



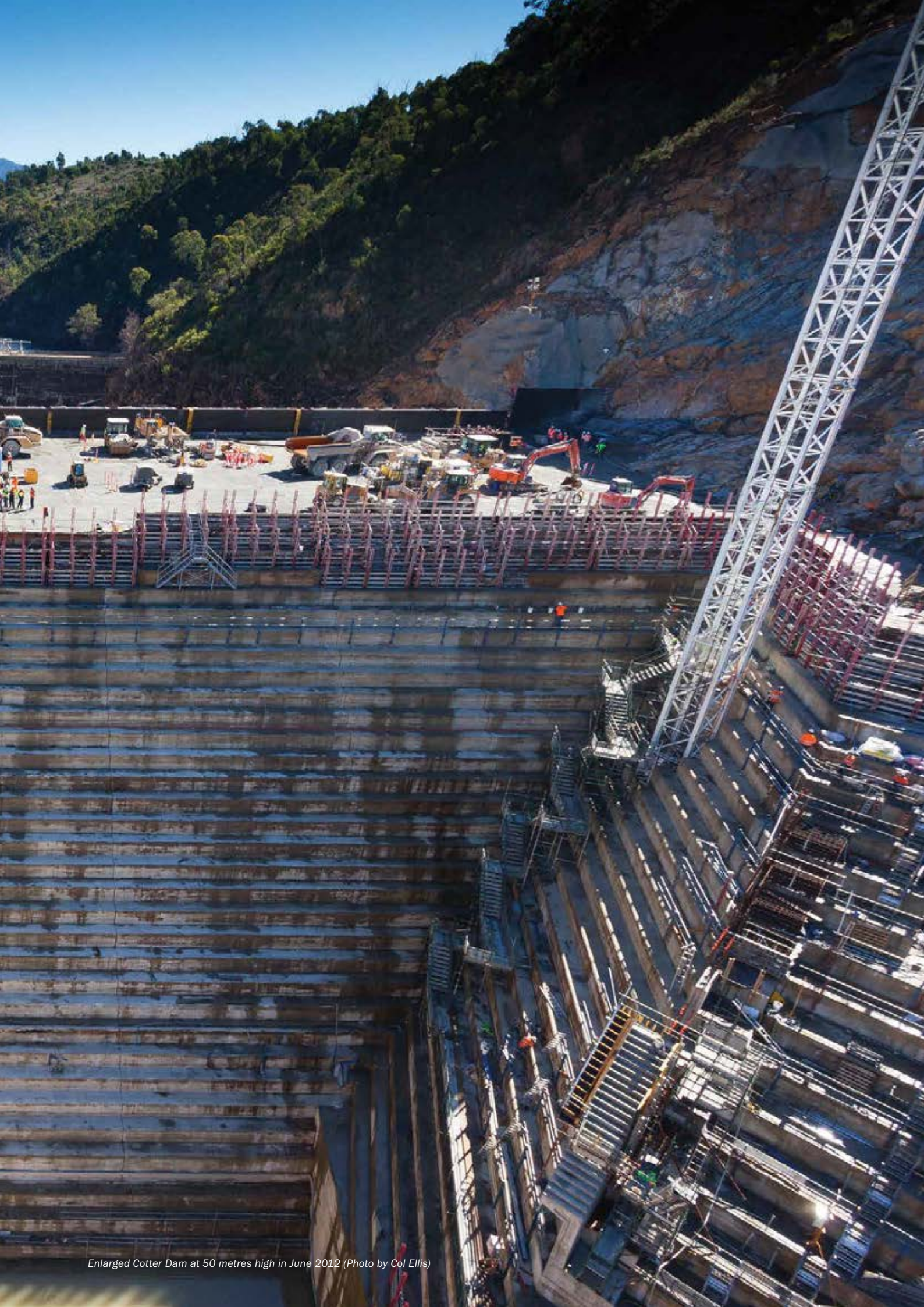
ABN 86 069 381 960

Annual Report

2012







Enlarged Cotter Dam at 50 metres high in June 2012 (Photo by Col Ellis)

Cover image: The enlarged Cotter Dam overflowing in March 2012 (Photo by Col Ellis)

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Company Profile

ACTEW Corporation Limited (ACTEW) is an unlisted public company with assets and investments in water, sewerage, and energy services and operations. 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 and is a 50% owner of ActewAGL.

Our corporate commitments to our customers and shareholders are:

- › Manage our assets to maximise the efficiency and reliability of the supply of water and sewerage services to the ACT and region.
 - › Ensure a safe and reliable water supply and sewerage system.
 - › Contribute to the environmental and economic sustainability of the ACT.
 - › Provide our shareholders with an acceptable commercial return on their investment.
- › Maintain high standards of probity, governance and compliance.
 - › Support the ACT community through sponsorships and in-kind assistance to enhance community engagement and participation.
 - › Engage with our customers to inform them about our business and provide services that are reliable, efficient and sustainable.
 - › Provide our staff with a challenging, rewarding and safe workplace.

Section one



Installing pipe as part of the Murrumbidgee to Googong Water Transfer (Photo by Col Ellis)

Chairman and Managing Director's Reports

Message from the Chairman

ACTEW achieved strong financial results for the year ended 30 June 2012 with an after tax profit of \$73.9M, an increase of \$13.1M on the previous year.

Financial assets decreased to \$190.5M at 30 June 2012 (down from \$309M in 2011) primarily to fund capital expenditure. Gearing levels increased to 59% following additional borrowings of \$214M. The Board is maintaining close scrutiny on the gearing levels which have increased over the past couple of years as a result of increased borrowings for the water security projects and dividend payments.

Our 50% ownership of the ActewAGL partnerships continues to be a strong commercial investment with \$81.8M profit recognised during the year. Despite increasing competition in the retail sector, ActewAGL is the preferred supplier for the majority of energy customers in the ACT.

Dividends paid to our Shareholders, the ACT Government, totalled \$67.4M and income tax equivalent payments totalled \$43.2M.

In November 2011 we sold our 18% shareholding in TransACT Communications Pty Ltd which resulted in ACTEW receiving \$4.9M from the proceeds of the sale.

TransACT's innovative and state of the art technology provides a broadband fibre optic cable network and telecommunication services and products across the ACT.

Significant progress was made with the Enlarged Cotter Dam despite challenges from rain and floods which resulted in disruption and delays to construction and an increase to costs. Completion of the dam is scheduled for early 2013.

The Board approved the re-integration of the water and sewerage business in late 2011. This will allow ACTEW the opportunity to transform the business in a way that is closely aligned with the Corporation's objectives. More than 340 staff will transfer to ACTEW on 1 July 2012 as a result of the re-integration.

We continued our commitment to the ACT and surrounding communities to support and enhance community engagement and participation to fulfil our role as a socially responsible organisation. We provided major and minor sponsorships and in-kind donations and support to 62 events, charities and organisations.

Jenny Goddard was appointed by the Shareholders to the Board in November 2011. Jenny brings a wealth of knowledge, experience and complementary skills to the Board. The Shareholders also reappointed Michael Easson, Wendy Caird and Allan Hawke for a further three years.

The Board established two committees: the Nomination Committee which will advise the Board on the composition, skills, competencies and performance of the Board to ensure it adequately discharges its duties and responsibilities; and the Safety and Environment Committee which will oversee safety and environment matters, particularly work practices, compliance, audits and incident investigations.

Finally I thank my fellow Directors, Executives and Management and all Staff for their contribution to our achievements during the year, and for their ongoing commitment to ACTEW.



John Mackay AM
Chairman

Message from the Managing Director

The 2011–12 financial year has been a period of challenges, changes and inspiring hard work across the ACTEW business. Our dams remained at or near capacity for the entire year which has been a relief for our community after more than a decade of drought. The ACT had a very wet year, resulting in serious flooding that had a massive impact on our largest water security project, the Cotter Dam enlargement.

Following increased rainfall across the ACT and region in late February and early March, the construction team at the dam prepared for the eventual flood event by removing and/or stabilising equipment on the deck of the wall and evacuating staff from the area. The reality of the flood hit late on 3 March with many Canberran's watching the event unfold via the ACTEW website DamCam, as a torrent of water flowed over the incomplete wall. Damage was thankfully minimal and no one was injured however there was a two month delay to construction before access to the site was obtained and it was re-established and safe to recommence work.

A revision of the project cost and timeframe to complete was also necessary to take account of the delays and site re-establishment

costs. We now expect that the mass concrete placement for the wall will be completed around the end of this year and the final structural works and commissioning will be completed in autumn 2013, at a cost of \$404.7 million. By 30 June the new Cotter Dam had reached a height of 50 of its 80 metres, a remarkable achievement considering the unavoidable delays experienced during the year. Despite the impediment of the wet weather to not only the Cotter Dam enlargement but our other important water security project, the Murrumbidgee to Googong Water Transfer, they have progressed very well under the circumstances and I'm pleased to say the latter was nearing completion at the end of the year.

