

ACTEW Corporation Limited

ABN 86 069 381 960

2011-12 Annual Report to the ACT Government



19 September 2012

Mr Andrew Barr MLA
Deputy Chief Minister and Treasurer
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Dear Treasurer

We are pleased to present ACTEW Corporation's 2012 Annual Report. The report has been prepared under section 6 (1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with reporting requirements applicable to the Corporation which are outlined in the Chief Minister's Annual Report Directions. The report also includes information required under other applicable legislation including *Corporations Act 2001* and *Australian Accounting Standards*.

To the best of our knowledge and belief, the Annual Report is an honest and accurate account of the operations of the company for the period 1 July 2011 to 30 June 2012 and that all material information has been included.

Yours sincerely



John Mackay AM
Chairman

Yours sincerely



Mark Sullivan AO
Managing Director

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Performance and Financial Management Reporting

The Organisation

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.

Principal Registered Office

Level 5 ActewAGL House
40 Bunda Street
Canberra ACT 2600

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

Auditor

Auditor-General of the ACT

Solicitors

King & Wood Mallesons
Minter Ellison

Bankers

Westpac Banking Corporation
Reserve Bank of Australia
Commonwealth Bank of Australia

ACN 069 381 960
ABN 86 069 381 960

Overview

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 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

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

Details of ActewAGL's financial performance for 2011-12 can be found in the Annexed Reports at page 29.

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

In November 2011 ACTEW sold it's 18% shareholding in TransACT Communications Pty Limited.

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.

Annual Inflows Into Corin, Bendora, Cotter & Googong Reservoirs



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.

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 being developed for LMWQCC 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 July 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.

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 achieve or exceed 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.

Management Discussion and Analysis

The following financial information is based on audited Financial Statements for 2011-12 and 2010-11.

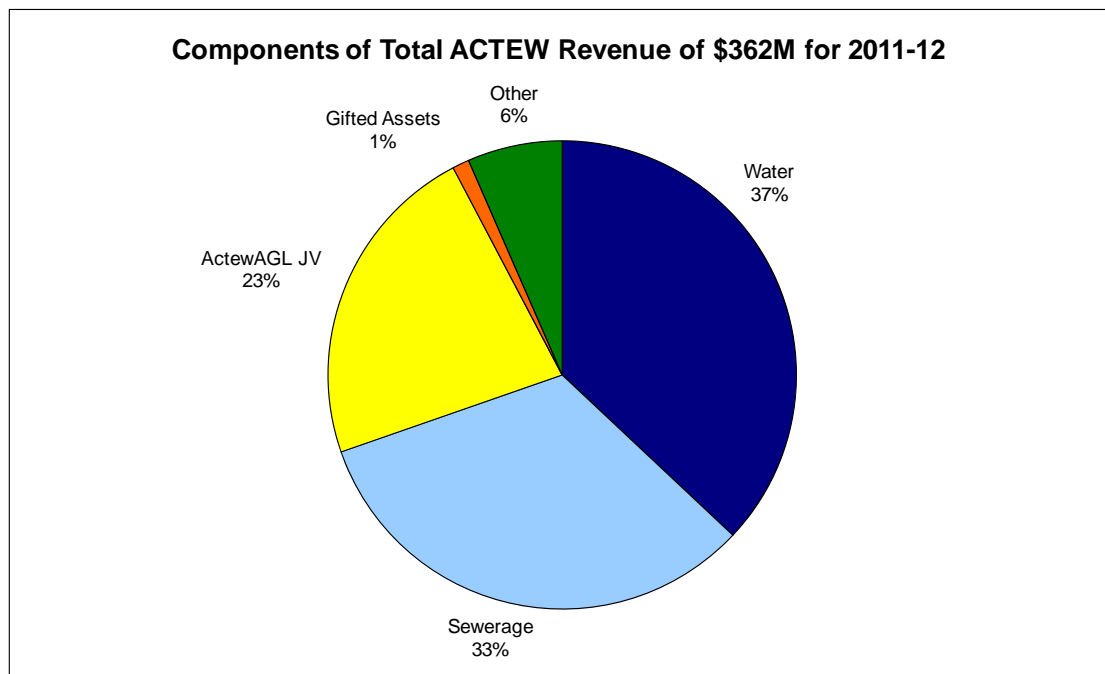
Operating Result

ACTEW recorded a net profit after income tax equivalents for 2011-2012 of \$73.9M (2010-11 \$60.8M). There were a number of factors that contributed to this performance:

- Water and sewerage revenue was \$30.7M higher than prior year, mainly attributable to increased water and sewerage revenue from the regulatory determination;
- The ActewAGL investment continues to be a very profitable investment for ACTEW with joint venture income of \$81.8M;
- Operational costs were \$13.7M higher than 2010-11 mainly due to contractual increases under the Utilities Management Agreement, higher project costs and a reversal of an accrued penalty in 2010-11, reducing the 2010-11 operational costs;
- An increase in finance costs of \$4.5M mainly due to increased net borrowings offset by a decrease in CPI in 2011-12;
- An increase in depreciation expense of \$8.9M mainly as a result of accelerated depreciation for the 'old' Cotter Dam, which became obsolete in 2011-12; and
- Offset by a decrease of \$9.3m compared to 2010-11 for impairment of assets relating to carbon credits and water licences.

Total Revenue

During 2011-12 ACTEW derived \$362M in revenue and distributions. The components of this are depicted in the following graph:



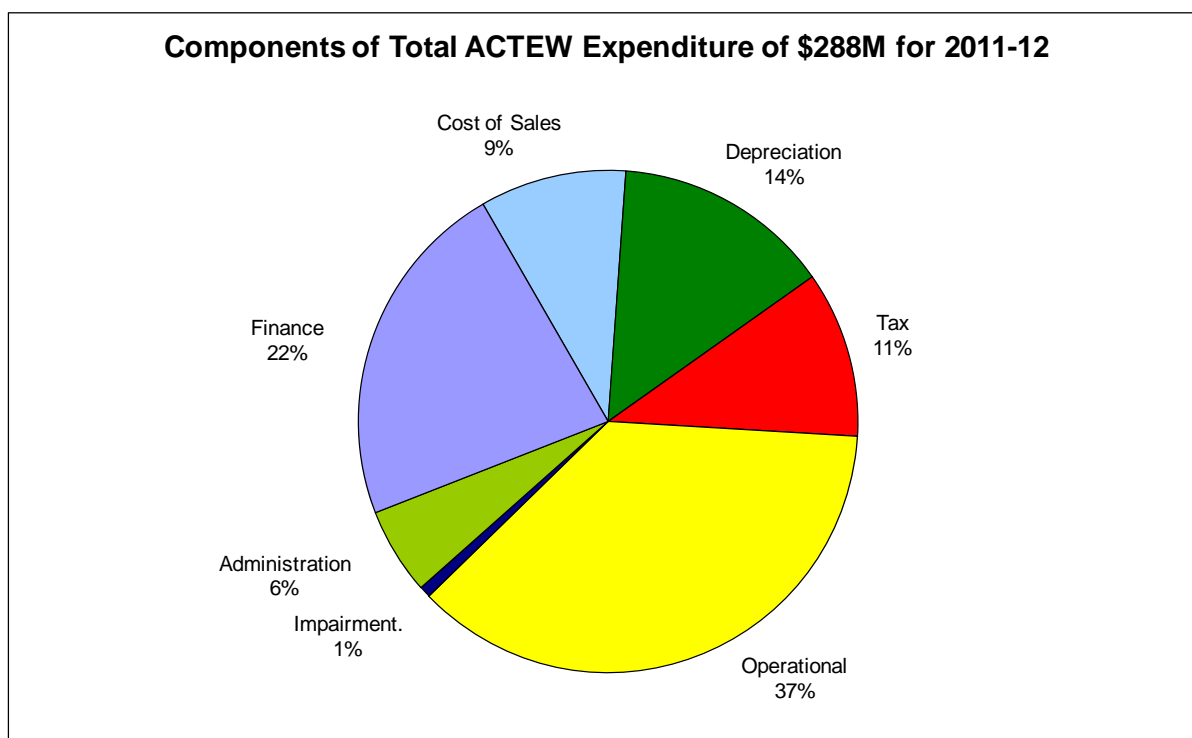
Comparison to 2010-11 Total Revenue

Total revenue of \$362M was \$30M higher than 2010-11. The main factor was:

- Water and sewerage revenue was \$30.7M higher than 2010-11 mainly due to increased water and sewerage revenue from the regulatory determination.

