ActewAGL Joint Venture

Special purpose financial report for the year ended 30 June 2014

ActewAGL Joint Venture
Special purpose financial report - 30 June 2014

Contents

ActewAGL Joint Venture
Statement of comprehensive income
For the year ended 30 June 2014

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Revenue from continuing operations	4	**836,992**	829,384
Total income		**836,992**	829,384
Energy purchases		**(439,200)**	(436,137)
Employment costs		**(109,780)**	(103,575)
Depreciation and amortisation expense	5	**(41,812)**	(38,127)
Contract expenses		**(30,924)**	(33,016)
Lease expenses		**(12,329)**	(13,193)
Material costs		**(4,061)**	(4,555)
Finance costs		**(2,330)**	(1,987)
Impairment of investments		**-**	(2,000)
Project related expenses		**(9,476)**	(7,327)
Selling expenses		**(14,428)**	(15,061)
Other expenses		**(6,708)**	(6,072)
Total expenses		**(671,048)**	(661,050)
Profit from continuing operations		**165,944**	168,334
Profit from discontinued operation	10	**121**	26,685
Profit for the year		**166,065**	195,019
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**166,065**	195,019
Profit is attributable to:			
Partners of the ActewAGL Joint Venture		**166,065**	195,019
		166,065	195,019
Total comprehensive income for the year is attributable to:			
Partners of the ActewAGL Joint Venture		**166,065**	195,019
		166,065	195,019
Total comprehensive income for the year attributable to Partners of the ActewAGL Joint Venture arises from:			
Continuing operations		**165,944**	168,334
Discontinued operations		**121**	26,685
		166,065	195,019

The above statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 5 to 36.

ActewAGL Joint Venture
Balance sheet
As at 30 June 2014

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**36,743**	57,538
Trade and other receivables	7	**185,481**	183,620
Inventories	8	**9,770**	10,038
Other current assets	9	**2,842**	2,466
Total current assets		**234,836**	253,662
Non-current assets			
Non-current receivables	11	**954**	772
Property, plant and equipment	12	**1,121,913**	1,030,247
Intangible assets	13	**33,345**	30,913
Total non-current assets		**1,156,212**	1,061,932
Total assets		**1,391,048**	1,315,594
LIABILITIES			
Current liabilities			
Trade and other payables	14	**126,719**	123,306
Provisions	15	**28,158**	28,012
Other current liabilities	16	**29,400**	23,143
Total current liabilities		**184,277**	174,461
Non-current liabilities			
Provisions	17	**6,913**	5,032
Other non-current liabilities	18	**11,890**	10,198
Total non-current liabilities		**18,803**	15,230
Total liabilities		**203,080**	189,691
Net assets		**1,187,968**	1,125,903
JOINT VENTURE FUNDS			
Joint venture funds		**1,187,968**	1,125,903
Total joint venture funds		**1,187,968**	1,125,903

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 5 to 36.

ActewAGL Joint Venture
Statement of changes in joint venture funds
For the year ended 30 June 2014

	Total joint venture funds $'000
Balance at 1 July 2012	1,028,784
Profit for the year	195,019
Other comprehensive income	-
Total comprehensive income for the year	**195,019**
Transactions with Partners in their capacity as Partners:	
Distributions paid	(97,900)
Balance at 30 June 2013	**1,125,903**

	Total joint venture funds $'000
Balance at 1 July 2013	1,125,903
Profit for the year	166,065
Other comprehensive income	-
Total comprehensive income for the year	**166,065**
Transactions with Partners in their capacity as Partners:	
Distributions paid	(104,000)
Balance at 30 June 2014	**1,187,968**

The above statement of changes in joint venture funds should be read in conjunction with the accompanying notes as set out on pages 5 to 36.

ActewAGL Joint Venture
Statement of cash flows
For the year ended 30 June 2014

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Cash flows from operating activities			
Receipts from customers		**933,503**	926,676
Payments to suppliers and employees		**(717,069)**	(725,830)
		216,434	200,846
Interest received		**2,622**	3,247
Interest and other costs of finance paid		**(305)**	(151)
Net cash inflow from operating activities	25	**218,751**	203,942
Cash flows from investing activities			
Payments for property, plant and equipment		**(134,851)**	(112,161)
Proceeds from sale of property, plant and equipment		**128**	17
Proceeds from sale of Water Division		**-**	400
Net cash (outflow) from investing activities		**(134,723)**	(111,744)
Cash flows from financing activities			
Distributions paid		**(104,000)**	(97,900)
Repayment of borrowings		**(823)**	(657)
Net cash (outflow) from financing activities		**(104,823)**	(98,557)
Net (decrease) in cash and cash equivalents		**(20,795)**	(6,359)
Cash and cash equivalents at the beginning of the year		**57,538**	63,897
Cash and cash equivalents at end of year	6	**36,743**	57,538

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 5 to 36.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The ActewAGL Joint Venture (the Joint Venture) comprises the ActewAGL Retail Partnership and ActewAGL Distribution Partnership. These special purpose financial statements have been prepared for the purpose of reporting an aggregated view of the partnerships.

(a) Basis of preparation

The Joint Venture is not a reporting entity because in the opinion of the Joint Venture board, there are unlikely to exist users of the financial statements who are unable to command the preparation of statements tailored so as to specifically satisfy all of their information needs. Accordingly this special purpose financial report has been prepared to satisfy the board's reporting requirements under the *ACTEW/AGL Partnership Facilitation Act 2000*. The Joint Venture is a for-profit entity for the purpose of preparing the financial statements.

