



**ACT**  
Government



ACTEW Corporation Limited

# Annual Report to the ACT Government

# 2012–13

ABN 86 069 381 960

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5 September 2013

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

Dear Treasurer

We are pleased to present ACTEW Corporation Limited's 2012-13 Annual Report.

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

To the best of our knowledge and belief, the Annual Report is an honest and accurate account of the operations of the company for the period 1 July 2012 to 30 June 2013 and that all material information has been included.

Yours sincerely

☺



Michael Easson AM  
Acting Chairman

Yours sincerely



Mark Sullivan AO  
Managing Director





# Annual Report

# Contents

<b>LETTER OF TRANSMITTAL</b>	
<b>CONTENTS</b>	<b>3</b>
<b>PERFORMANCE AND FINANCIAL MANAGEMENT REPORTING</b>	<b>4</b>
The Organisation	4
<b>OVERVIEW</b>	<b>5</b>
Message from the Chairman	5
Message from the Managing Director	6
Investments	7
<b>HIGHLIGHTS</b>	<b>8</b>
Business Integration and Transformation	8
Sewerage Operations	8
Water Operations	9
Capital Works and Major Infrastructure	10
Regulatory Review and Pricing Determination	10
Customer Services and Engagement	11
Research and Development	11
<b>OUTLOOK</b>	<b>12</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	<b>13</b>
<b>CONSULTATION AND SCRUTINY REPORTING</b>	<b>16</b>
Community Engagement	16
Internal and External Scrutiny	17
Legislative Assembly Committee Inquiries and Reports	17
<b>LEGISLATIVE AND POLICY BASED REPORTING</b>	<b>18</b>
Risk Management and Internal Audit	18
Fraud Prevention	18
Public Interest Disclosure	18
Freedom of Information	19
Internal Accountability	20
Staffing Profile	26
Workplace Health and Safety	27
Human Rights Act 2004	27
Strategic Bushfire Management Plan	27
Community Grants / Assistance / Sponsorship	28
Territory Records Act	30
Commissioner for the Environment	30
Environmental Management and Ecologically Sustainable Development	31
Model Litigant Guidelines	32
<b>FINANCIAL STATEMENTS</b>	<b>33</b>
<b>ANNEXED REPORTS</b>	<b>34</b>
<b>COMPLIANCE INDEX</b>	<b>35</b>
<b>OMISSIONS REPORT</b>	<b>36</b>



# Performance and Financial Management Reporting

## The Organisation

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

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

ACTEW owns the water and sewerage business and assets in the ACT and is a 50% owner of ActewAGL.

Our corporate commitments to our customers and shareholders are:

<b>Our Services</b>	To be an industry leader in consistently providing safe, efficient and reliable water and sewerage services.
<b>Our Community</b>	To achieve community awareness of the value of our services, and to support our community's wellbeing through the provision of educational services, sponsorships and community support programs
<b>Our Environment</b>	To undertake our activities in a sustainable manner, reducing and offsetting our impact on the environment in accordance with the ACT Government's stated greenhouse gas and renewable energy targets.
<b>Our Shareholders</b>	To maximise sustainable financial returns to our shareholders.
<b>Our Water Future</b>	To provide a secure water future for the ACT.
<b>Our Workplace</b>	To continue to provide a workplace which is safe, challenging and rewarding.
<b>Our Investments</b>	To maintain our investment in ActewAGL in a manner which best serves the needs of ACTEW and our shareholders.

### Principal Registered Office

Level 5 ActewAGL House  
40 Bunda Street  
Canberra ACT 2600

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Mitchell ACT 2911

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Twitter: @ACTEWWater

TTY for Hearing

Impaired: (02) 6248 3179

Language

Assistance: 13 14 50

### Auditor

Auditor-General of the ACT

### Solicitors

King & Wood Mallesons

Minter Ellison

### Bankers

Commonwealth Bank of Australia

Reserve Bank of Australia

Westpac Banking Corporation

# Overview

## Message from the Chairman

ACTEW achieved strong financial results for the year ended 30 June 2013 with an after-tax profit of \$80.3m. Our assets are valued at \$2.8b, which includes water and sewerage infrastructure assets valued at \$2.0b. The Board is maintaining close scrutiny on the gearing levels which are currently 58%, having increased over the past couple of years as a result of increased borrowings for the water security projects and dividend payments.

We continued to work with our joint venture partners AGL and Singapore Power ensuring the continuing strong financial performance of ActewAGL. ACTEW received \$48.9m in dividend payments from ActewAGL during the year. In May 2013 Singapore Power International (SPI) and State Grid International Development (SGID) entered into an agreement for SGID to purchase a 50% shareholding in SPI Assets (Australia) which is the owner of Jemena Limited, one of ACTEW's joint venture partners. The transaction is yet to be finalised.

Dividends paid to our shareholders totalled \$18.4m and income tax equivalent payments totalled \$57.1m. The final dividend payment for 2012-13 has been delayed due to the release by the Independent Competition and Regulatory Commission of the new pricing determination to enable ACTEW and its shareholders to consider the impact of the decision.

The Board was pleased to see construction of the enlarged Cotter Dam completed in December 2012 and the reservoir's subsequent connection to Canberra's water supply in February 2013. This is a significant milestone for ACTEW and the community, and is a realisation of many years of planning and hard work.

The Board initiated a review of the Corporation's governance framework in early 2013. The review assessed ACTEW against corporate governance themes consistent with principles and requirements published by ASIC, the ASX and the ACT's Auditor-General's Office. The report will be made publically available when finalised and considered by the Board in early 2013-14. Our shareholders also initiated a review of the institutional arrangements for ACTEW in June 2013. The review is examining current arrangements for the delivery of water and sewerage services to the ACT and region, and the structural arrangements for the investment in the ActewAGL joint venture. A report is expected to be presented to the shareholders in late 2013.

Carol Lilley was appointed to the Board in April 2013 bringing the number of directors to eight. Ms Lilley, a former partner at PricewaterhouseCoopers, brings a wealth of knowledge, experience and gender equity to the Board, complementing the skills and expertise of existing Directors.

