

2004

ANNUAL  
REPORT





## OUR MISSION

- To maximise the return on our water, energy and communication investments.
- To prudently manage public assets to provide sustainable water and sewerage services in the ACT Region.

## OUR STAKEHOLDERS

- Our owners are entitled to a commercial return on their investment.
- Be an active participant in and supporter of our community.
- Our professional staff to be significant contributors to the achievement of our objectives.

## OUR VALUES

- Quality management of our assets and the competitiveness of our services are fundamental to the continuing success of our business.
- Maintain our high standards of probity and governance.
- Maximise the environmental benefit from our asset management and service provision functions.
- Act fairly and professionally with our stakeholders.
- Operate in a commercial manner mindful of our public accountabilities.

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# Company Profile

ACTEW Corporation Limited (ACTEW) is a company wholly owned by the ACT Government and has assets and investments in water, sewerage, electricity, gas and telecommunications totalling more than \$1.4b.

ACTEW was established on 1 July 1995. As a government owned company, ACTEW has reporting and compliance obligations under Corporations Act 2001 and various ACT legislation.

ACTEW owns the water and sewerage business and assets in the ACT and is a 50 per cent owner of ActewAGL, a multi utility provider of electricity and gas services, and operator of the water and sewerage business. The Corporation also holds a 24.9% interest in TransACT Communications Pty Limited, a broadband and telecommunications company.

ACTEW has three wholly owned subsidiary companies: ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.

## Directors at 30 June 2004

Mr James G Service AO (Chairman)

Mr Michael B Easson AM (Deputy Chairman)

Mr Kevin L Neil

Mr Michael J Costello AO

Mr Edward W Mathews PSM

Mrs Elizabeth A Whitelaw

Ms Barbara M Byrne

## Secretary

Ms Michele Norris

## Principal Registered Office

Level 9 ActewAGL House  
221 London Circuit  
CANBERRA ACT 2601  
Telephone (02) 6248 3111  
www.actew.com.au

## Auditor

Auditor-General of the Australian Capital Territory

## Solicitors

Mallesons Stephen Jaques Minter Ellison

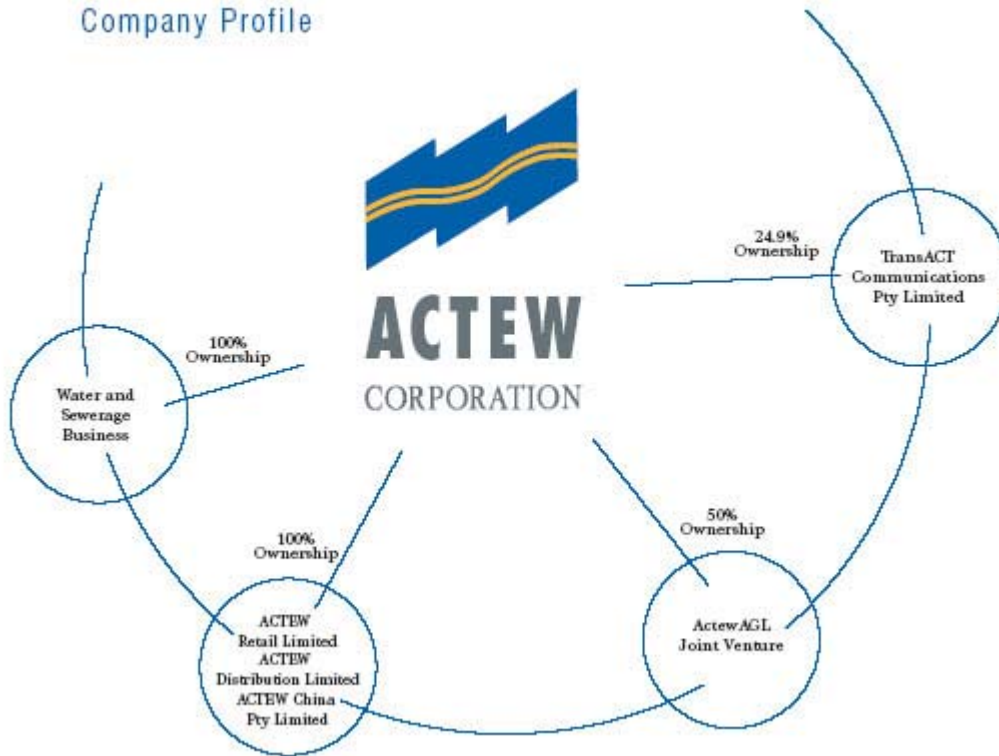
## Bankers

Westpac Banking Corporation  
Reserve Bank of Australia

ABN 86 069 381 960



## Company Profile



ACTEW owns the ACT's water and sewerage business and assets. ActewAGL operates and maintains the water and sewerage networks under an alliance contract agreement with ACTEW.

ACTEW has three wholly owned subsidiary companies: ACTEW Retail Limited and ACTEW Distribution Limited which are ACTEW's partnership companies in ActewAGL; and ACTEW China Pty Limited which holds business investments in the People's Republic of China

ACTEW owns 50% of ActewAGL, a multi- utility joint venture with AGL. ActewAGL is structured as two partnerships; ActewAGL Retail and ActewAGL Distribution.

ACTEW holds a 24.9% investment in TransACT Communications Pty Limited, a company building and managing an advanced broadband communications network across the ACT.



## Highlights for 2003-04

- Release of a report *Options for the Next ACT Water Source* to develop options for a new water source for the ACT
- Ongoing management of mandatory water restrictions including the introduction of Stage 3 restrictions resulted in 23GL of water being saved during the year
- Construction commenced on water treatment facilities at Mt Stromlo Water Treatment Plant and Googong Water Treatment Plant at a total cost of \$55m
- After tax profit of \$52.2m excluding asset writedown
- Contingency planning to secure the ACT's water supply in light of the ongoing drought commenced with two options identified for implementation in late 2004
- Remediation of the Cotter Catchment affected by the 2003 bushfires ongoing with \$4.5m to be spent over three years
- Sponsorship and Community Support Program assisted twenty local organisations and charities
- Appointment of two new directors to the ACTEW Board
- Significant progress with the development of a long term commercial contract with ActewAGL for the operation and management of ACTEW's water and sewerage assets
- Independent Competition and Regulatory Commission determined a four year price path from 1 July 2004 of CPI plus 2.5% for water and CPI plus 1.0% for wastewater



## Chairman's Report



The financial year 2003–04 continued to be challenging as was the previous year. I report on a number of significant events during the year.

### Water Supply

The major tasks of ACTEW during the year were directed towards assuring a reliable water supply for the Canberra community following the bushfires of January 2003 and the continuing record drought affecting most areas of Australia:

- A new water treatment plant at Stromlo and an expanded Googong water treatment plant to be ready for the coming summer
- Refurbishment of the existing Stromlo water treatment plant
- Release by ACTEW of a paper in April 2004 regarding "*Options for the Next ACT Water Source*". After community consultation ACTEW is to advise the ACT Government in early 2005 on the options
- Development of contingency plans for water supply
- Significant expenditure on catchment remediation

ACTEW will be working with the ACT Government to achieve the targets and objectives expressed in the *Think water, act water* strategy paper released by the ACT Government in April 2004.

The Canberra community have rallied magnificently to assist in the conservation of water ever since water restrictions were

introduced in late 2002. There has been a significant reduction in water usage.

### Financial Performance

Despite reduced revenue from water restrictions, a significantly increased capital expenditure program and fire recovery costs, ACTEW was able to increase earnings before interest, tax, and Transact writedown above the previous year's level. A major contributor to this result was the ActewAGL Joint Venture profits that were up 20% on previous years. To assist ACTEW's cash flow with the major capital expenditure program being undertaken, the 2003–04 interim dividend has been postponed to 2004–05. Details of the Group's performance are given in the review by the Managing Director and operational and financial reports following.

### TransACT

ACTEW continues to hold a 24.9% interest in the broadband and telecommunications company TransACT Communications Pty Limited (TransACT). During the year there was a major examination of the strategic direction of TransACT and a number of recommendations were adopted by its shareholders. In February 2004 TransACT outsourced most of its operations to ActewAGL. This arrangement will benefit TransACT with synergies and the expertise of ActewAGL. ACTEW has confidence in TransACT. However the industry will continue to be highly competitive.



## Corporate Governance

ACTEW's corporate governance has been strengthened with the formation in August 2003 of an Audit and Risk Management Committee reporting to the Board. Previously this function was performed by the Board. A major task undertaken by this Committee during the year was a complete review of risk management, with expert advice, culminating in a comprehensive risk management document.

## Board of Directors

A special welcome is extended to Elizabeth Whitelaw and Barbara Byrne who joined the Board in December 2003 and January 2004 respectively. Both Directors are experienced and qualified to make a significant contribution to the Board. Our Company Secretary Peter Carrigy-Ryan had been with us since the formation of the ActewAGL Joint Venture in October 2000 and left us in December 2003 having completed his contractual term. Michele Norris, an ACTEW employee has replaced Peter and I am sure her contribution to the Board will be significant.

Paul Perkins who retired as Chief Executive in May 2003, formally retired as a Director on 3 September 2003. Paul's contribution to ACTEW over the past sixteen years has been invaluable and I thank him for this.

## Audit Qualification

The Auditor-General of the Australian Capital Territory has qualified in 2003-04 the Financial Statements of ACTEW in respect of the application of UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of Non-Current Assets. The qualifications in respect of Equity Accounting and Recoverable Amount of the Investment in TransACT relate to 2002-03 and were covered in last year's Annual Report.

I do wish to comment in respect of UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of Non-Current Assets.

In the opinion of the Directors of ACTEW, if the Financial Statements had been presented in accordance with the view of the Auditor-General, that is, without the qualifying note, they would not have presented a true and fair view as required by section 297 of Corporations Act.

The Directors of ACTEW consider that Contributions of Non Current Assets are on capital account not revenue account. However the Financial Statements have been prepared in compliance with UIG 11 and Accounting Standards.

Section 296 of the Corporations Act requires that the financial report comply with the Accounting Standards, and although section 297 requires that the financial report give a "true and fair view", that does not affect the obligation under section 296.



Section 295(4) requires that the Directors, in their declaration (which forms part of the financial report) state whether, in their opinion, the financial statements and notes not only comply with Accounting Standards, but also present a true and fair view. Accordingly, the Corporations Act itself recognises that compliance with the Accounting Standards may not result in the presentation of a true and fair view. That conclusion is supported by section 295(3), which, in requiring that any notes include those required by the Accounting Standards, also requires that the notes include "any other information necessary to give a true and fair view". Amendments (CLERP 9) to the Corporations Act 2001 to be applicable from the 2004–05 financial year reinforce the "true and fair view" criterion and take the responsibility of Directors further, obliging Directors to explain in the Directors' Report, if they believe that complying with the accounting standards does not present a "true and fair" view.

If ACTEW were a company listed on the Australian Stock Exchange it would be required when making any announcement to the market to comply with the following; "True and fair view. If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view".

The Auditor-General is, of course, entitled to form any opinion that she wishes. The Directors, who are responsible for the accounts, have a Corporations Act duty to form their own opinion and express it. That is what they have done and will continue to do.

## Board and Employees

During the year, the contribution of the Board and employees with their dedication and hard work in this challenging year has been superior and I thank them for that.



J G Service AO  
Chairman



## Directors' Profiles



**James G Service AO**  
**Chairman FCPA FCIS**

Jim Service was appointed a Director and Chairman of the ACTEW Board on June 30, 1995 and is also Chairman of the ActewAGL Joint Venture Board. He is Chairman of Tower Software Engineering Pty Limited, TransACT Communications Pty Limited, Australand Wholesale Investments Limited and Portus Pty Limited. Mr Service is Deputy Chairman of Australand Property Group, and a Director of Challenger Financial Services Group, Capital Airport Group Pty Limited, CapitaMall Trust Management Limited (Singapore) and Executive Chairman of the J G Service Pty Limited Group. His community involvements include Chairman of the ACT Salvation Army Advisory Board, Director of the National Gallery of Australia Foundation and a Trustee of the CFMEU Children's Healthcare Trust. He is an Adjunct Professor of the National Institute for Governance and was the 2001 Canberra Citizen of the Year.

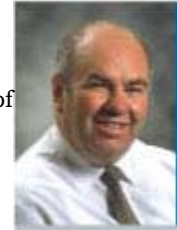


**Michael B Easson AM**  
**Deputy Chairman**  
**BA (Hons) FAICD**

Michael Easson is Chairman of the EG Property Group and an adviser to Allens Arthur Robinson. Mr Easson is a Director of the Macquarie Infrastructure

Group, Stadium Australia Management, Sydney Light Rail and a Member of the ActewAGL Joint Venture Board. He has been a Director of the ACTEW Board since 11 July 1995 and Deputy Chairman since 29 May 1996.

**Kevin L Neil MAICD**



Kevin Neil was appointed a Director of ACTEW on 6 December 2000. He was previously Chief Executive of the Canberra Raiders Football Club and ACT Manager for Linfox Transport. Mr Neil is a Director of Independent Liquor Retailers and a Member of the Australian Institute of Company Directors.

**Michael J Costello**  
**AO BA LLB**



Michael Costello is the Managing Director of ACTEW Corporation. He is currently Chairman of ECOWISE Environmental Pty Limited, a Member of the ActewAGL Joint Venture Board and Chairman of Softlaw Corporation Limited. Mr Costello was previously Deputy-Managing Director of the Australian Stock Exchange and a Director of Export Finance Insurance Corporation and the Australian Trade Commission. He was Chief of Staff to both the former Opposition Leader, the Hon Kim Beazley MP and the

## Directors' Profiles



**Barbara M Byrne  
FAICD**

Barbara Byrne had more than 38 years service in the Commonwealth Public Service and for more than eleven years has worked in voluntary positions in the strategic management of clubs and non government community support agencies. She is currently President of the Canberra Labor Club Group and a past Vice President of both Volunteering ACT and Clubs ACT. In 2002 Ms Byrne was awarded the Outstanding Service to the Club Industry Award and in 2003 a Centenary Medal in recognition of her many years of voluntary work in the community. In April 2004 she was appointed an Honorary Ambassador for Canberra in recognition of her personal contribution in assisting Canberra to develop a significant business base. Ms Byrne was appointed a Director of ACTEW Corporation on 22 January 2004.

**Paul J Perkins BBus DipLGA  
AMP (Harv) FCPA FAICD**

Paul Perkins was a Director of ACTEW Corporation from 22 December 2000 until his resignation on 3 September 2003.



# Managing Director's Report



During 2003–04 ACTEW continued its role as an investor in the energy and broadband technology businesses and the

owner of water and sewerage assets in the ACT. In the energy business, gas and electricity, we are a partner with AGL in the ActewAGL Joint Venture. Under an Alliance Contract, ActewAGL has operational responsibility for water and sewerage. However our major focus during the year was water strategy.

## Water Strategy

The Chairman in his report detailed the tasks ACTEW has undertaken during the year to strengthen ACTEW's ability to supply water. I wish to comment further on the water supply options.

In April 2004 ACTEW held a public meeting to present a paper on "Options for the Next ACT Water Source". This is a critical decision for the Canberra community and ACTEW has to work in partnership with the community and the ACT Government to further investigate the full range of issues, including hydrological, economic, environmental and social factors. It is envisaged that detailed cost–benefit, environmental and social analyses will be completed by March 2005.

The April 2004 paper was subsequent to a preliminary investigation of nearly thirty possible options with eleven options

undergoing further detailed analysis culminating in three options for further detailed analysis:

- An enlarged Cotter Dam at the site of the existing Cotter Dam
- Water supply from the existing Tantangara Dam into the Cotter catchment
- The Tennent Dam on the Gudgenby River just south of Mt Tennent with pumping to the Stromlo water treatment plant or a new Tennent water treatment plant

ACTEW will also continue to work with the ACT Government on water conservation measures in their Think water, act water strategy paper as well as the issues of environmental flows and the ACT's entitlement to water from the Murray- Darling Basin. The ACTEW Drought Management Task Force has done a magnificent job in managing water restrictions.

At 30 June 2004 dam storage levels were Bendora 79.8% (2003: 89.1%), Corin 57.7% (2003: 40.1%), Googong 35.3% (2003: 41.1%) and combined 45.6% (2003: 43.2%). The Canberra community is to be congratulated for their acceptance of water restrictions and careful water use.

Work on the Mt Stromlo and Googong Water Treatment Plants is progressing well for completion by summer and contingency plans are well advanced.

## Financial Performance

During the year, in accordance with accounting standards, ACTEW wrote down its investment in TransACT to nil reflecting TransACT management's focus on operational efficiencies instead of returns to shareholders in the short to medium term. ACTEW does not expect any returns from TransACT in the medium term, but does have confidence in the implementation of the TransACT strategy. The non cash writedown amounted to \$40m.