(i) Special purpose financial report

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board. It contains only those disclosures considered necessary by the board members to meet the needs of the partners and satisfy the requirements of the *ACTEW/AGL Partnership Facilitation Act 2000*.

(ii) Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention.

(iii) Critical accounting estimates

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

(b) Principal activities

The principal activities of the Joint Venture during the financial year were to:

- own and operate the electricity network in the ACT and purchase and supply electricity to consumers in the ACT and the capital region in NSW;
- own and operate the gas network in the ACT and surrounding districts and purchase and supply gas to customers in these areas; and
- provide and manage shared services.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Joint Venture recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Joint Venture's activities as described below. The Joint Venture bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Revenue is recognised for the major business activities as follows:

(i) Electricity and gas

Electricity and gas sales are recognised when the service is provided. Unmetered revenue is measured in accordance with the unread consumption policy as per note 3(b). Monies received prior to services being provided are recognised as unearned revenue.

(ii) Shared services management

Shared services management revenue is recognised in accordance with service agreements, which are reviewed periodically. An annual fee is calculated and received monthly in 12 instalments.

(iii) Contributions for infrastructure

Contributions for infrastructure are recognised when the service is provided.

(iv) Interest income

Interest income is recognised using the effective interest rate method. When a receivable is impaired, the Joint Venture reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Leases

Leases of property, plant and equipment where the Joint Venture, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 12). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Joint Venture will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Joint Venture as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1 Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Joint Venture will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within debt collection expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against debt collection expenses in profit or loss.

(h) Inventories

Inventories include materials and supplies to be consumed in the operation and maintenance of network assets. They have been valued at the lower of cost and net realisable value. Cost is determined on a weighted average purchase price basis. When evidence exists that inventory values have fallen below their cost an expense is recognised so that inventory is valued at net realisable value.

(i) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

Net profit from the discontinued operation is presented as a single amount in the statement of comprehensive income. The results of prior periods are re-presented so disclosures relate to all operations that have been discontinued by the end of the latest period presented.

(j) Investments and other financial assets

Classification
The Joint Venture holds financial assets in the loans and receivables category. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 7) and non-current receivables (note 11) in the balance sheet.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Joint Venture commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Joint Venture has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement
At initial recognition, the Joint Venture measures a financial asset at its fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Impairment
The Joint Venture assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(g).

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment allowances of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Joint Venture for similar financial instruments.

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Joint Venture and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

-	Electricity system assets	5 to 60 years
-	Gas system assets	5 to 80 years
-	Buildings	12 to 100 years
-	Plant and equipment	2 to 15 years
-	Leasehold improvements	15 years

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(m) Intangible assets

(i) Goodwill

Goodwill is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Joint Venture has an intention and ability to use the asset.

1 Summary of significant accounting policies (continued)

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Joint Venture prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowing costs

Borrowing costs comprise finance lease charges, which are expensed.

(p) Provisions

Provisions are recognised when the Joint Venture has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for annual leave and long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Profit-sharing and other bonus plans

The Joint Venture recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Joint Venture and other key performance indicators. The Joint Venture recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

1 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Joint Venture recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Employee benefit on-costs

The employee benefits above are recognised inclusive of on-costs, including superannuation and payroll tax.

(r) Income tax

The Joint Venture comprises two partnerships for income tax purposes. Accordingly, the Joint Venture is not subject to tax on its income. The income of the partnerships is subject to tax in the hands of the partners.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Rounding of amounts

The Joint Venture is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(u) New and amended standards adopted by the Joint Venture

The Joint Venture has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2013:

> AASB 119 *Employee Benefits* (September 2011) and *AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119* (September 2011).

The revised standard resulted in a change to the Joint Venture's accounting policy for annual leave obligations. As the Joint Venture does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits. Annual leave is now measured on a discounted basis, taking into account expected salary increases and expected timing in which the obligation will be settled. The change also prompted a review of current long service leave benefits, which were previously also measured on an undiscounted basis. The measurement of current long service leave is now accounted for in the same manner as annual leave.

The presentation of leave entitlements on the balance sheet has not changed. Annual leave obligations and current long service leave both continue to be presented as current provisions.

1 Summary of significant accounting policies (continued)

(u) New and amended standards adopted by the Joint Venture (continued)

(i) Impact on profit due to retrospective application of AASB 119 (as revised in 2011)

Statement of comprehensive income (extract)

	30 June 2013 Original $'000	Increase/ (Decrease) $'000	30 June 2013 Restated $'000
Total revenue	829,389	-	829,389
Employment costs	104,110	(536)	103,575
Non-employment costs	557,480	-	557,480
Total expenses	661,590	(536)	661,055
Profit from continuing operations	167,798	536	168,334
Profit from discontinued operations	26,685	-	26,685
Profit for the year	194,483	536	195,019

(ii) Impact on balance sheet due to retrospective application of AASB 119 (as revised in 2011)

Balance sheet (extract)	30 June 2013 Original $'000	Increase/ (Decrease) $'000	30 June 2013 Restated $'000
Total assets	1,315,583	-	1,315,583
Current provisions	27,589	423	28,012
Other liabilities	161,668	-	161,668
Total liabilities	189,257	423	189,680
Net assets	**1,126,326**	**(423)**	**1,125,903**
Total joint venture funds	**1,126,325**	**(423)**	**1,125,903**

