tax expense		**1,781**	(5,573)
Income tax expense		**33,257**	35,906
(c) Amounts recognised directly in equity			
Deferred tax liability - credited directly to equity during the reporting period (note 26)		**-**	24,308
		-	24,308

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 2011

9 Dividends

	2011 $'000	2010 $'000
Opening balance	**16,765**	17,143
Amount appropriated from operating profit	**60,811**	91,445
	77,576	108,588
Amount paid during the year	**(65,745)**	(91,823)
Closing balance	**11,831**	16,765

10 Current assets - cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and on hand	**16,893**	21,204
Short-term deposits	**292,075**	243,117
Cash and cash equivalents	**308,968**	264,321

Cash held under short term deposits has a maturity of 3-12 months and is classified as cash on the basis that the directors believe these funds can be accessed at call.

11 Current assets - other financial assets

	2011 $'000	2010 $'000
Held to maturity assets	**-**	3,000
Total other financial assets	**-**	3,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

12 Current assets - trade and other receivables

	2011 $'000	2010 $'000
Water revenue receivable	22,981	22,300
Sewerage revenue receivable	10,921	9,473
Other trade receivables	4,279	4,143
Allowance for impairment of receivables	(512)	(648)
Sub-total trade receivables	37,669	35,268
Sundry receivables and accrued revenue	4,884	2,514
Sub-total sundry debtors	4,884	2,514
Total trade receivables	42,553	37,782

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

	2011 $'000	2010 $'000
At 1 July	648	482
Allowance for impairment (reversed)/recognised during the year	(110)	413
Receivables written off during the year as uncollectible	(26)	(247)
	512	648

The creation and release of the allowance 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

	2011 $'000	2010 $'000
Employee entitlement receivable - related parties	19,379	19,496
Other	471	2
Total other assets	19,850	19,498

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

	2011 $'000	2010 $'000
Long-term securities	740	935
Total held-to-maturity investments	740	935

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

	Notes	2011 $'000	2010 $'000
Investments in joint venture partnerships	35	514,333	476,411
Investment in TransACT	34	4,696	4,696
Total investments using equity method		519,029	481,107

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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 2009						
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	-	3,526	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						
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
At 30 June 2011						
Opening net book amount	794,808	632,159	6,757	16,851	2,101	1,452,676
Additions	209,097	21,428	205	1,320	174	232,224
Gifted assets	1,404	2,057	-	-	-	3,461
Transfer/adjustments	4,313	(9)	(6)	(28)	(1,845)	2,425
Depreciation charge	(13,558)	(17,606)	(141)	(260)	(86)	(31,651)
Closing net book amount	996,064	638,029	6,815	17,883	344	1,659,135
At 30 June 2011						
Fair value	1,050,808	705,514	7,135	22,425	703	1,786,585
Accumulated depreciation	(54,744)	(67,485)	(320)	(4,542)	(359)	(127,450)
Net book amount	996,064	638,029	6,815	17,883	344	1,659,135

a) All property, plant and equipment are held by the parent entity.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

16 Non-current assets - property, plant and equipment (continued)

Valuation

Water and Sewerage non current assets

A directors valuation of assets based on discounted cash flows was prepared in 2011. This valuation resulted in the water and wastewater assets being valued at $1.7 billion (2010: $1.4 billion). The results determined no material impairment to the 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 reporting date.