Total Expenditure

During 2011-12 ACTEW incurred \$288M in expenditure. The components of this are depicted in the following graph:



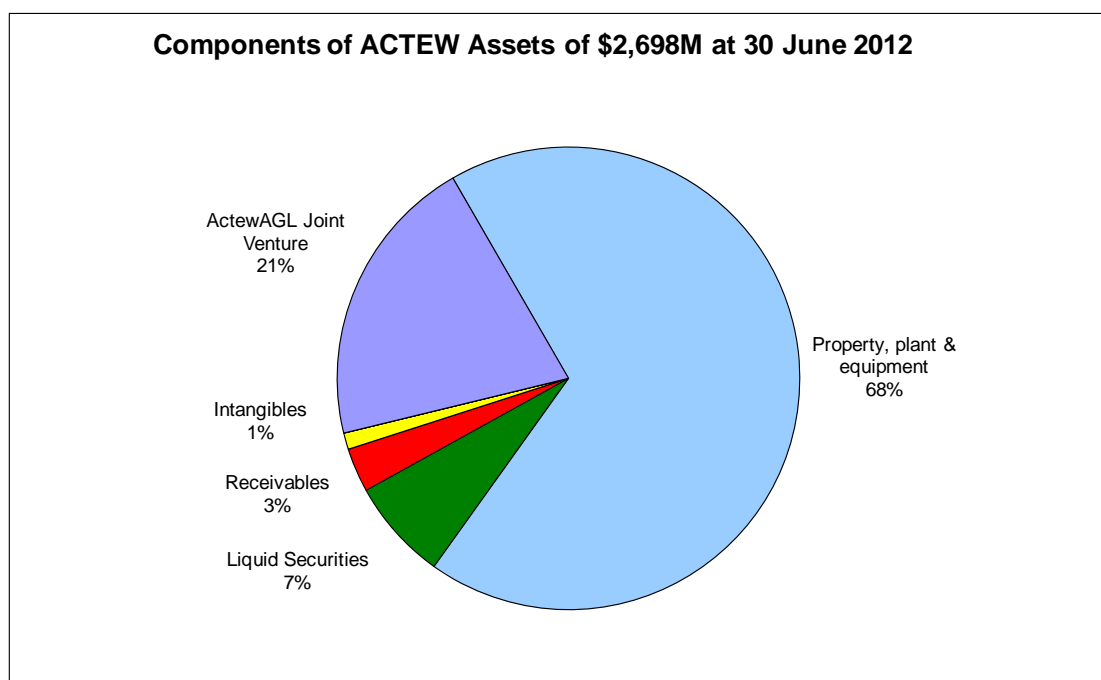
Comparison to 2010-11 Total Expenditure

Total expenditure was \$17M higher than 2010-11 mainly due to the following factors:

- Finance costs were \$4.5M higher than 2010-11 due to increased net borrowings with a \$296.5M borrowing in June 2011 and a further \$214.1M borrowing in May 2012. This increase is offset by a decrease in interest paid on CPI-linked borrowings as a result of lower CPI in 2011-12;
- Operational costs were \$13.7M higher than 2010-11 mainly due to contractual increases under the Utilities Management Agreement, higher project costs and a reversal of an accrued penalty in 2010-11, reducing the 2010-11 operational costs;
- An increase in depreciation expense of \$8.9M mainly as a result of accelerated depreciation for the 'old' Cotter Dam, which became obsolete in 2011-12;
- Offset by a decrease of \$9.3M compared to 2010-11 in impairment assets relating to carbon credits and water licences; and
- Offset by a decrease in income tax expense of \$2.4M.

Assets

ACTEW has \$2,698M in assets at 30 June 2012. The components are as depicted in the following graph:



ACTEW has a book value investment of \$1,841M in property, plant and equipment. This mainly consists of ACTEW's water and sewerage infrastructure assets. Capital expenditure has increased significantly due to the construction of the Enlarged Cotter Dam and Murrumbidgee to Googong Water Transfer under the Water Security Program.

ACTEW has a book value investment of \$552.5M in the ActewAGL joint venture that operates in the energy sector. The energy business consists of two separate operations, energy retailing and distribution. Both are conducted under the joint venture arrangements.

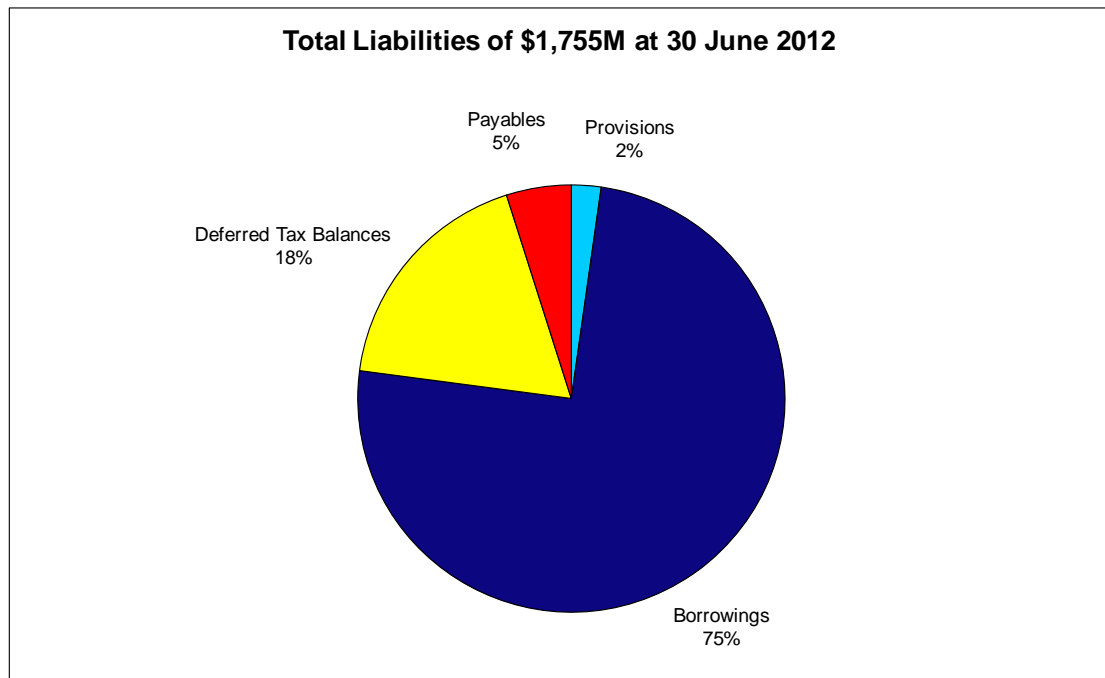
Liquidity

Description	2011-12	2010-11
	Actual \$'000	Actual \$'000
Current Assets	273,523	371,371
Current Liabilities	145,063	196,160
Current Ratio	1.89	1.89

The 2011-12 current ratio continues to be at a high level resulting from cash received from borrowings being recorded as a current asset and a corresponding non-current liability.

Total Liabilities

ACTEW has \$1,755M in liabilities. The components are as depicted in the following graph:



The major components are as follows:

- Outstanding borrowings at 30 June 2012 are \$1,359M. These borrowings have increased in recent years to fund large general and water security capital expenditure. ACTEW borrowed a further \$214.1M in May 2012 in the form of an eight year Medium Term Note.
- Deferred tax net liability at 30 June 2012 of \$266M. This amount is mainly from higher income tax expense compared to income tax equivalent payments. The lower income tax payments are a result of previous tax depreciation being higher than accounting depreciation in calculating the tax profit compared to the accounting profit in both ACTEW and ActewAGL Distribution.

Payments to the ACT Government

Payments to the ACT Government during 2011-12 were \$67.4M as dividends and \$43.2M as income tax equivalent payments.

Consultation and Scrutiny Reporting

Community Engagement

We continued to actively engage with the community during the year, with the Enlarged Cotter Dam attracting a high level of interest as construction continued. The new water wise garden, the Canberra Discovery Garden, located at the National Arboretum Canberra was officially opened by the ACT Chief Minister in February 2012. Details of the community consultation and education program activities undertaken during the year are outlined below.

Project/Event/Display	Purpose	Group/Individuals
Information Session – Williamsdale Road Closure 02.08.11	Information session – 40+ visitors	Williamsdale, Burra and region residents
Floriade 18.09.11 – 16.10.11	Showcase water efficient garden with model of Enlarged Cotter Dam	ACT residents and visitors
Friends of the Cotter Picnic Day 17.09.11	Guided tour of the Cotter Dam Discovery Trail – 100+ visitors	Friends of the Cotter Community Group
Waterwise Gardening Workshop at Floriade 18.09.11	Water efficient gardening	ACT residents and visitors
Waterwise Gardening Workshop at Floriade 15.10.11	Water efficient gardening	ACT residents and visitors
Enlarged Cotter Dam Open Day 26.11.11	Tour – 1,800+ visitors	ACT residents and visitors
Opening of the Canberra Discovery Garden 12.02.12	Grand opening 1000+ visitors	ACT residents and visitors
<i>Keys to Canberra</i> 07.03.12	Display on Cotter Dam Education Curriculum – 89 visitors	ACT teachers excursion expo
Monthly opening of the Canberra Discovery Garden 11.03.12	Monthly open day and presentation 250+ visitors	ACT residents and visitors
Canberra Discovery Garden as part of the Festival of the Forests 01.04.12	Festival of the Forests 1000+ visitors	ACT residents and visitors
Monthly opening of the Canberra Discovery Garden 13.05.12	Monthly open day and presentation - 300+ visitors	ACT residents and visitors
Retirement and Lifestyle Expo 18.05.12 – 20.05.12	Display on water saving and water security projects	ACT residents and visitors
Information Session – Murrumbidgee to Googong project update 21.05.12	Information session – 30+ visitors	Williamsdale, Burra and region residents
Enlarged Cotter Dam Open Day 26.05.12	Bus tours – 1,270+ visitors	ACT and region community members
Monthly opening of the Canberra Discovery Garden 10.06.12	Monthly open day and presentation - 400+ visitors	ACT residents and visitors
Guided Tours of Cotter Dam Discovery Trail	Guided tour for schools and interest groups – 12 separate groups/schools - 569 visitors	ACT and interstate schools, community and interest groups

Internal and External Scrutiny

The Auditor-General issued seven audit performance reports in 2011-12. ACTEW was included in one audit, *Report No. 5 of 2011 - 2010-11 Financial Audits* which was issued in December 2011. No recommendations were made about ACTEW.