Water usage has remained low, thanks in part to the above average rainfall, as well as the communities' ongoing diligence and water saving efforts. In February this year we opened our new water efficient community education garden, The Canberra Discovery Garden. The Garden, which is located at the National Arboretum Canberra, focuses on not just water wise and sustainable gardening, but creating gardens that can cope with the ever changing Canberra climate.

Following more than 11 years of ActewAGL operating and managing our water and sewerage business, we considered it timely to review this arrangement and assess whether

improvements could be made to better serve our customers and Shareholders. A significant review was undertaken during the year and in late 2011 the Board approved the integration of the water and sewerage business into ACTEW from 1 July 2012. Under the business name ACTEW Water, this change provides an exciting opportunity for business innovation and transformation. I sincerely thank ActewAGL for providing such a high standard of service since 2000.

The direct management and operation of the water and sewerage business by ACTEW, will achieve the right balance between enhanced community outcomes, customer needs and profit. I look forward to this new era for the Corporation.

I thank my colleagues at ACTEW, ActewAGL and the Bulk Water Alliance for their ongoing commitment and professionalism during the year.



Mark Sullivan AO
Managing Director

Highlights

Water Security Projects

Despite some very challenging conditions, considerable progress has been made towards ACTEW's and the ACT's largest water infrastructure project, the Enlarged Cotter Dam.

Of the total 380,000 cubic metres (m³) of concrete required to construct the dam, over 250,000m³ had been placed by the end of June 2012, taking the wall height to over 50 metres (m). Despite this achievement, progress on the wall has been slower than anticipated due primarily to wet weather. Over the course of the year the ACT continued to receive above average rainfall, slowing progress on construction. The most significant delay was caused by severe flooding in late February and early March 2012 which resulted in a 2m high torrent of water coming over the new wall and halting construction for approximately two months.

Most of the temporary structures were damaged and required replacement, and equipment was also damaged. Recovery works were required and construction on the site recommenced in May 2012. Safety remained a priority and due to the enormity of the project, more than one million hours have been worked on site since the project commenced.

Good progress was made on other aspects of the project including the intake tower and the artificial fish habitat. The intake tower has now reached its full height of 65m and much of the internal fit out, including installation of the valves and pipe work, has been completed.

Construction of artificial fish rock reef habitats within the Cotter catchment continued with approximately 6.4 kilometres (km) of the required 7km of habitat completed. Some revegetation and rehabilitation works have commenced on areas of the construction site which are no longer in use. Revegetation and rehabilitation works, including to Cotter Avenue, will continue through to project completion.

It is expected that the mass concrete placement for the new wall will be completed by the end of 2012 and the final structural works, commissioning, site demobilisation and rehabilitation will be completed by April 2013.

Significant progress was also achieved on the Murrumbidgee to Googong Water Transfer pipeline, with the installation and construction of all major infrastructure including 11.8km of pipe, the mini-hydro turbine and generator, high lift and low lift pump stations, fish egg filtration screens, all major mechanical equipment, and earthworks and landscaping completed. However rain events also impacted this project during the year resulting in a one month delay to completion.

Construction of the pipeline has been completed and commissioning of the project is scheduled to conclude in August 2012.

Water Supply and Demand

After a very wet 2010–11, where storages reached 100 per cent by December 2010, above average rainfall in the period November 2011 to March 2012 ensured high inflows continued and storages remained close to full. March 2012 was particularly wet with Canberra Airport recording around four times the March average rainfall. Inflows over the financial year totalled 332 gigalitres (GL) which was well above the long-term average of 228GL.

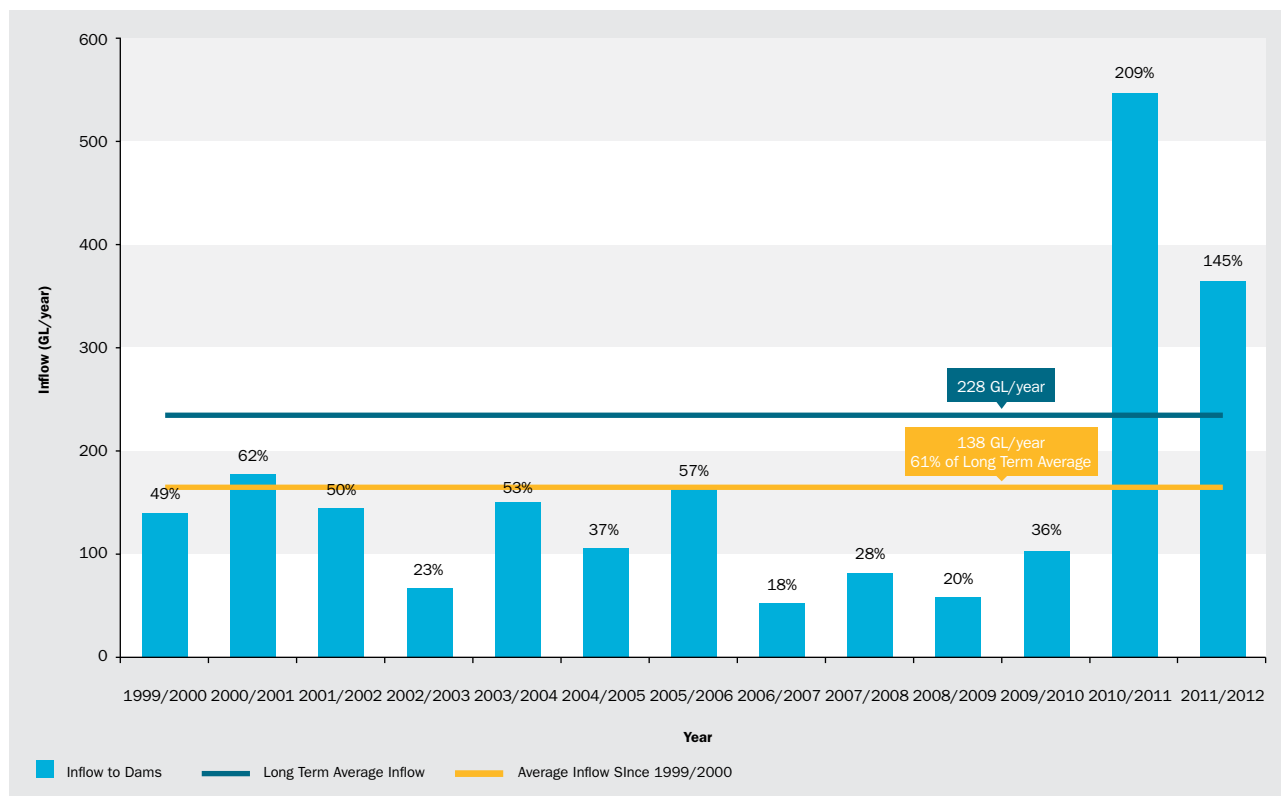
Water consumption during the year amounted to 41.7GL. This represents a saving of 36.7% in per capita demand, a favourable comparison with the ACT Government’s *Think water, act water* target of 12% by 2013 and 25% by 2023.

Net usage amounted to 11.1GL. This was due to continuing rainfall during the year which substantially reduced water demand and increased return flows from the Lower Molonglo Water Quality Control Centre (LMWQCC) to the Molonglo River of 30.6GL.

Testing of the quality of water in the reservoirs and catchment waterways was undertaken in accordance with the *Australian Drinking Water Guidelines*. There were no breaches of the Guidelines.

Implementation of the Regional Source Water Protection Program continued with a number of programs across the ACT and the upper Murrumbidgee River catchment to reduce and manage risks to the drinking water supply being undertaken.

\$22M was spent on capital works projects for water infrastructure during the year. Major projects undertaken included new reservoirs and associated trunk mains for the development of new suburbs in the Molonglo Valley and an ongoing program of network renewals and upgrades to older parts of the water supply network.



Annual Inflows Into Corin, Bendora, Cotter & Googong Reservoirs

Sewerage Operations

Investments were also made in capital works totalling \$24M for sewerage assets. Major projects undertaken included an ongoing program of renewals and upgrades to older parts of the sewerage network, and the partial commissioning of a new sewage treatment plant for Uriarra Village. Following completion of a holistic review of the sewerage system in 2010–11, several recommendations in the Canberra Sewerage Strategy were addressed.

In December 2011, a Strategic Plan for the Fyshwick Treatment Plant was released. The Plan provides a clear direction for the Plant and confirmed the capability of the site to provide adequate storage during periods of peak wet weather flow. The Plan also provides the flexibility to continue to provide recycled water from Fyshwick to parts of North Canberra.