Adjusting for the 2003–04 TransACT non cash writedown of \$40m, the after tax profit of ACTEW for 2003–04 was \$52.2m (2003: \$57.3m adjusted by TransACT writedown of \$13.9m). The main contributor to the result was the profit of the ActewAGL Joint Venture that was up \$8.8m on 2002–03. This was offset by reduced water revenue of \$6.1m (adjusted for comparability) on 2002–03 as a result of water restrictions. Operating costs were up \$5.1m on last year as a result of increased costs from catchment remediation, fire damage recovery, major maintenance and costs associated with water restrictions administration.

Income tax expense increased as a result of increased profitability and adjustments to prior year income tax effect balances.

## Financial Position

The financial position of ACTEW remains strong. Cash flows from operations and the ActewAGL Joint Venture were \$87.7m (2003: \$92.1m). ACTEW is reducing its debt at the rate of \$9m per year and has cash and liquids of \$66.1m at 30 June 2004 (2003: \$46.7m). These liquids are expected to decline with the major water treatment capital expenditure program underway resulting in some possible new borrowing at the end of 2004–05. The postponement of the 2003–04 interim dividend to 2004–05 will assist financing of the capital expenditure program.

Tax payments to the ACT Government during the year were \$12.6m (2003: nil) and they are becoming a significant contribution to the ACT Government along with dividends.

A major review of ACTEW's capital structure (debt and equity) is to be undertaken in 2004–05.

## Final Decision of the Regulator – Water and Wastewater Prices

In March 2004 the Independent Competition and Regulatory Commission (ICRC) gave a final decision in respect of ACTEW's water and wastewater prices over the next four years from 1 July 2004. In respect of water prices, the Regulator determined CPI plus 2.5% and in respect of wastewater prices,



# Managing Director's Report

CPI plus 1.0%. This was less than ACTEW asked for and we will have to adjust to the decision along with our contractor ActewAGL.

There are three aspects of the decision I would like to comment on:

- The asset base used by the Regulator is not reflective of the market and could result in a distortion of resources.
- The Regulator is limited by economic principles as to the level of water and wastewater prices he can determine. However there is a strong opinion in the community that water prices do not reflect its scarcity value.
- The commercial sector has far less discretionary water consumption compared to householders and should accordingly be protected from high marginal water prices.

Pursuant to this decision a satisfactory result was concluded with Queanbeyan City Council for the supply of bulk water over the next four years from 1 July 2004.

## Management of ACTEW's Water and Wastewater Assets

Since the formation of the ActewAGL Joint Venture in October 2000 the water and wastewater assets of ACTEW have been managed by ActewAGL under an Alliance Contract with ACTEW. The Alliance Contract provided for ACTEW to enter into a more

commercial and long term contract with ActewAGL by 2004. ACTEW is currently negotiating a long term Utility Management Agreement (UMA) with ActewAGL that is more market related than the original Alliance Contract.

As there will not be a competitive bid process and ACTEW is dealing with an entity of which it owns 50%, it is essential that the contract negotiations exhibit "as if" arms length negotiations. To achieve this objective ACTEW has developed a Probity Plan and appointed a Probity Advisor and Probity Auditor. There will also be appropriate benchmarking of the contract.

## ACTEW Customers

During the year a major study (Willingness to Pay) was done on the satisfaction of our customers with the services ACTEW supplies. The study concluded a very high level of satisfaction with our customers.

## Gifted Assets

Water and wastewater assets are gifted to ACTEW from developers of new estates. The present arrangements for gifting cause a major distortion in ACTEW's financing and cause the Auditor-General to qualify ACTEW's accounts. ACTEW is working with the ICRC and ACT Treasury to resolve this matter.

# Managing Director's Report

## Outlook

ACTEW profits will continue to be under pressure in 2004–05 with the continuing drought and water restrictions affecting water revenue and ActewAGL Joint Venture profits being reduced due to the expiry of favourable electricity purchase hedges. ACTEW's major focus will continue to be water and water catchment strategy issues along with ensuring that the businesses it has invested in operate at an optimum level of efficiency and customer satisfaction.

## Employees

ACTEW has a small team that has to deal with a wide range of issues and challenges. During the year they met each challenge with dedication and resolve and I do thank them for this.

The Executive Manager Water & Regulatory Affairs, Asoka Wijeratne left us in April 2004 to take up the position of General Manager Water with ActewAGL. We thank Asoka for his valued contribution to ACTEW since the formation of the ActewAGL Joint Venture. Aspi Baria, an ACTEW employee, has replaced Asoka and I am sure his contribution to water and wastewater issues will be valuable.



Michael Costello AO  
Managing Director



## Performance Against Top Priorities

Top priorities were outlined in the 2003–04 Statement of Corporate Intent. The Corporation's performance and achievements against these priorities are as follows:

Objectives and Priorities	Performance and Achievements
<p><b>Pricing &amp; Regulatory</b></p> <p>Ensure a satisfactory outcome for pricing of water and sewerage charges from 1 July 2004 to 30 June 2008</p>	<p>ICRC decision in March 2004 determined the four year price path commencing 1 July 2004 to be: CPI plus 2.5% for water and CPI plus 1.0% for wastewater prices.</p>
<p><b>Asset Management</b></p> <p>Establish an appropriate structure and mechanisms for future water and sewerage operational management with the Joint Venture Develop knowledge based investment strategies through the benchmark project</p>	<p>Negotiations underway for a long term utility management agreement with ActewAGL. Probity Advisory and Probity Auditor appointed. Expected completion by end of 2004. Outcomes from the project have contributed to ACTEW's strategic priorities and directions for water supply policies.</p>
<p><b>Water Policy</b></p> <p>Be a substantial contributor to water policy issues at local, regional and national levels</p>	<p>ACTEW contributed to the ACT Government Water Resources Strategy released in April 2004. We also developed and released a report identifying options for a future water supply. ACTEW secured positions as an observer on the Murray Darling Basin Ministerial Council and to Murray Darling Basin Commission.</p>
<p><b>Customers</b></p> <p>Consult and educate our customers about water and energy management, usage and quality</p>	<p>Ongoing. Through the Stop the Drop campaign and a community awareness and education program associated with water restrictions, water savings during the year totalled 23GL.</p>
<p><b>Financial Returns</b></p> <p>Achieve earnings before interest and tax (EBIT) of approximately \$85m</p> <p>Pay shareholders a dividend out of 2003–2004 profits of approximately \$50m</p> <p>Provide commercial and competitive returns and achieve a return on equity of approximately 8%</p>	<p>EBIT (before abnormals) was \$96.6m.</p> <p>The dividend for 2003–04 was postponed to 2004–05 by agreement with ACT Treasury to assist in the financing of the new water treatment plant at Mt Stromlo and the expanded water treatment plant at Googong as well as catchment remediation costs and reduced revenue from water restrictions.</p> <p>Return on equity (before abnormals) of 11.9% was achieved.</p>

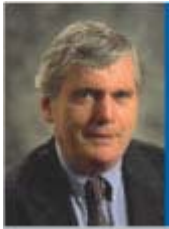




**Michael Costello AO BA LLB – Managing Director**

Mr Costello was appointed Managing Director in May 2003 and is responsible for the corporate

management of the company. He is a Member of the ActewAGL Joint Venture Board and Chairman of Ecowise Environmental Pty Ltd, ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.



**Mike Luddy BCom – Chief Finance Executive**

Mr Luddy commenced with ACTEW in November 2000. He is responsible for the Corporation's

finances including planning, budgeting and reporting. Mr Luddy is a Director of ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.



**Aspi Baria C Chem – Technical Specialist Water**

Mr Baria commenced with ACTEW in 1989. He is responsible for

management of the alliance contract for the operation and maintenance of the water and sewerage business, water planning, regulatory matters, capital works expenditure program and licensing and compliance matters.

He is a Director of ACTEW Retail Limited and ACTEW Distribution Limited.

**Michele Norris GAICD AIMM – Company Secretary**



Ms Norris commenced with ACTEW in 1999 and was appointed Company Secretary in December 2003. She is responsible for managing and coordinating corporate, governance and legal matters for the Corporation. Ms Norris is also Company Secretary of ACTEW Retail Limited, ACTEW Distribution Limited and ACTEW China Pty Limited.

**Asoka Wijeratne B E (Chem Eng)**

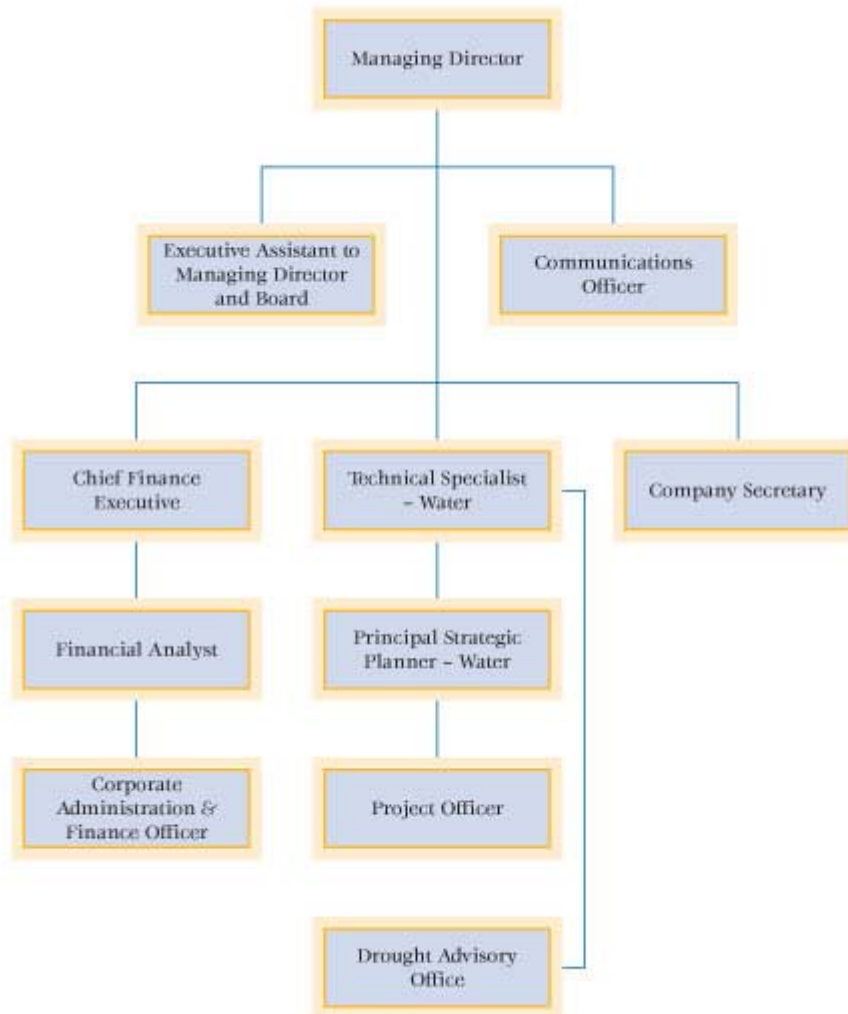
Mr Wijeratne was Executive Manager Water and Regulatory Affairs from October 2000 until April 2004.

**Peter Carrigy-Ryan BA LLB**

Mr Carrigy-Ryan was Company Secretary from October 2000 until December 2003.



# Organisational Structure



## The Board

A number of statutes and the Constitution of ACTEW govern the activities of the Company. ACTEW's Board comprises seven Directors: one executive Director and six non-executive Directors who are appointed by the Voting Shareholders, the Chief Minister and Deputy Chief Minister of the ACT. Profiles of the Directors can be found on page 8.

Procedures for the appointment of Directors are outlined in the *Territory Owned Corporations Act 1990* and the Company's Constitution.

The Board met eleven times during the year. Details of Directors' attendance at the Board meetings are set out on page 36.

ACTEW has agreed business goals with the Voting Shareholders. These goals are outlined in the Statement of Corporate Intent which is provided annually to the Voting Shareholders and tabled in the ACT Legislative Assembly. The 2003–04 Statement was tabled in the Assembly in September 2003.

## Audit and Risk Management

In August 2003 a separate Audit and Risk Management Committee was established. The entire ACTEW Board had previously met as the Committee. The Committee met eight times during the year. Details of Directors' attendance at the meetings are set out on page 36.

The role of the Committee is to assist the Board fulfil its legal responsibilities and to strengthen the objectivity and credibility of financial reporting, the management of its business risks, the independence of the audit functions and the effectiveness of internal control systems.

The Committee's major focus and priority during the year was the development of a Risk Management Register. Expert external consultants assisted in the identification and review of all risks facing ACTEW. Fifty three risks were identified in categories including:

- commercial, legal and regulatory relationships
- economic circumstances
- political, policy, institutional circumstances
- human behaviour
- natural events
- technology and technical issues
- public health and safety, public liability and security
- management activities and controls and prioritised A B and C signifying the degree of management attention to be devoted to the risks. The Register was developed in accordance with AS/NZS 4360:1999 Risk Management Standard.

The Corporation's auditor is the Auditor-General for the Australian Capital Territory.

ACTEW's internal audit activities are coordinated by ActewAGL's Audit Services.

PricewaterhouseCoopers provides external audit services to the Corporation. Other independent auditors are engaged as appropriate.

## Remuneration

The Voting Shareholders determine the terms of appointment and remuneration paid to Directors.

Details of income paid to Directors is outlined on page 75.

The entire ACTEW Board meets as the Remuneration Committee. The objective of the Committee is to set the remuneration and terms and conditions for the Managing Director and to consult with the Managing Director on the annual review of performance appraisals and remuneration of Corporation staff. The Committee also liaises with the Voting Shareholders and ACT Remuneration Tribunal on matters relating to Directors' remuneration.

During the year the Committee adopted a charter which formalised established governance practices which had been in place for a considerable time. The Committee met on two occasions during the year. Details of Directors' attendance at the meetings are set out on page 36.

## Code of Conduct

The ACTEW Code of Conduct aims to establish a culture which respects and values each individual's contribution, promotes and rewards creativity and initiative, eliminates discrimination, and encourages maximum productivity. In order to achieve these aims, employees are required to abide by the Code of Conduct.

Breaches of the Code of Conduct and its guidelines may result in disciplinary action under the provisions of the Enterprise Agreement. An employee who believes that someone is in breach of the Code, is encouraged to discuss it with their manager. However if they feel that is not possible or appropriate, they can discuss the matter with a member of the Ethics Panel which is responsible for reviewing and updating the Code of Conduct, providing advice as to whether or not a potential action may be in breach of the Code, and investigating and reporting to relevant parties on possible breaches of the Code. There were no breaches of the Code of Conduct by ACTEW staff during the year.



## Water Resources Strategy

The ACT Government released the final water resources strategy *Think water, act water – a strategy for sustainable water* on 28 April 2004 following extensive community involvement and input from a range of experts. The Strategy establishes a framework for ACTEW to provide and plan water services to the community.

ACTEW made a significant contribution to the development of the Strategy through the provision of technical support and advice. It is a long-term strategy focusing on water resource management until 2050 and aims to improve water use efficiency, reduce water quality impacts, enhance ecological values in waterways and catchments and protect recreational and amenity values. The implementation plan provides an outline of ACTEW's responsibilities and the framework for reporting on progress.

Work commenced on delivering the key objectives outlined in the Strategy. One of ACTEW's key responsibilities is to determine if and when a new water source might be needed for the ACT and where such a source would be located. More information on future supply options is outlined below.

ACTEW, through ActewAGL, is assisting in the delivery of a water efficiency program to improve the efficient use of water currently used within the ACT. ACTEW is also working with Government agencies

well as providing input into the development of a regional water supply strategy. More information on the Strategy can be found at [www.thinkwater.act.gov.au](http://www.thinkwater.act.gov.au) and [www.actew.com.au](http://www.actew.com.au)

## Future Water Source

In late April 2004 ACTEW released a report *Options for the Next ACT Water Source in response to Think water, act water – a strategy for sustainable water*.

The Report primarily addressed the options for a new water source for the ACT. Options previously identified were re-assessed and new options identified for further analysis.

The Report was based on a three stage approach: the preliminary investigation of almost thirty possible options; eleven options based on four water sources were subject to a more detailed analysis; and a final recommendation of three options for detailed evaluation. The three options are:

- enlarging the existing Cotter Dam;
- building a new dam, Tennent Dam, on the Gudgenby River near Mount Tennent; and
- bringing water from the existing Tantangara Dam in New South Wales to the ACT.

See map on page 21.