Legislative Assembly Committees' Inquiries and Reports

In December 2011 ACTEW appeared before the Public Accounts Committee which was inquiring into 2010-11 annual and financial reports. The Committee released its report in May 2012 and made ten recommendations, none of which required a response from ACTEW. One recommendation which related to ACTEW, requested the ACT Government put in place formal arrangements for the involvement of ACTEW in discussions about the development of the ACT's non-potable water strategy.

In June 2012 ACTEW appeared before the Select Committee on Estimates which was inquiring into the Government's 2012-13 Appropriation Bill. The Committee's inquiry had not been completed by 30 June 2012.

Legislative and Policy Based Reporting

Risk Management and Internal Audit

At 30 June 2012, the Audit and Risk Management Committee comprised three Non-Executive Directors: Mr Michael Easson (Chairman), Dr Allan Hawke and Ms Jenny Goddard. Ms Wendy Caird was also a Member of the Committee for part of the year. The Committee met five times in 2011-12.

Quarterly reviews and the annual review of the risk register were undertaken in accordance with the International Risk Management Standard ISO 31000:2009 and provided to the Committee and the Board. The risk register addresses risks associated with the company's responsibilities, activities and accountabilities. Separate risk registers are maintained for the water security projects and by ActewAGL for the maintenance and operation of the water and sewerage assets and business.

ACTEW's auditor is the ACT Auditor-General and internal audit services are provided by PricewaterhouseCoopers.

Fraud Prevention

The fraud prevention program comprises policies and procedures for the prevention, reporting and investigation of fraudulent activities and practices within and against the Corporation. The updated Fraud Prevention and Whistleblower Program was released in October 2011. There were no reports or allegations of fraud or corruption within ACTEW during the year.

Public Interest Disclosure

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

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

There were no public interest disclosures made during the year.

Freedom of Information

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

Section 7 Statement

ACTEW owns the ACT's water and sewerage business and assets and is a 50% owner of ActewAGL. ACTEW is governed by a seven person board. ACTEW's office is located in the central business district, is wheelchair accessible and central to public transport.

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

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

Section 8 Statement

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

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

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

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

Section 79 Statement

Six applications were made during 2011-12 to access documents. No documents were held for one request, three requests were granted partial access to the documents, one request is pending clarification and one applicant requested a review which is under consideration. No charges or application fees were paid or requested.

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

Internal Accountability

Corporate Governance

ACTEW has reporting and compliance obligations under Commonwealth and ACT legislation including *Corporations Act 2001*, *Privacy Act 1989*, *Territory-owned Corporations Act 1990*, *Work 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 28.

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.

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 below. Details of attendance at Board and Committee meetings are on page 28 in the Financial Statements.

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 Committee. 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.

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 twenty-three 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

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

Staffing Profile

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. The employee profile is detailed below.

Male employees	21
Female employees	17
Full time employees	35
Part time employees	3
Age 20-30	9
Age 30-40	13
Age 40-50	5
Age 50-60	7
Age 60+	4
Executive and Governance staff	9
Finance staff	6
Water staff	6
Water Security Projects staff	11
Community Engagement and Communications staff	6

Workplace Health and Safety

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

The workplace health and safety program *Always Safe* is an integrated health, safety and environment (HSE) management system based on International and Australian/New Zealand standards for occupational health, safety and environment management.

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

Human Rights Act

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

Community Grants/Assistance/Sponsorship

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. Details of sponsorships provided during the year are outlined below.

Name	Purpose	Amount
Canberra Symphony Orchestra	Grand Gala Concert Llewellyn Concerts	\$40,000 \$20,000
Canberra Area Theatre (CAT) Awards	Annual Theatre Awards	\$20,000
Royal National Capital Agricultural Society	National Wine Show of Australia	\$10,000
Bell Shakespeare Theatre Company	" <i>Hearts in a Row</i> " Theatre Access Program	\$10,000
Australian Water Association	National Water Week Water Leaders' Dinner	\$2,500
Canberra Youth Music Inc	Youth Music Festival	\$10,000
Canberra Women's Golf Classic	International Golf Tournament	\$40,000
Canberra International Music Festival	Annual Music Festival	\$25,000
National Arboretum Canberra	<i>Voices in the Forest</i> Concert	\$30,000
Fastpitch Softball League ACT	International Softball Skins Tournament	\$5,000
Australian National Eisteddfod	National Operatic Aria Competition	\$5,000
National Gallery of Australia	<i>Ballet Russes</i> Exhibition	\$62,500

The Community Support Program provides sponsorship, financial and in-kind assistance to organisations that provide community support services and programs, and various community activities which provide and encourage community access and participation. Details of support provided during the year are as follows:

Name	Purpose	Amount
Artists Society of Canberra	<i>Along the Molonglo</i> annual art exhibition	\$2,000
Queanbeyan Art Society	<i>Along the Molonglo</i> annual art exhibition	\$1,000
The Canberra Hospital Paediatrics Unit	Donation	\$5,000
Barnardos Children's Foundation	Annual golf fundraising day	\$15,000
Australian Water Association ACT Branch	Two student research prize	\$2,000
Canberra Cancerians	Fundraising event	\$5,700
Cancer Council ACT	Annual fundraising golf day	\$6,000
Australian Foundation for Mental Health Research	Donation	\$5,000
Order of Australia Association ACT Branch	ACT Student Citizenship Awards	\$3,000
Community Radio Station 2XX	Landcare Program	\$1,100
The Salvation Army	Donation	\$5,000
Australian Red Cross	Donation	\$5,000
The Smith Family	Donation	\$5,000
St Vincent de Paul	Donation	\$5,000
Lifeline Canberra	Donation	\$4,000
Pegasus Riding for the Disabled	Donation	\$5,000
ArtSound FM	Donation	\$5,000
Legacy	ANZAC Concert	\$5,000
Malkara School	Fundraising event	\$9,000
Calisthenics ACT	Sponsorship of the ACT team	\$5,000
Breast Cancer Foundation	<i>Pink</i> fundraising dinner	\$10,000
Vietnam Veterans' Motor Cycle Club	Donation	\$3,000
Ronald McDonald House	Fundraising event	\$3,750
Solid Young Fullas Aboriginal Corporation	Donation	\$7,500
Menslink	Fundraising activities	\$5,000
Rotary Club of Queanbeyan West	Donation to charity art show	\$700
ACT Eden Monaro Cancer Support Group	Fundraising event	\$3,850
Canberra Amateur Swimming Club	Annual swimming event	\$1,000
Muscular Dystrophy Foundation	Fundraising event	\$1,400
Lifeline	Donation	\$415

Solid Young Fellas	Sponsorship of indigenous rugby team	\$5,000
Australian Federal Police	Donation to Chequered Ribbon Association	\$5,000
Craft ACT	Sponsorship of production of catalogue	\$2,000
Kidsafe ACT Inc	Donation	\$5,000
Diabetes ACT	Fundraising event	\$3,500
Niki van Buuren	Para Equestrian World Championships	\$5,000
Ricky Stuart Foundation	Donation	\$8,250
Calvary Health Care ACT	Donation to International Nurses and Midwives Week 2012 Exhibition	\$1,000
Snowy Hydro Southcare	Donation	\$5,000
Karinya House	Donation	\$2,000
ACT Schools Rugby League	Sponsorship of international game	\$7,500
St Vinnies CEO Sleepout	Donation	\$1,250
Scouts Australia	Donation	\$2,500
SIDS - Red Nose Day	Donation	\$2,000
Anglicare	Donation to fundraising appeal	\$15,000
Canberra Repertory Society	Sponsorship of show	\$7,500
Hartley Lifecare	Donation	\$1,000
Tuggeranong Hawks Football Club	Player sponsorships	\$1,000

Territory Records Act

A records management program was in place as required by the Territory Records Office (TRO) as at 30 June 2012. The TRO has worked with ACTEW to review their sector-specific retention and disposal schedules to align with the whole of Government record keeping model. As a result of this collaboration, six active schedules will be consolidated into two. This will provide for easier and more effective sentencing of water and sewerage management records when used with the updated document and records management system being implemented in 2012-13.

Commissioner for the Environment

The Commissioner undertook an investigation into Lake Burley Griffin, which is the responsibility of the Federal Government, and included information about the management of ACTEW's Canberra Sewerage Network and Fyshwick Treatment Plant. The Commissioner also produced a State of the Environment report which included input from ACTEW.

Ecologically Sustainable Development

ACTEW participates in ActewAGL's *Be Green* campaign, which encourages staff to reduce their impact on the environment both at work and home. During 2011-12 ACTEW and ActewAGL reduced their electricity use by approximately 538,671 kilowatt hours, saved 1,322 kilolitres of water and decreased paper usage by 317 reams, compared to the previous year.

Seven vehicles are leased for business purposes. Three vehicles including one hybrid sedan are used by staff to attend public events and meetings, and four vehicles are used for the water security projects.

Detailed information on ACTEW's environmental initiatives and activities are outlined on page 9.

Model Litigant Guidelines

ACTEW is a separate legal entity from the Territory and utilises the services of a number of legal firms including King & Wood Mallesons and Minter Ellison.

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

Financial Statements

ACTEW Corporation Limited

ABN 86 069 381 960

General Purpose

Financial Report

for the year ended 30 June 2012

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This financial report is the consolidated financial report of the consolidated entity consisting of ACTEW Corporation Limited and its controlled entities. The financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 30 August 2012.

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 19-21 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 Compliance

Utility Services Licence

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

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.

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.