1 Summary of significant accounting policies (continued)

(u) New and amended standards adopted by the Joint Venture (continued)

(ii) Impact on balance sheet due to retrospective application of AASB 119 (as revised in 2011) (continued)

	1 July 2012 Original	Increase/ (Decrease)	1 July 2012 Restated
Balance sheet (extract)	**$'000**	**$'000**	**$'000**
Total assets	1,251,825	-	1,251,825
Current provisions	20,705	959	21,663
Other liabilities	201,378	-	201,378
Total liabilities	222,083	959	223,041
Net assets	**1,029,742**	**(959)**	**1,028,784**
Total joint venture funds	**1,029,742**	**(959)**	**1,028,784**

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not yet been applied in the financial statements. The Joint Venture's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB9, AASB2009-11, AASB2010-7

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard becomes effective for the Joint Venture on 1 July 2017. The impact of the new standard on the Joint Venture will be minimal.

(ii) AASB 2012-3

AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* provides guidance in relation to the offsetting criteria of AASB 132 *Financial Instruments: Presentation.* The standard becomes effective for the Joint Venture on 1 July 2014. The changes will have a minimal impact on the Joint Venture.

(iii) AASB 2013-3

AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* amends the disclosure requirements in AASB 136 *Impairment of Assets.* The new standard becomes effective for the Joint Venture on 1 July 2014. The new standard requires disclosure of recoverable amount where an impairment loss is recognised or reversed during the reporting period, and requires additional disclosures where fair value less costs to sell is used to measure recoverable amount. The Joint Venture prepares special purpose financial statements and as such is not required to comply with all disclosure requirements. The impact of the new standard will be minimal.

2 Financial risk management

The Joint Venture's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk.

Management is responsible for managing most of these risks within the guidelines contained in Board approved policies. Credit risk pertaining to customers' use of energy products is managed separately in accordance with appropriate policies and controls. Risks are managed through regular risk assessments and ongoing Board reporting.

The Joint Venture holds the following financial instruments:

	30 June 2014 $'000	30 June 2013 $'000
Financial assets		
Cash and cash equivalents	**36,743**	57,538
Trade and other receivables	**185,481**	183,620
Non-current receivables	**954**	772
	223,178	241,930
Financial liabilities		
Trade and other payables	**126,719**	123,306
Other current liabilities	**29,400**	23,143
Other non-current liabilities	**11,890**	10,198
	168,009	156,647

Classification of financial assets and liabilities depends on the purpose for which the assets and liabilities were acquired.

The Joint Venture's classifications are set out below:

Financial asset/liability	**Classification**	**Valuation Basis**	**Accounting Policy**
Receivables	Loans and receivables	Amortised cost	Refer to note 1(j)(i)
Trade and other payables	Financial liability at amortised cost	Amortised cost	Refer to note 1(j)(i)

(a) Credit risk

The maximum exposure to credit risk as at 30 June 2014 is the carrying amounts of financial assets recognised in the balance sheet of the Joint Venture. The Joint Venture holds no significant collateral as security and the credit quality of all financial assets that are neither past due nor impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

(i) Cash and cash equivalents

The Joint Venture does not consider its credit risk to be material as transactions are limited to high credit quality financial institutions. The credit risk on financial assets of the Joint Venture which have been recognised on the balance sheet is generally the carrying amount net of any allowance for doubtful debts. Investments are allowed only in highly liquid cash investments and only with counterparties with sound credit ratings. There are no significant concentrations of credit risk within the Joint Venture and financial instruments are spread amongst a number of financial institutions and other counterparties.

2 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Trade and other receivables

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit terms by customers are regularly monitored by line management. Receivable balances are monitored on an ongoing basis with the result that the Joint Venture's exposure to bad debts is not significant.

(b) Liquidity risk

Liquidity risk includes the risk that the Joint Venture, as a result of operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

The Treasury Unit operates to maintain sufficient cash and marketable securities to ensure that the Joint Venture is able to meet its debts as and when they fall due. The cash position is monitored on a daily basis.

(c) Market risk

(i) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Joint Venture holds interest bearing assets in the form of cash and cash equivalents. The income and the associated operating cash flows of the Joint Venture's assets are materially independent of changes in market interest rates. Therefore, no sensitivity analysis is disclosed.

The Joint Venture holds interest-bearing liabilities in the form of finance leases. The Joint Venture's exposure to interest rate risk, categorised by maturity dates, is set out in note 18.

(ii) Price risk

The Joint Venture is exposed to energy purchase price risk in relation to the purchase of electricity and gas for supply to its customers.

The Retail Partnership within the Joint Venture manages its energy price risk through the Wholesale Electricity Sale Agreement (WESA) and the Wholesale Gas Supply Agreement (WGSA). These agreements set out the arrangements and pricing principles by which the Retail Partnership purchases electricity and gas from AGL Energy Limited (AGL Energy).

Electricity purchases for Contract Market customers (sites greater than 100MWh p.a.) are supported by individual back-to-back arrangements with AGL Energy, covering fixed term, quantity and price. The load for Mass Market customers (0 - 100MWh p.a.) is purchased progressively, based on forecasted quantities, according to the Board approved Mass Market Systematic Purchasing Policy.