On behalf of the Board I acknowledge the leadership and contribution of John Mackay AM to ACTEW, ActewAGL and the Canberra community through his roles in business, government, education, sport, and not for profit community organisations. John's tenure as Chairman of ACTEW concluded on 30 June 2013. His energetic drive and passion for Canberra has seen many achievements and benefits flowing to the community. It has been an honour and a privilege to work closely with him since 1998 and his dedication and hard work will be sorely missed. As a result of John's departure, I was appointed Acting Chairman and Wendy Caird Acting Deputy Chair on an interim basis from 1 July 2013.

Finally I thank my fellow directors, executives, the management team and all staff for their contributions during the year and for their ongoing commitment to ACTEW.



Michael Easson AM  
Acting Chairman



## Message from the Managing Director

2012-13 was a year of transition for ACTEW as we completed our business transformation journey, a significant organisational redesign, and appointed a new and revitalised management team. This journey began in late 2011 following the Board's approval of the return of the water and sewerage business to ACTEW. We took a long and hard look at our culture, benchmarked our business and developed a new mission and vision statements, as well as strategic imperatives emphasising our commitment to customers, safety, efficiency and commerciality in our operations. Importantly, during this period we remained focussed on one of our key objectives of delivering safe and secure water to the ACT.

The transfer of more than 340 staff from ActewAGL occurred seamlessly. This has been the most significant level of organisational change since the establishment of the ActewAGL joint venture in 2000. The new business name for our water and sewerage operations and business, ACTEW Water, was launched on 1 July 2012. This was an important step to achieving our new vision and strategies, and to transforming the business in a way that is closely aligned with our corporate objectives.

Delivery of the suite of water security projects has been achieved with the completion of the new Cotter Dam wall and the official opening of the Murrumbidgee to Googong Water Transfer Pipeline. The enlarged Cotter Reservoir was connected to Canberra's water supply in February 2013, signalling a significant milestone and creating the largest ever volume of drinking water capacity for the ACT.

We continued to be an active investor in ActewAGL to ensure it remains the energy supplier of choice for the majority of Canberrans, and we've continued to support the development and growth of the ACT and neighbouring regional areas, in particular through infrastructure investments in the Molonglo Valley and Googong Township.

We've maintained our commitment to the ACT and surrounding communities to support and enhance engagement in order to fulfil our role as a socially responsible organisation. We provided major and minor sponsorships and in-kind donations and support to 67 events, charities and organisations. It has been a momentous year as Canberra celebrates its Centenary and ACTEW is proud to support activities acknowledging the national capital's first 100 years.

The final water and sewerage pricing direction was a significant change in approach from previous determinations with the key features being a six year regulatory period to 30 June 2019, major biennial reviews, annual pricing adjustments and a firm specific return on infrastructure. There was a change in approach from the draft to the final direction in the financial return on infrastructure and resulted in no impairment impact. This determination has caused ACTEW and its shareholders to reassess our infrastructure investment and maintenance programs and processes.

As noted by the Acting Chairman, two reviews of ACTEW are currently underway and I expect the outcomes will provide opportunities to strengthen existing governance and institutional arrangements.

I acknowledge the dedication, professionalism and commitment of ACTEW's executive, the management team and all employees, and thank them for their contributions during a busy and at times challenging year.

I am looking forward to the next few years as we see the rewards of the significant groundwork we have done in the past eighteen months in transforming ACTEW into a water industry leader.



Mark Sullivan AO  
Managing Director

# Investments

## ActewAGL

ACTEW is a 50% owner of ActewAGL, a multi utility provider of electricity and gas services to the ACT and surrounding regional New South Wales centres.

ActewAGL comprises two partnerships: ActewAGL Retail (a partnership between ACTEW Retail Limited and AGL ACT Retail Investments Pty Limited); and ActewAGL Distribution (a partnership between ACTEW Distribution Limited and Jemena Networks (ACT) Pty Limited).

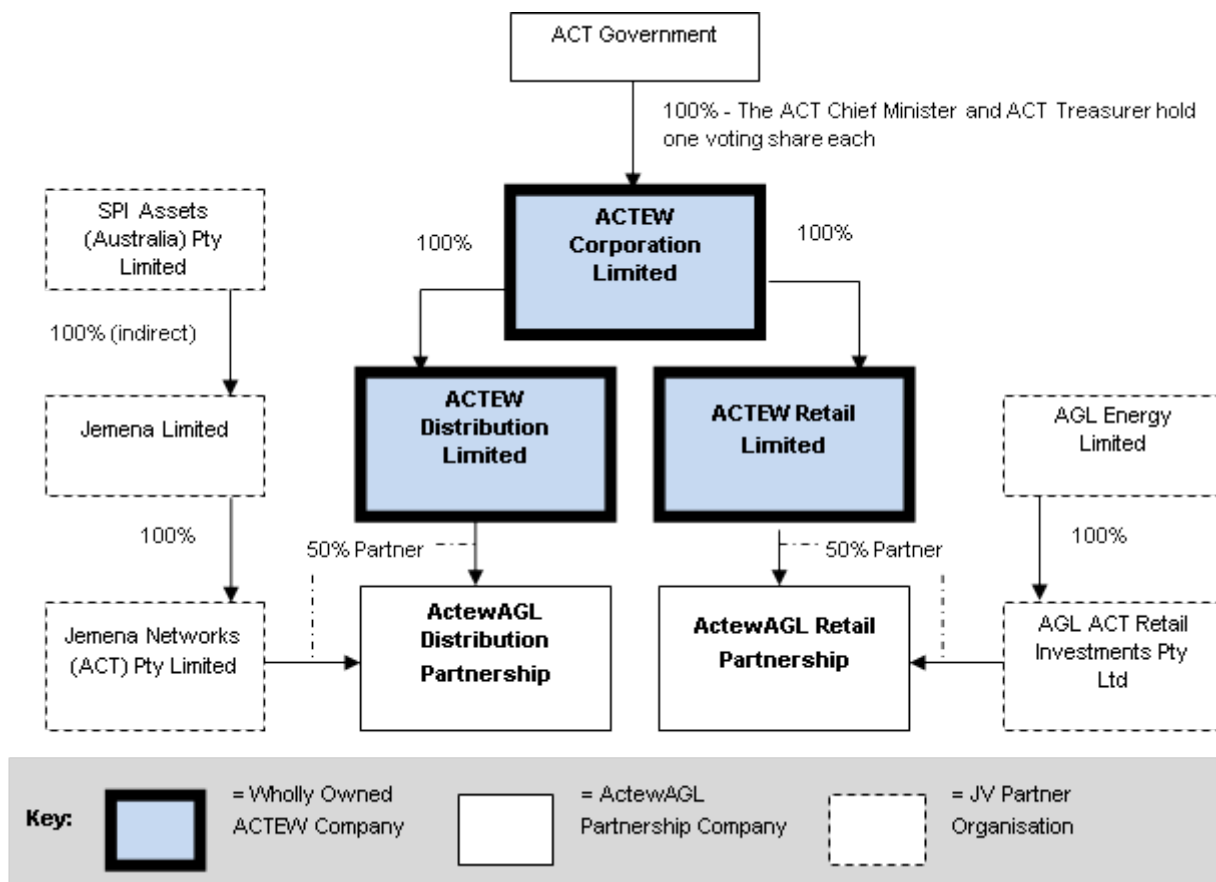
Members of the ActewAGL Joint Venture Partnerships Board at 30 June 2013 were:

- Mr John Mackay AM – Chairman
- Mr Michael Easson AM – Deputy Chairman
- Mr Paul Adams
- Mr Law Chin Ho
- Mr Mark Sullivan AO
- Mr Paul Frazer

Details of ActewAGL's financial performance for 2012-13 can be found highlighted in the Annexed Reports section.

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

### ActewAGL Joint Venture structure



# Highlights

## Business Integration and Transformation

On 1 July 2012 ActewAGL's water network and business operations division was successfully re-integrated into ACTEW, creating the new business brand of ACTEW Water.

Overnight the ACTEW organisation grew from 38 personnel to almost 400. The re-integration allowed the business to be more strategic in its business operations. In order to facilitate this change a business transformation team was established to conduct a formal analysis of the existing water and sewerage operations, identify opportunities for efficiencies and develop a new strategy for ACTEW moving forward.

The initial stage of the Business Transformation Program was aligned with priorities in contractor management and a focus on our customers and staff safety, and then established with a business diagnostic and benchmarking process. This process involved reviewing the existing financial health of the business, and benchmarking our operations against other similar businesses within Australia.

A cultural review was commissioned and a detailed external stakeholder survey undertaken. This identified areas for improvement as well as significant areas for opportunities, and amalgamated with developed strategies, lead to the program of transformation being endorsed by ACTEW Executive.

The cultural program has expanded into a formal strategy to change ACTEW's workplace culture in order to support the new strategic imperatives and business strategy from 1 July 2013.

## Sewerage Operations

Strategic planning for the sewerage treatment plants culminated in the publication of the Lower Molonglo Water Quality Control Centre (LMWQCC) Strategic Plan. This plan together with the Fyshwick Treatment Plant Strategic Plan and Total Dissolved Solids Review formed the basis for ACTEW's regulatory submission for the 2013-18 regulatory period.

ACTEW achieved the following compliance results in order to comply with all its Environmental Authorisations.

LMWQCC effluent reuse	100%
North Canberra Water Reuse Scheme (NCWRS)	100%
Southwell Park water reuse	100%
Drinking Water Utility Licence ( <i>Australian Drinking Water Guidelines</i> , 2004)	100%

Additional environmental licence compliance is outlined in Financial Statements on pages 4 and 5.

Development of concept designs to upgrade several LMWQCC treatment processes commenced, including the solids handling system (ie; sewage sludge incinerators), replacement of the LMWQCC aeration blowers system and upgrading of the LMWQCC secondary and tertiary treatment system.

We worked with the Environment Protection Authority (EPA) to develop the Environmental Management Plan for Uriarra Sewerage Treatment Plant. This provides further assurance that the plant is managed appropriately to mitigate any risk to the environment.