Dr Maxine Cooper
Auditor-General
30 August 2012

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	18,286	17,406
		<u>279,890</u>	<u>248,034</u>
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>73,899</u>	<u>60,811</u>
Attributable to:			
Owners of ACTEW Corporation Limited		73,899	60,811
		<u>73,899</u>	<u>60,811</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		73,899	60,811
Other comprehensive income			
Changes in the fair value of cash flow hedges	27	10	968
Other comprehensive income for the year, net of tax		10	968
Total comprehensive income for the year		73,909	61,779

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

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		273,523	371,371
Non-Current Assets			
Held-to-maturity investments	13	582	740
Investments accounted for using the equity method	14	552,455	519,020
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		2,424,825	2,199,941
TOTAL ASSETS		2,698,348	2,571,312
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		145,063	196,160
Non-Current Liabilities			
Borrowings	23	1,343,358	1,137,235
Derivative financial instruments	24	-	429
Provisions	25	1,313	1,404
Deferred tax balances	16	265,594	293,074
Total Non-Current Liabilities		1,610,265	1,432,142
TOTAL LIABILITIES		1,755,328	1,628,302
NET ASSETS		943,020	943,010
Equity			
Contributed equity	26	758,871	758,871
Reserves	27	176,348	176,338
Retained profits	28	7,801	7,801
TOTAL EQUITY		943,020	943,010

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

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		(12,646)	(4,290)
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.

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.

Notes to the Financial Report

For the year ended 30 June 2012

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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 98/100, dated 10 July 1998. In accordance with that Class Order amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(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.

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.

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 financials statements, and to unused tax losses.

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

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

Tax consolidation legislation

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

(e) Revenue recognition

Revenue is measured at fair value and recognised to the extent that it is probable that the economic benefits will flow to the Group. The specific recognition criteria must also be met before revenue is recognised.

Services provided

Revenue is recognised on services provided when usage of the service occurs and is measured at fair value.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholder's right to receive the payment is established.

Contributed assets

Revenue is recognised when the entity gains control of the asset and the amount of the contribution can be measured reliably. Contributed assets are measured at replacement cost and subsequently revalued as part of the class of property, plant and equipment to which the assets belong.

(f) Acquisitions of assets

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

Contributed assets provided free of charge are valued at replacement cost of those assets and subsequently revalued as part of the class of property, plant and equipment to which the assets belong.

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.

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 of 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.

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.

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.

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 35 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.

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.

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	144,298	128,877	84,316	4,220	361,711
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

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	1,250,968	781,938	538,408	-	2,571,312
Segment liabilities	934,918	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	211,360	24,335	-	-	235,695
Depreciation and amortisation	13,731	17,920	-	-	31,651
Impairment of assets	11,417	-	-	-	11,417

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		1,261	1,642
		<u>18,266</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	290
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

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	94,058
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.

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
	<u>85,730</u>	<u>77,576</u>
Amount paid during the year	(67,371)	(65,745)
At the end of the financial year	<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.

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)	(28)
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		886	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>

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.

Notes to the Financial Statements

for the period ended 30 June 2012

Note 16: Deferred tax balances

2012	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
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)
	<u>(293,074)</u>	<u>27,497</u>	<u>(17)</u>	<u>(265,594)</u>
2011	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
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)
	<u>(296,903)</u>	<u>3,829</u>	<u>-</u>	<u>(293,074)</u>

Notes to the Financial Report

For the year ended 30 June 2012

17 Non-current assets - intangible assets

	Notes	Carbon Credits*	Licences*	Total
		\$'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	79,601

20 Current liabilities - borrowings

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

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-1989)		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	2,996
Total other	2,874	2,996

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 \$367 million, which consists of \$300 million borrowed on 12 June 2008 at a yield of 2.42% and a further \$67 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.

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>

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 \$'000	2011 \$'000
b) Total capital		
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>

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	10	968
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>

Notes to the Financial Report

For the year ended 30 June 2012

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

	2012	2011
	\$	\$
Total benefits	<u>2,087,138</u>	<u>1,758,072</u>

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	65,995
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables (tax funding agreement)	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	54,819
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	19,647	19,379
Current accounts payables and other	19,621	19,379
Non-current receivables	-	-
Non-current accounts payables and other	-	-

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	183,308	300,270
Other expenditure commitments	a	289,447	177,415
Lease commitments			
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:			
Within 1 year		638	758
Later than 1 year but not later than 5 years		2,513	2,820
Later than 5 years		6,063	5,848
	b	9,214	9,454

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.

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 iNet, a publicly listed company on Australian Stock Exchange purchased TransACT Communications Ltd (including ACTEW Corporation's 18% interest).

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) (ii) 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
	<u>76,390</u>	<u>83,082</u>

(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 \$15,695,294 (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.

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	373,983	517,346
Total Assets	2,646,340	2,499,283
Current Liabilities	145,015	196,112
Total Liabilities	1,723,877	1,576,350
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	27,448	27,448
	922,942	922,933
Profit or loss for the year	73,418	60,330
Total comprehensive income	73,428	61,299

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.

Annexed Reports

ActewAGL Joint Venture

**Summary Financial Report
for the year ended 30 June 2012**

ActewAGL Joint Venture Summary Financial Report - 30 June 2012

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Statement of changes in joint venture funds	6
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Introduction to the summary financial report

Profit

Net profit for the year ended 30 June 2012 was \$162.6m. This compares to the prior year's net profit of \$166.6m.

Total operating revenue from continuing operations for the year ended 30 June 2012 was \$722.1m compared to \$737.6m in the prior year. The decrease in revenue is primarily due to lower electricity sales as a result of the cooler than average weather conditions experienced throughout summer.

Total expenses from continuing operations for the year ended 30 June 2012 was \$566.4m compared to \$575.3m in the prior year. This is primarily attributed to lower energy purchases resulting from a decrease in electricity sales due to the cooler than average weather conditions experienced throughout summer. Operating expenses are largely in line with the previous financial year.

Cash flow

The Group generated \$194.0m from its operating activities for the year ended 30 June 2012 compared to \$187.4m in the prior year.

Net cash outflows from investing activities were \$81.1m for the current year, compared to \$100.5m for the prior year. The \$19.4m decrease in cash outflows is mainly driven by the receipt in advance of monies from ACTEW Corporation for the sale of Water Division. For the 2011/12 financial year, the major electricity investment projects undertaken included the construction of several distribution and sub-transmission projects to ensure security of supply to existing and future electrical load within the ACT. Other major investment projects include addressing ageing equipment and capacity shortfalls at Civic zone substation which supplies approximately half of the Canberra Central Business District area and the ongoing construction of major substations for office developments, government departments, retail and residential purposes and continuation of the pole replacement program. Major investment in the gas network currently in progress is the development of the Hume Primary Regulating Station and Primary Mains Extension which will increase network capacity as well as ensure security of supply to Tuggeranong, Queanbeyan, Googong and Woden areas. Other investment projects include the upgrade to the Fyshwick Trunk Receiving Station which will ensure the security of gas supply to approximately 25,000 customers in the areas of Jerrabomberra, Queanbeyan, Fyshwick, and Hume, and future proposed developments at Googong and Tralee.

Cash surplus to the Group's operational, capital and working capital requirements is returned to the partners in the form of cash distributions. In the 2011/12 financial year, \$87.4m was distributed to ActewAGL's partners; \$4.4m lower than the \$91.8m in the prior year mainly due to lower sales in electricity.

Financial position

As at 30 June 2012, the Group had net assets of \$1,029.7m compared to \$954.5m in the prior year. The increase is mainly due to the increase in working capital and capital investment in the Network business. Cash available as at 30 June 2012 was \$63.9m, \$25.3m higher than the prior year. Current assets were \$266.2m compared to \$229.5m in the prior year. Current liabilities were \$213.7m compared to \$197.1m as at the same time last year. The Group does not have any borrowings other than finance leases.

The carrying value of property, plant and equipment of \$952.0 million, compared to \$898.1m as at 30 June 2011, is primarily due to continued investment in Network assets to meet peak demand and ensure security of supply.

Partners' return

The return on funds employed for the 2011/12 financial year based on the net profit before tax was 15.8% compared to 17.5% in the prior year.