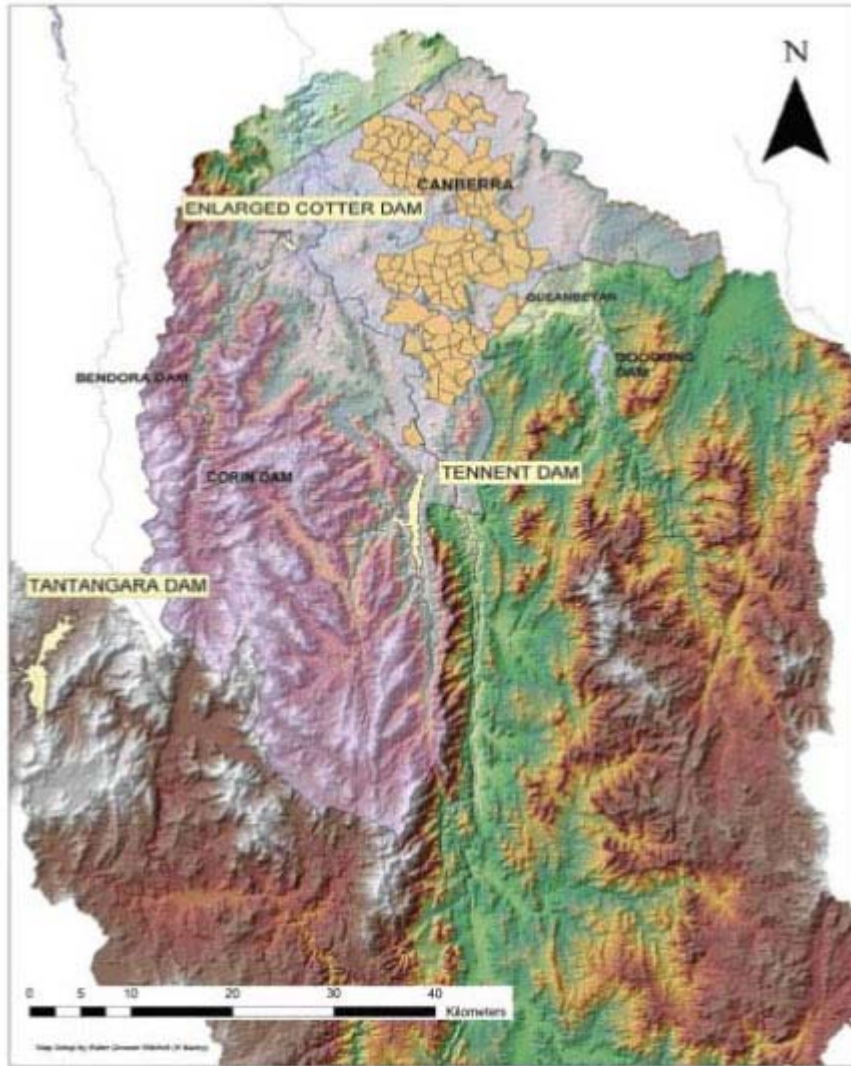
A taskforce comprising ACTEW and ActewAGL staff, water experts and

to develop and implement water sensitive urban design as

other specialists was established to undertake studies on environmental, technical, social and economic issues to further develop the three options identified.



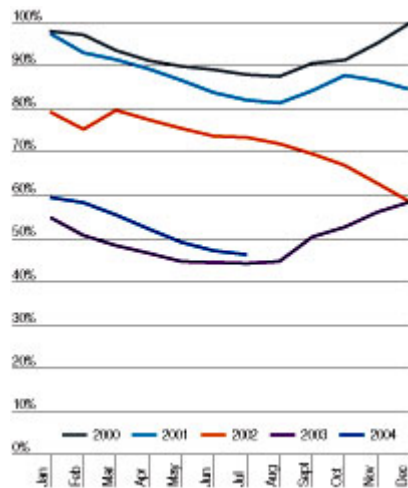
# Year in Review



The project is working to a very tight timeframe with ACTEW to advise the Government on the timing for the next ACT water source in December 2004 and recommend a preferred option by March 2005.

## Water Storages and Restrictions

Drought conditions continued with only 462mm of rain recorded during the year. Dam levels continued to decline with 79.8% in Bendora, 57.7% in Corin, and 35.3% in Googong, giving a total combined storage of 45.6% at 30 June 2004. Water was supplied to the ACT and Queanbeyan from the Cotter and Googong catchments. However due to declining storage levels in Googong, water ceased to be drawn from Googong in February 2004. See graph below on combined dam storage levels.



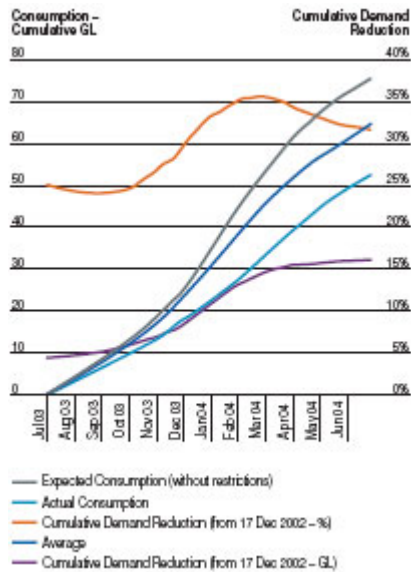
Management of mandatory water restrictions, which were introduced in December 2002, continued during the year. A revised water restrictions scheme was approved by the ACT Treasurer in September 2003 and outlines five stages of restrictions that apply to water use. Stage 2 restrictions were in force from April 2003. However as a result of the lack of rainfall and water quality issues as a result of the January 2003 bushfires, restrictions were increased to Stage 3 on 1 October 2003. Due to the increased workload with implementation of Stage 3 restrictions, staffing numbers were increased to ten in the Drought Advisory Office.

Stage 3 restrictions continued over the spring and summer period and on 1 March 2004 Stage 2 restrictions were re-introduced. A total of 23GL of water was saved during the year and 33GL of water saved since the introduction of mandatory water restrictions. See graph on page 23 on consumption during the year.





# Year in Review



Under the Water Restrictions Regulations it is an offence to contravene a water restriction. During the year one hundred infringement notices were issued to individuals and businesses that did not comply with the water restrictions scheme. Exemptions were granted in circumstances where residents and businesses demonstrated detriment from compliance with the restrictions scheme on the grounds of health or public hygiene or where compliance would be likely to cause unintended or disproportionate financial hardship. A total of 9,275 exemption applications were received during the year and of these, 7,748 (83%) were approved.

This included exemptions for residents re-building and re-establishing their homes and gardens which were either damaged or destroyed in the January 2003 bushfires.

Agreements were negotiated with forty one of ACTEW's large water users to meet an annual reduction in consumption of 25% during Stage 2 and 40% during Stage 3 restrictions. An audit of the agreements commenced during the year.

Contingency planning to secure the supply of water to Canberra in the event of the drought continuing commenced during the year. The need for a contingency plan was foreshadowed in the Options Report. It is envisaged that the plan will be developed for implementation in the 2004 spring/summer. Options were limited to those that were capable of implementation in the short term and required minimal infrastructure works. Two options were identified:

- pumping water from Cotter Dam; and
- abstracting water from the Murrumbidgee River downstream of its confluence with the Cotter River.



## Water Treatment Plants

Following the January 2003 bushfires in the Cotter catchment, short and long term requirements were identified for additional water treatment capacity to ensure water supplies were suitable for potable use.

Expenditure of \$1m for refurbishment of unused sedimentation tanks at the Mt Stromlo Water Treatment Plant was approved in May 2003. The refurbishment was completed in September 2003 and can provide up to 60 ML per day of treated water. In October 2003 the ACTEW Board approved funding to an upper limit of \$39.3m for the construction of a new water treatment plant at Mt Stromlo with the capacity to meet the average summer demand of 250 ML of water per day. ActewAGL is managing the project on behalf of ACTEW. ActewAGL entered into a contract with a joint venture of Thames Water Projects Australia Pty Limited and John Holland Pty Limited on 30 October 2003. The official turning of the first sod by the ACT Chief Minister was held on 21 November 2003. The project was fast-tracked and the new plant is expected to be completed by October 2004 and will enable the delivery of potable water as the catchments recover from the bushfires.

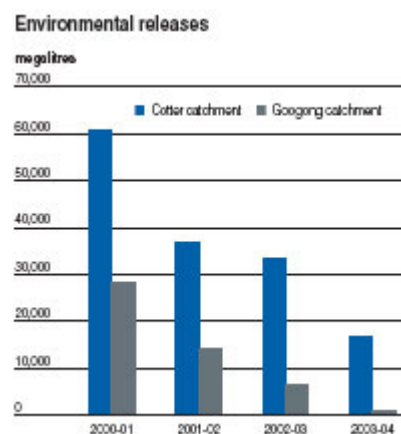
The capacity of the Googong Water Treatment Plant is also being increased from 180ML per day to 270ML per day with the construction of additional

ActewAGL, who is managing the project on behalf of ACTEW, entered into a contract with Guideline ACT in October 2003.

The augmentation involves the construction of a new dissolved air flotation and filtration treatment plant on the existing treatment plant site and the installation of an additional two variable speed pump in the existing raw water pump station to augment the existing four fixed speed pumps. The scheduled completion date is September 2004.

## Environmental Flows

The ACT Water Resources Act 1999 is supplemented by Environmental Flow Guidelines which were issued in December 1999. Since that time ACTEW has been releasing a significant proportion of the inflow into our dams to sustain environment values downstream – see graph below.



treatments facilities at the Plant.  
The ACTEW Board approved funds  
to an upper limit of \$15.8m in  
October 2003.

24



Sustained dry weather over the years has seen the inflows to our drinking water reservoir decline resulting in a depletion of the storages. Following a scientific evaluation, ACTEW agreed with the regulator, Environment ACT, a reduced environmental flows release scheme applicable under Drought Conditions.

## Catchment Management

Catchment management is critical for the protection of water supply, water quality and water yield and a key consideration in achieving the goal of providing a long-term, reliable source of water for the ACT and region. ACTEW continued research work necessary to assess the impact of the January 2003 bushfires on the Cotter Catchment. ACTEW approved \$4.5m over three years for a total of 45 projects to monitor water quality and to investigate the severity of the risk to water quality. The projects, undertaken by expert consultants, included:

### *On-line monitoring*

Automatic rain gauges, flow and quality monitoring sites linked by satellite communications stations were set up at strategic locations in the catchment.

This information monitored rain events, environmental discharges and the management of water quality in the Bendora reservoir.

*Digital terrain model for cotter catchment using airborne laser scanning* A plane with laser measuring equipment recorded height data of the catchment which was then converted by the Australian National University to a computerised model of the terrain. Ecowise Environmental transferred the ground surface data to the hydrology model of the catchment to determine soil movements.

### *Carbon transport and silt studies*

Professor Robert Wasson of the Australian National University completed two studies, one in Corin and the other in Bendora to assess the quantity and source of silt run off after storms. Results showed that up to twenty years equivalent input had occurred in the three months after the fire with a high probability of this continuing until the catchment vegetation recovered. Bendora, where the vegetation recovery is likely to take more than a decade, remained vulnerable to rainfall which has the potential to wash large amount of silt into the reservoir.

### *Fire severity and vegetation recovery using satellite imagery*

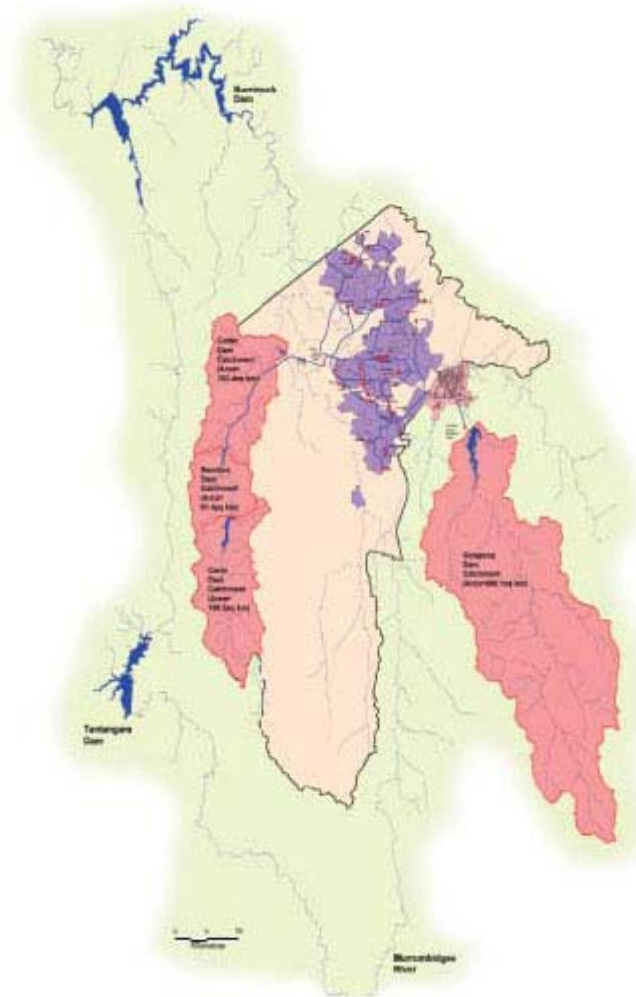
Ecowise Environmental used satellite images at different wave lengths, supplemented by on-ground site inspection, to assess and map the relative severity of the fires and short and long term recovery of vegetation in the catchment.

See map on page 26 of the ACT  
water catchment areas.



# Year in Review

## ACT Water Catchment Areas



## Community Sponsorship and Consultation

ACTEW continued its strong commitment to support the local community as a socially responsible organisation and good corporate citizen. For many years ACTEW has provided financial support and in-kind donations to a variety of programs, scholarships, events, organisations and charities. Barnardos, the Australian Science Festival, Canberra Symphony Orchestra, the Australian Red Cross, the Australian National University and Floriade were amongst twenty recipients of funding from the 2003–04 sponsorship and community support program.

As part of an ongoing community education and awareness program aimed at reducing water usage in the home and garden, the Stop the Drop campaign was relaunched by the Deputy Chief Minister on 1 December 2003. The campaign was supported by extensive newspaper, radio and television advertising. Drought Advisory Officers attended a number of major events in the ACT including Floriade, the Canberra Home and Leisure Show, Summernats, the Royal Canberra Show and World Environment Day and held a series of irrigation workshops at Xeriscape Gardens. The education and awareness program has been well received by the community, business and industry groups.

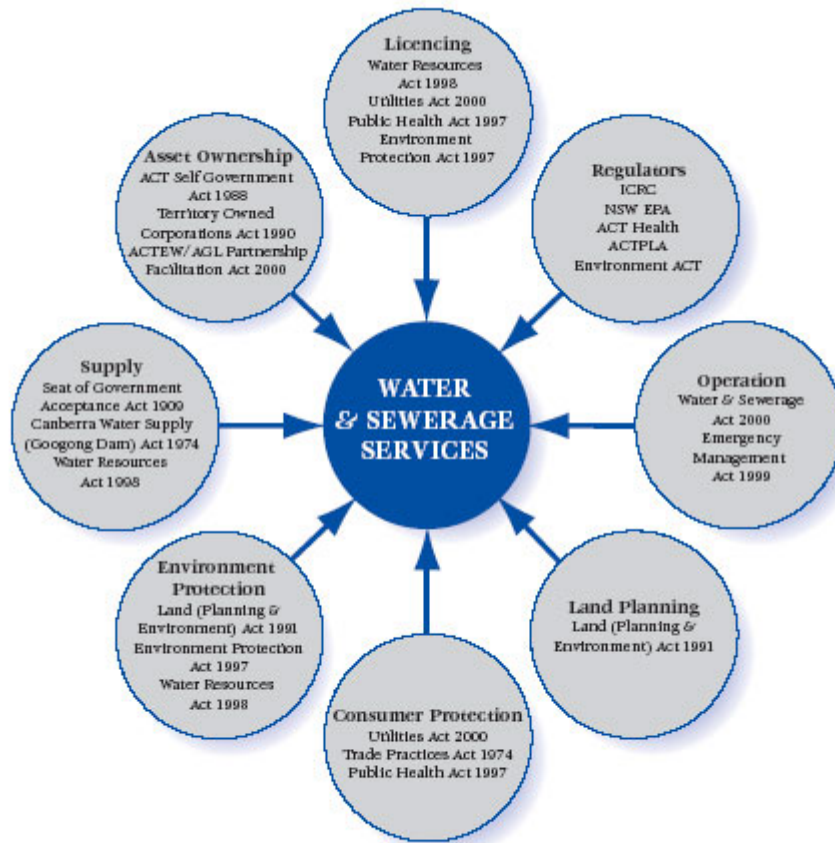
## Assets and Infrastructure

ACTEW is committed to continual improvement and protection of its water and sewerage assets through investment in a capital works program. As the contractor to ACTEW, ActewAGL undertakes capital works associated with the water and sewerage assets and infrastructure. During the year a total of 42 projects were approved at a total cost of \$14.6m.