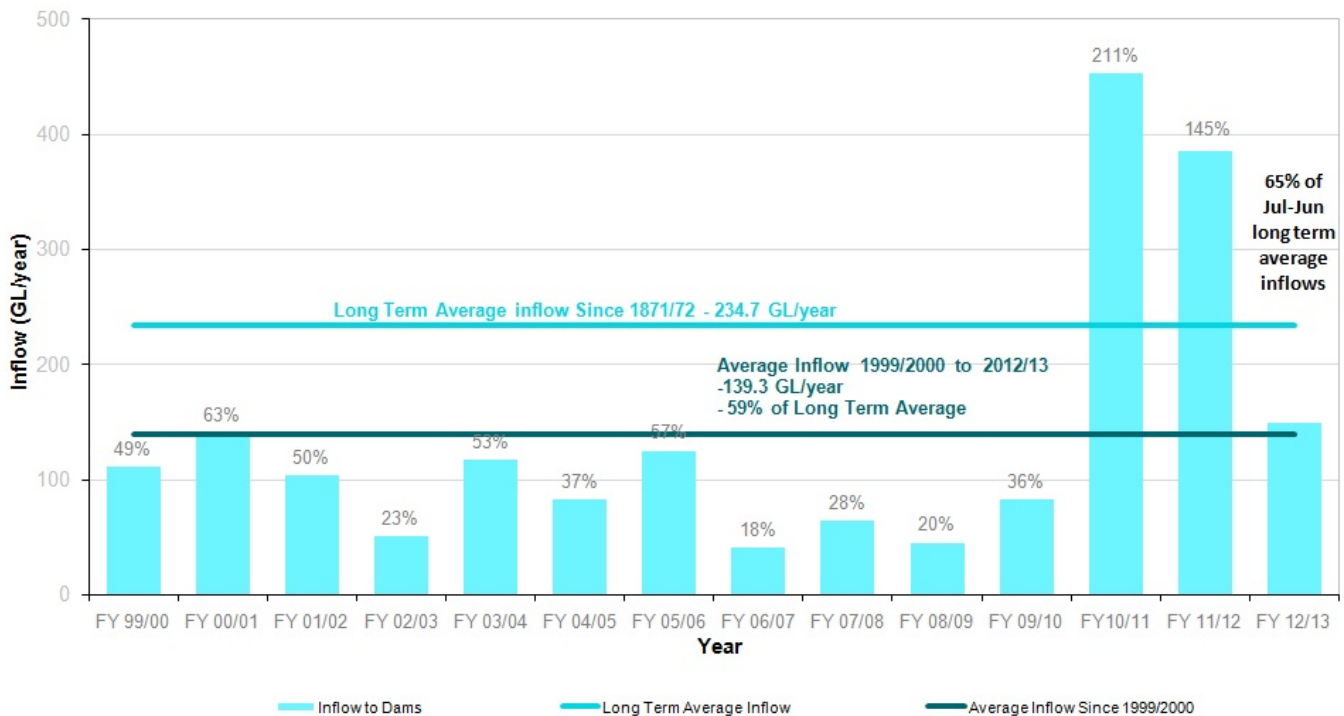


# Water Operations

The year saw a return to below average annual rainfall. In particular, the late summer and autumn periods were dry but interspersed with very high intensity events in January and June which increased the annual rainfall total.

This reduced average rainfall meant that inflows into the four reservoirs totalled 149 gigalitres (GL), below the long-term average of 234.7GL. During this time the enlarged Cotter Reservoir commenced storing water. The new Cotter Dam increased the total storage capacity ~ 35%.

**Annual Inflows Into Corin, Bendora, Cotter & Goongong Reservoirs**



Water consumption during the year totalled 47.8GL. This represents a saving of 39.4% in per capita demand relative to 1993-2002 levels, a favourable comparison with the ACT Government's *Think water, act water* target of 12% by 2013 and 25% by 2023. Net usage amounted to 18.8 GL. This was higher than previous years as the lower rainfall during the year slightly increased water demand and decreased return flows from the LMWQCC to the Molonglo River of 28.9GL.

Testing of the quality of water in the reservoirs and catchment waterways was undertaken in accordance with the Australian Drinking Water Guidelines. There were no breaches of the Guidelines and ACTEW complied with the Drinking Water Utility Licence and Public Health (Drinking Water) Code of Practice 2007.

A strategy for source water protection for the next five years was developed in order to guide investment and provide transparency in improved water quality outcomes. Ongoing liaison with key stakeholders has fostered collaborative relationships, including, ACTEW's participation in the development of The Upper Murrumbidgee Actions for Clean Water Plan.

## Capital Works and Major Infrastructure

Two major construction projects to address Canberra's long-term water security needs were effectively completed:

1. The new Cotter Dam wall increased the Cotter Reservoir's capacity from 4 gigalitres (GL) to approximately 78GL; and
2. Commissioning of the Murrumbidgee to Googong Water Transfer Pipeline. This project was designed to counter the effects of longer and more severe droughts; the pipeline allows the transfer of up to 100 megalitres of water per day from the Murrumbidgee River through a 12 kilometre underground pipeline and along Burra Creek to Googong Reservoir.

The project works at the new Cotter Dam involved the construction of a main dam wall and two auxiliary saddle dams. Additional works associated with upgrading selected recreation areas within the Cotter Precinct were also part of the project scope. This year saw significant progress on the dam wall which is now constructed to full height, is retaining water and is connected to the town supply.

The forecast completion of construction works directly associated with the dam wall at the end of July 2013, with associated operational access roads, downstream river works and landscape remediation by the end of August 2013. A number of open days were held to encourage the community to visit the site and see first-hand the extent of this significant and imposing structure. Thousands of visitors were provided with guided tours and an opportunity to walk along the crest of the dam wall.

The artificial fish rock reef habitats within the Cotter catchment were completed, with continued works progressing well in revegetation and rehabilitation works. Revegetation and rehabilitation works, including to Cotter Avenue, will continue through to project completion.

The completion of the new Cotter Dam means that the original strategic objective of safeguarding the water supply for future generations has now come to fruition.

The Murrumbidgee to Googong Water Transfer Pipeline was commissioned and officially opened by the ACT's Chief Minister in August 2012. This project typified the successful partnership arrangements between ACTEW and the Bulk Water Alliance.

More than \$110m was spent on capital works projects for water infrastructure during the year. Major projects undertaken included new reservoirs and associated trunk mains for the development of new suburbs in the Molonglo Valley and an ongoing program of network renewals and upgrades to older parts of the water supply network. Investments were also made in capital works totalling \$27.4m for sewerage assets. Special projects undertaken included upgrades to older parts of the sewerage network.

## Regulatory Review and Pricing Determination

The Independent Competition and Regulatory Commission (ICRC) regulates prices for water and sewerage services in the ACT.

Following a terms of reference determination from the ACT Government in October 2011, the ICRC conducted a review into regulated water and sewerage services and issued a Price Direction on 26 June 2013. The Price Direction determined a major change to the form of regulation through a six year regulatory period from 1 July 2013 to 30 June 2019; major biennial reviews; annual pricing adjustments; and a firm specific return on infrastructure. This differs from the previous determination of a five year regulatory period and a typical firm return on investment. The key elements of the pricing model to be reviewed every two years are:

- operating and capital expenditure forecasts;
- historical capital expenditure;
- cost of capital, including the cost of debt, return on equity and gearing ratio;
- water sales volumes and customer number forecasts; and
- sewerage customer number and fixture forecasts.

On alternate years in which there is no review, an annual pricing adjustment will be undertaken in line with the Consumer Price Index (CPI) published by the Australian Bureau of Statistics.

Prices for water and sewerage services in 2013-14 were set in accordance with this Price Direction. From 1 July 2013, water bills will increase by up to 5% and sewerage charges will decrease by 18%. This resulted in an overall proposed decrease of 7% to a typical household water and sewerage bill.

There was a change in approach from the ICRC's draft to the Final Direction in the financial return on infrastructure which resulted in no impairment impact. This was highlighted as a possibility following the draft direction.