Notes to the Financial Statements

for the period ended 30 June 2011

Note 17: Deferred tax balances

2011	Opening balance $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Closing balance $'000
Temporary Differences				
Distributions from ActewAGL Partnerships	(39,340)	(3,900)		(43,240)
Employee entitlements	6,613	22		6,635
Audit fees	7	-		7
Interest receivable	(204)	204		-
Unread consumption income	(3,702)	(277)		(3,979)
Depreciation	(185,391)	(45,931)		(231,322)
Gifted Assets	2,096	(2,096)		-
JV receivable - employee entitlements	(5,822)	8		(5,814)
Other	582	1,564		2,146
Asset Revaluation	(71,306)	54,280		(17,026)
Hedge Reserve	(436)	(45)		(481)
	(296,903)	3,829	-	(293,074)

2010	Opening balance $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Closing balance $'000
Temporary Differences				
Distributions from ActewAGL Partnerships	(33,185)	(6,155)		(39,340)
Employee entitlements	6,098	515		6,613
Audit fees	7	-		7
Interest receivable	(78)	(126)		(204)
Unread consumption income	(3,304)	(398)		(3,702)
Depreciation	(184,876)	(1,367)	852	(185,391)
Gifted Assets	2,283	(187)		2,096
JV receivable - employee entitlements	(5,538)	(284)		(5,822)
Other	1,709	(1,127)		582
Asset Revaluation	(96,129)		24,823	(71,306)
Hedge Reserve	934		(1,370)	(436)
	(312,079)	(9,129)	24,305	(296,903)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

18 Non-current assets - intangible assets

	Notes	Carbon Credits^ $'000	Licences* $'000	Total $'000
At 30 June 2010				
Cost		1,905	28,952	30,857
Accumulated impairment		(1,905)	(1,488)	(3,393)
Net book amount		-	27,464	27,464
Year ended 30 June 2011				
Opening net book value		-	27,464	27,464
Additions - acquisitions		5,100	-	5,100
Reclassified as operating expenses		-	(110)	(110)
Impairment charge	a), b)	(5,100)	(6,317)	(11,417)
Closing net book amount		-	21,037	21,037
At 30 June 2011				
Cost		5,100	27,464	32,564
Reclassified as operating expenses		-	(110)	(110)
Accumulated impairment		(5,100)	(6,317)	(11,417)
Net book amount		-	21,037	21,037

^ 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.

* 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.

a) As part of the annual impairment assessment, ACTEW has undertaken an analysis of recent water transactions and current trade offers within the market. Through taking prices used in this analysis an impairment of $6.4 million has been charged against the water licences for the period ended 30 June 2011.

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 2011.

19 Current liabilities - trade and other payables

	2011 $'000	2010 $'000
Trade payables	**489**	16,093
Other payables and accruals	**63,633**	45,750
Income tax payable	**15,469**	18,705
Total payables	**79,591**	80,548

20 Current liabilities - borrowings

	2011 $'000	2010 $'000
Unsecured		
Loans	**81,488**	12,374
Total borrowings	**81,488**	12,374

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

21 Current liabilities - provisions

	Notes	2011 $'000	2010 $'000
Employee entitlements		749	721
Employee entitlements - seconded employees		19,379	19,496
Provision for dividend	9	11,831	16,765
Workers' compensation (Pre-1989)		125	(15)
Total provisions		32,085	36,967

22 Current liabilities - other

	2011 $'000	2010 $'000
Unearned revenue	2,996	6,061
Security deposits received	-	-
Total other	2,996	6,061

23 Non-current liabilities - borrowings

	Notes	2011 $'000	2010 $'000
Unsecured			
Loans		1,137,235	909,059
Total non-current borrowings	a,b	1,137,235	909,059

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 $397 million, 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 $243 million 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. On 7 June 2011, a $300 million seven year Medium Term Note at a fixed interest rate of 5.72% was acquired. Interest payments are made semi-annually. As at 30 June 2011 the total principal outstanding was $1,148 million (2010 - $850 million).

b. Interest rate swap
Due to exposure to fluctuating interest rates ACTEW entered into an interest rate swap contract under which it receives interest at variable rates each 90 days and is obliged to pay interest at a fixed rate of 6.15% (2010 - 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 2011 the notional principal amount is $70 million and the interest rate swap contract will expire on 19 October 2011.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

24 Non-current liabilities - derivative financial instrument

	2011 $'000	2010 $'000
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	429	1,397
Total derivative financial instruments	429	1,397