Similarly, gas purchases for Contract customers (sites greater than 10TJ p.a.) are supported by individual back-to-back arrangements with AGL Energy. The Mass Market load (0 - 10TJ p.a.) is purchased a year in advance, based on the Retail Partnership's Maximum Daily Quantity (MDQ) and Annual Contract Quantity (ACQ) nominations.

2 Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Joint Venture for similar financial instruments.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment.

The fair value of lease liabilities is estimated as the present value of future cash flows, discounted at the rate implicit in the lease agreement.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Joint Venture and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Joint Venture makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Joint Venture tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

(b) Critical judgements in applying the entity's accounting policies

Unread consumption

The Joint Venture estimates electricity and gas consumption which has not been read from customer meters as at 30 June 2014. The method used in measuring unbilled energy volumes is by adding the current sales to the closing unbilled energy volumes for the previous period and subtracting current billings. The closing unbilled energy volumes are then allocated across the tariff classes using actual throughput volumes for the month and multiplied by prevailing tariff rates to determine the unread consumption. As at 30 June 2014, $105,925,000 (2013: $99,700,000) was recognised as unread consumption of electricity and gas.

4 Revenue

	30 June 2014 $'000	30 June 2013 $'000
From continuing operations		
Sales revenue		
Sale and distribution of energy	**779,982**	771,387
Operations management	**2,312**	2,164
Other operating revenue	**4,188**	3,834
	786,482	777,385
Other revenue		
Interest	**2,624**	3,149
Contributions for infrastructure	**13,746**	15,679
Other non-operating revenue	**34,140**	33,171
	50,510	51,999
	836,992	829,384
From discontinued operation		
Sales revenue		
Income from services	-	1,097
Other revenue		
Other non-operating revenue	-	27
	-	1,124

5 Expenses

	30 June 2014 $'000	30 June 2013 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Electricity system assets	**25,966**	23,478
Gas system assets	**8,480**	8,014
Land and buildings	**1,151**	1,054
Leasehold improvements	**953**	932
Plant and equipment excluding finance leases	**3,467**	3,231
Plant and equipment under finance leases	**416**	391
Total depreciation	**40,433**	37,100
Amortisation		
Software	**1,379**	1,027
Total amortisation	**1,379**	1,027
Total depreciation and amortisation from continuing operations	**41,812**	38,127
Assets written off	**959**	640

6 Current assets - Cash and cash equivalents

	30 June 2014 $'000	30 June 2013 $'000
Cash at bank	**3,988**	17,033
Cash on hand	**5**	5
Securities purchased	**32,750**	40,500
	36,743	57,538

(a) Risk exposure

The Joint Venture's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Cash at bank and on hand

The average interest earned on cash at bank for the year was 1.30% (2013: 1.49%).

6 Current assets - Cash and cash equivalents (continued)

(c) Securities purchased

The securities held are bearing fixed interest rates between 2.75% and 3.30% (2013: 3.00% and 3.85%). These deposits have a weighted average maturity of 2 days (2013: 16 days).

The credit quality of securities can be assessed by reference to external credit ratings (if available):

Standard & Poor's (S&P) credit rating

	30 June 2014 $'000	30 June 2013 $'000
A1+	**21,750**	31,500
A1	**3,000**	-
A2	**8,000**	9,000
	32,750	40,500

7 Current assets - Trade and other receivables

	30 June 2014 $'000	30 June 2013 $'000
Trade receivables		
Trade receivables	**181,277**	179,003
Allowance for impairment of receivables (a)	**(6,188)**	(5,683)
	175,089	173,320
Other receivables		
Appliance payment plan	**2,557**	2,891
Other receivables	**8,126**	7,524
Allowance for impairment of receivables (a)	**(291)**	(115)
	10,392	10,300
Total trade and other receivables	**185,481**	183,620

7 Current assets - Trade and other receivables (continued)

(a) Impaired receivables

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

	30 June 2014 $'000	30 June 2013 $'000
Opening balance	**5,683**	4,038
Allowance for impairment recognised during the year	**7,297**	6,208
Receivables written off during the year as uncollectable	**(6,792)**	(4,563)
Closing balance	**6,188**	5,683

Movements in the allowance for impairment of receivables other than trade receivables are as follows:

	30 June 2014 $'000	30 June 2013 $'000
Opening balance	**115**	148
Allowance for impairment recognised during the year	**210**	84
Receivables written-off during the year	**(34)**	(117)
Closing balance	**291**	115

(b) Past due but not impaired

As at 30 June 2014, trade receivables of $10,138,000 (2013: $14,201,000) were past due but not impaired.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these other balances will be received when due.

(c) Other receivables

These amounts generally arise outside the ordinary activities of the Joint Venture. Interest may be charged at commercial rates where the terms of repayment exceed 30 days. Collateral is not normally obtained.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

8 Current assets - Inventories

	30 June 2014 $'000	30 June 2013 $'000
Stores on hand - at cost	**9,770**	10,038

(a) Inventory expense

Inventories recognised as an expense during the period ended 30 June 2014 amounted to $3,901,000 (2013: $4,505,000).

9 Current assets - Other current assets

	30 June 2014 $'000	30 June 2013 $'000
Prepayments	**2,842**	2,466

10 Discontinued operation

(i) Description

On 3 May 2012 the Partners of the ActewAGL Distribution Partnership formally agreed to sell selected assets and liabilities of the Water Division to ACTEW Corporation Limited (ACTEW Corporation). As of this date, the selected assets and liabilities of the Water Division were reclassified as held-for-sale. The sale took place on 1 July 2012. Profit from discontinued operations in the current year comprises a recovery of additional costs in relation to the sale of Water Division.