## **Customer Services and Engagement**

The business transformation journey has yielded clear thinking on our commitment to being customer centric in addition to being dynamic and sustainable, and committed to safety and the environment. The adoption of the ACTEW Water business name publicly reflects our continually evolving organisation.

ACTEW recorded high levels of service for our customers in 2012-13. Our challenging targets to improve service levels for customers are annually reported in a national performance report through the National Water Commission.

Our commitment to understanding our customers' needs, ensuring efficient and effective delivery against those customer expectations with a key focus on continual service improvement.

## **Research and Development**

Several projects were developed as part of the ongoing applied research and development program including: partnerships relating to the investigation of the resilience of native fish in the Cotter River catchment to the effects of climate change; electrochemical generation of caustic and oxygen from sewerage for emission control in sewers; and the continuing testing of how forests impact water flow, use and yield in the catchments of the upper Cotter River.

Research projects were also developed to assess methodology for the more rapid, cost effective and or safer collection of water quality data. The development of research and environmental science in the ACT was supported through postgraduate projects and scholarships as well as research projects at CSIRO, the University of Canberra and the Australian National University.

The first recipient of ACTEW's Aspi Baria Scholarship continued to undertake PhD work and is currently involved in producing experimental analytical works via a broad range of chemical and bio-assay techniques. Works are anticipated to be completed in the 2013-14 financial year with benefits to ACTEW including a better understanding of the contaminants that appear through sewerage treatment at LMWQCC. The outcomes from the project will assist in the long term planning for the LMWQCC plant.

# Outlook

## Strategic Imperatives 2013-14

As a result of the re-integration and transformation process implementation strategy and ongoing consultation processes lead by the Business Transformation team, the executive and senior leadership team developed a new Mission and Vision that reflects the new business strategy.

**Mission Statement:** *We will provide safe, innovative and sustainable water, energy and related services to support the economic, cultural and social development of the Capital Region.*

**Vision Statement:** *To inspire our people to excel in the services we provide in order to be recognised by our customers, community, industry and shareholders as a highly valued business.*

These actions led to the development of strategic imperatives which embody the changes that have been targeted to be achieved across ACTEW over the next few years:



## Priorities

<b>Safety</b>	We will be a best practice provider of safety for our people and the community.
<b>Culture</b>	We will develop a culture that grows the capability of people and drives high performance.
<b>Sustainable Business</b>	We will have a commercial business focus that drives profit for shareholders through efficient business management.
<b>Diversified Revenue</b>	We will generate diversified revenue through new business activities.
<b>Customer Centric Culture</b>	We will be a customer centric organisation.
<b>Strategic Partnerships</b>	We will continue to develop strong relationships with government, industry and the community to build an innovative and efficient business.
<b>Operations and Delivery</b>	We will improve our quality of services to the community in an environmentally sustainable manner while driving efficiencies in operations.

# Management Discussion and Analysis

The following financial information is based on audited Financial Statements for 2011-12 and 2012-13.

## Operating Result

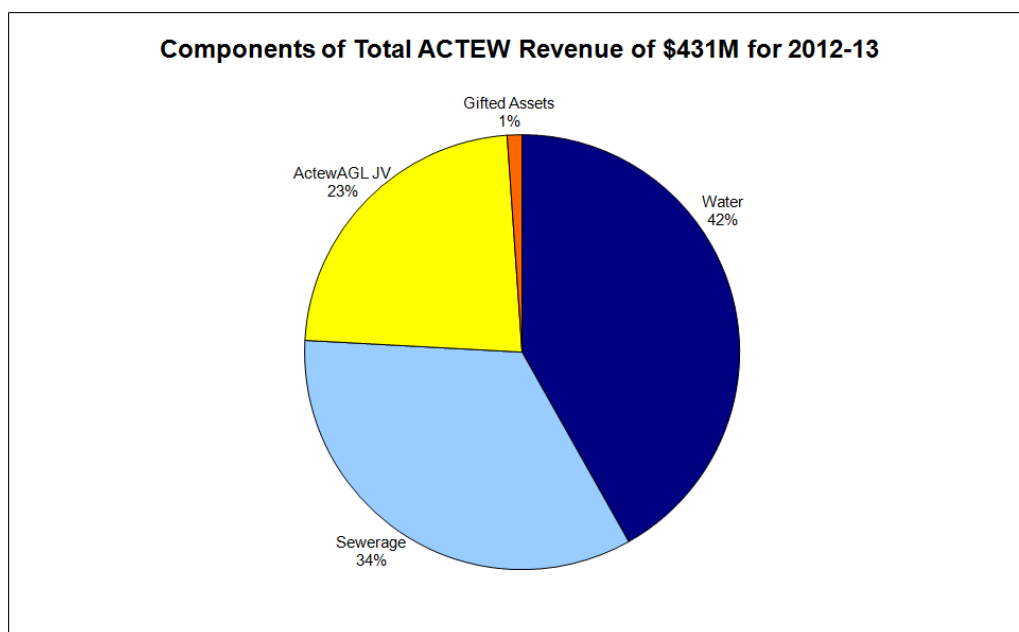
ACTEW recorded a net profit after income tax equivalents for 2012-2013 of \$80.3m (2011-12 \$73.9m).

There were a number of factors that contributed to this performance:

- ActewAGL continues to be a very profitable investment for ACTEW with joint venture income increasing by \$15.9m above the 2011-12 outcome;
- Water and sewerage revenue was \$74.7m higher than the previous financial year; attributable to increased water and sewerage prices from the regulatory determination, and higher usage;
- An increase in administration costs of \$54.3m resulting from the purchase of ActewAGL's water and sewerage business;
- An increase in income tax expenses of \$10.9m;
- An increase in finance costs of \$8.8m due to interest payments on pre-existing borrowings at 30 June 2012; and
- Increases in costs were offset by savings of \$13.5m in operational costs compared to 2011-12 due to the termination of the Utilities Management Agreement with ActewAGL Distribution.