In January 2012, an updated report was provided to the Environment Protection Authority (EPA) on the context and implications of total dissolved solids (TDS) in the discharge

from LMWQCC. The review of over twenty years of river ecological monitoring data suggested that there have been no detrimental effects on river health from current TDS levels in the discharge.

A strategic plan is being developed for LMWQCC and will be finalised in 2012–13.

Statistics

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
WATER										
Customers	129,114	131,893	134,020	136,890	138,917	141,046	143,741	146,608	150,310	154,210
No. of dams	4	4	4	4	4	4	4	4	4	4
Capacity of dams (GL)	215.4	215.4	215.4	211.6**	207.4**	207.4	207.4	207.4	207.4	207.4
No. of reservoirs ***	44	44	44	44	44	44	44	46	46	46
Capacity of reservoirs (ML)	891	891	891	891	891	891	891	917	917	932
No. of pumping stations	21	21	23	23	23	23	23	24	25	25
Length of mains (km)	2,964	2,985	3,013	3,057	3,007*	2,980*	3,059	3,096	3,134	3,179
Total extractions (ML)	65,567	52,262	51,719	54,340	51,060	43,556	44,955	45,133	40,914	41,629
Rainfall (mm)*****	340	463	593	629	428	455	511	612	866	788
SEWERAGE										
No. of customers	125,785	128,446	130,355	133,217	135,241	137,262	139,794	142,577	146,231	150,065
No. of pumping stations	28	26	26	27	27	27	27	26	26	26
Length of mains (km)	2,897	2,921	2,948	2,985	2,993	3,014	3,059	3,094	3,134	3,174

The above information is the most recent and best available at the time of production, and takes into account updates of previous years information. Information supplied by ActewAGL and current as of June 2012.

* Variation as a result of change to Water Services Association of Australia definition for length of mains.

** 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.

Environmental Management

The ACT Government's targets for greenhouse gas emissions established in the *Climate Change and Greenhouse Gas Reduction Act 2010* include:

- › 40% reduction of 1990 emission levels by 2020;
- › 80% reduction of 1990 emission levels by 2050;
- › carbon neutrality by 2060; and
- › 15% renewable energy supply by 2012 and 25% by 2020.

Significant analysis has been undertaken to identify the most cost effective and sustainable options for achieving these targets and a number of initiatives are being pursued to achieve these targets in our water business:

- › improved energy efficiency and energy management of operations;
- › ongoing fleet efficiency;
- › large customer demand management for water consumption;
- › hydro generation opportunities within our business;
- › renewable energy certificates; and
- › carbon sink forestry offsets.

18,750 tonnes of carbon offset certificates were retired to the Department of Climate Change and Energy Efficiency. Based on 2010–11 data, more than 40% of the total emissions associated with the water business were offset.

ACTEW has two biodiversity sites to offset the impacts from the Enlarged Cotter Dam and the Murrumbidgee to Googong Water Transfer projects.

The Enlarged Cotter Dam plan offsets the impacts arising from the inundation of native vegetation from the enlarged Cotter Reservoir. The offset area is located in the lower Cotter Catchment and includes erosion control measures; weed control programs and native plantings and rehabilitation. The Plan also includes the engagement of an Indigenous Green Team to assist in rehabilitation and native plantings.

The Murrumbidgee to Googong Water Transfer plan offsets the impacts arising from native vegetation impacts of the pipeline. The offset site is in excess of 100 hectares (ha), and contains both endangered ecological communities (Box-gum Grassy Woodland and Natural Temperate Grassland), and endangered species (Small Purple Pea, Pink-tailed Worm Lizard). The area is managed for erosion control, weed control, and feral animal control and is to be managed for conservation purposes in perpetuity.

Implementation of the Fish Management Program, which will ensure that threatened aquatic species, in particular the Macquarie Perch, are protected during the construction and operation of the Enlarged Cotter Dam, continued with the following outcomes:

- › the design, construction and commissioning of a fish passage way at Pipeline Road Crossing on the Cotter River which will allow Macquarie Perch to access new spawning areas when the enlarged reservoir fills;
- › implementing measures to keep the EHN virus (which is present downstream of the dam) from entering the Cotter Reservoir, therefore preventing significant losses of Macquarie Perch; and

- › continuing to implement a research project with the aim of establishing viable populations of Macquarie Perch outside the Cotter Reservoir.

Sponsorship and Community Support Program

ACTEW provides sponsorships, donations and in-kind support to a variety of events, organisations and activities. There are two programs: Major Events and Community Support.

Major Events fall into five categories: cultural, arts, sport, education and community.

A total of 62 sponsorships and donations were provided during the year.

About ACTEW Corporation

Corporate Governance

ACTEW has reporting and compliance obligations under Commonwealth and ACT legislation including *Corporations Act 2001*, *Privacy Act 1989*, *Territory-owned Corporations Act 1990*, *Work Health and Safety Act 2011*, *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, authorisations, agreements and regulations govern the management and operations of the water and sewerage business. Details of compliance for 2011–12 are included 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 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 were 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 2011–12 SCI was tabled in the ACT Legislative Assembly on 16 August 2011. 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, ethical and law-abiding behaviour expected of all ACTEW personnel. There were no breaches of the code during the year.



**John Mackay AM, BA, FAIM,
MAICD- Chairman**

John Mackay was appointed Chairman in July 2008 and is Chairman of the Board's Remuneration and Nomination Committees. He is also Chairman of ActewAGL and is on the Board of Governors for the National Arboretum Canberra.

Mr Mackay is Chancellor of the University of Canberra. He is a Director of Canberra Investment Corporation Limited, the Little Company of Mary Healthcare and Datapod Australia Pty Limited, and the Canberra Raiders. Mr Mackay 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 ActewAGL in late 2000 and held the position until his retirement in 2008.

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



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

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

Mr Easson has been a Director since July 1995 and Deputy Chairman since May 1996. He is Chairman of ACTEW's Audit and Risk Management Committee and a Member of the Remuneration and Nomination Committees. Mr Easson was appointed a Member of the Order of Australia in 1998.

**Members of the
ACTEW Board**

At 30 June 2012 the Board comprised seven Directors: six Non-Executive Directors and one Executive Director. The Board met ten times during the year. Directors' profiles are outlined here.



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

Mark Sullivan was appointed Managing Director in July 2008. He is a member of the ActewAGL Joint Venture Partnerships Board and Safety and Environment Committee, the Australian Taxation Office Audit Committee and the John James Memorial Foundation Limited Board. Mr Sullivan is a Member of the ACTEW Remuneration and Nomination Committees, and the Safety and Environment Committee from 1 July 2012.

Mr Sullivan was Secretary of the Department of Veterans' Affairs (DVA) and President of the Repatriation Commission and Chair of the Military Rehabilitation and Compensation Commission (2004–2008), Secretary of the Department for 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). He has extensive senior management experience in both the private and public service sectors including with WANG Australia, SBS, the Department of Social Security and the Australian Taxation Office.

Mr Sullivan received an Australian Centenary Medal in 2001 and was appointed an Officer of the Order of Australia in 2008.



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

Dr Hawke was appointed to the Board in December 2009 and is a Member of the Audit and Risk Management Committee, the Remuneration Committee and Nomination Committee. 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 Australian National University (2006–2009).

He is Chairman of the Civil Aviation Safety Authority, Chairman of the Independent Communications Committee and a Director of Datacom, ASPI, the Australian War Memorial and the Canberra Raiders.

Dr Hawke was awarded an Australian Centenary Medal in 2001 and appointed a Companion of the Order of Australia in 2010.



Wendy Caird MAICD – Director

Ms Caird was appointed to the Board in December 2009 and was a Member of the Audit and Risk Management Committee until May 2012. Ms Caird is a Member of the Remuneration and Nomination Committees and will take up the position of Chair of the Safety and Environment Committee on 1 July 2012. She is a Member of the Australian Institute of Company Directors.

Ms Caird has held a number of positions with Public Services International (France) including Co-chair Asia Pacific Region (1998–2002), 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).

She 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.

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



**Rachel Peck – BEng (Civil) (Hons),
MBA, GAICD – Director**

Rachel Peck was appointed to the Board on 2 May 2011 and is a Member of the Remuneration and Nomination Committees, and a Member of the Safety and Environment Committee from 1 July 2012.

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 Graduate of the Australian Institute of Company Directors.



**Jenny Goddard – BCOM (Hons),
MAICD – Director**

Ms Goddard was appointed to the Board for a three year term in November 2011 and is a Member of the Audit and Risk Management Committee, the Remuneration Committee and Nomination Committee. Ms Goddard is Chair of the Australian Solar Institute Limited; a non Executive Director of the Grains Research and Development Corporation and Chair of their Audit and Risk Committee; and a Member of the Australian Fisheries Management Authority Commission. She is a Member of the Australian Institute of Company Directors.