10 Discontinued operation (continued)

(ii) Financial performance and cash flow information

	30 June 2014 $'000	30 June 2013 $'000
Water Division revenue	-	1,129
Water Division expense	-	(1,779)
Gain on sale of Water Division	**121**	27,335
Profit from discontinued operation	**121**	26,685
Profit from discontinued operation	**121**	26,685
Profit attributable to owners of the parent entity relates to:		
Profit/(loss) from discontinued operation	**121**	26,685
	121	26,685
Net cash (outflow) from operating activities	-	(3,801)
Net cash inflow from investing activities	-	14
Net (decrease) in cash generated by the discontinued operation	-	(3,787)

11 Non-current assets - Non-current receivables

	30 June 2014 $'000	30 June 2013 $'000
Lease recovery	**785**	641
Lease incentive recovery	**158**	120
Total receivables	**943**	761
Other receivables	**11**	11
	954	772

12 Non-current assets - Property, plant and equipment

	Electricity System Assets $'000	Gas System Assets $'000	Land and Buildings $'000	Leasehold improvements $'000	Plant and Equipment excluding finance lease $'000	Plant and Equipment under finance lease $'000	Construction in Progress $'000	Total $'000
At 1 July 2012								
Cost	812,073	307,594	34,583	12,559	30,021	1,620	99,166	1,297,616
Accumulated depreciation	(242,426)	(76,446)	(3,866)	(1,825)	(20,247)	(758)	-	(345,568)
Net book amount	569,647	231,148	30,717	10,734	9,774	862	99,166	952,048
Year ended 30 June 2013								
Opening net book amount	569,647	231,148	30,717	10,734	9,774	862	99,166	952,048
Additions	291	119	-	-	677	4,577	110,737	116,401
Construction capitalised	75,132	15,956	1,050	388	597	-	(93,123)	-
Reclassification	-	-	-	-	9	-	-	9
Reclassification to intangibles	-	-	-	-	-	-	(450)	(450)
Disposals	(577)	(64)	(2)	-	(18)	-	-	(661)
Depreciation charge	(23,478)	(8,014)	(1,054)	(932)	(3,231)	(391)	-	(37,100)
Closing net book amount	621,015	239,145	30,711	10,190	7,808	5,048	116,330	1,030,247
At 30 June 2013								
Cost	886,155	323,594	35,631	12,796	27,798	6,198	116,330	1,408,502
Accumulated depreciation	(265,140)	(84,449)	(4,920)	(2,606)	(19,990)	(1,150)	-	(378,255)
Net book amount	621,015	239,145	30,711	10,190	7,808	5,048	116,330	1,030,247

12 Non-current assets - Property, plant and equipment (continued)

	Electricity System Assets $'000	Gas System Assets $'000	Land and Buildings $'000	Leasehold improvements $'000	Plant and Equipment excluding finance lease $'000	Plant and Equipment under finance lease $'000	Construction in Progress	Total $'000
At 1 July 2013								
Cost	886,155	323,594	35,631	12,796	27,798	6,198	116,330	1,408,502
Accumulated depreciation	(265,140)	(84,449)	(4,920)	(2,606)	(19,990)	(1,150)	-	(378,255)
Net book amount	621,015	239,145	30,711	10,190	7,808	5,048	116,330	1,030,247
Year ended 30 June 2014								
Opening net book amount	621,015	239,145	30,711	10,190	7,808	5,048	116,330	1,030,247
Additions	3,659	471	227	-	1,842	2,253	127,065	135,517
Construction capitalised	113,083	19,396	2,289	836	2,455	-	(138,059)	-
Reclassification	-	-	-	(22)	-	-	-	(22)
Reclassification to intangibles	-	-	-	-	-	-	(2,424)	(2,424)
Disposals	(763)	-	(171)	(10)	(28)	-	-	(972)
Depreciation charge	(25,966)	(8,480)	(1,151)	(953)	(3,467)	(416)	-	(40,433)
Closing net book amount	711,028	250,532	31,905	10,041	8,610	6,885	102,912	1,121,913
At 30 June 2014								
Cost	1,001,021	343,460	37,501	13,455	31,798	8,053	102,912	1,538,200
Accumulated depreciation	(289,993)	(92,928)	(5,596)	(3,414)	(23,188)	(1,168)	-	(416,287)
Net book amount	711,028	250,532	31,905	10,041	8,610	6,885	102,912	1,121,913

13 Non-current assets - Intangible assets

	Goodwill $'000	Software $'000	Total $'000
At 1 July 2012			
Cost	28,110	4,043	32,153
Accumulated amortisation	-	(1,135)	(1,135)
Net book amount	28,110	2,908	31,018
Year ended 30 June 2013			
Opening net book amount	28,110	2,908	31,018
Additions	-	472	472
Reclassification from property, plant and equipment	-	450	450
Amortisation charge - continuing operations	-	(1,027)	(1,027)
Closing net book amount	28,110	2,803	30,913
Cost	28,110	4,955	33,065
Accumulated amortisation	-	(2,152)	(2,152)
Net book amount	28,110	2,803	30,913

	Goodwill $'000	Software $'000	Total $'000
Year ended 30 June 2014			
Opening net book amount	28,110	2,803	30,913
Additions	-	1,408	1,408
Reclassification from property, plant and equipment	-	2,424	2,424
Amortisation charge - continuing operations	-	(1,379)	(1,379)
Disposals	-	(21)	(21)
Closing net book amount	28,110	5,235	33,345
At 30 June 2014			
Cost	28,110	8,753	36,863
Accumulated amortisation	-	(3,518)	(3,518)
Net book amount	28,110	5,235	33,345

13 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Joint Venture cash-generating units (CGUs) identified according to business segments.