In addition to these projects, the ACTEW Board approved funds to an upper limit of \$15.8m for the augmentation of the Googong Water Treatment Plant and funds to an upper limit of \$39.3m for construction of a new plant at Mt Stromlo. More information on the Plants is on page 24.

## Legislative Framework

Legislation governing the supply of water and sewerage services to the ACT region is outlined on page 28. Details of regulation and licence compliance are included in the Directors' Report on page 38.





# Year in Review

## Statistical Information

Detailed statistical information on the water and sewerage business and assets is outlined below:

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Water</b>										
Customers	113,371	116,008	117,343	118,856	120,349	122,760	124,570	126,750	129,114	131,893
No. of dams	4	4	4	4	4	4	4	4	4	4
Capacity of dams (GL)	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4	215.4
Number of reservoirs	43	44	44	44	44	42	44	45	45	45
Capacity of reservoirs (ML)	950	950	912	912	912	912	912	912	912	912
No. of pumping stations	18	18	17	17	17	17	21	21	21	21
Length of mains (km)	2,800	2,877	2,895	2,901	2,907	2,921	2,933	2,948	2,964	2,985
Max daily demand (ML)	332	296	349.5	406	371	331	392	415.7	366.7	323
Total consumption (ML)	60,572	53,254	61,810	73,009	60,361	57,929	62,834	65,904	65,587	52,282
Consumption / person p/a (KL)	199.2	174	187	220	182	175.5	185.6	193.7	203.2	156
Rainfall (mm)	586.6	645	674.6	438.6	668.6	666	618.2	633.2	340.2	463
<b>Sewerage</b>										
No. of customers	113,371	116,008	115,083	116,268	117,648	119,846	121,618	123,641	125,784	128,446
No. of pumping stations	29	29	28	28	28	28	28	28	28	26
Quantity of sewage treated (ML)	30,065	32,200	33,704	31,524	32,718	32,585	30,277	30,645	29,313	27,959
Max daily load (ML)	256.9	182	152	138	235	137	151.4	190.6	116	111.35
Sewage treated/person p/a (ML)	98	105	109	101	106	105.2	97	97.6	89.2	86.6
Length of mains (km)	2,774	2,784	2,806	2,812	2,817	2,836	2,852	2,875	2,897	2,921



## Our Investments

### ActewAGL Joint Venture

On 3 October 2000 a Joint Venture was formed between ACTEW and The Australian Gas Light Company (AGL). The Joint Venture, known as ActewAGL, was the first multi-utility operating as a public-private partnership in Australia.

ActewAGL combined ACTEW's electricity network and retail operations with AGL's ACT and Queanbeyan gas network and retail operations. ACTEW and AGL each hold a 50% interest in the Joint Venture. Two of ACTEW's subsidiary companies, ACTEW Distribution Limited and ACTEW Retail Limited are partnership companies in the Joint Venture.

The water and sewerage business and assets of ACTEW are retained in the ownership of ACTEW. ActewAGL operates and maintains the water and sewerage networks under an alliance contract agreement with ACTEW which is currently being negotiated into a more commercial long term agreement.

ActewAGL is structured as two partnerships; distribution and retail. ActewAGL Distribution is responsible for the network side of the energy business, operates and maintains the water and sewerage networks, and provides financial, human resource, information technology and some legal services to ACTEW.

ActewAGL Retail is responsible for the marketing of electricity and gas, forecasting energy needs and procuring energy supplies, billing, and the provision of customer contact retail services.

All ACTEW employees, with the exception of a small number of people who remained with the Corporation, were seconded to the Joint Venture.

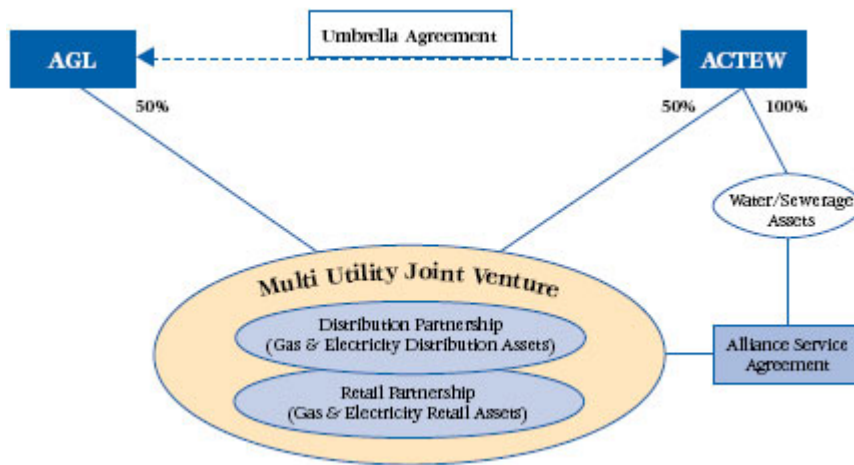
Management oversight of the Joint Venture is undertaken by the Joint Venture Board. The Board comprises six members: three members appointed by the ACTEW partnership companies and three appointed by the AGL partnership companies. The members of the Board at 30 June 2004 were:

- Mr James Service AO – Chairman
- Mr Michael Fraser – Deputy Chairman
- Ms Jane McAloon
- Mr Michael Easson AM
- Mr Norman Pack
- Mr Michael Costello AO

ActewAGL reported a very successful year with strong financial results. Details can be found in the ActewAGL Annual Report which is available at [www.actewagl.com.au](http://www.actewagl.com.au).

# Our Investments

## Multi Utility Joint Venture



## TransACT Communications Pty Limited

TransACT Communications Pty Limited (TransACT) is building and managing an advanced broadband communications network across Canberra. TransACT was officially launched in May 2000. ACTEW, with a 24.9% shareholding, is one of eight shareholders in the company.

The range of communications services available includes video on demand, permanent high speed connections to the Internet, free to air and pay television services and mobile and fixed line telephony services.

The TransACT network is state of the art technology and is regarded as one of the most advanced networks in the world.

In February 2004 ActewAGL and TransACT Capital Communications Pty Limited entered into a Management Services Agreement under which ActewAGL operates the day-to-day business of TransACT including finance, administration, marketing, customer service, sales, billing networks and business systems. TransACT employees were seconded to ctewAGL. The objective of the alliance agreement was to improve TransACT's overall performance, efficiency and financial results.

More information on TransACT can be found at [www.transact.com.au](http://www.transact.com.au)



## Ecologically Sustainable Development

ACTEW holds a number of licences for the provision of water and wastewater services in the ACT. These services are also regulated by various legislation. Details of ACTEW's regulation and licence compliance can be found on page 38. Details of the legislative framework is outlined on page 28.

Environmental management of ACTEW's water and sewerage business is undertaken by ActewAGL and aims to achieve best environmental practice and to comply with all legislative requirements. Environmental policy directions and priorities are set out in ActewAGL's 2000–2005 Environment Management Plan (EMP) and the Annual Environment Action Plan (EAP) identifies specific tasks in line with the directions set out in the EMP. The priorities in the 2003–04 EAP for the water and sewerage business were as follows:

- Maintain certification against ISO 14001 for operational area environmental management systems
- Comply with environmental legislation, codes of practice, authorisations, protection agreements

- Promote and demonstrate waste reduction, recycling and efficiency in water use at facilities
- Involvement of the community in our environmental activities
- Assist customers in the efficient use of energy and water
- Promote development of "green" energy in the ACT and surrounding region
- Assist in the achievement of environmental objectives

Achievement against these priorities is outlined in ActewAGL's 2003–04 Sustainability Report which is at [www.actewagl.com.au](http://www.actewagl.com.au)



Our priorities for 2004–05 are:

### Water Supply

- By Summer 2004 complete the additional water treatment facilities at Mt Stromlo and Googong
- Negotiate and consult with the Environmental Protection Agency an appropriate level of environmental flows
- By December 2004 develop a range of planning scenarios on the basis of information on climate change, bushfire impacts and population growth which will help identify when a new water supply source would be needed and the demand to be supplied
- By December 2004 provide recommendations on the more efficient use of the existing infrastructure, including the option to use Lower Cotter when the new water treatment facility at Mt Stromlo is commissioned
- By December 2004 complete contingency planning for the ACT water supply in case the drought continues into spring and summer of 2004
- By March 2005, provide recommendations on the options for a new water source for the ACT, including smaller scale options. Consultation with the community and ACT government will be carried out.

- Work with the ACT government to achieve:
  - A satisfactory ACT cap for water diversions from the Murray-Darling Basin
  - The promotion of an integrated regional approach to ACT/NSW cross-border water supply and management
- Resolve the ownership of Googong dam

### Water Demand

- Introduce and manage water restrictions at an appropriate level (composition and triggers) and after community consultation consider a level of permanent water conservation
- Work with the ACT government to achieve:
  - A reduction in per capita consumption of mains water by 12% by 2013 and 25% by 2023
  - Increased efficiency of water usage

### Wastewater

- Progress implementation of the Stage 2 North Canberra Effluent Reuse Scheme as appropriate
- A target has been set to increase the use of reclaimed water from the current 5% to 20% by 2013. The strategy, however, acknowledges that this will be a challenging target and further research is needed to determine if and how this

- Continually monitor climate change and drought effects as they affect water supply

could be sustainably achieved.



## Water Catchments

- Actively participate in the development of a Catchment Management Board
- Continually monitor catchment health and the effects of the January 2003 bushfires
- Continue research and analysis to gain a more accurate understanding of the likely impact of bushfires on water supply

## TransACT

- Continue to support and monitor the roll out and delivery of TransACT's services to the community
- Monitor its performance and have shareholder input to decision making

## Customers

- Consult and educate our customers about water use, efficient water irrigation and energy management, usage and quality
- Deliver products and services to our customers at a sustainable level
- Consult with the ACT government on potential new growth areas

## Financial

- Aim to complete a Utility Management Agreement (UMA) with ActewAGL which provides for the operational management of ACTEW's water and wastewater assets by ActewAGL
- Resolve with ACT Treasury and the Land Development Agency the process of delivery of gifted assets from new developments
- Improve the process whereby ActewAGL manages the delivery of completed capital projects to ACTEW
- Contribute to a review of the Utilities Act
- Establish a sustainable level of dividend payment to our shareholders
- Continue to develop, refine and monitor the risk management strategies of ACTEW
- Achieve earnings before interest and tax (EBIT) of approximately \$100m.
- Achieve return on equity of approximately 13%
- Declare shareholders a dividend out of 2004/05 profits and retained earnings of approximately \$95m with 80% payable as an interim dividend in June 2005 and 20% payable as a final dividend in October 2005



ACTEW Corporation Limited ABN 86 069 331 960

# GENERAL PURPOSE Financial Report

For the year ended 30 June 2004

**The Financial Report covers both ACTEW Corporation Limited as an individual entity and the consolidated entity consisting of ACTEW Corporation Limited and its controlled entities.**

**ACTEW Corporation Limited is a Company limited by shares. Incorporated and domiciled in Australia. Its registered office and Principal place of business is:**

ACTEW Corporation Limited  
Level 9  
ActewAGL House  
221 London Circuit  
CANBERRA City ACT 2601

ACTEW Corporation Limited and Controlled Entries

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48	Statement of Financial Position
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50	Notes to and forming part of Financial Report





ACTEW Corporation Limited and Controlled Entities

## Directors' Report

For the year ended 30 June 2004

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 2004.

### 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:

- James Glen Service AO, Chairman
- Michael Bernard Easson AM, Deputy Chairman
- Kevin Leslie Neil
- Michael John Costello AO
- Edward William Mathews PSM
- Elizabeth Anne Whitelaw (appointed 10 December 2003)
- Barbara Mary Byrne (appointed 22 January 2004)
- Paul Joseph Perkins (resigned 3 September 2003)

Refer to Annual Report for further information on directors.

### Director's Meetings

Eleven directors' meetings were held during the financial year. A separate Audit and Risk Management Committee was established in August 2003. The Committee met eight times during the year, once as the full ACTEW Board and on seven occasions as the separate Audit and Risk Management Committee. The entire ACTEW Board met as the Remuneration Committee. The Committee met on two occasions during the year.

	<b>ACTEW Board</b>	<b>Audit &amp; Risk Management Committee</b>	<b>Remuneration Committee</b>
<b>Director</b>	<b>Meetings</b>	<b>Meetings</b>	<b>Meetings</b>
J G Service	10 <b>(11)</b>	1 <b>(1)</b>	2 <b>(2)</b>
M B Easson	11 <b>(11)</b>	8 <b>(8)</b>	2 <b>(2)</b>
K L Neil	8 <b>(10)</b>	7 <b>(8)</b>	0 <b>(2)</b>
M J Costello	11 <b>(11)</b>	1 <b>(1)</b>	2 <b>(2)</b>
E W Mathews	11 <b>(11)</b>	7 <b>(8)</b>	2 <b>(2)</b>
E A Whitelaw	6 <b>(6)</b>	–	2 <b>(2)</b>
B M Byrne	3 <b>(5)</b>	–	2 <b>(2)</b>
P J Perkins	0 <b>(2)</b>	0 <b>(1)</b>	–

Figures in bold brackets indicate total number of meetings directors were eligible to attend.  
Actual number of meetings attended is not bracketed.

ACTEW Corporation Limited and Controlled Entities

## Directors' Report

For the year ended 30 June 2004

### Principal Activities

The principal activities of ACTEW during the year were to:

- Supply water
- Promote and manage the use of energy and water
- Provide sewerage services
- Undertake other related business or activity

ACTEW's role is principally one of an asset manager.

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
- ACTEW China Pty Limited – a holding company for ACTEW's interest in China

### Review and results of operations

A summary of the revenues and results is set out below:

	<b>2004</b>	<b>2003</b>
	<b>\$ million</b>	<b>\$ million</b>
Revenue (excludes ActewAGL joint venture profits)	149.2	147.9
Profit before income tax equivalents	42.0	62.9
Income tax equivalents	29.8	19.5
Profit after income tax equivalents	12.2	43.4
Payments to ACT Government:		
Interim dividend for current years profit	0.0	38.0
Final dividend for previous years profit	9.7	10.9
Tax equivalent payments Total payments to ACT Government	12.6	0.0
	22.3	48.9

Revenue is up mainly due to regulated price increases for water and sewerage offset by reduced water revenue as a result of water restrictions.

Despite increased distributions from the ActewAGL joint venture profit after income tax equivalents was down due to drought and bushfire related costs, water restrictions, the increase of \$40m in provision for diminution on the TransACT investment and adjustments to prior year tax effect accounting balances.

The interim dividend for 2003–04 was postponed to 2004–05 to assist the financing of the new Stromlo and expanded Googong water treatment plants.

ACTEW Corporation Limited and Controlled Entities

## Directors' Report

For the year ended 30 June 2004

### Dividends

The interim dividend for 2003–04 was postponed to 2004–05 (2003: \$38m).

### Audit Qualification

The Auditor-General's qualifications to the accounts are discussed in the Chairman's Report.

### Significant changes in the state of affairs

ACTEW increased the provision for diminution for the TransACT Communications Pty Ltd (developer and owner of a broadband fibre optic cable network) investment by \$40m during the year, reflecting TransACT's management's focus on operational efficiencies instead of returns to shareholders in the short to medium term. ACTEW does not expect any returns from TransACT in the medium term, but does have confidence in the implementation of the TransACT strategy. The book value of TransACT in ACTEW's accounts is nil at 30 June 2004.

### Matters subsequent to the end of the financial year

ACTEW expects to introduce stage 3 water restrictions during September 2004. Stage 3 aims for a 40% reduction in water usage and will therefore have a significant effect on water revenue depending on climatic conditions and the duration of the restrictions.

### Likely developments and expected results of operations

Relevant issues are treated elsewhere in this report.

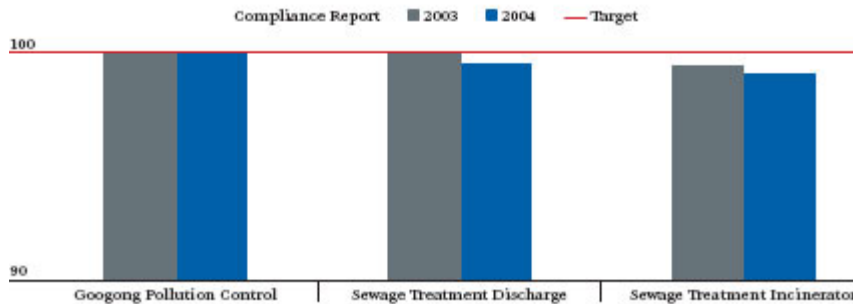
### Regulation and Licence Compliance

#### **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. In September 2003 ACTEW provided its annual report to the ICRC on its obligations under the Licence and other reporting requirements of the Act.