During her 23 year career in the Australian Public Service, she held a number of senior executive positions including as an economist in the Department of Treasury. As a Deputy Secretary in the Department of Prime Minister and Cabinet, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, water, environment and climate change policy issues.

Executives

Executives' profiles are outlined here.



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 and 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. He holds a Bachelor of Commerce degree from the Australian National University and is a Certified Practising 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.

Remuneration

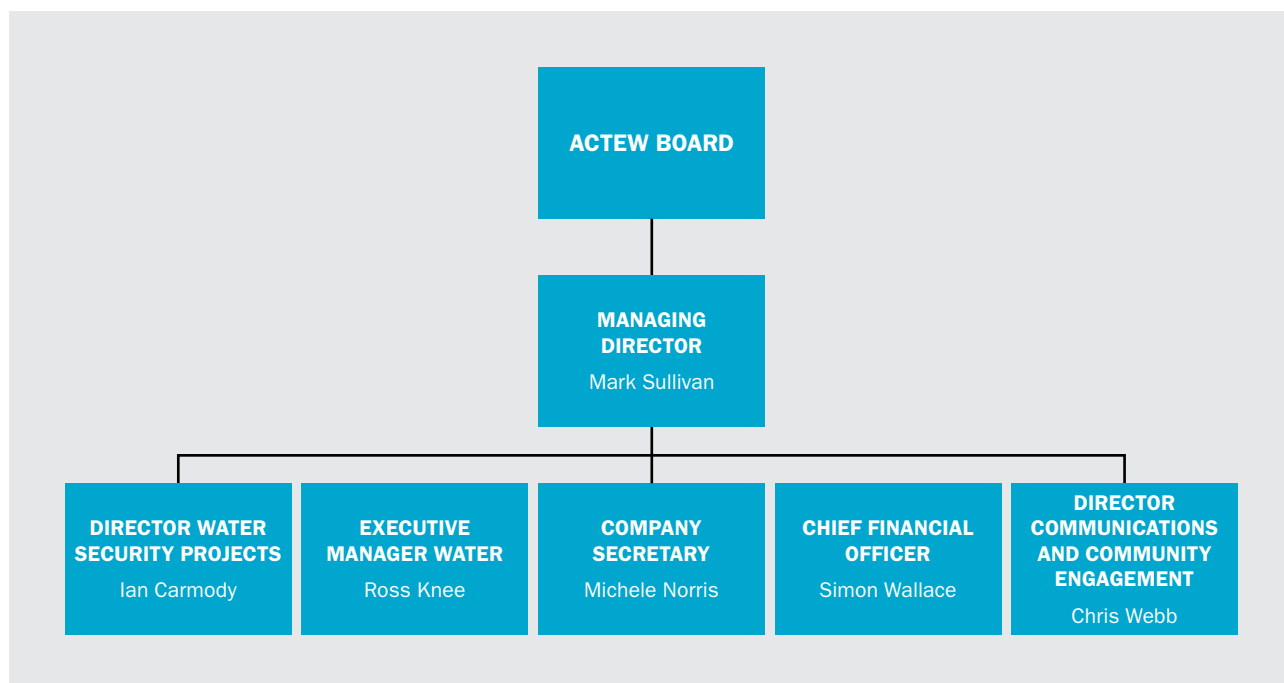
The voting shareholders determine the remuneration for Directors. The Board meets as the Remuneration Committee. The Committee met once during the year. Members of the Board's Committees and Directors of ACTEW Distribution Limited and ACTEW Retail Limited are not remunerated.

NAME AND POSITION	\$ SHORT TERM BENEFITS	\$ POST EMPLOYMENT BENEFITS SUPERANNUATION	\$ OTHER LONG TERM BENEFITS	\$ TERMINATION BENEFITS	\$ TOTAL
DIRECTORS					
John Mackay Non Executive Chairman	60,084	6,008	-	-	66,093
Michael Easson Non Executive Director	34,519	3,452	-	-	37,971
Mark Sullivan Managing Director	758,914	95,124	-	-	854,037
Wendy Caird Non Executive Director	30,018	3,002	-	-	33,020
Rachel Peck Non Executive Director	30,018	3,002	-	-	33,020
Allan Hawke Non Executive Director	30,018	3,002	-	-	33,020
Jenny Goddard Non Executive Director (from 1 November 2011)	19,281	1,928	-	-	21,209
Ted Mathews Non Executive Director (ceased 2 July 2011)	808	73	-	-	881
EXECUTIVES AND SENIOR MANAGERS					
Ross Knee Executive Manager Water	414,383	55,252	-	-	469,634
Simon Wallace Chief Financial Officer	261,875	25,549	-	-	287,424
Michele Norris Company Secretary	220,106	30,725	-	-	250,831
Ian Carmody Director, Water Security Operations	463,518	41,194	-	-	504,713
Kirsten Bartlett Community Engagement Manager (until 9 March 2012)	73,775	14,053	-	68,862	156,691
Chris Webb Communications Director (from 12 March 2012)	95,367	14,847	-	-	110,214
TOTAL	2,492,684	297,210	-	68,862	2,858,756

Organisational Overview

ACTEW's organisational structure reflects the diversity of the company's responsibilities and functions.

Staff have high levels of accountability for business and investment performance, governance, and regulatory and licence compliance and must have the relevant professional and technical knowledge, experience and skills. Responsibilities for the day to day management of the Corporation are outlined in the organisational chart below. At 30 June 2012 there were 38 employees.



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 were operated and maintained by ActewAGL until 30 June 2012.

Members of the ActewAGL Joint Venture Partnerships Board at 30 June 2012 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

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

In November 2011 ACTEW sold its 18% shareholding in TransACT Communications Pty Limited.

Outlook

ACTEW's strategic outcomes for 2012–13 are:

Our Services

To be an industry leader in consistently providing safe, efficient and reliable water and sewerage services.

Our Community

To achieve community awareness of the value of our services, and to support our community's wellbeing through the provision of educational services, sponsorships and community support programs.

Our Environment

To undertake our activities in a sustainable manner, reducing and offsetting our impact on the environment in accordance with the ACT Government's stated greenhouse gas and renewable energy targets.

Our Shareholders

To maximise sustainable financial returns to our shareholders.

Our Water Future

To provide a secure water future for the ACT.

Our Workplace

To continue to provide a workplace which is safe, challenging and rewarding.

Our Investments

To maintain our investment in ActewAGL in a manner which best serves the needs of ACTEW and our shareholder.

To achieve those aims, our top priorities are to:

- › complete construction of the Enlarged Cotter Dam, including the return of an enhanced Cotter Precinct to the community;
- › commission the Murrumbidgee to Googong Water Transfer pipeline infrastructure;
- › implement the return to ACTEW of the management, operation and maintenance of its water and sewerage infrastructure, focussing on safety, security and sustainability;
- › maintain high standards of service delivery and achieving or exceeding agreed key performance indicators in the management, operation and maintenance of ACTEW's water and sewerage infrastructure;
- › work with relevant authorities to ensure interference or encroachment on water and sewerage assets is managed efficiently and effectively, so as to maintain the viability of those assets and to ensure issues such as sewer odours, are properly considered;
- › finalise the 2013–18 pricing submission to the Independent Competition and Regulatory Commission (ICRC) and continue negotiations with the ICRC in the lead up to the release of its final determination;
- › continue the development of strategies to meet ecologically sustainable development principles and the ACT Government's greenhouse gas abatement strategy in ACTEW's water and sewerage operations;
- › work with the ACT Government to develop and implement water

efficiency management plans for large water users;

- › continue to contribute to the ACT community by supporting community organisations, events and initiatives;
- › continue the community engagement program with particular focus on education, sustainability and environment;
- › continue active management of investments and provide appropriate support to ActewAGL for new commercial investments; and
- › maintain financial liquidity levels through borrowings to fund capital expenditure projects and dividend payments, while maintaining an acceptable level of gearing.

Section two



The opening of ACTEW's Canberra Discovery Garden in February 2012 (Photo by Marcus Fillinger)

Financial Statements

For year ended 30 June 2012

ACTEW Corporation Limited – ABN 86 069 381 960

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ACTEW Corporation Limited and Controlled Entities

Directors' Report

For the year ended 30 June 2012

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 2012.

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 (until 2 July 2011)
- Allan Douglas Hawke AC
- Wendy Caird
- Rachel Sarah Hartel Peck
- Jenny Lois Goddard (from 1 November 2011)

Refer to pages 9–11 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

Ten directors' meetings were held during the financial year. The Board's four Committees also met during the 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 once during the year. The Nomination Committee met once during the year.