A segment-level summary of the goodwill allocation is presented below.

2014	**Electricity $'000**	**Gas $'000**	**Total $'000**
Goodwill	10,520	17,590	28,110

2013	**Electricity $'000**	**Gas $'000**	**Total $'000**
Goodwill	10,520	17,590	28,110

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate that does not exceed the long-term average growth rates for industry in which each CGU operates.

(b) Key assumptions used for value-in-use calculations

CGU	**Post-tax discount rate***		**Pre-tax discount rate***	
	2014 %	2013 %	**2014 %**	2013 %
Electricity - Retail	**10.0**	8.0	**12.8**	11.7
Gas - Retail	**10.0**	8.0	**13.3**	11.6

* In performing the value-in-use calculations for each CGU, the Joint Venture has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments.

(c) Impact of possible changes in key assumptions

The sensitivity of key assumptions has been tested by management, and it has been concluded that no reasonable change will result in an impairment.

14 Current liabilities - Trade and other payables

	30 June 2014 $'000	30 June 2013 $'000
Trade payables	**106,844**	102,158
Other payables	**19,875**	21,148
Total trade and other payables	**126,719**	123,306

15 Current liabilities - Provisions

	30 June 2014 $'000	30 June 2013 $'000
Employee entitlements	**23,531**	22,139
Public liability provision	**110**	40
TUoS refund	**-**	4,954
Redundancy provision	**4,140**	143
Workers' compensation provision	**377**	736
Total provisions	**28,158**	28,012

15 Current liabilities - Provisions (continued)

(a) Movements in provisions

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

2014	Public liability provision $'000	Redundancy provision $'000	TUoS refund $'000	Workers' compensation provision $'000	Total $'000
Opening balance	40	143	4,954	736	5,873
Additions and adjustments	175	4,437	-	(610)	4,002
Unused amounts reversed	(105)	(2)	-	-	(107)
Amounts used during the year	-	(438)	(4,954)	(367)	(5,759)
Reclassification from non-current	-	-	-	618	618
Closing balance	110	4,140	-	377	4,627

(b) Public liability provision

Public liability provisions include public liability and legal claims.

(c) Redundancy provision

The Joint Venture is currently undertaking significant restructuring which has given rise to a constructive obligation under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.* The majority of the outflows are expected to occur by the end of August 2014.

(d) TUoS refund

In 2013, the Joint Venture recognised a provision for Transmission Use of System (TUoS) charges to be refunded to customers through reduced pricing in the 2013-14 financial year. This has arisen due to a change in TransGrid's method of billing TUoS charges post the approval by the Australian Energy Regulator (AER) of the 2012-13 network charge. Approved in the AER's pricing for 2012-13 (released in May 2012) was a duplication of charges relating to TransGrid's historical method for charging TUoS, where energy charges are applied to historical data for existing connection points and actual data for new connection points (Williamsdale). However, since approval of the 2012-13 network charge, TransGrid has agreed to instead apply the tariffs based on actual data for the two main supply points, resulting in a potential $5.0m reduction in cost of sales.

(e) Workers' compensation provision

The ACT Government and ACTEW Corporation have agreed to exit ACTEW Coporation's workers' compensation arrangement with Comcare. The exit arrangements include annual payments over the period to 30 June 2022 for incidents that occurred during the period of cover, where future additional expenditure is incurred by Comcare. ACTEW Corporation will recover a portion of these payments from the Joint Venture to the extent that the employees were seconded to the Joint Venture. As at 30 June 2014, these recoveries are estimated to have a net present value of $3,328,000 (2013: $2,202,000), of which $377,000 (2013: $736,000) is expected to be payable within twelve months.

16 Current liabilities - Other current liabilities

	30 June 2014 $'000	30 June 2013 $'000
Unearned revenue (see note 1(c)(ii))	**28,292**	22,389
Finance leases	**1,033**	638
Other current liabilities	**75**	116
Total other current liabilities	**29,400**	23,143

For information relating to interest rate risk, refer to note 18.

17 Non-current liabilities - Provisions

	30 June 2014 $'000	30 June 2013 $'000
Employee entitlements	**2,918**	2,617
Make good provision	**1,044**	949
Workers' compensation provision	**2,951**	1,466
Total provisions	**6,913**	5,032

(a) Movements in provisions

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

2014	**Make good provision $'000**	**Workers' compensation provision $'000**	**Total $'000**
Opening balance	949	1,466	2,415
Additional provisions recognised	-	1,941	1,941
Unwinding of discount	95	162	257
Reclassification from non-current	-	(618)	(618)
Closing balance	1,044	2,951	3,995

(b) Workers' compensation provision

The ACT Government and ACTEW Corporation have agreed to exit ACTEW Corporation's workers' compensation arrangement with Comcare. The exit arrangements include annual payments over the period to 30 June 2022 for incidents that occurred during the period of cover, where future additional expenditure is incurred by Comcare. ACTEW Corporation will recover a portion of these payments from the Joint Venture to the extent that the employees were seconded to the Joint Venture. As at 30 June 2014, these recoveries are estimated to have a net present value of $3,328,000 (2013: $2,202,000), of which $2,951,000 (2013: $1,466,000) is expected to be payable beyond twelve months.