## Total Revenue

During 2012-13 ACTEW derived \$431m in revenue and distributions, and these components are depicted in the following graph:



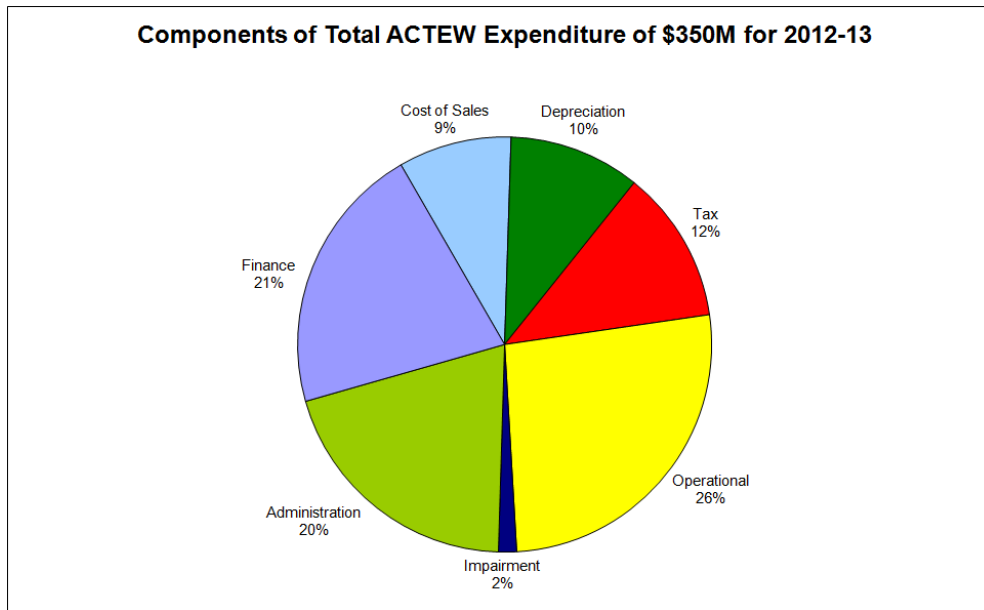
## Comparison to 2011-12 Total Revenue

Total revenue of \$431m was \$69m higher than 2011-12. The main contributing factors included:

- Water and sewerage revenue was \$74.7m higher than 2011-12, mainly due to increased water and sewerage revenue from the regulatory determination, higher water consumption and an increase in the number of billable sewerage fixtures. Income was also derived from contestable water business which positively impacted revenue; and
- ActewAGL's joint venture income was \$15.9m higher than in 2011-12 due to increased volumes and customers in gas operations, and greater margins in electricity operations.

## Total Expenditure

During 2012-13 ACTEW incurred \$350m in expenditure. The expenditure categories are depicted in the following graph:



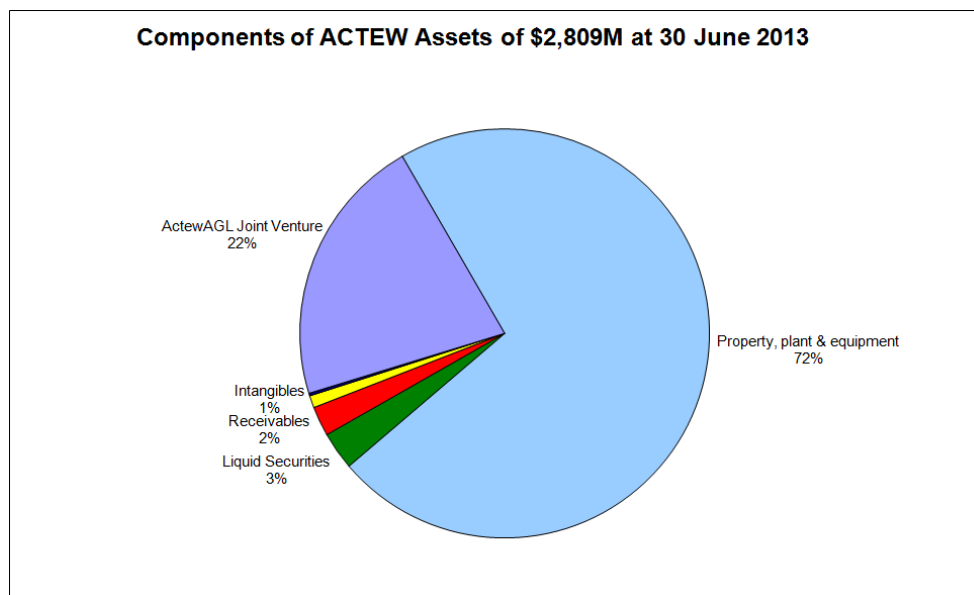
## Comparison to 2011-12 Total Expenditure

Total expenditure was \$62.4m higher than 2011-12 due to the following factors:

- A \$54.3m increase in administration costs primarily due to additional employment and associated costs following the purchase of ActewAGL's water and sewerage business on 1 July 2012 and associated increases in overheads;
- An increase in finance costs of \$8.8m due to interest payments on pre-existing borrowings at 30 June 2012;
- A \$2.8m increase in impairment of assets relating to water licences;
- A \$10.9m increase in income tax expenses; and
- The increase in expenses was offset by a \$13.5m decrease in operational costs mainly due to the termination of the Utilities Management Agreement with ActewAGL Distribution following the acquisition of ActewAGL's water and sewerage business.

## Assets

ACTEW has \$2.8b in assets at 30 June 2013. The components are as depicted in the following graph:



The major components are as follows:

- ACTEW has a book value investment of \$2,026m in property, plant and equipment. This consists mainly of ACTEW's water and sewerage infrastructure assets. Capital expenditure has increased significantly due to the construction of the Enlarged Cotter Dam and Murrumbidgee to Googong transfer pipeline projects undertaken via ACTEW's Water Security Program; and
- ACTEW has a book value investment of \$601.2m in the ActewAGL joint venture that operates in the energy sector. The energy business consists of two separate operations; energy retailing and distribution. Both are conducted under the joint venture arrangement.