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

ActewAGL Joint Venture
Statement of comprehensive income
For the year ended 30 June 2012

	30 June 2012 \$'000	30 June 2011 \$'000
Revenue from continuing operations	<u>722,146</u>	<u>737,563</u>
Total income	<u>722,146</u>	<u>737,563</u>
Energy purchases	(362,001)	(376,383)
Employee costs	(107,915)	(105,888)
Depreciation and amortisation expense	(36,156)	(34,311)
Subcontractor expenses	(25,391)	(22,887)
Lease expenses	(12,231)	(13,770)
Material costs	(4,711)	(4,180)
Finance costs	(1,709)	(2,100)
Project related expenses	(924)	(2,772)
Selling expenses	(12,600)	(9,240)
Other expenses	(2,769)	(3,750)
Total expenses	<u>(566,407)</u>	<u>(575,281)</u>
Profit from continuing operations	155,739	162,282
Profit from discontinued operations	<u>6,867</u>	<u>4,295</u>
Profit for the year	<u>162,606</u>	<u>166,577</u>
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>162,606</u>	<u>166,577</u>
Profit is attributable to:		
Partners of the ActewAGL Joint Venture	<u>162,606</u>	<u>166,577</u>
	<u>162,606</u>	<u>166,577</u>
Total comprehensive income for the year is attributable to:		
Partners of the ActewAGL Joint Venture	<u>162,606</u>	<u>166,577</u>
	<u>162,606</u>	<u>166,577</u>
Total comprehensive income for the year attributable to owners of ActewAGL Joint Venture arises from:		
Continuing operations	155,739	162,282
Discontinued operations	<u>6,867</u>	<u>4,295</u>
	<u>162,606</u>	<u>166,577</u>

ActewAGL Joint Venture
 Balance sheet
 As at 30 June 2012

	30 June 2012 \$'000	30 June 2011 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	63,897	38,635
Trade and other receivables	185,145	182,096
Inventories	10,538	8,771
Assets classified as held for sale	6,576	-
Total current assets	<u>266,156</u>	<u>229,502</u>
Non-current assets		
Receivables	614	389
Available-for-sale financial assets	2,000	2,000
Property, plant and equipment	952,048	898,133
Intangible assets	31,018	28,987
Total non-current assets	<u>985,680</u>	<u>929,509</u>
Total assets	<u>1,251,836</u>	<u>1,159,011</u>
LIABILITIES		
Current liabilities		
Trade and other payables	140,401	139,106
Provisions	20,705	34,315
Other current liabilities	35,722	23,657
Liabilities classified as held for sale	16,867	-
Total current liabilities	<u>213,695</u>	<u>197,078</u>
Non-current liabilities		
Provisions	3,066	3,570
Other non-current liabilities	5,333	3,827
Total non-current liabilities	<u>8,399</u>	<u>7,397</u>
Total liabilities	<u>222,094</u>	<u>204,475</u>
Net assets	<u>1,029,742</u>	<u>954,536</u>
JOINT VENTURE FUNDS		
Joint venture funds	<u>1,029,742</u>	<u>954,536</u>
Total joint venture funds	<u>1,029,742</u>	<u>954,536</u>

ActewAGL Joint Venture
 Statement of changes in joint venture funds
 For the year ended 30 June 2012

	30 June 2012 \$'000	30 June 2011 \$'000
Total joint venture funds at the beginning of the financial year	<u>954,536</u>	<u>879,779</u>
Total comprehensive income for the year	<u>162,606</u>	<u>166,577</u>
Transactions with partners in their capacity as owners:		
Distributions paid	<u>(87,400)</u>	<u>(91,820)</u>
Total joint venture funds at the end of the financial year	<u>1,029,742</u>	<u>954,536</u>

ActewAGL Joint Venture
Statement of cash flows
For the year ended 30 June 2012

	30 June 2012 \$'000	30 June 2011 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	958,217	946,261
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(766,795)</u>	<u>(761,266)</u>
	191,422	184,995
Interest received	2,585	2,448
Interest and other costs of finance paid	<u>(45)</u>	<u>(43)</u>
Net cash inflow from operating activities	<u>193,962</u>	<u>187,400</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(96,816)	(103,285)
Proceeds from sale of property, plant and equipment	46	35
Proceeds from sale of interest in joint venture	-	2,229
Proceeds from sale of subsidiary	-	500
Proceeds from sale of Water Division	<u>15,695</u>	<u>-</u>
Net cash (outflow) from investing activities	<u>(81,075)</u>	<u>(100,521)</u>
Cash flows from financing activities		
Distributions paid to partners	(87,400)	(91,820)
Repayment of borrowings	<u>(221)</u>	<u>(193)</u>
Net cash (outflow) from financing activities	<u>(87,621)</u>	<u>(92,013)</u>
Net increase (decrease) in cash and cash equivalents	25,266	(5,134)
Cash and cash equivalents at the beginning of the financial year	38,635	43,769
Cash reclassified as held for sale	<u>(4)</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	<u>63,897</u>	<u>38,635</u>

ActewAGL Joint Venture
Joint Venture Board's declaration
30 June 2012

The board members declare that:

- (a) the summarised financial report on pages 4 to 7:
 - (i) complies with applicable Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) gives a true and fair view of the Joint Venture's financial position as at 30 June 2012 and of its performance, as represented by the results of its operations and cashflows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Joint Venture will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Joint Venture board.



John Mackay, AM
Chairman
Canberra

21 August 2012



Mark Sullivan, AO
Board Member
Canberra

21 August 2012



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

To the Partners of ActewAGL Joint Venture

Report on the summary financial report

The summary financial report (financial report) of the ActewAGL Joint Venture has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of changes in joint venture funds, statement of cash flows and Joint Venture Board's declaration. The financial report has been derived from the audited special purpose financial report of the ActewAGL Joint Venture (the Joint Venture) for the year ended 30 June 2012.

On 29 August 2012, I issued an unmodified audit report on the special purpose financial report of the Joint Venture for the year ended 30 June 2012

The financial report does not contain all disclosures required by the *ACTEW/AGL Partnership Facilitation Act 2000*, or as may be considered necessary to meet the needs of the Partners of the Joint Venture. Reading the financial report is, therefore, not a substitute for reading the audited financial report of the ActewAGL Joint Venture.

Responsibility for the summary financial report

The Board of the Joint Venture is responsible for the preparation of the financial report.

Auditor's responsibility

I am responsible for expressing an audit opinion on the financial report based on my procedures. These procedures were conducted in accordance with Auditing Standard ASA 810: 'Engagements to Report on Summary Financial Statements'.

Electronic presentation of the summary 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, derived from the audited special purpose financial report of ActewAGL Joint Venture for the year ended 30 June 2012, is materially consistent with the special purpose financial report.



Dr Maxine Cooper
Auditor-General

29 August 2012



ACT AUDITOR-GENERAL'S OFFICE



Board of Directors
ActewAGL Joint Venture
GPO Box 366
CANBERRA CITY ACT 2601

ActewAGL Joint Venture Summary Report

In relation to the audit of the financial report of the ActewAGL Joint Venture Summary Report 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 code of professional conduct.

Dr Maxine Cooper
Auditor-General
21 August 2012

ACTEW Distribution Limited

ABN 83 073 025 224

General Purpose Financial Report

for the year ended 30 June 2012

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This financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 30 Aug 2012.

ACTEW Distribution Limited

Company Profile

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

Principal Registered Office

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

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

Principal Place of Business

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

Auditor

Auditor-General for the ACT

Solicitors

King & Wood Mallesons
Minter Ellison

Bankers

Westpac Banking Corporation

ACN 073 025 224
ABN 83 073 025 224

Directors' Report

In respect of the financial year ended 30 June 2012 the Directors of ACTEW Distribution Limited submit the following report made out in accordance with a resolution of the Directors.

Directors

Mark Anthony Sullivan AO, Chairman
Simon Peter Wallace
Ross Munro Knee

Company Secretary

Michele Norris

Directors' Meetings

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

Director	No. of meetings attended	No. of meetings eligible to attend
MA Sullivan AO	1	1
SP Wallace	1	1
RM Knee	1	1

Principal activities / likely developments and expected results of operations

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

Significant changes in the state of affairs

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

Trading results and dividends / review of operations

A dividend of \$36,461,000 (2011: \$38,906,000) has been declared by the directors to be paid which is 100% of 30 June 2012 after tax net profit.

Matters subsequent to the end of the financial year

ACTEW owns ACT's water infrastructure and assets, with ActewAGL Water Division contracted to manage, operate and maintain ACTEW's network and business in accordance with the Utilities Management Agreement (UMA) entered into by ACTEW and ActewAGL. ACTEW has 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 business has been integrated into ACTEW. The integration took effect on 1 July 2012.

Environmental Regulations

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

Insurance of Officers

ACTEW had in place during the financial year a package of insurance that included insurance for directors and officers of ACTEW, its controlled entities and the ActewAGL joint venture.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position.

The policy also applies if a claim is made against directors or officers after they have left the service of ACTEW, where the claim was over events during the ACTEW service.

Indemnity of Officers

ACTEW has indemnified directors and officers of the corporation and wholly owned subsidiary companies against liabilities and legal costs arising in the course of their duties including as a director appointed by ACTEW or by a subsidiary company of ACTEW to serve on the board of a company or partnership that is part owned directly or indirectly by ACTEW or by a subsidiary company of ACTEW, to the extent permitted by *Corporations Act 2001*. This indemnity is to operate only where and to the extent that the director or officer is unable to require an insurer to meet the damage, liability, cost, loss or expense.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by the *Corporations Act 2001* is set out on page 8.

Rounding of Amounts

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

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



Mark Sullivan AO
Chairman
Canberra

30 August 2012



Simon Wallace
Director
Canberra

30 August 2012

Directors' Declaration

In the director's opinion:

(a) the financial statements and notes set out on pages 9 to 22 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 Company'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.



Mark Sullivan AO
Chairman
Canberra

30 August 2012



Simon Wallace
Director
Canberra

30 August 2012



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT ACTEW DISTRIBUTION LIMITED

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

Report on the financial report

The financial report of ACTEW Distribution Limited (the Company) for the year ended 30 June 2012 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

Responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements, *Corporations Act 2001* and *Corporations Regulations 2001*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial report.

The auditor's responsibility

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

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

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

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

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

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 Distribution Limited

In relation to the audit of the financial statements of ACTEW Distribution Limited 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.

Dr Maxine Cooper
Auditor-General
30 August 2012

Statement of comprehensive income

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Share of net profit of the ActewAQL Distribution Partnership accounted for using the equity method	2	53,570	53,755
Total revenue		53,570	53,755
Expenses	3	11	12
Total expenses		11	12
Profit before income tax equivalents expense		53,559	53,743
Income tax equivalents expense	4	17,098	14,837
Profit for the year		36,461	38,906
Attributable to:			
Owners of ACTEW Distribution Limited		36,461	38,906
Other comprehensive income		-	-
Total comprehensive income		36,461	38,906
Attributable to:			
Owners of ACTEW Distribution Limited		36,461	38,906
		36,461	38,906

The above Statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 13 to 22.