(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

	2011 $'000	2010 $'000
Employee entitlements	152	83
Workers' compensation (Pre-1989)	1,252	1,352
Total provisions	1,404	1,435

Movements in consolidated non-current provisions

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

	Workers' Compensation (Pre-1989) $'000	Total $'000
Carrying amount at start of year	1,352	1,352
Charged /(credited) to profit or loss		
- unused amounts reversed	(100)	-
Carrying amount at 30 June 2011	1,252	1,352

Notes to the Consolidated Financial Statements

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26 Contributed equity

	2011 Shares	2010 Shares
a) Paid up capital:		
Ordinary shares fully paid	2	2
Total share capital	2	2
b) Total capital	$'000	$'000
Contributed Capital	758,871	758,871
Total capital	758,871	758,871

c) Movement in ordinary share capital

There has been no movement in share capital.

d) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern so that they can continue to provide returns for 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 2011 and 30 June 2010 were as follows:

	Notes	2011 $'000	2010 $'000
Total borrowings	20,23	1,218,723	921,433
Less: cash as per statement of cash flows	10	(308,968)	(264,321)
Net debt		909,755	657,112
Total equity		943,010	942,042
Total capital		1,852,765	1,599,154
Net debt to capital ratio		49.1%	41.1%

27 Reserves

	2011 $'000	2010 $'000
(a) Reserves		
Asset revaluation	166,528	166,528
Hedging reserve	(10)	(978)
General insurance	9,820	9,820
Total reserves	176,338	175,370

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

27 Reserves (continued)

Movements in reserves:

	2011 $'000	2010 $'000
Asset revaluation		
Balance 1 July	166,528	224,447
Revaluation - net		
Water	-	(39,838)
Wastewater	-	(18,081)
Sub-total asset revaluation reserve	-	(57,919)
Balance 30 June	166,528	166,528
Hedging reserve - cash flow hedges		
Balance at 1 July	(978)	(2,179)
Revaluation - net	968	1,201
Balance 30 June 2011	(10)	(978)

(b) Nature and purpose of reserves

(i) General insurance reserve

Due to the difficulty in attaining certain categories of insurance, the restrictions on cover, and of the increases in excesses that are applicable even when cover can be obtained, it is considered prudent to maintain a reasonable financial capacity to manage risks that may arise, and accordingly during 2001-02 previous reserves made for the environment and bushfires were amalgamated into a general insurance reserve.

(ii) Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

(iii) 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.

28 Retained profits

Movements in retained earnings were as follows:

	2011 $'000	2010 $'000
Retained profits at the beginning of the financial year	7,801	7,801
Net profits available for reserves and dividends	60,811	91,445
Total available for appropriation	68,612	99,246
Dividends provided for or paid	(60,811)	(91,445)
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 2011

29 Key management personnel

Key management personnel remuneration

	2011 $	2010 $
Total benefits	1,758,072	1,686,031

30 Related parties

Parent entities

The wholly owned group consists of ACTEW Corporation Ltd and its wholly owned controlled entities. These entities are ACTEW Retail Ltd and ACTEW Distribution Ltd. The results of the ActewAGL joint venture which is 50% owned by ACTEW Corporation through its subsidiaries, ACTEW Retail Ltd and ACTEW Distribution Ltd is accounted for using the equity method. ACTEW Corporation has several operational arrangements with its controlled entities.

All transactions with ActewAGL joint venture are at an arms length basis.

	2011 $'000	2010 $'000
The following transactions occurred with related parties:		
Dividend revenue	58,726	65,995
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables (tax funding agreement)	21,253	20,706
Current receivables (other)	124,720	66,035
Current payables and other	60,811	91,445
Non interest bearing loans	286,577	312,278

Parent entity

The parent entity in the wholly owned group is ACTEW Corporation Ltd.