**Environmental Regulations**

In accordance with the ACT Environment Protection Act 1997, ACTEW is subject to environmental regulation in respect of its operations of the Lower Molonglo Water Quality Control Centre. ACTEW is also subject to New South Wales Environment Protection Authority (EPA) regulations for the discharge from Googong Water Treatment Plant. During 2003-04 ACTEW's compliance details were:



	Compliance 2003	Compliance 2004	Target
Googong pollution control licence compliance*	100.0%	100%	100%
Sewage treatment discharge compliance **	99.9%	99.5%	100%
Sewage treatment incinerator air emission compliance ***	99.4%	99.1%	100%

\* Googong pollution control licence period runs from 15 August 2003 to 14 August 2004.

\*\* Sewage treatment plant discharge non-compliance was attributed to short-term exceedance of ammonia limits primarily due to problems associated with sludge settling in the clarifiers.

\*\*\* Lower Molonglo Water Quality Control Centre's non compliance with regard to incineration were typically due to: changes in process operating conditions; equipment malfunctions; and commissioning new projects.

Emission excesses were of short duration, generally less than one hour.

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

**Licence to Take Water**

Issued by the ACT Environment Protection Authority (EPA) under the Water Resources Act 1998, the Licence provides for taking of water covered by water allocation and the release of environmental flows. ACTEW complied with the requirements and provided monthly reports and an annual report to the EPA

detailing the flows as required in the Licence.

**Drinking Water Utility Licence**

ACTEW's licence, issued by ACT Health, authorises ACTEW to carry on the Operation of Drinking Water Utility under the Public Health Act 1997. ACTEW provided water in accordance with the Drinking Water Quality Code of Practice issued under this Licence.

ACTEW Corporation Limited and Controlled Entities

## Directors' Report

For the year ended 30 June 2004

### 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 premium is included within costs of a combined liability policy and is not separately accounted for.

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:

- a former officer of ACTEW in respect of his services as a director of various companies in the interest of ACTEW. The indemnity applies until 26 March 2006;
- the directors and officers of ACTEW and wholly owned subsidiaries against liabilities and legal costs arising in the course of their duties, to the extent permitted by Corporations Act 2001; and
- an indemnity was granted to an executive of the ActewAGL joint venture for work on behalf of ACTEW with the TransACT group, as a director.

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

### 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





J G Service AO  
Chairman  
30 August 2004  
Canberra



Michael Costello AO  
Managing Director  
30 August 2004  
Canberra

ACTEW Corporation Limited and Controlled Entities

**Directors' Declaration**

for the year ended 30 June 2004

The directors declare that the financial report and notes set on pages 47 to 85:

- a) comply with Accounting Standards, the Corporations Act 2001 and other professional reporting requirements; and
- b) give a true and fair view of the corporation and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial report and notes are in accordance with the Corporations Act 2001. Although ACTEW has followed these reporting requirements, in particular UIG 11: Accounting for Contributions of, or Contributions for the Acquisition of Non Current Assets, the board of directors strongly disagrees with the requirements that ACTEW's non cash developer assets be treated as income. It is believed by the board of directors that the nature of this receipt is capital, not income, and should be taken directly to reserves; 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.



J G Service AO  
Chairman  
30 August 2004  
Canberra



Michael Costello AO  
Managing Director  
30 August 2004  
Canberra

## Independent Audit Report



AUDITOR-GENERAL  
Australian Capital Territory  
INDEPENDENT AUDIT REPORT  
ACTEW CORPORATION LIMITED  
(ABN 86 069 381 960)



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

### Qualified Audit Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in the following qualification paragraphs, the financial statements of ACTEW Corporation Limited (the Company) for the year ended 30 June 2004 are in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and the consolidated entity's<sup>1</sup> financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001;
- (b) other mandatory professional reporting requirements.

This audit opinion should be read in conjunction with the following information.

### Qualifications

#### 1. Application of Equity Accounting

##### Introduction

Note 12: 'Non Current Assets – Investments accounted for using the equity method' and Note 34: 'Investments in associates' to the financial statements indicates that the Company has significant influence over its investment in TransACT Communications Pty Limited (TransACT).

The consolidated entity commenced equity accounting the Company's investment in TransACT in accordance with AASB 1016 'Accounting for Investments in Associates' (AASB 1016) from July 1 2003 by including its shares of TransACT's losses for the year ended 30 June 2004 in its financial results for the year ended 30 June 2004.

<sup>1</sup> The 'consolidated entity' is comprised of ACTEW Corporation Limited and the entities it controlled at the end of, or during, the financial years ended 30 June 2003 and 30 June 2004.

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By equity accounting the Company's investment in TransACT for the year ended 30 June 2004, the consolidated entity has included its share of TransACT's financial results in the consolidated entity's results for the year ended 30 June 2004 since the investment commenced.

In my view, the Company had significant influence over TransACT in previous years and the consolidated entity should therefore have been equity accounting this investment in TransACT in those years.

### **Unaudited Information was Used to Equity Account the Investment in TransACT for the year ended 30 June 2004**

ACTEW used TransACT's unaudited management financial statements for the year ended 30 June 2004 to equity account the consolidated entity's share of TransACT's losses for the year ended 30 June 2004 and to provide the financial information on TransACT disclosed in Note 34: 'Investment in Associates' to the financial statements. This is due to audited information not being available when the financial statements were prepared for the consolidated entity.

### **Financial Effects of the Departure from AASB 1016 'Accounting for Investments in Associates' on the Statement of Financial Performance and Statement of Financial Position**

#### ***Profit After Tax for the Year Ended 30 June 2003***

If the Company's investment in TransACT had been accounted for in accordance with AASB 1016 for the year ended 30 June 2003, then the net profit after tax of the consolidated entity for the year ended 30 June 2003 would have been \$54,004,000 and not the reported net profit after tax of \$43,381,000. The net profit after tax of the consolidated entity was therefore understated by \$10,623,000.

#### ***Carrying Amount of the Investment in TransACT and the Related Provision for Diminution at 30 June 2003***

The Statement of Financial Performance of the consolidated entity and Note 4: 'Operating Profit from Ordinary Activities' to the financial statements disclose the provision for diminution of investment was increased by \$13,892,000 against the carrying amount of the investment in TransACT for the year ended 30 June 2003 resulting in a net carrying amount of the investment of \$40,000,000 at 30 June 2003.

If the TransACT investment had been accounted for in accordance with AASB 1016 then, based on the audited financial results of TransACT, the carrying amount of the investment in TransACT as at 30 June 2003 would have been \$40,066,000. The provision for diminution would not therefore have been made because the equity accounted carrying amount of \$40,066,000 would have approximated the net carrying amount of the investment of \$40,000,000

as at 30 June 2003.

***Provision for Diminution in the Investment in TransACT in 2004***

Note 34: 'Investment in Associates' discloses that the consolidated entity fully provided for the remainder of its investment in TransACT for the year ended 30 June 2004 resulting in a carrying value of \$nil.

The expense recorded in the Statement of Financial Performance for the consolidated entity for the increase in the provision for diminution in the investment in TransACT was \$13,967,000 for the year ended 30 June 2004. Had the investment in TransACT been accounted for in accordance with AASB 1016 since the investment was first required to be equity accounted, then the provision for diminution expense charged to the consolidated entity results in the Statement of Financial Performance for the year ended 30 June 2004 would have been \$33,516,000.

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### Other Required Disclosures for 30 June 2003

In addition to the above, the following disclosures required by AASB 1016 have not been made in the financial statements in respect of the 30 June 2003 comparatives.

<b>Required Disclosures</b>	<b>Details to be Disclosed 2003</b>
Share of the associate's operating losses before income tax on the face of the statement of financial performance	\$3,269,000
Share of the associate's income tax benefit attributable to operating losses	Nil
Accumulated losses as at the beginning and end of the financial year which are attributable to the associate	Beginning of year \$16,214,000 End of year \$19,483,000
Principal activities of the associate	Development and operation of a high speed full service network capable of delivering a broad array of telephony, data and video services
The Company's ownership interest and voting power as at the associate's reporting date	Ownership interest 24.9% Voting power 24.9%
The Company's share of associate's capital commitments contracted	\$1,019,703
The Company's share of associate's other expenditure commitments contracted, other than for the supply of inventories	\$2,003,413
The Company's contingent liabilities that arise because the Company is severally liable for all the liabilities of an associate	24,900
Schedule setting out the movements in the carrying amount of investments in the associate, separately identifying the carrying amount as at the beginning and end of the financial year, and the amounts of new investments, share of loss and other movements	Beginning of year \$43,335,000 Additional investment Nil Share of loss (\$3,269,000) End of year \$40,066,000
Financial effects of events or transactions which have occurred after the reporting date of an associate and which could materially affect the financial position or	Nil

operating performance of that associate for the next financial year	
Disclosure of the share of net profit of associates reported by segment required in the segment information note	Investments segment Share of net profits of associates \$39,777,000
Disclosure of share of losses of associates in the note for reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities	Share of losses of associate not received as dividends \$3,269,000



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### **2. Recoverable Amount of the Company's Investment in TransACT for 30 June 2003**

The carrying amount of the Company's investment in TransACT at 30 June 2003 included in the Company's and the consolidated entity's Statement of Financial Position was \$40,000,000. Under AASB 1016 'Accounting for Investments in Associates', the carrying amount of the investment must not exceed its recoverable amount.

At the 30 June 2003, the Board performed an assessment of the recoverable amount of the investment in TransACT at 30 June 2003 on the basis of forecasted discounted cash flows. Note 11: 'Non Current Assets – Investments' to the 2003 audited financial statements indicated that determination of the recoverable amount was a matter of considerable judgment as there is no active or liquid market for this investment which is still in an establishment phase.

No independent valuations or independent evidence were provided to support that the cash flow projections and the discount rates used by the Directors in their assessment of the recoverable amount were appropriate. Nor was other sufficient appropriate audit evidence able to be obtained to support the recoverable amount of the investment.

As a result, no opinion could be formed on the appropriateness of the carrying amount of the investment in TransACT of \$40,000,000 included in the Statement of Financial Position at 30 June 2003 for the Company and the consolidated entity.

### **3. Application of UIG 11 Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets**

While the financial statements comply with UIG 11 'Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets' (UIG 11), the directors have, in Note 1: 'Summary of Significant Accounting Policies' and Note 36: 'Non-Cash Contributed Assets Received Free of Charge' to the financial statements and in the Directors' Declaration, stated that they strongly disagree with recording contributed assets as revenue in accordance with UIG 11.

In my opinion, the accounting treatment, which is in accordance with UIG 11, is required for the financial statements to show a true and fair view of the Company's and the consolidated entity's financial position and performance and is not misleading.

## Responsibility for the Financial Statements

The Directors of ACTEW Corporation Limited are responsible for the financial statements. This includes the responsibility for accounting policies and estimates used in the preparation of the financial statements and the maintenance of adequate accounting records and internal controls.

## Contents of the Financial Statements

The financial statements include the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. The financial

statements are the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the accompanying notes and Directors' Declaration.

## Independent Audit Report

### The Auditor's Responsibility

My responsibility is to express an opinion on the financial statements as required by the *Corporations Act 2001*.

### The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement.

I formed the audit opinion by performing procedures to assess whether, in all material aspects, the financial statements present fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view that is consistent with my understanding of the Company's and the consolidated entity's financial position and performance. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and in many cases, the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

My procedures included:

- (i) examining, on a test basis, evidence supporting the amounts and other disclosures in the financial statements; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial statements.

I considered the effectiveness of internal controls when determining the nature and extent of my procedures, however the audit was not designed to provide assurance on internal controls. My audit also did not include an evaluation of the prudence of decisions made by the Company or the consolidated entity.



**Tu Pham**  
Auditor-General

2 September 2004

ACTEW Corporation Limited and Controlled Entities  
**Statement of Financial Performance**  
**for the year ended 30 June 2004**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities excluding contributed assets received free of charge		140,958	139,520	187,472	168,536
Gifted assets received free of charge		8,208	8,353	8,208	8,353
	3	149,166	147,873	195,680	176,889
Cost of sales		7,716	6,043	7,716	6,043
Administration and other costs		5,127	4,436	5,127	4,422
Depreciation & amortisation expense		19,962	20,328	19,962	20,328
Borrowing cost expense		22,797	24,946	22,797	24,946
Project related expenses		61,278	55,263	61,278	55,263
Provision for diminution of investments	12, 34	13,967	13,892	40,000	13,892
Investments in associates equity accounted losses	12, 34	26,033	—	—	—
Other expenses arising from ordinary activities		2,149	3,069	2,118	3,053
Share of net loss /(profit) of joint ventures accounted for using the equity method		(51,885)	(43,046)	—	—
<b>Profit from ordinary activities before income tax expense</b>	4	42,022	62,942	36,682	48,942
Income tax expense relating to ordinary activities	5	29,846	19,561	11,017	5,950
<b>Profit from ordinary activities after income tax expense</b>		12,176	43,381	25,665	42,992

The above statement of financial performance should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities  
Statement of Financial Position  
as at 30 June 2004

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>					
Cash assets	7	948	558	948	558
Receivables	8	19,765	15,557	79,628	68,355
Investments	9	47,685	34,378	47,685	34,378
Other	10	7,307	7,103	7,307	7,103
<b>Total Current Assets</b>		<b>75,705</b>	<b>57,596</b>	<b>135,568</b>	<b>110,394</b>
<b>NON CURRENT ASSETS</b>					
Investments	11	17,436	51,769	18,836	53,169
Investments accounted for using the equity method	12	348,735	344,857	—	—
Other financial assets	13	—	—	309,742	305,803
Property, plant and equipment	14	886,090	854,717	886,090	854,717
Other	15	12,834	12,585	12,834	12,585
Deferred tax assets	16	13,559	12,404	13,559	8,424
<b>Total Non Current Assets</b>		<b>1,278,654</b>	<b>1,276,332</b>	<b>1,241,061</b>	<b>1,234,698</b>
<b>TOTAL ASSETS</b>		<b>1,354,359</b>	<b>1,333,928</b>	<b>1,376,629</b>	<b>1,345,092</b>
<b>CURRENT LIABILITIES</b>					
Payables	17	35,310	19,639	26,312	13,340
Interest bearing liabilities	18	7,859	4,092	7,859	4,092
Provisions	19	7,567	17,261	7,567	17,261
Other	20	1,375	1,141	1,375	2,007
<b>Total Current Liabilities</b>		<b>52,111</b>	<b>42,133</b>	<b>43,113</b>	<b>36,700</b>
<b>NON CURRENT LIABILITIES</b>					
Interest bearing liabilities	21	334,408	347,229	334,408	347,229
Provisions	22	163,799	152,701	145,873	133,593
<b>Total Non Current Liabilities</b>		<b>498,207</b>	<b>499,930</b>	<b>480,281</b>	<b>480,822</b>
<b>TOTAL LIABILITIES</b>		<b>550,318</b>	<b>542,063</b>	<b>523,394</b>	<b>517,522</b>
<b>NET ASSETS</b>		<b>804,041</b>	<b>791,865</b>	<b>853,235</b>	<b>827,570</b>
<b>EQUITY</b>					
Contributed equity	23	758,871	758,871	758,871	758,871
Reserves	25	13,372	13,372	13,372	13,372
Retained Profits	24	31,798	19,622	80,992	55,327
<b>TOTAL EQUITY</b>		<b>804,041</b>	<b>791,865</b>	<b>853,235</b>	<b>827,570</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities  
**Statement of Cash Flows**  
**for the year ended 30 June 2004**

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
		Inflows / (Outflows)		Inflows / (Outflows)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers (inclusive of goods & services tax)		134,849	138,369	134,832	138,279
Payments to Suppliers and Employees (inclusive of goods & services tax)		(74,596)	(66,829)	(74,579)	(66,813)
Sub-Total		60,253	71,540	60,253	71,466
Interest Received		2,764	2,290	2,764	2,290
Income tax equivalents paid		(12,615)	—	(12,615)	—
Dividends Received			—	29,037	29,099
Interest Paid		(23,254)	(30,231)	(23,254)	(30,231)
<b>Net Cash Inflow from Operating Activities</b>	37 (a)	<b>27,148</b>	<b>43,599</b>	<b>56,185</b>	<b>72,624</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for Property, Plant & Equipment		(37,056)	(12,665)	(37,056)	(12,665)
Loans to related parties		—	—	(29,037)	(29,025)
Distribution received from joint venture partnerships		48,000	48,500	48,000	48,500
Proceeds from Sale of Property, Plant & Equipment		27	15	27	15
Net Proceeds / (Payments) for Investments		(5,667)	(5,949)	(5,667)	(5,949)
<b>Net Cash Outflow from Investing Activities</b>		<b>5,304</b>	<b>29,901</b>	<b>(23,733)</b>	<b>876</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of Borrowings		(9,055)	(6,138)	(9,055)	(6,138)
Dividend paid		(9,700)	(48,887)	(9,700)	(48,887)
<b>Net Cash Outflow from Financing Activities</b>		<b>(18,755)</b>	<b>(55,025)</b>	<b>(18,755)</b>	<b>(55,025)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>13,697</b>	<b>18,475</b>	<b>13,697</b>	<b>18,475</b>
<b>Cash Held at Beginning of the Financial Year</b>		<b>34,936</b>	<b>16,461</b>	<b>34,936</b>	<b>16,461</b>
<b>CASH HELD AT END OF THE FINANCIAL YEAR</b>	37 (b)	<b>48,633</b>	<b>34,936</b>	<b>48,633</b>	<b>34,936</b>

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

ACTEW Corporation Limited and Controlled Entities  
**Notes to and Forming Part of the Financial Report**  
**for the year ended 30 June 2004**

Note 1: Summary of significant accounting policies

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

Although ACTEW has followed these reporting requirements, in particular UIG 11: Accounting for Contributions of, or Contributions for the Acquisition of Non Current Assets, the board of directors strongly disagrees with the requirement that ACTEW's non cash developer gifted assets be treated as income. It is believed by the board of directors that the nature of this receipt is capital, not income, and should be taken directly to reserves.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Some amounts have been reclassified to ensure comparability with the current reporting period. The operating cycle of the Group is considered to be 12 months.