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

Director	ACTEW Board Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
J A Mackay	10 (10)	0 (0)	1 (1)	1 (1)
M B Easson	9 (10)	5 (5)	1 (1)	1 (1)
M A Sullivan	10 (10)	0 (0)	1 (1)	1 (1)
E W Mathews	0 (0)	0 (0)	0 (0)	0 (0)
A D Hawke	10 (10)	1 (1)	1 (1)	1 (1)
W Caird	10 (10)	4 (4)	1 (1)	1 (1)
R S H Peck	10 (10)	0 (0)	1 (1)	1 (1)
J L Goddard	6 (7)	4 (4)	1 (1)	1 (1)

Figures in 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:

	2012 \$ million	2011 \$ million
Revenue (excludes ActewAGL joint venture profits)	279.9	248.0
Profit before income tax expense	104.8	94.1
Income tax	30.9	33.3
Profit for the year	73.9	60.8
Payments to ACT Government:		
Interim dividend for current year profit	55.6	49.0
Final dividend for previous year profit	11.8	16.7
	67.4	65.7
Tax equivalent payments	43.2	40.3
Total payments to ACT Government	110.6	106.0

Profit for the year increased from prior year due to increased water and sewer revenue from the regulatory determination and a decrease in impairment of assets included in prior year required under Australian Accounting Standards. This is offset by increased depreciation expenses relating to the write off of the 'old' Cotter Dam, which has become obsolete.

Dividends

An interim dividend of \$55.6m (2011 interim: \$49m) was paid in June 2012. The directors have recommended the payment of a 2011-12 final dividend of \$18.4m (2011 final: \$11.8m).

Significant changes in the state of affairs

ACTEW has undertaken a Medium Term Note borrowing in May 2012 and received \$214m to fund future capital works projects and expenditure mainly for water security major projects.

Matters subsequent to the end of the financial year

ACTEW owns ACT's water infrastructure and assets, up to 30 June 2012 ActewAGL Water Division managed, operated and maintained the ACTEW's network and business in accordance with the Utilities Management Agreement (UMA). ACTEW performed a review of the governance, structure and operations of the water and sewerage business. As a result of the review, the UMA has been terminated and the water and sewerage business has been integrated into ACTEW. The integration took effect on 1 July 2012.

Regulation and Licence ComplianceUtility 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 2011 ACTEW provided its Capex 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 2011-12.

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.

*the result of the 4 day rolling average for total chlorine residual concentration was 0.21 mg/L in the final effluent for one day, slightly exceeding the Authorisation allowable residual chlorine concentration of 0.2 mg/L.

** 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 ACT Environment Protection Authority (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 2011. ACTEW complied with the requirements of the licence throughout 2011-12. 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 10.

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

30 August 2012



Mark Sullivan AO
Managing Director

Canberra

30 August 2012

ACTEW Corporation Limited and Controlled Entities

Directors' Declaration


for the year ended 30 June 2012

In the director's opinion:

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

- (i) complying with Accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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

30 August 2012



Mark Sullivan AO
Managing Director

Canberra

30 August 2012



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 2012 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.

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

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

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

Electronic presentation of the audited financial report

Those viewing an electronic presentation of this financial report should note that the audit does not provide assurance on the integrity of information presented electronically and does not provide an opinion on any other information which may have been hyperlinked to or from this financial report. If users of the financial report are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial report to confirm the accuracy of this electronically presented information.

Independence

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 2012 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
4 September 2012



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 2012, 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.

A handwritten signature in black ink, appearing to read "M. Cooper".

Dr Maxine Cooper
Auditor-General
30 August 2012

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ACTEW Corporation Limited and Controlled Entities

Consolidated Income Statement

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue from continuing operations	5	261,604	230,628
Other income	6	<u>18,286</u>	<u>17,406</u>
		279,890	248,034
ACT Government charges		27,246	27,667
Employment and associated costs		8,965	7,770
Depreciation and amortisation expense	7	40,524	31,651
Finance costs	7	65,035	60,570
Project related expenses		105,881	92,128
Impairment of assets		2,131	11,417
Other expenses arising from ordinary activities		7,157	6,611
Investments in associates' equity accounted profits/(losses)	35	79	(133)
(Reversal)/Increase of impairment of investments		(79)	133
Share of net (profit) of joint ventures partnership accounted for using the equity method		<u>(81,821)</u>	<u>(83,848)</u>
Profit before income tax		104,772	94,068
Income tax expense	8	30,873	33,257
Profit for the year		<u><u>73,899</u></u>	<u><u>60,811</u></u>
Attributable to:			
Owners of ACTEW Corporation Limited		73,899	60,811
		<u><u>73,899</u></u>	<u><u>60,811</u></u>

The above consolidated income statement should be read in conjunction with the accompanying notes as set out on pages 16 to 43.

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Profit for the year		<u>73,899</u>	<u>60,811</u>
Other comprehensive income			
Changes in the fair value of cash flow hedges	27	<u>10</u>	<u>968</u>
Other comprehensive income for the year, net of tax		<u>10</u>	<u>968</u>
Total comprehensive income for the year		<u><u>73,909</u></u>	<u><u>61,779</u></u>

The above consolidated income statement should be read in conjunction with the accompanying notes as set out on pages 16 to 43.

ACTEW Corporation Limited and Controlled Entities

Consolidated Balance Sheet

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Current Assets			
Cash and cash equivalents	10	190,505	308,968
Trade and other receivables	11	46,990	42,553
Other	12	36,028	19,850
Total Current Assets		<u>273,523</u>	<u>371,371</u>
Non-Current Assets			
Held-to-maturity investments	13	582	740
Investments accounted for using the equity method	14	552,455	519,029
Property, plant and equipment	15	1,840,570	1,659,135
Intangible assets	17	31,112	21,037
Other	18	106	-
Total Non-Current Assets		<u>2,424,825</u>	<u>2,199,941</u>
TOTAL ASSETS		<u>2,698,348</u>	<u>2,571,312</u>
Current Liabilities			
Trade and other payables	19	87,241	79,591
Borrowings	20	15,760	81,488
Provisions	21	39,188	32,085
Other	22	2,874	2,996
Total Current Liabilities		<u>145,063</u>	<u>196,160</u>
Non-Current Liabilities			
Borrowings	23	1,343,358	1,137,235
Derivative financial instruments	24	-	420
Provisions	25	1,313	1,404
Deferred tax balances	16	265,594	293,074
Total Non-Current Liabilities		<u>1,610,265</u>	<u>1,432,142</u>
TOTAL LIABILITIES		<u>1,755,328</u>	<u>1,628,302</u>
NET ASSETS		<u>943,020</u>	<u>943,010</u>
Equity			
Contributed equity	26	758,871	758,871
Reserves	27	176,348	176,338
Retained profits	28	7,801	7,801
TOTAL EQUITY		<u>943,020</u>	<u>943,010</u>

The above consolidated income statement should be read in conjunction with the accompanying notes as set out on pages 16 to 43.

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash Flows From Operating Activities			
Receipts from customers (inclusive of goods & services tax)		258,142	225,560
Payments to suppliers and employees (inclusive of goods & services tax)		<u>(159,842)</u>	<u>(138,973)</u>
		98,300	86,587
Interest received		10,093	8,688
Income tax equivalents paid		<u>(43,242)</u>	<u>(40,321)</u>
Interest paid		<u>(68,416)</u>	<u>(58,050)</u>
Net Cash Inflow/(Outflow) from Operating Activities		<u>(3,265)</u>	<u>(3,096)</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(224,333)	(228,611)
Payments for intangibles		<u>(12,646)</u>	<u>(4,290)</u>
Proceeds from disposal of property, plant and equipment		-	9
Distribution received from joint venture partnerships		43,700	45,926
Proceeds from other financial assets		<u>5,059</u>	<u>3,196</u>
Net Cash Outflow from Investing Activities		<u>(188,220)</u>	<u>(183,770)</u>
Cash Flows from Financing Activities			
Repayment of borrowings		(73,752)	723
Proceeds from borrowings		214,145	296,535
Dividend paid		<u>(67,371)</u>	<u>(65,745)</u>
Net Cash Inflow from Financing Activities		<u>73,022</u>	<u>231,513</u>
Net (Decrease)/Increase in Cash and Cash Equivalents		<u>(118,463)</u>	<u>44,647</u>
Cash and Cash Equivalents at the beginning of the financial year		308,968	264,321
Cash and Cash Equivalents at the end of the financial year	10	<u>190,505</u>	<u>308,968</u>

The above consolidated income statement should be read in conjunction with the accompanying notes as set out on pages 16 to 43.