The ultimate parent entity is the ACT Government, which owns 100% (2010 - 100%) of the issued ordinary shares of ACTEW Corporation Ltd.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes: Controlled Entities – Note 32.

Other related parties

	2011 $'000	2010 $'000
Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties:		
Operating expenses	92,128	97,623
Capital expenses	54,819	55,844
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	19,379	19,496
Current accounts payables and other	19,379	19,496
Non-current receivables	-	-
Non-current accounts payables and other	-	-

Notes to the Consolidated Financial Statements

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31 Commitments for expenditure

		2011 $'000	2010 $'000
a) Capital expenditure commitments:	a)	**300,270**	484,780
b) Other expenditure commitments:	a)	**177,415**	260,203
c) Lease commitments:	b)		
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:			
Within 1 year		**788**	932
Later than 1 year but not later than 5 years		**2,820**	3,050
Later than 5 years		**5,846**	7,060
		9,454	11,042

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. Also included are amounts for purchase of carbon credits through contracts ACTEW has with Co2 and Auscarbon.

b. Lease commitments are for computer equipment and motor vehicles with Capital Easy Finance & Leasing, the supplier for computer equipment and Toyota Finance Australia, the supplier of Motor Vehicles. It also includes property lease with ActewAGL for the building in Bunda Street in Canberra.

32 Contingent liabilities

The Group has underwritten a $25 million (2010 - $25 million) standby debt facility for TransACT Communications. At 30 June 2011 $3 million was undrawn (2010 - $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.

Entities within the group are involved in disputes which are in the normal course of operations. The directors believe, based on legal advice, that these disputes can be successfully defended and therefore no material losses (including for costs) will be incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

33 Investment in controlled entities

Name of Entity	Country of Incorporation	Class of shares	Equity Holding 2011 %	Equity Holding 2010 %
ACTEW Distribution Ltd	Australia	Ordinary	**100%**	100%
ACTEW Retail Ltd	Australia	Ordinary	**100%**	100%

34 Investments in associates

	Ownership Interest	2011 $'000	2010 $'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		**(50,290)**	(50,904)
Current year equity accounted profits and prior year adjustments		**133**	614
Allowance for impairment		**(5,946)**	(5,813)
Carrying amount at end of financial year		**4,696**	4,696

At 30 June 2010 ACTEW reassessed the value of it's 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 $3.4 million 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 2011

35 Interests in joint ventures

(a) Joint Venture Partnership

ACTEW Retail Ltd entered into joint venture partnership with AGL Ltd to manage the retail operation of the ACT electricity and gas networks. ACTEW Distribution Ltd entered into a joint venture partnership with Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and the ACT, Queanbeyan and Nowra gas networks.
Both entities have a 50% participating interest in the respective joint ventures. Information relating to the joint venture partnership, presented in accordance with the accounting policy described in Note 1(b) (iii) is set out below:

	2011	2010
	$'000	$'000
Share of partnership's commitments		
Lease commitments	34,351	36,521
Remuneration commitments	47,278	48,308
Total expenditure commitments	81,629	84,829
Capital and other commitments	48,731	33,308
	130,360	118,137

(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 $77,472 (2010 $182,053) as at 30 June 2011.

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 2011

37 Parent entity financial information

a) Summary financial information

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

	2011 $'000	2010 $'000
Balance Sheet		
Current Assets	**517,346**	411,341
Total Assets	**2,499,283**	2,216,588
Current Liabilities	**196,112**	135,926
Total Liabilities	**1,576,350**	1,295,540
Equity		
Contributed equity	**758,872**	758,871
Reserves		
Asset revaluation	**126,803**	144,884
Hedging reserve	**(10)**	(978)
General insurance	**9,820**	9,820
Retained profits	**27,448**	28,008
	922,933	940,605
Profit or loss for the year	**60,330**	90,964
Total comprehensive income	**61,299**	34,246

b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2011 or 30 June 2010.

c) Contingent liabilties of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

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 2011 or 30 June 2010.

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