**(a) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by ACTEW Corporation Ltd as at 30 June 2004 and the results of all controlled entities for the year then ended. ACTEW Corporation Ltd and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the group are eliminated in full.

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

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 financial statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Investments in joint ventures are accounted for as set out in note 1 (s).

**(b) 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. The majority of employees of ACTEW Corporation have been seconded to the partnership. The

partnership reimburses ACTEW Corporation for all costs related to these seconded employees. This has significantly changed the business of ACTEW Corporation, which now effectively operates as a holding company. ACTEW Corporation legally employs seconded employees however, as they are seen to be employees of the partnerships from an accounting viewpoint, only the employee entitlement liabilities are disclosed in the financial report.



Note 1: Summary of significant accounting policies (continued)

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**(c) Income tax equivalents**

The company is exempt from Federal income tax. The company is required to make an equivalent payment to the ACT Government as required by the Territory Owned Corporations Act 1990.

Tax effect accounting procedures are followed whereby the income tax equivalent expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax equivalents benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax equivalents on net cumulative timing differences are set aside to the deferred income tax equivalents and future income tax equivalents benefit accounts at the rates, which are expected to apply when those timing differences reverse.

***Tax consolidation legislation***

ACTEW Corporation have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office will be notified on lodgement on the tax return.

As a consequence, ACTEW Corporation, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime. The impact on the income tax expense for the year is disclosed in note 5.

**(d) 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. Where equity instruments are issued in an acquisition, the value of the equity instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognized directly in equity. Goodwill is brought to account on the basis described in note 1 (o) (ii).

Contributed assets provided free of charge are valued at the fair value of those assets.

**(e) Revenue recognition**

Amounts disclosed as revenue from operating activities are recognised 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.

Contributed assets are recognised as revenue when the entity gains control of the asset and the amount of the contribution can be measured reliably.

Note 1: Summary of significant accounting policies (continued)

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**(f) Receivables**

All trade debtors are recognised at the amount receivable, as they are due. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

**(g) Recoverable amount of non current assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

At 30 June 2004, ACTEW had invested \$59.5 million in TransACT Communications Pty Ltd. The provision for diminution in value of the TransACT investment was increased to \$59.5 million (30 June 2003: \$19.5million). This provision is reviewed annually. (Refer note 12.)

**(h) Revaluations of non current assets**

Subsequent to initial recognition as assets, items of property, plant and equipment comprising a class of non current assets are held at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction.

Revaluations are made with sufficient regularity to ensure that the carrying amount of each item does not materially differ from its fair value at the reporting date. Annual assessments will be made by directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

Revaluations do not result in the carrying value exceeding their recoverable amount.

**(i) Investments**

Long-term securities are included in the balance sheet at cost price. Short-term securities are included at cost price. Interest is recognised in the Statement of Financial Performance as it is earned.

Note 1: Summary of significant accounting policies (continued)

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**(j) Depreciation of property, plant and equipment**

Depreciation is calculated on a straight-line basis to write off the net cost or the revalued amount of each item of property, plant and equipment (except land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

- Buildings 10–60 years
- Plant and equipment 5–80 years
- System Assets 50–80 years

**(k) Leased non-current assets**

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred as this represents the pattern of benefits derived from the leased assets.

**(l) Non-current assets constructed by the consolidated entity**

The cost of non current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overhead.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

**(m) Trade and other creditors**

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.

**(n) Interest bearing liabilities**

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Annuity Loans are adjusted quarterly and based to the CPI. The adjustment increases the principal of the loan and an expense is recognised in the period of the adjustment depending on the terms of the loan. Refer to notes 18 and 21.

Note 1: Summary of significant accounting policies (continued)

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**(o) Intangible assets and expenditure carried forward**

(i) *Research and Development* Significant costs incurred on research and development projects are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. Deferred costs are amortised over the period of the expected benefit.

(ii) *Goodwill* Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise. The costs of acquisition are discounted as described in note 1 (d) where settlement of any part of cash consideration is deferred.

**(p) Maintenance and repairs**

The costs of maintenance is charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1 (j).

Other routine operating maintenance, repair costs and minor renewals are charged as expenses as incurred.

**(q) Employee entitlements**

ACTEW Corporation staff are seconded to the ActewAGL Partnership and all employee related expenses are billed to the partnership. No employee related revenues or expenses are recognised in the statement of financial performance in respect of these employees. However the total employee entitlement liability, calculated, as set out below, is shown as a liability of the Group, with a corresponding receivable owed by the ActewAGL Partnership.

(i) *Wages, salaries and annual leave*

These are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Liabilities for wages and salaries, including non-monetary benefits, annual leave and expected to be settled within 12 months of the reporting date are recognised in other creditors 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service and sick leave*

A liability for long service and sick leave is recognised and measured at 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.

Note 1: Summary of significant accounting policies *(continued)*

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**(r) Cash**

For the purposes of the statement of cash flows, cash includes cash on hand, deposits held at call, and current investment securities which are readily convertible to cash and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

**(s) Joint ventures**

The interest in a joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share movements in reserves is recognised in reserves in the statement of financial position. 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 relate to an unrealised loss that provides evidence of the impairment of an asset transferred. Details relating to the partnership are set out in note 35.



**Business segments**

The consolidated entity is organised into the following divisions by product and service type:

**Water and wastewater**

The supply of water and the provision of sewerage services.

**Investments**

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

**Unallocated**

This segment includes corporate activities, activities of the wholly owned subsidiaries. None of these activities constitutes a separately reportable segment.

**Secondary Reporting – geographic 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 and the revised segment reporting accounting standard, AASB 1005 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 creditors and employee entitlements. 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 aggregation.

**c) Equity accounted investments**

The consolidated entity owns 100% of ACTEW Retail Ltd and ACTEW Distribution Ltd. These entities have entered into joint venture partnerships with AGL Ltd to manage and market the network and retail operations of the ACT electricity network and the ACT and Queanbeyan gas networks. These investments are accounted for using the equity method. These investments are included in other segments because their activities are dissimilar to the other reportable business segments.

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Note 2: Segment information (continued)

Primary reporting—business segments

2004	Water & Waste Water \$'000	Investments \$'000	Inter- segment eliminations/ unallocated \$'000	Consolidated \$'000
Sales to external customers	136,196	—	—	136,196
Intersegment sales	—	—	—	—
<b>Total sales revenue</b>	<b>136,196</b>	<b>—</b>	<b>—</b>	<b>136,196</b>
Share of net profits of associates and joint venture partnership	—	51,885	—	51,885
Other revenue	9,489	3,481	—	12,970
<b>Total segment revenue</b>	<b>145,685</b>	<b>55,366</b>	<b>—</b>	<b>201,051</b>
<b>Segment result</b>	<b>29,662</b>	<b>12,360</b>	<b>—</b>	<b>42,022</b>
Profit before ordinary activities before income tax expense				42,022
Income tax expense				29,846
<b>Net profit</b>				<b>12,176</b>
<b>Segment assets</b>	<b>957,642</b>	<b>383,158</b>	<b>—</b>	<b>1,340,800</b>
Unallocated assets				13,559
<b>Total assets</b>				<b>1,354,359</b>
<b>Segment liabilities</b>	<b>495,286</b>	<b>55,032</b>	<b>—</b>	<b>550,318</b>
Unallocated liabilities				—
<b>Total liabilities</b>				<b>550,318</b>
<b>Investments in associates and joint venture partnership</b>	<b>—</b>	<b>348,735</b>	<b>—</b>	<b>348,735</b>
<b>Acquisition of property, plant and equipment intangibles non-current segment assets</b>	<b>43,123</b>	<b>—</b>	<b>—</b>	<b>43,123</b>
<b>Depreciation and amortisation</b>	<b>19,544</b>	<b>418</b>	<b>—</b>	<b>19,962</b>
<b>Other non-cash expenses</b>	<b>217</b>	<b>40,000</b>	<b>—</b>	<b>40,217</b>

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Note 2: Segment information (continued)

Primary reporting—business segments				
2003	Water & Waste Water \$'000	Investments \$'000	Inter- segment eliminations/ unallocated \$'000	Consolidated \$'000
Sales to external customers	131,136	—	31	131,167
Intersegment sales	—	—	—	—
<b>Total sales revenue</b>	<b>131,136</b>	<b>—</b>	<b>31</b>	<b>131,167</b>
Share of net profits of associates and joint venture partnership	—	43,046	—	43,046
Other revenue	14,150	2,556	—	16,706
<b>Total segment revenue</b>	<b>145,286</b>	<b>45,602</b>	<b>31</b>	<b>190,919</b>
<b>Segment result</b>	<b>34,446</b>	<b>28,464</b>	<b>31</b>	<b>62,941</b>
Unallocated revenue less unallocated expenses				—
Profit before ordinary activities before income tax expense				62,941
Income tax expense			—	19,561
<b>Net profit</b>				<b>43,381</b>
<b>Segment assets</b>	<b>936,566</b>	<b>396,626</b>	<b>—</b>	<b>1,333,192</b>
Unallocated assets				—
<b>Total assets</b>				<b>1,333,192</b>
<b>Segment liabilities</b>	<b>487,291</b>	<b>54,036</b>	<b>—</b>	<b>541,327</b>
Unallocated liabilities				—
<b>Total liabilities</b>				<b>541,327</b>
<b>Investments in associates and joint venture partnership</b>	<b>—</b>	<b>384,857</b>	<b>—</b>	<b>384,857</b>
<b>Acquisition of property, plant and equipment intangibles non-current segment assets</b>	<b>12,665</b>	<b>—</b>	<b>—</b>	<b>12,665</b>
<b>Depreciation and amortisation</b>	<b>19,912</b>	<b>416</b>	<b>—</b>	<b>20,328</b>
<b>Other non-cash expenses</b>	<b>2,238</b>	<b>14,141</b>	<b>—</b>	<b>16,379</b>

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Note 3: Revenue

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Revenue from operating activities</b>					
Water business		62,460	66,462	62,460	66,462
Sewerage business		64,225	60,502	64,225	60,502
Contributed assets received free of charge		8,208	8,353	8,208	8,353
Commonwealth subvention	a	8,865	8,649	8,865	8,649
Other operating revenue		85	128	85	128
		<b>143,843</b>	<b>144,094</b>	<b>143,843</b>	<b>144,094</b>
<b>Revenue from outside the operating activities</b>					
Interest		2,996	2,405	2,996	2,405
(Loss)/gain from disposal of property, plant and equipment	b	27	15	27	15
Dividend revenue		—	—	46,514	29,016
Other non-operating revenue		2,300	1,359	2,300	1,359
		<b>2,300</b>	<b>1,359</b>	<b>46,514</b>	<b>29,016</b>
<b>Revenue from ordinary activities excluding shares of equity in net profits of joint venture partnerships accounted for using the equity method</b>					
		<b>149,166</b>	<b>147,873</b>	<b>195,680</b>	<b>176,889</b>

a. The Commonwealth provides financial assistance to ACTEW for disabilities associated with providing water supply and sewerage services in the ACT as they relate to an inland location and national capital influences. The assistance extends to contributions towards the operating cost of the Lower Molonglo Water Quality Control Centre, and to maintenance costs on the above standard length of water and sewer mains.

b. Proceeds from disposal of property, plant and equipment.

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Note 4: Operating profit from ordinary activities

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Expenses</b>				
Cost of sales	7,716	6,043	7,716	6,043
Interest expense	22,797	24,946	22,797	24,946
Depreciation:				
Water system assets	10,131	10,175	10,131	10,175
Sewerage system assets	9,413	9,739	9,413	9,739
Infrastructure land and buildings	23	23	23	23
Non-infrastructure land and buildings	362	361	362	361
Plant and equipment	33	30	33	30
Total Depreciation	19,962	20,328	19,962	20,328
Provisions				
Employee Entitlements (including seconded employees)	217	2,487	217	2,487
Provision for diminution of investments	13,967	13,892	40,000	13,892
Investments in associates— equity accounted losses	26,033	—	—	—

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Note 5: Income tax equivalents

The income tax equivalents, calculated at 30% on operating profit differs from the amount calculated on the profit. The differences are reconciled as follows

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from ordinary activities before income tax equivalents		42,022	62,942	36,682	48,942
Income tax calculated at 30%		12,608	18,882	11,004	14,682
<b>Tax effect of permanent differences:</b>					
Adjustment to prior year tax effect balances		4,933	(4,180)	(39)	(4,199)
Research & Development Concessions		(43)	(60)	(43)	(60)
Non-assessable income		(109)	—	(109)	—
Non-deductible expenses		12,464	4,645	12,208	4,419
Other items (net)		(7)	274	—	(48)
Dividend Rebate		—	—	(22,658)	(8,844)
Income tax expense attributable to profit from ordinary activities before income tax consolidation		29,846	19,561	363	5,950
Profit from ordinary activities before income tax equivalents— tax consolidated group		—	—	51,373	—
Income tax calculated at 30%		—	—	15,412	—
<b>Tax effect of permanent differences:</b>					
Adjustment to prior year tax effect balances		—	—	(4)	—
Non-deductible expenses		—	—	257	—
Other items (net)		—	—	(129)	—
Movements resulting from tax consolidation		—	—	(4,882)	—
Income tax equivalents— tax consolidated (excl parent entity)		—	—	10,654	—
Income tax equivalents attributable to operating profit		29,846	19,561	11,017	5,950

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Note 5: Income tax equivalents (continued)

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Income tax expense comprises:</b>					
Provision for income tax payable		24,380	6,545	8,789	563
Future Income Tax Equivalents Benefit		(5,916)	(211)	(10,336)	(37)
Provision for Deferred Income Tax Equivalents		11,424	13,227	12,606	13,950
Under/(Over) provision in prior year		(42)	—	(42)	(8,526)
		<b>29,846</b>	<b>19,561</b>	<b>11,017</b>	<b>5,950</b>

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

2. ACTEW did not transfer any of income tax equivalent losses in 2003–04 to other companies within the group (2002–03 \$27,145,413). These companies did not provide any consideration in 2003–04 (2002–03 \$8,143,624). This has been reflected in the financial statements.