ACTEW Corporation Limited and Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Capital \$'000	Retained Profits \$'000	General Reserve \$'000	Hedge Reserve \$'000	Property, Plant and Equipment Revaluation Reserve \$'000	Total \$'000
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
Profit for the year	-	73,899	-	-	-	73,899
Other comprehensive income for the year, net of tax	-	-	-	10	-	10
Total comprehensive income for the year	-	73,899	-	10	-	73,909
Transactions with owners in their capacity as owners						
Dividends provided for or paid	-	(73,899)	-	-	-	(73,899)
Balance at 30 June 2012	758,871	7,801	9,820	-	166,528	943,020

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes as set out on pages 16 to 43.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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 under s.334(5) of the *Corporations Act 2001* to apply AASB 1053 application of Tiers of Australian Accounting Standards' AASB 2010-2 amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. AASB 1053 and AASB 2010-2 are not required to be applied until annual reporting periods beginning on or after 1 July 2013.

Historical Cost Convention

This financial report has been prepared on a historical cost basis except for the revaluation of certain classes of property, plant and equipment and intangible assets that have been measured at fair value, which have been outlined in (h).

Critical accounting estimates

The preparation of financial statements in conformity with AASB 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.

Rounding of amounts

ACTEW is a company of the kind referred to in ASIC Class Order 99/100, 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.

(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 2012 and the results of all subsidiaries for the year then ended. ACTEW Corporation Ltd and its subsidiaries together are referred to in this financial report as the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

The subsidiaries are 100% owned by ACTEW Corporation Ltd which has full power to govern the financial and operating policies of the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of ACTEW Corporation Ltd. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(i) Associates

Associates are all entities over which ACTEW Corporation has significant influence but not control, generally accompanying a shareholding of less than 50% of the voting rights. In November 2011 iNet, a publicly listed company on Australian Stock Exchange purchased TransACT Communications Ltd (including ACTEW Corporation's 18% interest).

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.

(ii) 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 partnerships are recognised 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 36.

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 ventures are set out in Note 36.

(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 ActewAGL Joint Venture Partnerships consists of ACTEW Corporation's 50% ownership in the ActewAGL Distribution and Retail Partnerships.

The majority of employees of ACTEW Corporation have been seconded to the Joint Venture Partnerships. The Joint Venture 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 Joint Venture Partnerships from an accounting viewpoint, only the employee entitlement liabilities are disclosed in the financial report.

In April 2012, ACTEW Retail Ltd entered into a joint venture with AGL ACT Retail Investments Pty Ltd to form ActewAGL Generation Pty Ltd in order to participate in the ACT Government's Solar Auction process.

ACTEW Corporation Ltd has a 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2012, there were no transactions relating to the company.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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 financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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 assets are stated at cost less accumulated depreciation and any impairment in value.

Land & 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.

Water and sewerage 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.

Increases in the carrying amounts arising on revaluation of land and buildings and water and sewerage assets are credited, net of tax, to the asset revaluation reserve in shareholders' equity. Any revaluation increase arising on the revaluation of such land and building and water and sewerage assets is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and building and water and sewerage assets is recognised in profit or loss to extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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:

	<u>Years</u>
Buildings	60
Plant and equipment	5 - 15
System Assets	
Dams	30 - 150
Reservoirs	50 - 100
Mains	80
Treatment Plants	30 - 60
Sewer Tunnels	120
Others	10 - 80

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.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(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.

(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 reclassified held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which ACTEW commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. These instruments are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss and available for sale" categories are presented in the income statement within other income or other expenses in the period in which they arise. Any revaluation increase arising on the revaluation on such land and building is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and building is recognised in profit or loss to extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when ACTEW Corporation's right to receive payments is established.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. 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 17).

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 of \$964,993 (2011 \$5,100,141) has been recognised for the period ended 30 June 2012.

(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.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(q) Employee benefits

ACTEW Corporation staff are seconded to the ActewAGL Joint Venture Partnerships and all employee related expenses are billed to the partnerships. 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 Joint Venture Partnerships.

(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 2011-12 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 2012. 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 27.

The Interest Rate Swap contract expired on 19 October 2011.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(u) 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.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financial activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(v) 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.

(w) Parent entity financial information

The financial information for the parent entity, ACTEW Corporation Limited, disclosed in note 38 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 - valuation techniques

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 2012 amount totalled \$13.3 million (2011 - \$13.3m).

The joint venture partnerships provides a fair value estimate of consumption of electricity and gas which has not been read from the customer's meters as at 30 June 2012. The method used in measuring unbilled energy volumes is by adding the current sales to the closing unbilled energy volumes for the previous period and subtract current billings. The closing unbilled energy volumes are then allocated across the tariff classes using the actual throughput volumes for the month and multiplied by the prevailing tariff rates to determine unread consumption.

Fair value assessment

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 \$1.8 billion as at 30 June 2012 (2011: \$1.7 billion). The DCF was determined over an six-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 adjustment needed to be made to the value of the assets.

Application of new and revised accounting standards

There are no new and revised standards and interpretations adopted in these financial statements affecting the reporting results or financial position.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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 sewerage

The supply of water and the provision of sewerage services.

Investments

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

Geographical segments

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

Notes to and forming part of the segment information

a) Accounting policies

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

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

b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's 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 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 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.

In April 2012, ACTEW Retail Ltd entered into a joint venture with AGL ACT Retail Investments Pty Ltd to form ActewAGL Generation Pty Ltd in order to participate in the ACT Government's Solar Auction process.

ACTEW Corporation Ltd has 50% ownership of ActewAGL Generation Pty Ltd. As at 30 June 2012, there were no transactions relating to the company.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

Note 4: Segment information (continued)**Primary reporting - business segments**

Year ended 30 June 2012	Water \$'000	Sewerage \$'000	Investments \$'000	Unallocated \$'000	Consolidated \$'000
Income statement					
Sales to external customers	136,168	118,874	-	-	255,042
Other revenue including share of net profit of joint venture partnerships	8,130	10,003	84,316	-	102,449
Gifted Assets	-	-	-	4,220	4,220
Total segment revenue	<u>144,298</u>	<u>128,877</u>	<u>84,316</u>	<u>4,220</u>	<u>361,711</u>
Segment result before tax expense	(7,005)	41,257	70,520	-	104,772
Tax expense	(1,327)	7,815	24,385	-	30,873
Segment result for the year	(5,678)	33,442	46,135	-	73,899
Balance Sheet					
Segment assets	1,390,567	691,729	616,052	-	2,698,348
Segment liabilities	1,111,158	289,843	354,327	-	1,755,328
Investments in associates and joint venture partnerships	-	-	552,455	-	552,455
Other					
Acquisition of property, plant and equipment	195,255	26,687	-	-	221,941
Depreciation and amortisation	22,135	18,389	-	-	40,524
Impairment of assets	2,131	-	-	-	2,131

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

Note 4: Segment information (continued)**Primary reporting - business segments**

Year ended 30 June 2011	Water \$'000	Sewerage \$'000	Investments \$'000	Unallocated \$'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 partnerships	8,431	11,167	84,993	-	104,591
Gifted Assets	-	-	-	3,461	3,461
Segment revenue	<u>124,989</u>	<u>118,439</u>	<u>84,993</u>	<u>3,461</u>	<u>331,882</u>
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 partnerships	-	-	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

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

5 Revenue from continuing operations

	Notes	2012 \$'000	2011 \$'000
Sales revenue			
Water revenue		133,862	114,523
Sewerage revenue		118,126	106,770
		<u>251,988</u>	<u>221,293</u>
Other revenue			
Interest		9,616	9,335
	a	<u>261,604</u>	<u>230,628</u>

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

6 Other income

	Notes	2012 \$'000	2011 \$'000
Commonwealth subvention	a	10,390	10,195
Contributed assets		4,220	3,461
Regulated income		2,395	1,908
Other income		1,281	1,842
		<u>18,286</u>	<u>17,406</u>

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

7 Expenses

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

	2012 \$'000	2011 \$'000
Profit before income tax includes the following specific expenses:		
Finance costs	<u>65,035</u>	<u>60,570</u>
Depreciation:		
Water system assets	21,883	13,558
Sewerage system assets	18,130	17,606
Infrastructure land and buildings	7	141
Non-infrastructure land and buildings	400	260
Plant and equipment	86	86
Make good restoration	18	-
Total Depreciation	<u>40,524</u>	<u>31,651</u>
Superannuation	911	757
Rental expenses relating to operating leases	815	763
Impairment losses recognised/(reversed) - financial assets - trade receivables	267	(136)
Impairment losses - assets	2,131	11,417

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

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:

	2012 \$'000	2011 \$'000
(a) Income tax expense		
Current tax	59,779	35,294
Adjustment to prior year	(1,125)	1,781
	<u>58,654</u>	<u>37,075</u>
Deferred tax		
Deferred tax expense recognised in the current year	(27,781)	(3,818)
Aggregate income tax expense	<u>30,873</u>	<u>33,257</u>
(b) Numerical reconciliation of income tax equivalents to prima facie tax payable		
Profit from continuing operations before income tax equivalents	104,772	94,068
Income tax calculated at 30%	31,432	28,220
Other items		
Other non assessable income	-	(13)
Non-deductible expenses	265	3,616
Inter-company dividends	448	(143)
Research and development	(178)	(204)
Share of Joint Venture profits and partner share of profits	31	-
Adjustment to prior year income tax expense	(1,125)	1,781
Income tax expense	<u>30,873</u>	<u>33,257</u>

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.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

9 Dividends

	2012 \$'000	2011 \$'000
At the beginning of the financial year	11,831	16,765
Amount appropriated from operating profit	73,899	60,811
Amount paid during the year	85,730	77,576
At the end of the financial year	(67,371)	(65,745)
	<u>18,359</u>	<u>11,831</u>

10 Current assets - cash and cash equivalents

	2012 \$'000	2011 \$'000
Cash at bank and on hand	7,520	16,893
Short-term deposits	182,985	292,075
Cash and cash equivalents	<u>190,505</u>	<u>308,968</u>

Cash held under short term deposits has a maturity of 3 to 12 months and is classified as cash on the basis that the directors believe these funds can be accessed at call without incurring any costs.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

11 Current assets - trade and other receivables

	Notes	2012 \$'000	2011 \$'000
Water revenue receivable		24,885	22,981
Sewerage revenue receivable		11,765	10,921
Other trade receivables	b	6,797	4,279
Allowance for impairment of receivables	a	(779)	(512)
		<u>42,668</u>	<u>37,669</u>
Sundry receivables and accrued revenue		4,322	4,884
Total trade receivables		<u>46,990</u>	<u>42,553</u>

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

	2012 \$'000	2011 \$'000
At the beginning of the financial year	512	648
Allowance for impairment recognised/(reversed) during the year	332	(110)
Receivables written off during the year as uncollectible	(65)	(26)
At the end of the financial year	<u>779</u>	<u>512</u>

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.

12 Current assets - other

	Notes	2012 \$'000	2011 \$'000
Employee entitlement receivable - related parties		19,647	19,379
Acquisition of ActewAGL Water Division	a	15,695	-
Other		686	471
Total other assets		<u>36,028</u>	<u>19,850</u>

a) Included in as prepayments is the cash consideration paid to ActewAGL Distribution for the integration of the water and sewerage business, which will take effect on 1 July 2012. Please refer to note 37 for further information.

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

	2012 \$'000	2011 \$'000
Long-term securities	<u>582</u>	<u>740</u>
Total held-to-maturity investments	<u>582</u>	<u>740</u>

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

	Notes	2012 \$'000	2011 \$'000
Investments in joint venture partnerships	36	552,455	514,333
Investment in TransACT	35	-	4,696
Total investments using equity method		<u>552,455</u>	<u>519,029</u>

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

15 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
Year ended 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
At 30 June 2012						
Opening net book amount	996,064	638,029	6,815	17,883	344	1,659,135
Additions	192,363	23,575	-	667	1,116	217,721
Gifted assets	2,000	2,220	-	-	-	4,220
Transfer/adjustments	-	-	639	(639)	-	-
Depreciation charge	(21,883)	(18,130)	(7)	(400)	(86)	(40,506)
Closing net book amount	1,168,544	645,694	7,447	17,511	1,374	1,840,570
At 30 June 2012						
Fair value	1,245,171	731,309	7,774	22,453	1,819	2,008,526
Accumulated depreciation	(76,627)	(85,615)	(327)	(4,942)	(445)	(167,956)
Net book amount	1,168,544	645,694	7,447	17,511	1,374	1,840,570

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

Valuation*Water and Sewerage non current assets*

A directors valuation of assets based on discounted cash flows was prepared in 2012. This valuation resulted in the water and sewerage assets being valued at \$1.8 billion (2011: \$1.7 billion). The results determined that no material adjustment was needed to be made to the value of 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. There is no material difference between their fair value and carrying amount at reporting date.

ACTEW Corporation Limited

Notes to the Financial Statements

for the period ended 30 June 2012

Note 16: Deferred tax balances

	At the beginning of the financial year \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	At the end of the financial year \$'000
2012				
Temporary Differences				
Distributions from ActewAGL Partnerships	(43,240)	20,884	-	(22,356)
Employee entitlements	6,635	152	-	6,787
Audit fees	7	(1)	-	6
Interest receivable	-	-	-	-
Unread consumption income	(3,979)	3,979	-	-
Depreciation	(231,322)	3,029	-	(228,293)
Gifted Assets	-	-	-	-
JV receivable - employee entitlements	(5,814)	(80)	-	(5,894)
Other	2,146	(949)	-	1,197
Asset Revaluation	(17,026)	-	-	(17,026)
Hedge Reserve	(481)	483	(17)	(15)
	(293,074)	27,497	(17)	(265,594)
2011				
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)

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

17 Non-current assets - intangible assets

	Notes	Carbon	Licences*	Total
		Credits [†]		
		\$'000	\$'000	\$'000
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 value		-	21,037	21,037
Year ended 30 June 2012				
Opening net book value		-	21,037	21,037
Additions - acquisitions		965	11,681	12,646
Impairment charge	a, b	(965)	(1,606)	(2,571)
Closing net book value		-	31,112	31,112
At 30 June 2012				
Cost		965	32,718	33,683
Accumulated impairment		(965)	(1,606)	(2,571)
Net book value		-	31,112	31,112

[†] 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 \$1.6 million has been charged against the water licences for the period ended 30 June 2012.

b) On 1 July 2012 the Carbon Pricing Mechanism (CPM) came into operation. From 1 July 2012 to 30 June 2015, carbon credits have a fixed price set by the Federal Government and a flexible price from 1 July 2015, at time which the credits will be traded. As at 30 June 2012, prior to the enactment of the CPM, an impairment of the full amount has been recognised.

18 Non-current assets - other

	2012	2011
	\$'000	\$'000
Other	106	-
Total other non-current assets	106	-

19 Current liabilities - trade and other payables

	2012	2011
	\$'000	\$'000
Trade payables	17,852	489
Other payables and accruals	38,387	63,633
Income tax payable	31,602	15,469
Total payables	87,241	79,591

20 Current liabilities - borrowings

	2012	2011
	\$'000	\$'000
Unsecured		
Loans	15,760	81,488
Total borrowings	15,760	81,488

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

21 Current liabilities - provisions

	Notes	2012 \$'000	2011 \$'000
Employee entitlements		928	749
Employee entitlements - seconded employees		19,621	19,379
Provision for dividend	9	18,359	11,831
Workers' compensation (Pre-1988)		130	126
Provision for make good restoration		150	-
Total provisions		39,188	32,085

22 Current liabilities - other

	2012 \$'000	2011 \$'000
Unearned revenue	2,874	2,990
Total other	2,874	2,990

23 Non-current liabilities - borrowings

	Notes	2012 \$'000	2011 \$'000
Unsecured			
Loans		1,343,358	1,137,235
Total non-current borrowings	a,b	1,343,358	1,137,235

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. On 22 May 2012, a \$215 million eight year Medium Term Note at a fixed rate of 4.33% was acquired. Interest payments are made semi-annually. As at 30 June 2012 the total principal outstanding was \$1,359 million (2011 - \$1,148 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% (2011 - 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. The loan principal amount of \$70 million and the interest rate swap contract expired on 19 October 2011.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

24 Non-current liabilities - derivative financial instrument

	2012 \$'000	2011 \$'000
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	-	429
Total derivative financial instruments	<u>-</u>	<u>429</u>

a) Interest rate swap contracts - cash flow hedges

ACTEW's loan from the ACT Government bears a variable interest rate based upon the 90-day bank bill swap reference rate. Due to exposure to fluctuating interest rates ACTEW entered into an interest rate swap contract under which it receives interest at variable rates each 90 days and is obliged to pay interest at a fixed rate of 6.15% on a notional face value equivalent to the loan principal outstanding. 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. The loan principal amount of \$70 million and the interest rate swap contract expired on 19 October 2011.