Balance sheet

as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Non current assets			
Investment accounted for using the equity method	6	533,242	496,722
Total non current assets		<u>533,242</u>	<u>496,722</u>
Total assets		<u>533,242</u>	<u>496,722</u>
Current liabilities			
Payables	7	24	24
Dividend payable	8	36,461	38,906
Total current liabilities		<u>36,485</u>	<u>38,930</u>
Non current liabilities			
Deferred tax balances	9	46,623	51,720
Other	10	410,009	365,948
Total non-current liabilities		<u>456,632</u>	<u>417,668</u>
Total liabilities		<u>493,117</u>	<u>456,597</u>
Net assets		<u>40,125</u>	<u>40,125</u>
Equity			
Contributed equity	11	400	400
Reserves	12	39,725	39,725
Retained profits	13	-	-
Total equity		<u>40,125</u>	<u>40,125</u>

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 13 to 22.

Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Distributions received from the ActewAGL Distribution Partnership		17,050	21,600
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(11)</u>	<u>-</u>
Net cash inflows from operating activities		<u>17,039</u>	<u>21,600</u>
Cash flow from financing activities			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(22,193)	(12,450)
Dividend paid to ACTEW Corporation Limited	5	<u>(38,906)</u>	<u>(45,089)</u>
Net cash (outflows) from financing activities		<u>(61,099)</u>	<u>(57,539)</u>
Net (decrease) in cash held		<u>(44,060)</u>	<u>(35,939)</u>
Financed by:			
Parent Company intercompany loan account movements			
Balance at the beginning of the financial year		(365,948)	(330,009)
Balance at the end of the financial year	10	<u>(410,009)</u>	<u>(365,948)</u>
Net (decrease) in cash held		<u>(44,059)</u>	<u>(35,939)</u>

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 13 to 22.

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

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

Statement of changes in equity

for the year ended 30 June 2012

	Notes	Capital \$'000	Retained Profits \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2010		400	-	39,725	40,125
Total comprehensive income for the year		-	38,906	-	38,906
Transactions with owners in their capacity as owners					
Dividends provided for or paid	5	-	(38,906)	-	(38,906)
Balance at 30 June 2011		<u>400</u>	<u>-</u>	<u>39,725</u>	<u>40,125</u>
Total comprehensive income for the year		-	36,461	-	36,461
Transactions with owners in their capacity as owners					
Dividends provided for or paid		-	(36,461)	-	(36,461)
Balance at 30 June 2012		<u>400</u>	<u>-</u>	<u>39,725</u>	<u>40,125</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes as set out on pages 13 to 22.

Notes to the financial report

for the year ended 30 June 2012

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Notes to the financial statements

for the year ended 30 June 2012

Note 1: Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and other requirements of the law.

Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

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

Early adoption of standards

The Group has elected 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

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

Rounding of amounts

ACTEW Distribution is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998. In accordance with that Class Order amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(b) Income tax equivalents

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

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

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

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

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

Tax consolidation legislation

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

Notes to the financial statements

for the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(c) Acquisitions of assets

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

(d) Revenue recognition

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

(e) Trade receivables

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

(f) Trade and other payables

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

(g) Joint venture partnership

The interest in the ActewAGL Distribution partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the statement of comprehensive income, and the share movement in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 17. ACTEW Distribution Limited's share in the ActewAGL Distribution Partnership has been adjusted to fair value to align to ACTEW Corporation Limited's change in accounting policy on property, plant and equipment from historical cost to fair value. The valuation of these assets is confined by application of cash generating unit test (CGUT) based on expected net cash flow of ActewAGL Distribution Partnership discounted to present value.

(h) Cash and cash equivalents

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

(i) Dividends

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

(j) 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.

Notes to the financial statements

for the year ended 30 June 2012

2 Revenue

	2012	2011
	\$'000	\$'000
Revenue		
Share of net profit or loss of the ActewAGL Distribution Partnership accounted for using the equity method	53,570	53,755
Total Revenue	<u>53,570</u>	<u>53,755</u>

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

3 Expenses

	2012	2011
	\$'000	\$'000
Expenses		
Operating expenses	11	12
Total operating expenses	<u>11</u>	<u>12</u>

4 Income tax equivalents

	2012	2011
	\$'000	\$'000
(a) Income tax equivalents		
Current tax		
Current tax	21,009	13,862
Adjustments to the prior year income tax expense	1,011	(1,425)
	<u>22,020</u>	<u>12,437</u>
Deferred tax		
Deferred tax expense recognised in the current year	(4,922)	2,400
	<u>(4,922)</u>	<u>2,400</u>
Total income tax equivalents recognised in the current year	<u>17,098</u>	<u>14,837</u>

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

Profit from continuing operations before income tax equivalents expense	53,559	53,743
Income tax calculated @ 30%	16,068	16,123
Other items		
- Other Non-deductible items	6	139
- Share of JV profits and partner share of profits	13	-
Adjustment to prior year income tax expense	1,011	(1,425)
Income tax equivalents expense	<u>17,098</u>	<u>14,837</u>

ACTEW Distribution is exempt from Federal income tax.

Notes to the financial statements

for the year ended 30 June 2012

4 Income tax equivalents (continued)

Tax consolidation legislation

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

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

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

5 Dividends

	2012 \$'000	2011 \$'000
Balance at the beginning of the financial year	38,906	45,089
Amount appropriated from profit for the year	36,461	38,906
	<u>75,367</u>	<u>83,995</u>
Dividends paid during the year	(38,906)	(45,089)
Balance at the end of the financial year	<u>36,461</u>	<u>38,906</u>

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

	2012 \$'000	2011 \$'000
Investments in the ActewAGL Distribution Partnership	533,242	496,722
Total investment	<u>533,242</u>	<u>496,722</u>

7 Current liabilities - payables

	2012 \$'000	2011 \$'000
Trade payables	24	24
Total trade payables	<u>24</u>	<u>24</u>

8 Current liabilities - dividends payable

	2012 \$'000	2011 \$'000
Dividend	36,461	38,906
Total dividends payable	<u>36,461</u>	<u>38,906</u>

Notes to the Financial Statements

for the period ended 30 June 2012

Note 9: Deferred tax balances

2012	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
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Temporary Differences

Distributions from ActewAGL Distribution Partnership	(34,715)	5,115	-	(29,600)
Accruals	3	(1)	-	2
Asset Revaluation	(17,025)	-	-	(17,025)
Hedge Reserve	17	-	(17)	-
	<u>(51,720)</u>	<u>5,114</u>	<u>(17)</u>	<u>(46,623)</u>

2011	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
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Temporary Differences

Distributions from ActewAGL Distribution Partnership	(32,310)	(2,405)	-	(34,715)
Accruals	3	-	-	3
Asset Revaluation	(17,025)	-	-	(17,025)
Hedge Reserve	-	-	17	17
	<u>(49,332)</u>	<u>(2,405)</u>	<u>17</u>	<u>(51,720)</u>

10 Non-current liabilities - other

	2012 \$'000	2011 \$'000
Intercompany loan liability - ACTEW Corporation Limited	410,009	365,948
Total other	<u>410,009</u>	<u>365,948</u>

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

Notes to the financial statements

for the year ended 30 June 2012

11 Contributed equity

	2012	2011
(a) Share capital :	Shares	Shares
Ordinary shares fully paid	400,000	400,000
Total share capital	400,000	400,000

	2012	2011
(b) Total Capital	\$'000	\$'000
Ordinary shares fully paid	400	400
Total capital	400	400

Par Value

Changes to the Corporations Law abolished the authorised capital and par concept in relation to share capital from 1 July 1998.

Therefore, company does not have a limited amount of authorised capital and issued shares do not have a Par value.

12 Reserves

	2012	2011
Asset revaluation reserve	\$'000	\$'000
ActewAGL Distribution Partnership revaluation	39,725	39,725
Total Reserves	39,725	39,725
Movements in the asset revaluation reserve:		
Balance at the beginning of the financial year	39,725	39,725
Balance at the end of the financial year	39,725	39,725

(i) Asset Revaluation Reserve

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

Notes to the financial statements

for the year ended 30 June 2012

13 Retained profits

	2012 \$'000	2011 \$'000
Retained profits at the beginning of the financial year	-	-
Net profit for the year	36,461	38,906
Dividends provided for	(36,461)	(38,906)
Retained profits at the end of the financial year	-	-

a) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists.

14 Contingent liabilities

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

15 Commitments for expenditure

As at 30 June 2012, the Company had not committed to any future expenditure (2011 - Nil)

Notes to the financial statements

for the year ended 30 June 2012

16 Related parties

Director disclosures

(a) Directors

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

M. Sullivan
R Knee
S Wallace

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

(b) Remuneration of directors

(i) Directors' fees

No director has been remunerated in respect of ACTEW Distribution Limited (2011 - Nil)

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2012 (2011 - Nil). All remuneration of key management personnel is paid through ACTEW Corporation Limited.

(iii) Loans to directors

There were no loans to any directors as at 30 June 2012 (2011 - Nil)

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

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

(c) Key management personnel remuneration

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

(d) Parent entity

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

The ultimate parent entity is the ACT Chief Minister and Deputy Chief Minister who own 100% of the shares of ACTEW Corporation Limited.

The principal activity of the Company is to manage a 50% interest in a joint venture between ACTEW Corporation Limited and Jemena Networks (ACT) Pty Ltd.