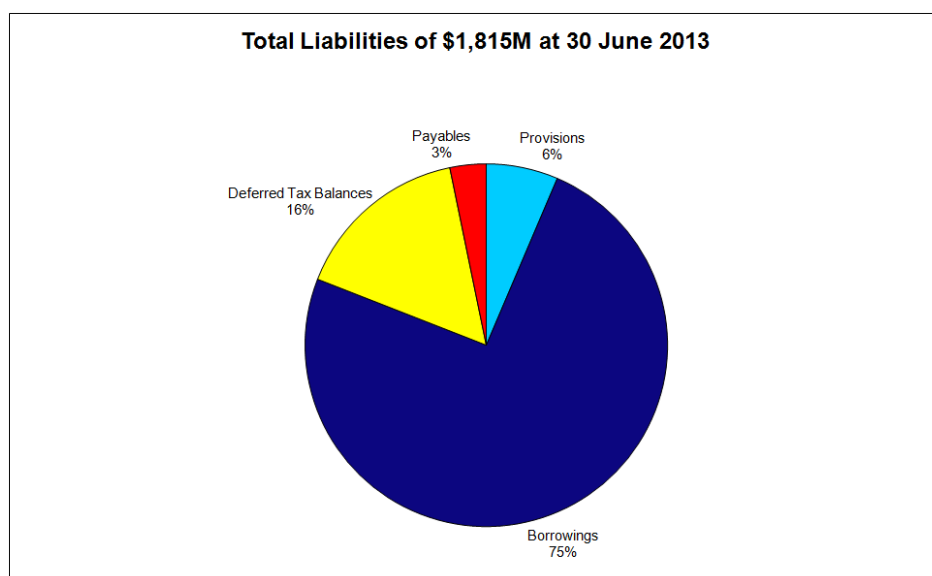
## Liquidity

Description	2012-13 Actual \$'000	2011-12 Actual \$'000
Current Assets	153,278	273,523
Current Liabilities	182,071	145,063
<b>Current Ratio</b>	<b>0.84</b>	<b>1.89</b>

The 2012-13 current ratio has decreased by 55% from its 2011-12 level of 1.89. This has primarily occurred because no cash inflows were received from borrowed funds in 2012-13, leading to lower cash holdings, and a prepayment of \$15.7m recognised at 30 June 2012 for the acquisition of ActewAGL Distribution's water and sewerage business.

## Total Liabilities

ACTEW has \$1,815m in liabilities, and these components are depicted in the following graph:



The major components are as follows:

- Outstanding borrowings at 30 June 2013 are \$1,352m. These borrowings have increased in recent years to fund large general and water security capital expenditure. Outstanding borrowings totalled \$1,359m as at 30 June 2012; and
- There is a deferred tax (net) liability at 30 June 2013 of \$287m. This amount has been established as a result of the tax effect of the revaluation increase to land and buildings and water and sewerage system assets.

## Payments to the ACT Government

Payments to the ACT Government during 2012-13 were \$18.4m as dividends, and \$57.1m as income tax equivalent payments.

# Consultation and Scrutiny Reporting

## Community Engagement

Details of the community consultation, engagement and education programs undertaken during the reporting period are outlined below.

Project	Consultation Process	Groups consulted	Numbers consulted	Outcome/s
Enlarged Cotter Dam	<ul style="list-style-type: none"> <li>Community open days</li> <li>Site tours</li> <li>Community group talks</li> <li>Participation in conferences</li> <li>Newsletters</li> <li>Stakeholder update publications</li> <li>Advertisements</li> <li>YouTube documentaries (Social Media)</li> <li>Twitter updates (Social Media)</li> <li>Stakeholder surveys</li> <li>Website</li> </ul>	ACT and Queanbeyan residents, visitors to the ACT, community groups, educational institutions and online users.	9,200+	Raised awareness of water supply, water security, sustainability, and conservation in Canberra.
Source Water Protection program	<ul style="list-style-type: none"> <li>Participate in committee meetings</li> <li>Deliver training on sustainable land management</li> <li>Participate in working bee events</li> <li>Articles in newsletter</li> <li>Stakeholder survey</li> <li>Participate in field days</li> <li>Presentation a regional conference</li> <li>Website</li> </ul>	ACT and Capital region residents, community groups, educational institutions.	490+	Relationship building, information sharing, raising community awareness with regard to water quality protection issues and developed collaborative projects.
Cotter Dam School Education Program	<ul style="list-style-type: none"> <li>Education kit</li> <li>Education water resources</li> <li>In school presentations</li> <li>Participation in education conferences</li> <li>Advertising</li> <li>National publications</li> <li>School tours of Cotter Dam</li> <li>Education website</li> </ul>	ACT and interstate Primary and Secondary Schools.  Foundation -10.	1,580+	Raised awareness of water supply, sustainability, and conservation in Canberra via education in science, history, and environment..
ACTEW community engagement and awareness program	<ul style="list-style-type: none"> <li>Participation at local exhibitions</li> <li>Participation at local festivals</li> <li>Participation in conferences</li> <li>Community group talks</li> <li>Advertising</li> <li>Articles in publications</li> <li>Flyers and leaflets</li> <li>Twitter (social media)</li> <li>Website</li> </ul>	ACT residents and visitors. Interstate water industry operators and local trade community.	9,450+	Relationship and awareness building and increased understanding of services available.
Sustainability Material Issues	<ul style="list-style-type: none"> <li>Stakeholder interviews and surveys</li> </ul>	Stakeholders within ACT government, customers, contractors, and community groups.	20	Increased understanding of sustainability related issues/concerns.
Canberra Discovery Garden	<ul style="list-style-type: none"> <li>Water wise garden workshops</li> <li>Facebook (social media)</li> <li>Website</li> </ul>	ACT residents and visitors. Web users.	1,930+	Improved water efficiency in residential gardens.

The community engagement program allows ACTEW to speak directly to customers across Canberra. Through various investment projects ACTEW informed and educated customers on the value of our products, including high-level quality drinking water, the protection of our natural environment, and the role that we play in supporting the economic growth and development of the Capital Region.