Note 6: Dividends

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Opening balance		9,700	10,887	9,700	10,887
Amount appropriated from operating profit		—	43,381	—	42,992
		<b>9,700</b>	<b>54,268</b>	<b>9,700</b>	<b>53,879</b>
Amount transferred from retained profits		—	4,319	—	4,708
Amount paid during the year		(9,700)	(48,887)	(9,700)	(48,887)
Closing balance		—	9,700	—	9,700

Note 7: Current assets?cash assets

Cash at bank		948	558	948	558
<b>Total cash assets</b>		<b>948</b>	<b>558</b>	<b>948</b>	<b>558</b>

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Note 8: Current assets?receivables

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Electricity Business		—	—	—	—
Water business		11,694	8,105	11,694	8,105
Sewerage business		4,953	5,253	4,953	5,253
Other trade debtors		2,077	1,271	2,077	1,271
Doubtful debts (trade debtors)		(14)	(19)	(14)	(19)
Sub total trade debtors		18,710	14,610	18,710	14,610
Sundry debtors and accrued revenue		1,055	947	1,055	959
Sundry debtors and accrued revenue – related parties		—	—	59,863	52,786
Sub total sundry debtors		1,055	947	60,918	53,745
<b>Total receivables</b>		<b>19,765</b>	<b>15,557</b>	<b>79,628</b>	<b>68,355</b>

Note 9: Current assets?investments

Short term securities	47,685	34,378	47,685	34,378
<b>Total investments</b>	<b>47,685</b>	<b>34,378</b>	<b>47,685</b>	<b>34,378</b>

Note 10: Current assets?other

Prepayments	29	36	29	36
Employee entitlement receivable – related parties	7,278	7,067	7,278	7,067
<b>Total other assets</b>	<b>7,307</b>	<b>7,103</b>	<b>7,307</b>	<b>7,103</b>

Note 11: Non-current assets?investments

Long term securities	17,436	11,769	17,436	11,769
Investments in controlled entities	—	—	1,700	1,700
Investment in other entities	440	59,989	—	59,549
Investment provision for diminution	(440)	(19,989)	(300)	(19,849)
<b>Total investments</b>	<b>17,436</b>	<b>51,769</b>	<b>18,836</b>	<b>53,169</b>



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Note 12: Non-current assets?investments accounted for using the equity method

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investments in joint venture partnerships		348,735	344,857	—	—
Investment in TransACT at cost		59,549	—	59,549	—
Investment provision for diminution		(33,516)	—	(59,549)	—
Investments in associates— equity accounted losses		(26,033)	—	—	—
<b>Total investments using equity method</b>	34	<b>348,735</b>	<b>344,857</b>	<b>—</b>	<b>—</b>

Note 13: Non-Current assets?other financial assets

Non-interest bearing loans to subsidiaries		—	—	309,742	305,803
<b>Total other financial assets</b>		<b>—</b>	<b>—</b>	<b>309,742</b>	<b>305,803</b>

Note 14: Non-current assets?property, plant and equipment

<b>Water System Assets</b>					
At directors' valuation	a,b,c	484,377	484,377	484,377	484,377
At Cost		33,814	28,974	33,814	28,974
Accumulated depreciation		(87,936)	(77,806)	(87,936)	(77,806)
Work in progress		39,743	2,945	39,743	2,945
Net book value		<b>469,998</b>	<b>438,490</b>	<b>469,998</b>	<b>438,490</b>
<b>Sewerage System Assets</b>					
At directors' valuation	a	443,571	443,571	443,571	443,571
At Cost		38,652	33,631	38,652	33,631
Accumulated depreciation		(91,455)	(82,042)	(91,455)	(82,042)
Work in progress		8,336	3,666	8,336	3,666
Net book value		<b>399,104</b>	<b>398,826</b>	<b>399,104</b>	<b>398,826</b>
<b>Infrastructure Land and Buildings</b>					
At directors' valuation	a,b	2,855	2,855	2,855	2,855
At Cost		—	—	—	—
Accumulated depreciation		(191)	(167)	(191)	(167)
Work in progress		—	—	—	—
Net book value		<b>2,664</b>	<b>2,688</b>	<b>2,664</b>	<b>2,688</b>

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Note 14: Non-current assets?property, plant and equipment (continued)

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Non-Infrastructure Land and Buildings</b>					
At directors' valuation	c	16,768	16,768	16,768	16,768
At Cost		120	120	120	120
Accumulated depreciation		(2,621)	(2,258)	(2,621)	(2,258)
Work in progress		48	46	48	46
Net book value		14,315	14,676	14,315	14,676
<b>Plant and Equipment</b>					
At Cost	a	359	355	359	355
Accumulated depreciation		(350)	(318)	(350)	(318)
Net book value		9	37	9	37
<b>Net book value</b>		<b>886,090</b>	<b>854,717</b>	<b>886,090</b>	<b>854,717</b>

**a** The directors have reviewed the carrying amount of these assets to ensure there is no material difference between their fair value and carrying amount at balance date.

**b** ACTEW does not hold title to all the assets it controls. Specifically Googong Dam, situated in NSW (book value \$26.7m), and various other ACT sites under reservoirs. Steps are being taken to obtain most of the outstanding leases.

**c** An independent valuation of non-infrastructure land and buildings was undertaken by McCann and Associates as at 30 June 2003 based on fair market value of existing use. The directors have reviewed the carrying amount of these assets to ensure there is no material difference between their fair value and carrying amount at balance date.

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Note 14: Non-current assets?property, plant and equipment (continued)

**Asset movement reconciliations**

**Consolidated & ACTEW Corporation**

Reconciliations of the carrying amounts of each class of property, plant and equipment and construction in progress at the beginning and end of the financial year are set out below:

	Water \$'000	Sewerage \$'000	Non-infra- structure Land & Buildings \$'000	Non-infra- structure Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
<b>Assets at cost or valuation</b>						
Opening written down value at 1 July 2003	435,545	395,160	2,688	14,630	37	848,060
Construction capitalised	1,092	562	—	—	—	1,654
Gifted assets	3,749	4,459	—	—	—	8,208
Transfers / adjustments	—	—	—	—	5	5
Depreciation expense	(10,131)	(9,413)	(23)	(362)	(33)	(19,962)
Closing written down value at 30 June 2004	<b>430,255</b>	<b>390,768</b>	<b>2,665</b>	<b>14,268</b>	<b>9</b>	<b>837,965</b>
<b>Construction in progress</b>						
Opening balance at 1 July 2003	2,945	3,666	—	46	—	6,657
Additions	37,890	5,232	—	1	—	43,123
Transfers/adjustments	—	—	(1)	—	—	(1)
Construction capitalised	(1,092)	(562)	—	—	—	(1,654)
Closing balance at 30 June 2004	<b>39,743</b>	<b>8,336</b>	<b>(1)</b>	<b>47</b>	<b>—</b>	<b>48,125</b>
Closing written down value at 30 June 2004	<b>469,998</b>	<b>399,104</b>	<b>2,664</b>	<b>14,315</b>	<b>9</b>	<b>886,090</b>

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Note 15: Non-current assets?other

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Employee entitlement receivable — related parties		12,834	12,585	12,834	12,585
<b>Total other</b>		<b>12,834</b>	<b>12,585</b>	<b>12,834</b>	<b>12,585</b>

Note 16: Non-Current assets?deferred tax assets

Future income tax benefit	13,559	12,404	13,559	8,424
<b>Total deferred tax assets</b>	<b>13,559</b>	<b>12,404</b>	<b>13,559</b>	<b>8,424</b>

Note 17: Current liabilities?payables

Trade creditors	376	236	376	236
Other creditors and accruals	21,674	13,117	21,649	13,104
Income tax payable	13,260	6,286	4,287	—
<b>Total payables</b>	<b>35,310</b>	<b>19,639</b>	<b>26,312</b>	<b>13,340</b>

Note 18: Current liabilities?interest bearing liabilities

Loans	7,859	4,092	7,859	4,092
Bank overdraft	—	—	—	—
<b>Total borrowings</b>	<b>7,859</b>	<b>4,092</b>	<b>7,859</b>	<b>4,092</b>

**Financing arrangements**

Unrestricted access to lines of credit as approved by the ACT government were available as follows :

Total standby facility	8,000	8,000	8,000	8,000
Used standby facility	—	—	—	—
Unused standby facility	8,000	8,000	8,000	8,000

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Note 19: Current liabilities?provisions

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Employee entitlements	26	15	175	15	175
Employee entitlements seconded employees	26	7,278	7,067	7,278	7,067
Dividend		—	9,700	—	9,700
Workers compensation (Pre 1989)		274	319	274	319
<b>Total provisions</b>		<b>7,567</b>	<b>17,261</b>	<b>7,567</b>	<b>17,261</b>

Note 20: Current liabilities?other

	Employee Entitlements \$'000	Employee Entitlements Seconded Employees \$'000	Dividend \$'000	Worker's Compensation \$'000	Total \$'000
Carrying amount at the beginning of the financial year	175	7,067	9,700	319	17,261
Provisions accrued	58	3,104	—	273	3,435
Provisions paid	(218)	(2,893)	(9,700)	(318)	(13,129)
Carrying amount at the end of the financial year	15	7,278	—	274	7,567

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Note 21: Non-current liabilities?interest bearing liabilities

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Loans		334,408	347,229	334,408	347,229
<b>Total borrowings</b>	a	<b>334,408</b>	<b>347,229</b>	<b>334,408</b>	<b>347,229</b>

a. None of the borrowings is secured.

Note 22: Non-current liabilities?provisions

Employee entitlements	26	142	225	142	225
Employee entitlements— seconded employees	26	12,834	12,585	12,834	12,585
Insurance losses		835	1,000	835	1,000
Deferred income tax equivalents		148,356	136,942	130,430	117,834
Worker's compensation (Pre 1989)		1,632	1,949	1,632	1,949
<b>Total provisions</b>		<b>163,799</b>	<b>152,701</b>	<b>145,873</b>	<b>133,593</b>

**Movements in consolidated non-current provisions**

Movements in each class of provisions during the financial year are set out below.

	Employee Entitlements \$'000	Employee Entitlements Seconded Employees \$'000	Insurance Losses \$'000	Deferred Income Tax Equivalents \$'000	Worker's Compen- sation (Pre 1989) \$'000	Total \$'000
Carrying amount at the beginning of the financial year	225	12,585	1,000	136,942	1,949	152,701
Provisions accrued	—	972	—	11,414	(317)	12,069
Provisions paid	(83)	(723)	(165)	—	—	(971)
Carrying amount at the end of the financial year	142	12,834	835	148,356	1,632	163,799

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Note 23: Contributed equity

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 Shares	2003 Shares	2004	2003
<b>a) Paid up capital:</b>					
Ordinary shares fully paid		5	5	\$1.50 only	\$2 only
<b>Total share capital</b>		<b>5</b>	<b>5</b>	<b>\$1.50 only</b>	<b>\$2 only</b>
<b>b) Total capital</b>					
Paid up capital		758,871	758,871	758,871	758,871
<b>Total capital</b>		<b>758,871</b>	<b>758,871</b>	<b>758,871</b>	<b>758,871</b>

Note 24: Retained profits

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Retained profits at the beginning of the financial year	19,622	23,941	55,327	60,036
Net profits available for reserves and dividends	12,176	43,381	25,665	42,991
Total available for appropriation	31,798	67,322	80,992	103,027
Aggregate amounts transferred from reserves	—	—	—	—
Dividends provided for or paid	—	(47,700)	—	(47,700)
<b>Retained profits at the end of the financial year</b>	<b>31,798</b>	<b>19,622</b>	<b>80,992</b>	<b>55,327</b>

Note 25: Reserves

General insurance reserve	9,820	9,820	9,820	9,820
Asset revaluation reserve	3,552	3,552	3,552	3,552
<b>Total reserves</b>	<b>13,372</b>	<b>13,372</b>	<b>13,372</b>	<b>13,372</b>

There were no transfers to/from reserves during the year

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Note 25: Employee benefits

	Notes	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Employee benefit and related on-costs liabilities (a)</b>					
Other creditors—current	17	475	507	475	507
Current provisions—ACTEW	19	15	175	15	175
Current provisions—seconded employees	19	7,278	7,067	7,278	7,067
Non-current provisions—ACTEW	22	142	225	142	225
Non-current provisions—seconded employees	22	12,834	12,585	12,834	12,585
<b>Aggregate employee benefit and related on-costs</b>		<b>20,744</b>	<b>20,559</b>	<b>20,744</b>	<b>20,559</b>
<b>Employee numbers</b>					
Working directly for ACTEW (including the drought task force)		18	17	18	17
Seconded to ActewAGL		560	619	560	619
		<b>578</b>	<b>636</b>	<b>578</b>	<b>636</b>

(a) Employees at 30 June 2004 were 578, including seconded employees to the ActewAGL Joint Venture. Of these employees, 18 work directly for ACTEW including 6 employed specifically on drought related matters.

Employees of ACTEW Corporation Ltd may contribute to the Commonwealth Superannuation Scheme or to the Commonwealth Public Sector Superannuation Scheme at various percentages of their wages and salaries. ACTEW Corporation Limited contributes to these schemes at rates related to employee contributions. Both schemes provide benefits to contributors on retirement, disability or death. ACTEW Corporation Ltd's contributions to the schemes are legally enforceable. ACTEW Corporation Ltd has no unfunded superannuation liability obligations. At the formation of the Joint Venture with AGL on 3 October 2000, ACTEW entered into an agreement with the Joint Venture board of management whereby ACTEW Employees would be seconded to the Joint Venture. The Joint Venture reimburses ACTEW for all employee related costs associated with these staff.



**A. Off-balance-sheet derivative instruments**

*Liability interest rate swap contract*

The loan of ACTEW from the ACT Government bears a variable interest rate based upon the 90-day bank bill swap reference rate (BBSW). An interest rate swap was entered into to exactly hedge the underlying exposure to fluctuating interest rates given ongoing volatility prevailing in the financial markets. Accordingly ACTEW has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates each 90 days and to pay interest at a fixed rate of 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 Creditors. At 30 June 2004 the notional principal amount is \$70 million (2003 – \$70 million) and the interest rate swap contract will expire within 8 years (2003 – 9 years).

*CPI indexed annuity bond*

On 17 April 2000, ACTEW borrowed \$250 million via CPI linked indexed annuity bonds, which mature on 17 April 2020. The bonds are issued paying a base coupon amount, added to which is a CPI component. Principal and interest payments are made quarterly with the interest component directly reflecting the movements in the CPI.

As at 30 June 2004 the principal outstanding was \$246,455,124 (2003 – \$251,417,469).

**B. Credit risk exposures**

The credit risk on financial assets of the group, which have been recognised on the statement of financial position, is generally the carrying amount net of any provisions for doubtful debts.

**C. Interest rate risk exposures**

Exposures to interest rate risk and the effective weighted average interest rate by maturing periods is set out in the following table. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the group intends to hold fixed rate exposures to maturity.

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**Note 27: Financial instruments (continued)**

2004 (Consolidated)	Notes	Fixed Interest Maturing In:					Total \$'000
		Floating Interest Rate \$'000	1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	
<b>Financial assets</b>							
Cash	7	948	—	—	—	—	948
Receivables	8	—	—	—	—	19,765	19,765
Investments	9,11	65,121	—	—	—	—	65,121
Other	10,15	—	—	—	—	20,112	20,112
		<b>66,069</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>39,877</b>	<b>105,947</b>
Weighted average interest rate		5.74%					
<b>Financial liabilities</b>							
Borrowings	18,21	316,455	4,092	16,369	5,351	—	342,267
Accounts payable	17	—	—	—	—	35,310	35,310
Other liabilities	20	—	—	—	—	5	5
		<b>316,455</b>	<b>4,092</b>	<b>16,369</b>	<b>5,351</b>	<b>35,315</b>	<b>377,582</b>
Weighted average interest rate		7.13%	11.36%	11.36%			
Net financial assets (liabilities)		<b>(250,386)</b>	<b>(4,092)</b>	<b>(16,369)</b>	<b>(5,351)</b>	<b>4,562</b>	<b>(271,636)</b>
<b>2003 (Consolidated)</b>							
<b>Financial assets</b>							
Cash	7	558	—	—	—	—	558
Receivables	8	—	—	—	—	15,557	15,557
Investments	9	46,147	—	—	—	—	46,147
Other	10,15	—	—	—	—	19,652	19,652
		<b>46,705</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35,209</b>	<b>81,914</b>
Weighted average interest rate		5.08%					
<b>Financial liabilities</b>							
Borrowings	14	323,980	4,092	23,249	—	—	351,321
Accounts payable	17	—	—	—	—	19,639	19,639
Other liabilities		—	—	—	—	78	78
		<b>323,980</b>	<b>4,092</b>	<b>23,249</b>	<b>—</b>	<b>19,717</b>	<b>371,038</b>
Weighted average interest rate		4.79%	11.36%	11.36%			
Net financial assets (liabilities)		<b>(277,275)</b>	<b>(4,092)</b>	<b>(23,249)</b>	<b>—</b>	<b>15,492</b>	<b>(289,124)</b>

**Note 27: Financial instruments (continued)**

	Notes	Consolidated	
		2004 \$'000	2003 \$'000
<b>Reconciliation of net financial liabilities to net assets</b>			
Net financial liabilities as above		(271,636)	(289,124)
Non-financial assets and liabilities			
Property, plant and equipment	14	886,090	854,717
Investments		348,735	384,857
Future income tax benefit	16	13,559	12,404
Other assets	10	29	36
Unearned revenue	20	(1,370)	(1,063)
Provisions	19,22	(171,366)	(169,962)
Net assets per statement of financial position		<u>804,041</u>	<u>791,865</u>

**D. Net fair value of financial assets and liabilities**

**D. Net fair value of financial assets and liabilities**

The net fair value of cash, cash equivalents, 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.