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

	Note	2012 \$	2011 \$
The following transactions occurred with related parties:			
Revenue from the ActewAGL Distribution Partnership	2	53,569,970	53,754,520
The following balances are outstanding at the reporting date in relation to transactions with other related parties:			
Dividend payable to ACTEW Corporation Limited	5	36,461,217	38,905,273
Intercompany loan liability - ACTEW Corporation Limited	10	410,008,611	365,946,171

Notes to the financial statements

for the year ended 30 June 2012

17 Interests in joint venture

ACTEW Distribution Limited have entered into joint venture partnership Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and ACT and Queanbeyan gas networks.

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

	2012 \$'000	2011 \$'000
Share of the ActewAGL Distribution Partnership's commitments		
Lease commitments	30,397	26,769
Capital and other commitments	32,429	47,575
Total expenditure commitments	<u>62,826</u>	<u>74,344</u>

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

Each of the partners in the ActewAGL Distribution Partnership are jointly and severally liable for the debts of the Partnership. The assets of the Partnership exceed its debts. As at 30 June 2012 there was no contingent liabilities for any Joint Ventures.

18 Events subsequent to balance date

ACTEW owns ACT's water infrastructure and assets, with ActewAGL Water Division contracted to manage, operate and maintain ACTEW's network and business in accordance with the Utilities Management Agreement (UMA) entered into by ACTEW and ActewAGL. ACTEW has 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 water and sewerage business has been integrated into ACTEW. The integration took effect on 1 July 2012.

ACTEW Retail Limited

ABN 23 074 371 207

General Purpose

Financial Report

for the year ended 30 June 2012

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This financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 30 Aug 2012.

ACTEW Retail Limited

Company Profile

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

Principal Registered Office

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

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

Principal Place of Business

Level 5, ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

Auditor

Auditor-General for the ACT

Solicitors

King & Wood Mallesons
Minter Ellison

Bankers

Westpac Banking Corporation

ACN 074 371 207
ABN 23 074 371 207

Directors' Report

In respect of the financial year ended 30 June 2012 the Directors of ACTEW Retail Limited submit the following report made out in accordance with a resolution of the Directors.

Directors

Mark Anthony Sullivan AO, Chairman
Simon Peter Wallace
Ross Munro Knee

Company Secretary

Michele Norris

Directors' Meetings

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

Director	No. of meetings attended	No. of meetings eligible to attend
MA Sullivan AO	1	1
SP Wallace	1	1
RM Knee	1	1

Principal activities / likely developments and expected results of operations

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

On 5 April 2012 the Company 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. The Company holds the 50% interest of ACTEW Corporation Limited in ActewAGL Generation Pty Ltd.

Trading Results and Dividends

A dividend of \$20,473,000 (2010: \$19,820,000) has been declared by the directors to be paid which is 100% of 30 June 2012 after tax net profit.

Review of operations

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

Since 5 April 2012 the Company has held the 50% interest of ACTEW Corporation Limited in ActewAGL Generation Pty Ltd.

Significant changes in the state of affairs

There were no significant changes in the state of affairs.

Matters subsequent to the end of the financial year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulations

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

Insurance of Officers

ACTEW had in place during the financial year a package of insurance that included insurance for directors and officers of ACTEW, its controlled entities and the ActewAGL Joint Venture.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position. The policy also applies if a claim is made against directors or officers after they have left the service of ACTEW, where the claim was over events during the ACTEW service.

Indemnity of Officers

ACTEW has indemnified directors and officers of the corporation and wholly owned subsidiary companies against liabilities and legal costs arising in the course of their duties including as a director appointed by ACTEW or by a subsidiary company of ACTEW to serve on the board of a company or partnership that is part owned directly or indirectly by ACTEW or by a subsidiary company of ACTEW, to the extent permitted by *Corporations Act 2001*. This indemnity is to operate only where and to the extent that the director or officer is unable to require an insurer to meet the damage, liability, cost, loss or expense.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by the *Corporations Act 2001* is set out on page 8.

Rounding of Amounts

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

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



Mark Sullivan AO
Chairman
Canberra

30 August 2012



Simon Wallace
Director
Canberra

30 August 2012

ACTEW Retail Limited

Directors' Declaration

In the director's opinion:

(a) the financial statements and notes set out on pages 9 to 20 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 Company'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.



Mark Sullivan AO
Chairman
Canberra

30 August 2012



Simon Wallace
Director
Canberra

30 August 2012



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

ACTEW RETAIL LIMITED

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

Report on the financial report

The financial report of ACTEW Retail Limited (the Company) for the year ended 30 June 2012 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

Responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements, *Corporations Act 2001* and *Corporations Regulations 2001*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial report.

The auditor's responsibility

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

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

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

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

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

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 Retail Limited

In relation to the audit of the financial statements of ACTEW Retail Limited 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.

Dr Maxine Cooper
Auditor-General
30 August 2012

Statement of comprehensive income

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		27,702	29,544
Other revenue from ActewAGL Retail Partnership		69	69
Total revenue	2	<u>27,771</u>	<u>29,613</u>
Expenses	3	<u>11</u>	<u>12</u>
Total expenses		<u>11</u>	<u>12</u>
Profit before income tax equivalents expense		27,760	29,601
Income tax equivalents expense	4	7,287	9,781
Profit for the year		<u>20,473</u>	<u>19,820</u>
Attributable to:			
Owners of ACTEW Retail Limited		20,473	19,820
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>20,473</u>	<u>19,820</u>
Attributable to:			
Owners of ACTEW Retail Limited		20,473	19,820
		<u>20,473</u>	<u>19,820</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 13 to 20.

Balance sheet

as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Current assets			
Receivables	6	<u>6,737</u>	<u>6,737</u>
Total current assets		<u>6,737</u>	<u>6,737</u>
Non current assets			
Investments accounted for using the equity method	7	37,064	35,943
Deferred tax balances	8	<u>7,229</u>	<u>-</u>
Total non current assets		<u>44,293</u>	<u>35,943</u>
Total assets		<u>51,030</u>	<u>42,680</u>
Current Liabilities			
Payables	9	24	24
Dividend payable	10	<u>20,473</u>	<u>19,820</u>
Total current liabilities		<u>20,497</u>	<u>19,844</u>
Non current liabilities			
Deferred tax balances	8	-	8,539
Other	11	<u>29,533</u>	<u>13,297</u>
Total non-current liabilities		<u>29,533</u>	<u>21,836</u>
Total liabilities		<u>50,030</u>	<u>41,680</u>
Net assets		<u>1,000</u>	<u>1,000</u>
Equity			
Contributed equity	12	1,000	1,000
Retained profits	13	<u>-</u>	<u>-</u>
Total equity		<u>1,000</u>	<u>1,000</u>

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 13 to 20.

Statement of cash flows

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Distributions received from the ActewAGL Retail Partnership		26,650	24,325
Payments to suppliers and employees (inclusive of goods and services tax)		(11)	-
Net cash inflow from operating activities		<u>26,639</u>	<u>24,325</u>
Cash flows from financing activities			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(23,055)	(8,283)
Payment of dividends to ACTEW Corporation Limited		(19,820)	(20,905)
Net cash (outflow) from financing activities		<u>(42,875)</u>	<u>(29,188)</u>
Net (decrease) in cash held		<u>(16,236)</u>	<u>(4,863)</u>
Financed by			
Parent Company intercompany loan account movements			
Balance at the beginning of the financial year		(13,297)	(8,434)
Balance at the end of the financial year		(29,533)	(13,297)
Total movement		<u>(16,236)</u>	<u>(4,863)</u>

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 13 to 20.

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

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

Statement of changes in equity

for the year ended 30 June 2012

	Capital \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 July 2010	1,000	-	1,000
Total comprehensive income for the year	-	19,820	19,820
Transactions with owners in their capacity as owners			
Dividends provided for or paid	-	(19,820)	(19,820)
Balance at 30 June 2011	1,000	-	1,000
Total comprehensive income for the year	-	20,473	20,473
Transactions with owners in their capacity as owners			
Dividends provided for or paid	-	(20,473)	(20,473)
Balance at 30 June 2012	1,000	-	1,000

The above statement of changes in equity should be read in conjunction with the accompanying notes as set out on pages 13 to 20.

Notes to the financial report

for the year ended 30 June 2012

Note 1: Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and other requirements of the law.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

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

Early Adoption of Standards

The Group has elected 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

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

Rounding of amounts

ACTEW Retail is a company of the kind referred to in ASIC Class Order 96/100, 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) Income Tax Equivalents

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

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

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

The likelihood of default by the Head Company of tax payments payable to the ACT Revenue Office on behalf of its subsidiaries is considered to be remote.

Tax consolidation legislation

ACTEW Corporation and its wholly-owned Australian controlled entities implemented tax consolidation from 1 July 2003.

ACTEW Retail Limited, as a subsidiary in the tax consolidation group, continues to account for its own current and deferred tax amounts. The tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Notes to the financial report

for the year ended 30 June 2012

Note 1: Summary of significant accounting policies (continued)

(c) Acquisitions of assets

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable when the service is provided.

Revenue from the sale of goods or disposal of assets is only recognised when the control of goods or assets has passed to the buyer and it is probable the consideration will flow to the entity.

(e) Trade receivables

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

(f) Trade and other payables

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

(g) Joint venture partnership

The interests in the ActewAGL Retail Partnership and ActewAGL Generation Pty Ltd are accounted for using the equity method. Under this method, the share of profit or losses of the partnership is recognised as revenue in the statement of comprehensive income, and the share movement in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 17: 'Interest in Joint venture'.