18 Non-current liabilities - Other non-current liabilities

	30 June 2014 $'000	30 June 2013 $'000
Unearned revenue	**2,148**	2,242
Finance leases	**5,197**	4,163
Lease rental	**3,550**	3,000
Lease incentive	**995**	793
Total other non-current liabilities	**11,890**	10,198

Interest rate risk exposure

Finance leases	4.8 - 10.8%	4.8 - 10.8%

	Less than one year $'000	**Between one and five years $'000**	**More than five years $'000**	**Total $'000**
2014				
Principal	1,034	4,814	378	6,226
Interest	312	664	6	982
Minimum lease payments	1,346	5,478	384	7,208

	Less than one year $'000	**Between one and five years $'000**	**More than five years $'000**	**Total $'000**
2013				
Principal	638	2,979	1,184	4,801
Interest	245	585	62	892
Minimum lease payments	883	3,564	1,246	5,693

19 Key management personnel disclosures

(a) Group board members

The following persons were board members of the Joint Venture during the financial year and up to the date of the report:

Name	Appointment	Comments
Paul Frazer	Chairman	Chairman from 1 July 2013
Michael Easson	Deputy Chairman	Deputy Chairman from 1 July 2013
Paul Adams	Board member	
Wendy Caird	Board member	Commenced 1 July 2013
Damien Nicks	Board member	Commenced 27 August 2013
Mark Sullivan	Board member	Resigned 14 February 2014
John Knox	Board member	Commenced 14 February 2014
Law Chin Ho	Board member	Resigned 3 March 2014
Ruan Qiantu	Board member	Commenced 3 March 2014

The following persons were nominated as an alternate member of the Joint Venture Board at some time during the financial year:

Name	Appointment	Meetings attended
Rachel Peck	Alternate to Mark Sullivan, Michael Easson and John Knox	1
Carol Lilley	Alternate to Mark Sullivan	1
Joanne Pearson	Alternate to Paul Adams	0
Shaun Reardon	Alternate to Law Chin Ho and Ruan Qiantu	0

(b) Transactions with Group board members

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

Related party transactions are detailed in note 23. Some board members are ActewAGL customers for electricity and gas services. Apart from this, there were no other business transactions between AGL Energy Limited (AGL Energy), Jemena Limited (Jemena) or ACTEW Corporation.

Retirement benefits

There were no retirement benefits paid to board members for the year ended 30 June 2014.

Loans to board members

There were no loans to board members as at 30 June 2014.

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Joint Venture:

	30 June 2014 $	30 June 2013 $
Audit and other assurance services, provided by the ACT Auditor-General's Office *		
Audit of the financial statements	**265,000**	270,900
Total remuneration for audit of the financial statements	**265,000**	270,900
The contract auditor (Deloitte Touche Tohmatsu) engaged by the ACT Auditor-General's Office to audit the financial statements, provided the following other services acting in its own capacity:		
Services in relation to the Core Systems Replacement Project	**-**	159,740
Electricity regulatory return	**28,088**	30,896
Review of unread accrual methodology	**-**	7,825
Draft reset Regulatory Information Notice	**44,855**	-
Review of costing allocation methodology	**-**	15,750
Whistleblower services	**5,882**	11,836
Reasonable assurance on reporting of natural gas supply submissions	**26,000**	-
Discussion paper on strategic opportunities	**15,000**	-
Economic benchmarking Regulatory Information Notice	**33,600**	-
Total remuneration for other services	**153,425**	226,047

* The ACT Auditor-General's Office and the contract auditor (Deloitte Touche Tohmatsu) provided no other services.

21 Contingent liabilities

(a) Contingent liabilities

(i) Claims

There are a number of public liability insurance claims against the Joint Venture at year end. Should the Joint Venture be proved liable, the Joint Venture must pay the first $25,000 of each claim. This contingent liability is estimated to be $3,753 as at 30 June 2014 (2013: $32,595).

(ii) Bank guarantees

The Joint Venture has been given a number of bank guarantees in respect of security deposits in relation to its leases amounting to $4,859,795 (2013: $4,735,985).

These have not been recognised in the balance sheet.

22 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	30 June 2014 $'000	30 June 2013 $'000
Within one year	**27,750**	43,748
Later than one year but not later than five years	**4,961**	3,972
Later than five years	**13**	29
	32,724	47,749

(b) Lease commitments: group as lessee

(i) Non-cancellable operating leases

The Joint Venture leases its corporate headquarters under non-cancellable operating lease with an original term of 15 years. One of the levels is sub-leased to ACTEW Corporation. The Joint Venture has other operating leases for retail space, motor vehicles and IT equipment. The leases have varying terms, fixed escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	30 June 2014 $'000	30 June 2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**8,350**	8,954
Later than one year but not later than five years	**26,943**	26,577
Later than five years	**34,387**	40,947
	69,680	76,478

23 Related party transactions

(a) Joint venture interests

The parties to the joint venture are wholly-owned subsidiaries of ACTEW Corporation, Jemena and AGL Energy.

(b) Transactions with related parties

Some operational arrangements exist between the Joint Venture and ACTEW Corporation. These include the provision and management of shared services performed by the Joint Venture on behalf of ACTEW Corporation, staff secondment arrangements, utility contracts and property leasing arrangements.