The method adopted in determining net fair value was to consider the costs that would be incurred in exchanging or settling the financial instrument.

Significant assumptions in determining net fair value are that the consolidated ACTEW Group is a going concern, and that the instruments would be traded in an active and liquid market

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**Note 28: Remuneration of directors**

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities:	<b>912</b>	<b>565</b>	<b>912</b>	<b>565</b>
Income band :	<b>Number</b>	Number	<b>Number</b>	Number
\$0—\$9,999	2	1	2	1
\$10,000—\$19,999	1	2	1	2
\$20,000—\$29,999	3	2	3	2
\$30,000—\$39,999	—	—	—	—
\$40,000—\$49,999	1	—	1	—
\$50,000—\$59,999	—	1	—	1
\$60,000—\$69,999	—	—	—	—
\$80,000—\$89,999	—	—	—	—
\$90,000—\$99,999	—	1	—	1
\$300,000—\$309,999	1	—	1	—
\$340,000—\$349,999	—	1	—	1
\$450,000—\$459,999 (a)	1	—	1	—

(a) Includes retirement payment

**Note 29: Remuneration of auditors**

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditors of ACTEW Corporation Ltd				
Audit or review of financial reports of the parent entity	99,200	79,000	99,200	79,000
Audit or review of financial reports of controlled entities	18,950	18,000	18,950	18,000
Other financial services to group entities	—	18,000	—	18,000
<b>Total remuneration of auditor</b>	<b>118,150</b>	<b>115,000</b>	<b>118,150</b>	<b>115,000</b>

There were no other services provided by the auditor of the parent entity.

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**Note 30: Commitments for expenditure**

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>a) Capital and other expenditure commitments:</b>				
Total capital & other expenditure contracted for at balance date but not provided for in accounts payable:				
Within 1 year	a 73,883	64,649	73,883	64,649
Later than 1 year but not later than 5 years	a —	13,351	—	13,351
	<u>73,883</u>	<u>78,000</u>	<u>73,883</u>	<u>78,000</u>
<b>b) Lease commitments:</b>				
Commitments in relation to leases contracted for at balance date, but not provided for in accounts payable:				
Within 1 year	54	59	54	59
Later than 1 year but not later than 5 years	35	152	35	152
	<u>89</u>	<u>211</u>	<u>89</u>	<u>211</u>
<b>c) Remuneration commitments:</b>				
Commitments for the payment of salaries and other remuneration under long-term employment contracts, in existence at reporting date, but not recognised as liabilities payable:				
Within 1 year	1,102	4,658	1,102	4,658
Later than 1 year but not later than 5 years	6,464	3,230	6,464	3,230
	<u>7,566</u>	<u>7,888</u>	<u>7,566</u>	<u>7,888</u>
<b>d) Remuneration commitment receivable:</b>				
Commitments receivable for salaries and other remuneration under long-term employment contracts of employees seconded to the joint venture partnerships:				
Within 1 year	881	3,481	881	3,481
Later than 1 year but not later than 5 years	2,910	2,241	2,910	2,241
	<u>3,791</u>	<u>5,722</u>	<u>3,791</u>	<u>5,722</u>

a. ACTEW has an Alliance Contract with ActewAGL to operate the water and sewerage infrastructure owned by ACTEW. The majority of these expenditure commitments relate to this contract.

### [Note 31: Contingent liabilities](#)

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There are a number of public liability claims pending which cannot be measured reliably. Should these claims be successful the Corporation estimates the liability will not be significant. There are also a couple of pending actions against the Corporation. Should these actions be successful, the Corporation estimates the liability will not be significant. ACTEW Corporation Ltd has underwritten a \$25 million (2003 – \$25 million) standby debt facility for TransACT Communications.

### [Note 32: Related parties](#)

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#### **Directors and director-related entities**

The names of persons who were directors of ACTEW Corporation Ltd at any time during the financial year and up to the date of the report: JG Service, MB Easson, Kevin Neil, Michael Costello, Ted Mathews, Paul Perkins (retired on 3 September 2003), Elizabeth Whitelaw (appointed 10 December 2003), Barbara Byrne (appointed 22 January 2004).

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

#### **Remuneration benefits**

Information on remuneration benefits of directors is disclosed in Note 28.

#### **Retirement benefits**

Retirement benefits were paid in 2004 to a director (2003 – Nil).

#### **Loans to board members**

There were no loans to any directors as at 30 June 2004.

#### **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 parties.

#### **Other**

Some operational arrangements exist between ACTEW Corporation Limited and the ActewAGL partnerships. These include an arrangement for the management of the water and sewerage assets owned by ACTEW Corporation and an agreement relating to the secondment of ACTEW Corporation staff to partnerships. These services are billed between the parties on a monthly cost basis.

#### **Wholly-owned group**

The wholly owned group consists of ACTEW Corporation Ltd and its wholly owned controlled entities. These entities are, ACTEW Retail Ltd, ACTEW Distribution Ltd and ACTEW China Pty Ltd. The results of the ActewAGL joint venture which is 50% owned by ACTEW Corporation through its subsidiaries, ACTEW Retail Ltd and ACTEW Distribution Ltd is accounted for using the equity method. ACTEW Corporation has several operational arrangements with its controlled entities. These arrangements are as follows: Leased office machines, computers and telecommunications equipment (at

market rates); leased motor vehicles (at market rates); assigned staff (at cost); apprentices (at cost); bank services (at cost); legal Services (at market rates) and other (at cost).

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Note 32: Related parties (continued)

	ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000
Aggregate amounts included in the determination of operating profit that resulted from transactions with related parties in the wholly-owned group were as follows were as follows:		
Dividend revenue	46,493	29,129
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables	59,863	61,721
Current payables and other	—	9,700
Current liabilities (other)	—	—
Non interest bearing loans	309,742	305,803

**Controlling entity**

The ultimate parent entity in the wholly owned group is ACTEW Corporation Ltd. The ultimate parent entity is the ACT Government, which owns 100% (2003 – 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 33. **Other related parties**

Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties:		
Joint Venture Partnership		
Operating expenses	61,278	55,263
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	7,278	7,067
Current accounts payables and other	7,278	7,067
Non-current receivables	12,834	12,585
Non-current accounts payables and other	12,834	12,585



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Note 33: Investment in controlled entities

	Country of Incorporation	Class of shares	Equity Holding 2004 %	Equity Holding 2003 %	Cost of Investment 2004 \$'000	Cost of Investment 2003 \$'000
ACTEW Distribution Ltd	Australia	Ordinary	100%	100%	400	400
ACTEW Retail Ltd	Australia	Ordinary	100%	100%	1,000	1,000
ACTEW China Pty Ltd	Australia	Ordinary	100%	100%	300	300
Provision for diminution of investment in ACTEW China Pty Ltd					(300)	(300)
					<b>1,400</b>	<b>1,400</b>

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Note 34: Investments in associates

Name of Company	Ownership Interest	Consolidated		ACTEW Corporation Ltd	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
TransACT Communications Pty Limited	24.9%	—	—	—	—
<b>Movement in carrying amount of investments in associates</b>					
Carrying amount at the beginning of financial year		59,549	—	—	—
Prior year equity accounted losses		(19,483)	—	—	—
2003/04 equity accounted losses		(6,550)	—	—	—
Provision for diminution		(33,516)	—	—	—
Carrying amount at end of financial year		—	—	—	—
<b>Share of associates expenditure commitments</b>					
Lease commitments		2,211	—	—	—
Remuneration commitments		768	—	—	—
Total expenditure commitments		2,979	—	—	—
Capital and other commitments		136	—	—	—
		3,115	—	—	—
<b>Share of associates assets and liabilities</b>					
Current assets		7,260	—	—	—
Non-current assets		38,468	—	—	—
Total assets		45,728	—	—	—
Current liabilities		5,377	—	—	—
Non-current liabilities		7,388	—	—	—
Total liabilities		12,765	—	—	—
Net assets		32,963	—	—	—
<b>Share of associates revenues, expenses and results</b>					
Revenues		8,095	—	—	—
Expenses		14,645	—	—	—
Operating profit before tax		(6,550)	—	—	—

1. Following the outsourcing of the majority of the TransACT services to ActewAGL during 2003/04 ACTEW equity accounted TransACT for the first time from 1 July 2003.

2. TransACT Communications Pty Limited financial data is based on TransACT management accounts as at 30 June 2004.

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Note 35: Interests in joint ventures

ACTEW Retail Ltd and ACTEW Distribution Ltd have entered into joint venture partnerships with AGL Ltd to manage and market the network and retail operations of the ACT electricity network and the ACT and Queanbeyan 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(s) is set out below:

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Retained profits attributable to the partnership</b>				
At the beginning of the financial year	109,263	66,217	—	—
At the end of the financial year	161,148	109,263	—	—
<b>Movement in carrying amount of investment in the partnership</b>				
Carrying amount at the beginning of the financial year	370,142	375,596	—	—
New capital invested	—	—	—	—
Share of operating profits before tax	51,335	43,046	—	—
Distributions received	(48,000)	(48,500)	—	—
Carry amount reflected in the net assets of the partnership	373,477	370,142	—	—
Stamp duty capitalised	479	479	—	—
Unrealised profit on transfer of asset	(27,475)	(27,475)	—	—
Less amortisation of unrealised profit	2,254	1,711	—	—
Carrying amount at the end of the financial year	348,735	344,857	—	—
<b>Share of partnerships assets and liabilities</b>				
Current assets	63,441	54,639	—	—
Non-current assets	374,054	372,504	—	—
Total assets	437,495	427,143	—	—
Current liabilities	55,509	49,326	—	—
Non-current liabilities	8,509	7,675	—	—
Total liabilities	64,018	57,001	—	—
Net assets	373,477	370,142	—	—
<b>Share of partnership's revenues, expenses and results</b>				
Revenues	273,639	243,504	—	—
Expenses	221,754	200,458	—	—
Operating profit before tax	51,885	43,046	—	—

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Note 35: Interests in joint ventures (continued)

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Share of partnership's commitments</b>				
Lease commitments	5,374	5,449	—	—
Remuneration commitments	23,196	18,271	—	—
Total expenditure commitments	28,570	23,720	—	—
Capital and other commitments	29,514	31,137	—	—
	58,084	54,857	—	—

**Contingent liabilities relating to joint ventures**

Each of the partners in the ActewAGL partnership are jointly and severally liable for the debts of the partnership. The assets of the partnership exceed its debts. The partnerships have a number of public liability claims pending at year end. Should these claims be successful the joint venture must pay the first \$10,000 of each claim. The contingent liability for the joint venture is estimated to be \$552,304 at 30 June 2004. At year end, there is a potential liability arising from litigation against contracts entered into in previous years. The Directors do not believe that this liability is likely to eventuate.

Note 36: Non-cash contributed assets received free of charge

An amount of \$8.2 million in non-cash developer assets were received free of charge by ACTEW Corporation Ltd during 2003–2004 (2002–2003 – \$8.3 million). This amount was brought to account as an addition to revenue, in accordance with Australian Accounting Standards and other reporting requirements (Urgent Issues Group Consensus Views). Although ACTEW has followed these reporting requirements, the directors of the company strongly disagree that these non-cash developer assets be treated as revenue. It is believed that the nature of the receipt is capital, not revenue, and should be taken directly to reserves.

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Note 37: Reconciliation of operating profit to net cash inflows from operating activities

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Reconciliation of operating profit after income tax expense to net cash flows from operations:</b>				
Operating profit	12,176	43,381	25,665	42,992
Depreciation and amortisation	19,962	20,328	19,962	20,328
Loss/ (gain) on disposal of property, plant and equipment	(27)	(15)	(27)	(15)
Contributed assets received free of charge	(8,208)	(8,353)	(8,208)	(8,353)
Profit from Joint Venture Partnership	(51,885)	(43,046)	–	–
Share of losses from investments in associates	26,033	–	–	–
Investment writedown	13,967	13,892	40,000	13,892
Asset writedown	–	(145)	–	(145)
Provision for doubtful debts	(5)	9	(5)	9
Capital Contributions	(24)	(14)	(24)	(14)
CPI adjustment to debt	–	(2,563)	–	(2,563)
<b>Changes in operating assets and liabilities:</b>				
(Increase)/decrease in receivables	(4,195)	1,587	(34,169)	1,589
(Increase)/decrease in future income tax benefit	(1,155)	(511)	(5,135)	37
(Increase)/decrease in other financial assets	(204)	(38)	(204)	(38)
(Increase)/decrease in other assets	(249)	(2,524)	(249)	(11,112)
Increase/(decrease) in payables	9,625	6,257	6,926	(16)
Increase/(decrease) in provisions	(310)	1,814	(311)	1,814
Increase/(decrease) in provision for deferred income tax equivalents	11,413	13,783	12,596	13,916
Increase/(decrease) in other liabilities	234	(243)	(632)	303
<b>Net cash inflows from operating activities</b>	<b>27,148</b>	<b>43,599</b>	<b>56,185</b>	<b>72,624</b>

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Note 37: Reconciliation of operating profit to net cash inflows from operating activities (continued)

	Consolidated		ACTEW Corporation Ltd	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>B Reconciliation of cash</b>				
For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the year, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial performance as follows:				
Cash assets	7	948	558	948
Investments	9	47,685	34,378	47,685
		<b>48,633</b>	<b>34,936</b>	<b>48,633</b>
			<b>34,936</b>	

Note 38: Events subsequent to balance date

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ACTEW expects to introduce stage 3 water restrictions during September 2004. Stage 3 aims for a 40% reduction in water usage and will therefore have a significant effect on water revenue depending on climatic conditions and the duration of the restrictions.

The Australian Financial Reporting Council (FRC) has determined that Australian entities must prepare their financial statements under International Financial Reporting Standards (IFRS) as adopted by the Australian Accounting Standards Board from 1 January 2005. This will involve completing a first time set of financial statements under IFRS for the financial year ended 30 June 2006. Comparatives will also be remeasured under IFRS and restated for the financial year ending 30 June 2005.

A project team, consisting of senior finance managers and the CFO, has been established to manage the convergence to IFRS and to ensure that the Group is prepared to report in accordance with the timetable outlined above.

Major changes identified to date that will be required to the Group's existing accounting policies include the following:

*a) AASB 120 – Income taxes*

Deferred tax balances under the new standard are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax balances. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets can be recognised if it is probable that they will be realised in future periods.

This differs from the Group's current accounting policy that calculates deferred tax balances using the income statement method and only recognises them if they are virtually certain of being recovered in future periods.

*b) Impairment of assets*

AASB 136 requires assets to be tested for impairment by using discounted cashflow methodology to estimate the asset's value-in-use. Whilst the Group does use discounted cashflow methodology when estimating the recoverable amount of non-current assets, AASB 136 has more stringent rules as to the discount rate to be used and when assets need to be tested for impairment.

*c) Financial instruments*

AASB 139, Financial Instruments: Recognition and measurement may have some impact on the classifications of financial assets and liabilities and whether they are measured at fair value or amortised cost. The impact of this standard is still being assessed.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of

the transition to IFRS on the Group's financial position or reported results.



# Glossary of Terms and Acronyms

## Terms

<b>kL</b>	<b>kilolitre/s = one thousand litres</b>
<b>ML</b>	<b>megalitre/s = one million litres</b>
<b>GL</b>	<b>gigalitre/s = one thousand million litres</b>
<b>km</b>	<b>kilometre/s</b>
<b>p/a</b>	<b>per annum</b>
<b>mm</b>	<b>millimetre/s</b>
<b>m</b>	<b>million</b>
<b>b</b>	<b>billion</b>

## Acronyms

<b>ACTPLA</b>	<b>ACT Planning and Land Authority</b>
<b>AGL</b>	<b>The Australian Gas Light Company</b>
<b>CPI</b>	<b>Consumer price index</b>
<b>EAP</b>	<b>Environment Action Plan</b>
<b>EBIT</b>	<b>Earnings before interest and tax</b>
<b>EMP</b>	<b>Environment Management Plan</b>
<b>EPA</b>	<b>Environment Protection Authority</b>
<b>ICRC</b>	<b>Independent Competition and Regulatory Commission</b>
<b>LMWQCC</b>	<b>Lower Molonglo Water Quality Control Centre</b>
<b>UMA</b>	<b>Utilities Management Agreement</b>



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