(h) Cash and cash equivalents

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

(i) Dividends

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

(k) Goods and Services Tax (GST)

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

(l) Going Concern

The financial report has been prepared on a going concern basis. ACTEW Retail Limited is a holding company of ACTEW Corporations Limited with a 100% dividend payment policy to its shareholders. This contemplates the realisation of assets and settlements of liabilities in the ordinary course of business.

Notes to the financial report

for the year ended 30 June 2012

Note 2: Revenue from continuing operations

	2012 \$'000	2011 \$'000
Revenue		
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method	27,702	29,544
Other revenue from the ActewAGL Retail Partnership	69	69
Total Revenue	<u>27,771</u>	<u>29,613</u>

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

Note 3: Expenses

	2012 \$'000	2011 \$'000
Expenses		
Total operating expenses	<u>11</u>	<u>12</u>
	<u>11</u>	<u>12</u>

Note 4: Income tax equivalents

	2012 \$'000	2011 \$'000
(a) Income tax equivalents expense		
Current tax	22,521	7,396
Adjustments to prior year income tax expense	(1,068)	891
	<u>21,453</u>	<u>8,287</u>
Deferred tax		
Deferred tax expense recognised in the current year	(14,166)	1,494
Deferred tax reclassified from equity to profit or loss	-	-
	<u>(14,166)</u>	<u>1,494</u>
Total income tax equivalents recognised in the current year	<u>7,287</u>	<u>9,781</u>
(b) Numerical reconciliation of income tax equivalents expense to the prima facie tax payable		
Profit from continuing operations before income tax equivalents expense	27,760	29,601
Income tax calculated @ 30%	8,328	8,880
Other items		
- Other non-assessable items	-	(13)
- Other non-deductible items	10	23
- Share of JV profits and partner share of profits	18	-
- Adjustment to the prior year income tax expense	(1,069)	891
Income tax equivalents expense	<u>7,287</u>	<u>9,781</u>

Notes to the financial report

for the year ended 30 June 2012

Note 4: Income tax equivalents (continued)**Tax consolidation legislation**

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

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

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

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

Note 5: Dividends

	2012 \$'000	2011 \$'000
Balance at the beginning of the financial year	19,820	20,905
Amount appropriated from operating profit for the year	20,473	19,820
	<u>40,293</u>	<u>40,725</u>
Dividends paid during the year	19,820	20,905
Balance at the end of the financial year	<u>20,473</u>	<u>19,820</u>

Note 6: Current asset - receivables

	2012 \$'000	2011 \$'000
Receivable from ACTEW Corporation Limited for tax losses	6,737	6,737
Total receivables	<u>6,737</u>	<u>6,737</u>

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

	2012 \$'000	2011 \$'000
Investments in the ActewAGL Retail Partnership and ActewAGL Generation Pty Ltd	37,064	35,943
Total investments	<u>37,064</u>	<u>35,943</u>

Notes to the financial report

for the year ended 30 June 2012

Note 8: Deferred tax balances

2012	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
Temporary Differences				
Distributions from ActewAGL Retail Partnership	(8,542)	15,770	-	7,228
Accrual	6	-	-	6
Other	(3)	(2)	-	(5)
	<u>(8,539)</u>	<u>15,768</u>	<u>-</u>	<u>7,229</u>
2011	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
Temporary Differences				
Distributions from ActewAGL Retail Partnership	(7,046)	(1,496)	-	(8,542)
Accruals	4	2	-	6
Other	-	-	(3)	(3)
	<u>(7,042)</u>	<u>(1,494)</u>	<u>(3)</u>	<u>(8,539)</u>

Note 9: Current liabilities - payables

	2012 \$'000	2011 \$'000
Other creditors and accruals	24	24
Total accounts payable	<u>24</u>	<u>24</u>

Note 10: Current liabilities - dividends payable

	2012 \$'000	2011 \$'000
Dividend payable to ACTEW Corporation Limited	20,473	19,820
Total dividends payable	<u>20,473</u>	<u>19,820</u>

Notes to the financial report

for the year ended 30 June 2012

Note 11: Non-current liabilities - Other

	2012	2011
	\$'000	\$'000
Intercompany loan liability - ACTEW Corporation Limited	(a) 29,533	13,297
Total Other	29,533	13,297

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

Note 12: Contributed equity

	2012	2011
	Shares	Shares
Share capital :		
(a) Ordinary shares fully paid	1,005	1,005
Total share capital	1,005	1,005
	2012	2011
	\$	\$
(b) Ordinary shares fully paid	1,000,005	1,000,005
Total capital	1,000,005	1,000,005

Changes to the Corporations Law abolished the authorised capital and par concept in relation to share capital from 1 July 1998. Therefore, company does not have a limited amount of authorised capital and issued shares do not have a Par value.

Note 13: Retained profits

	2012	2011
	\$'000	\$'000
Retained profits at the beginning of the financial year	-	-
Net profits	20,473	19,820
Dividends provided for	(20,473)	(19,820)
Retained profits at the end of the financial year	-	-

Note 14: Contingent liabilities

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

Notes to the financial report

for the year ended 30 June 2012

Note 15: Commitments for expenditure

As at 30 June 2012, the Company had not committed to any future expenditure (2011 - Nil).

Note 16: Related parties

Directors and Director Related Entities

(a) Directors

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

M. Sullivan

R. Knee

S. Wallace

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

(b) Remuneration of directors

(i) Directors' remuneration

No director has been remunerated in respect of ACTEW Retail Limited (2011 - Nil).

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2012 (2011 - Nil).

(iii) Loans to directors

There were no loans to any directors as at 30 June 2012 (2011 - Nil).

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

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

(c) Key management personnel remuneration

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

(d) Parent entity

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

The ultimate parent entity is the ACT Chief Minister and Deputy Chief Minister who own 100% of the shares of ACTEW Corporation Limited.

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

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

		2012	2011
		\$	\$
	Note		
The following transactions occurred with related parties:			
Revenue from the ACTEW Retail Partnership	2	27,701,661	29,544,177
The following balances are outstanding at the reporting date in relation to transactions with other related parties:			
Receivables from ACTEW Corporation Limited	6	6,736,996	6,736,996
Dividend payable to ACTEW Corporation Limited	5	20,473,000	19,820,000
Intercompany loan liability - ACTEW Corporation Limited	11	29,533,441	13,297,032

Notes to the financial report

for the year ended 30 June 2012

Note 17: Interests in joint ventures

ACTEW Retail Ltd has entered into a joint venture partnership with AGL Energy Ltd to market the retail operations of the ACT electricity and ACT and Queanbeyan gas networks.

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

Share of the ActewAGL Retail Partnership commitments	2012 \$'000	2011 \$'000
Lease commitments	7,655	7,582
Capital and other commitments	1,654	1,156
Total expenditure commitments	<u>9,309</u>	<u>8,738</u>

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 in the ActewAGL Generation Pty Ltd. As at 30 June 2012, there were no transactions relating to the company.

Each of the partners in the ActewAGL Retail Partnership are jointly and severally liable for the debts of the Partnership. The assets of the Partnership exceed its debts. As at 30 June 2012 there was no contingent liabilities for any Joint Ventures.

Note 18: Events subsequent to balance date

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

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C.12 Strategic Bushfire Management Plan	n/a
C.13 Strategic Asset Management	n/a
C.14 Capital Works	n/a
C.15 Government Contracting	n/a
C.16 Community Grants/Assistance/Sponsorship	24-26
C.17 Territory Records Act	26
C.18 Commissioner for the Environment	26
C.19 Ecologically Sustainable Development	26
C.19 ACT Multicultural Strategy	n/a
C.20 Climate Change and Greenhouse Gas Reduction policies and programs	9-10
C.21 Aboriginal and Torres Strait Islander Reporting	n/a
C.22 ACT Multicultural Strategy 2010-2013	n/a
C.23 ACT Strategic Plan for Positive Ageing 2010-2015	n/a
C.24 ACT Women's Plan	n/a
C.25 Model Litigant Guidelines	27
C.26 Use of Terrorism Powers	n/a
C.27 Notices of Noncompliance	n/a

Omissions report

Reporting Requirement	Reason/s for Omissions
A.8 Strategic Indicators	Not applicable to ACTEW.
A.10 Triple Bottom Line Report	Not applicable to ACTEW.
B.4 Legislative Report	Not applicable to ACTEW.
C.6 HR Performance	Not applicable to ACTEW.
C.8 Learning and Development	Not applicable to ACTEW.
C.10 Workplace Relations	Not applicable to ACTEW.
C.12 Strategic Bushfire Management Plan	Not applicable to ACTEW.
C.13 Strategic Asset Management	Not applicable to ACTEW. However ACTEW manages its assets and infrastructure through its capital works program. Refer to page 8.
C.14 Capital Works	Not applicable to ACTEW. However details of ACTEW's capital works program are at page 8.
C.15 Government Contracting	Not applicable to ACTEW.
C.21 Aboriginal and Torres Strait Islander Reporting	Not applicable to ACTEW.
C.22 ACT Multicultural Strategy 2010-2013	Not applicable to ACTEW.
C.23 ACT Strategic Plan for Positive Ageing 2010-2014	Not applicable to ACTEW.
C.24 ACT Women's Plan 2010-2015	Not applicable to ACTEW.
C.26 Use of Terrorism Powers	Not applicable to ACTEW.
C.27 Notices of Noncompliance	Not applicable to ACTEW.