The Joint Venture has recognised a provision for its share of ACTEW Corporation's workers' compensation exit arrangement with Comcare. Refer to note 15 and note 17 for details of the provision.

Some operational arrangements exist between the Joint Venture, Jemena and AGL Energy. These include agreements for construction and management of electricity and gas infrastructure assets, purchase of wholesale electricity and green certificates, retail management services and the purchase of wholesale gas. These services are billed to the Joint Venture monthly on a market basis.

23 Related party transactions (continued)

(b) Transactions with related parties (continued)

The following transactions occurred with related parties:

	30 June 2014 $'000	30 June 2013 $'000
Sales of goods and services		
To parties to the Joint Venture	**45,291**	44,230
Purchases of goods		
From parties to the Joint Venture	**382,362**	360,783
Other transactions		
Distributions paid to parties to the Joint Venture	**104,000**	97,900
Board members' fees paid to parties to the Joint Venture	**341**	320
	104,341	98,220

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2014 $'000	30 June 2013 $'000
Current payables (purchases of goods)		
Partners - AGL Energy, ACTEW Corporation and Jemena	**62,685**	61,719
Current receivables (sales of goods and services)		
Partners - AGL Energy, ACTEW Corporation and Jemena	**4,903**	8,640

24 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Joint Venture, the results of those operations or the state of affairs of the Joint Venture or economic entity in subsequent financial years.

25 Reconciliation of profit to net cash inflow from operating activities

	30 June 2014 $'000	30 June 2013 $'000
Profit for the year	**166,065**	195,019
Depreciation and amortisation from continuing operations	**41,812**	38,127
Write off of assets	**959**	640
Net loss/(gain) on sale of non-current assets - continuing operations	**109**	(6)
Net (gain) on sale of non-current assets - discontinued operations	**-**	(5)
(Gain) on sale of Water Division	**(121)**	(27,335)
Net loss on sale of available-for-sale financial assets	**-**	2,000
Change in operating assets and liabilities:		
(Increase) in prepayments	**(376)**	(559)
(Increase) in receivables	**(1,873)**	(1,967)
Decrease in inventories	**218**	500
Increase/(decrease) in payables	**3,417**	(14,600)
Increase in provisions	**2,022**	8,055
Increase in other liabilities	**6,519**	4,073
Net cash inflow from operating activities	**218,751**	203,942

ActewAGL Joint Venture
Joint Venture Board's declaration
30 June 2014

As detailed in note 1(a) to the financial statements, the ActewAGL Joint Venture is not a reporting entity because in the opinion of the board members there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the board's reporting requirements under the *ACTEW/AGL Partnership Facilitation Act 2000.*

The board members further declare that:

(a) the financial statements and notes of the ActewAGL Joint Venture set out on pages 1 to 36:
  (i) comply with applicable Accounting Standards and other mandatory professional reporting requirements; and
  (ii) give a true and fair view of the Joint Venture's financial position as at 30 June 2014 and of its performance, as represented by the results of its operations and cashflows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Joint Venture will be able to pay its debts as and when they become due and payable.

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

Paul Frazer
Chairman
Canberra
27 August 2014

Michael Easson
Board Member
Canberra
27 August 2014

INDEPENDENT AUDIT REPORT

To the Partners of the ActewAGL Joint Venture

Report on the special purpose financial report

The special purpose financial report (financial report) of the ActewAGL Joint Venture (the Joint Venture) for the year ended 30 June 2014 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of changes in joint venture funds, statement of cash flows, accompanying notes and Joint Venture Board's (the Board's) declaration.

Responsibility for the financial report

The Board is responsible for the preparation and fair presentation of the financial report and has determined that the basis of preparation, described in Note 1 (a) of the financial report, is appropriate to meet the financial reporting requirements of the *ACTEW/AGL Partnership Facilitation Act 2000* and the Partners of the Partnership.

The Board's responsibility also includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial report.

Auditor's responsibility

Under the *ACTEW/AGL Partnership Facilitation Act 2000*, I am responsible for expressing an independent audit opinion on the financial report. The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the financial report is free from material misstatement.

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

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

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

Electronic presentation of the audited financial report

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

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the ActewAGL Joint Venture as at 30 June 2014 and its financial performance for the year then ended, in accordance with the financial reporting requirements of the *ACTEW/AGL Partnership Facilitation Act 2000* described in Note 1 (a) of the financial report.

Basis of accounting and restriction on distribution and use

Without modifying the audit opinion, I draw attention to Note 1 (a) of the financial report, which describes the basis of accounting. The financial report has been prepared to assist the ActewAGL Joint Venture to meet the financial reporting requirements of the *ACTEW/AGL Partnership Facilitation Act 2000*. As a result, the financial report may not be suitable for another purpose.

The audit report is intended solely for the partners of the Joint Venture and should not be distributed to or used by parties other than the Partners of the Joint Venture.

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

M. Cooper.

Dr Maxine Cooper
Auditor-General
3 September 2014

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

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION
SPECIAL PURPOSE FINANCIAL REPORT OF THE ACTEWAGL JOINT VENTURE
FOR THE YEAR ENDED 30 JUNE 2014

In relation to the audit of the special purpose financial report of the ActewAGL Joint Venture for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the code of professional conduct.

Yours sincerely

M. Cooper

Dr Maxine Cooper
Auditor-General
27 August 2014