25 Non-current liabilities - provisions

	Notes	2012 \$'000	2011 \$'000
Employee entitlements		140	152
Workers' compensation (Pre-1989)	a	1,173	1,252
Total provisions		<u>1,313</u>	<u>1,404</u>

a) Movements in consolidated non-current provisions

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

	2012 \$'000	2011 \$'000
At the beginning of the financial year	1,252	1,352
(Credited) to profit or loss		
- unused amounts reversed	(79)	(100)
At the end of the financial year	<u>1,173</u>	<u>1,252</u>

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

26 Contributed equity

	2012 Shares	2011 Shares
a) Paid up capital:		
Ordinary shares fully paid	<u>2</u>	<u>2</u>
Total share capital	<u>2</u>	<u>2</u>
	2012	2011
b) Total capital	\$'000	\$'000
Contributed Capital	<u>758,871</u>	<u>758,871</u>
Total capital	<u>758,871</u>	<u>758,871</u>

c) Movement in ordinary share capital

There has been no movement in share capital.

d) Capital risk management

The ACTEW Group's and the parent entity's objectives when managing capital is 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 ACTEW Group's strategy is to maintain financial flexibility to accommodate future investments.

The net debt to equity ratio at 30 June 2012 and 30 June 2011 were as follows:

	Notes	2012 \$'000	2011 \$'000
Total borrowings	20,23	1,359,118	1,218,723
Less: cash as per statement of cash flows	10	<u>(190,505)</u>	<u>(308,968)</u>
Net debt		1,168,613	909,755
Total equity		<u>943,020</u>	<u>943,010</u>
Total capital		<u>2,111,633</u>	<u>1,852,765</u>
Net debt to capital ratio		<u>55.3%</u>	<u>49.1%</u>

27 Reserves

	2012 \$'000	2011 \$'000
(a) Reserves		
Asset revaluation	166,528	166,528
Hedging reserve	-	(10)
General insurance	<u>9,820</u>	<u>9,820</u>
Total reserves	<u>176,348</u>	<u>176,338</u>

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

27 Reserves (continued)

a) Movements in reserves:	2012 \$'000	2011 \$'000
Hedging reserve - cash flow hedges		
At the beginning of the financial year	(10)	(978)
Revaluation - net	<u>10</u>	<u>968</u>
At the end of the financial year	<u>-</u>	<u>(10)</u>

b) Nature and purpose of reserves*(i) General insurance reserve*

Due to the difficulty in obtaining 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) Asset revaluation reserve

The asset 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:	2012 \$'000	2011 \$'000
At the beginning of the financial year	7,801	7,801
Net profits available for reserves and dividends	<u>73,899</u>	<u>60,811</u>
Total available for appropriation	81,700	68,612
Dividends provided for or paid	<u>(73,899)</u>	<u>(60,811)</u>
At the end of the financial year	<u>7,801</u>	<u>7,801</u>

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

29 Key management personnel**Key management personnel remuneration**

	2012	2011
	\$	\$
Total benefits	2,087,138	1,758,072

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 partnerships which are 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 arm's length basis.

	2012	2011
	\$'000	\$'000
The following transactions occurred with related parties:		
Dividend revenue	56,934	65,005
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables (tax funding agreement)	45,249	21,253
Current receivables (other)	55,211	124,720
Current payables and other	73,899	60,811
Non interest bearing loans	390,596	286,577

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% (2011 - 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 34.

Other related parties

	2012	2011
	\$'000	\$'000
Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties:		
Operating expenses	105,881	92,128
Capital expenses	47,191	54,810
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	19,847	19,370
Current accounts payables and other	19,621	19,370
Non-current receivables	-	-
Non-current accounts payables and other	-	-

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

31 Commitments for expenditure

	Notes	2012 \$'000	2011 \$'000
Capital expenditure commitments	a	<u>183,308</u>	<u>300,270</u>
Other expenditure commitments	a	<u>289,447</u>	<u>177,415</u>
Lease commitments			
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:			
Within 1 year		638	788
Later than 1 year but not later than 5 years		2,513	2,820
Later than 5 years		<u>6,063</u>	<u>5,846</u>
	b	<u>9,214</u>	<u>9,454</u>

a) On 27 June 2012 ACTEW entered into a contract with ActewAGL Distribution Partnership to provide corporate services to ACTEW, and a contract with ActewAGL Retail Partnership to provide retail services. These services were previously provided under the Utilities Management Agreement (UMA) and the Umbrella Agreement. Please refer to note 37 for further information. The expenditure commitments include these contracts 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

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.

33 Contingent Asset

In March 2012 all Water Security Program construction projects were affected by heavy rainfall and severe flooding. Pre-flood safety and mitigation actions, project site debris clean up and post-flood repair works undertaken at the site resulted in an interim assessment of estimated costs up to \$17m. However, once final costs have been determined it is anticipated that a significant portion of these costs will be recovered via insurance claims. No amounts have been recorded in these financial statements for any recovery.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

34 Investment in controlled entities

Name of Entity	Country of Incorporation	Class of shares	Equity Holding	Equity Holding
			2012	2011
			%	%
ACTEW Distribution Ltd	Australia	Ordinary	100%	100%
ACTEW Retail Ltd	Australia	Ordinary	100%	100%

35 Investments in associates

	Ownership Interest	2012	2011
		\$'000	\$'000
TransACT Communications Pty Limited	0% (2011 18.0%)		
Movement in carrying amount of investments in associates			
At the beginning of the financial year		60,799	60,799
Prior year equity accounted losses		(50,157)	(50,290)
Current year equity accounted (profits)/losses		(79)	133
Allowance for impairment		(5,867)	(5,946)
Proceeds from Sale of Investment		(4,901)	-
Reversal of prior impairment		205	-
At the end of the financial year		-	4,696

In November 2011 iiNet, a publically listed company on Australian Stock Exchange purchased TransACT Communications Ltd (including ACTEW Corporation's 18% interest).

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

36 Interests in joint ventures**(a) Joint Venture Partnerships - ActewAGL Partnership**

ACTEW Retail Ltd entered into joint venture partnership with AGL Ltd to manage the retail operations 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:

	2012	2011
	\$'000	\$'000
Share of partnership's commitments		
Lease commitments	38,058	34,351
Total expenditure commitments	38,058	34,351
Capital and other commitments	38,332	48,731
	76,390	83,082

(b) Joint Venture Partnerships - ActewAGL Generation

In April 2012, ACTEW Retail Ltd entered into a joint venture with AGL ACT Retail Investments Pty Ltd to form ActewAGL Generation Pty Ltd in order to participate in the ACT Government's Solar Auction process.

ACTEW Corporation Ltd has 50% ownership of the ActewAGL Generation Pty Ltd. As at 30 June 2012, there were no transactions relating to the company.

(c) Contingent liabilities relating to joint ventures

Each of the partners in the ActewAGL Partnerships 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 \$340,229 (2011: \$77,472) as at 30 June 2012.

37 Events subsequent to balance date

ACTEW owns ACT's water infrastructure and assets, up to 30 June 2012 ActewAGL Water Division managed, operated and maintained the ACTEW's network and business in accordance with the UMA. ACTEW performed a review of the governance, structure and operations of the water and sewerage business. As a result of the review, the UMA has been terminated and the water and sewerage business has been integrated into ACTEW. The integration took effect on 1 July 2012. While ACTEW has made a purchase payment of \$15,695,264 (excluding GST), the sale price was based on an estimated value of assets and liabilities as at 30 June 2012. This is subject to an adjustment for the actual value after the 90 day transition period.

On 1 July 2012 the Carbon Pricing Mechanism (CPM) came into operation. Between 1 July 2012 to 30 June 2015, carbon credits have a fixed price set by the Federal Government and a flexible price from 1 July 2015, in which the credits will be traded. As at 30 June 2012, prior to the enactment of the CPM, an impairment of the full amount has been recognised. From 1 July 2012 carbon credits may warrant recognition as an intangible asset, which will give rise to a reversal of prior year impairments.

ACTEW Corporation Limited and Controlled Entities

Notes to the Financial Report

For the year ended 30 June 2012

38 Parent entity financial information**a) Summary financial information**

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

	2012 \$'000	2011 \$'000
Balance Sheet		
Current Assets	<u>373,983</u>	<u>517,346</u>
Total Assets	<u>2,646,340</u>	<u>2,499,283</u>
Current Liabilities	<u>145,015</u>	<u>196,112</u>
Total Liabilities	<u>1,723,877</u>	<u>1,576,350</u>
Equity		
Contributed equity	758,872	758,872
Reserves		
Asset revaluation	126,802	126,803
Hedging reserve	-	(10)
General insurance	9,820	9,820
Retained profits	<u>27,448</u>	<u>27,448</u>
	<u>922,942</u>	<u>922,933</u>
Profit or loss for the year	<u>73,418</u>	<u>60,330</u>
Total comprehensive income	<u>73,428</u>	<u>61,299</u>

b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2012 (2011: nil).

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 (2011: nil).

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

The parent entity has a contractual commitment for the acquisition of ActewAGL Distribution property, plant and equipment as at 30 June 2012. There were no contractual commitments as at 30 June 2011.

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