Through the enlarged Cotter Dam project the community has been provided with opportunities to attend open days and site tours and through 2012-13 ACTEW continued to deliver newsletter updates to key stakeholders. Digitally, we engaged with the community through social media, our website, YouTube and through the Cotter Education Program. ACTEW has engaged with over 1,600 young people from schools across the Territory, complementing the curriculum and providing environment and sustainability lessons that will last a lifetime.

The Canberra Discovery Garden is now an established component of the National Arboretum which was officially opened in February 2013. Its messages of improved water efficiency and effective horticultural planning for our unique climate have been viewed by nearly 2,000 people.

## Internal and External Scrutiny

ACTEW's Audit and Risk Management Committee reviews reports of all performance audits undertaken by the Auditor-General. During the 2012-13 financial year the Auditor-General issued eleven audit reports.

ACTEW was included in one of these audits:

Name of Agency	Nature of Inquiry (Report Title)	Recommendations and Outcome of Inquiry	ACT Government response to the Outcome of Inquiry
ACTEW Corporation	2011-12 Financial Audits (Report No. 10/2012)	Resolve audit findings in a timely manner and implement processes for monitoring the status of unresolved audit findings; &  Refer audit findings in audit management reports to internal audit committees for monitoring and follow up.	"ACTEW received one audit finding. An independent review of ACTEW assets values is currently being undertaken and will be implemented during the financial year".

## Legislative Assembly Committee Inquiries and Reports

In April 2013 ACTEW appeared before the Public Accounts Committee which was inquiring into 2011-12 annual and financial reports. The Committee released its report in June 2013 with the following recommendations relating to ACTEW:

1. The Committee advised that the two recommendations of the Auditor-General, as contained in report No 2. of 2013: *Executive Remuneration Disclosed in ACTEW Corporation Limited's (ACTEW) 2010-11 Financial Statements and Annual Report 2011*, should also apply to other Territory-owned Corporations, and that the full details of the Managing Director's salary including a breakdown of the remuneration package be included in ACTEW annual reports, and
2. The Committee also recommended a full performance audit into the oversight and governance of ACTEW including the setting of executive salaries, reporting to government departments and to the ACT Government, hospitality expenditure, and ACTEW's relationship to ActewAGL.

The Government had not responded to the Public Accounts Committee's recommendations by 30 June 2013.

On 17 June 2013 ACTEW appeared before the Select Committee on Estimates which was inquiring into the Government's 2013-14 Appropriation Bill. ACTEW was recalled to appear before the Committee on 1 July 2013 following the release of the ICRC Determination report. The Committee's inquiry had therefore not been completed as at 30 June 2013.

# Legislative and Policy Based Reporting

## Risk Management and Internal Audit

The Audit and Risk Management Committee (ARMC) is a committee of the Board. The function of the Committee is to provide oversight of the risk management function, review accounting and reporting structures, monitor internal controls and performance, oversee the outcomes of the external and internal audits, and undertake investigations or reviews. The Committee met six times during the year. Carol Lilley was appointed Acting Chair of the ARMC from 1 July 2013.

As part of its role of risk management oversight, the Committee reviews reports on the Strategic Risk Register (SRR) on a regular basis. The scope of risks reported to the Committee includes financial, environmental, safety, service delivery, investments, compliance, governance and organisational capability.

Annual and quarterly reviews of the SRR were undertaken in accordance with the International Risk Management Standard ISO 31000:2009.

Our external auditor is Deloitte Touche Tohmatsu who is contracted by the ACT's Auditor-General's Office to audit the corporation. Internal audit services are provided by PricewaterhouseCoopers.

## Fraud Prevention

The fraud prevention program includes policies and procedures for the prevention, reporting and investigation of fraudulent activities and practices within and against the Corporation.

In April 2013 the Executive agreed that all staff would attend fraud and corruption awareness training. Training commenced in June 2013 and is expected to be completed by the end of the year.

There were no reports or allegations of fraud or corruption within ACTEW during the year.

## Public Interest Disclosure

*The Public Interest Disclosure Act 2012 (ACT)* provides for the reporting of wrong doing and for the rights and protection for people who report corrupt, illegal or improper conduct or substantial waste of public resources.

ACTEW is reviewing its guidelines and corporate procedure for making and investigating public interest disclosures to reflect its obligations under the new Act which took effect on 1 February 2013.

There were no public interest disclosures made during the year.

## Freedom of Information

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

### *Section 7 Statement:*

ACTEW owns the ACT's water and sewerage business and assets and is a 50% owner of ActewAGL. ACTEW was governed by a seven person board until the end of March 2013 when an amendment to the Constitution in August 2012 facilitated the appointment of an eighth director from 1 April 2013. ACTEW's office is located in the central business district, is wheelchair accessible and central to public transport.

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

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

### *Section 8 Statement:*

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

- *Magistrates Court Act 1930;*
- *Magistrates Court (Utilities Water Conservation Infringement Notices) Regulation 2006;*
- *Scheme of Water Conservation Measures;*
- *Scheme of Temporary Water Restrictions on the Use of Water from ACTEW Corporation Water Supply System;*
- *Utilities Act 2000;*
- *Utilities (Water Conservation) Regulation 2006; and*
- *Utilities (Water Conservation Measures) Approval 2010, Disallowable Instrument DI2010-279 and Scheme of Water Conservation Measures*

These documents are available on the ACT Legislation Register website [www.legislation.act.gov.au](http://www.legislation.act.gov.au).

A full list of internal documentation ACTEW uses in the administration of the Scheme of Water Conservation Measures and Temporary Water Restrictions is available upon request from ACTEW on 6248 3111.

### *Section 79 Statement:*

Four applications were made during 2012-13 to access documents. Three requests were granted for partial access to the documents and one request is pending clarification. No charges or application fees were paid or requested.

General inquiries and requests for access to documents held by ACTEW can be made to:

The Executive Officer  
ACTEW Corporation Limited  
GPO Box 366,  
Canberra ACT 2601

or, by contacting ACTEW on telephone number 6248 3111.

## Internal Accountability

ACTEW's corporate governance structures and practices provide the framework for the management and achievement of the Corporation's objectives. It includes a corporate governance charter, Board and Committee charters, policies, procedures, delegations, guidelines, corporate registers, a code of conduct, a risk management register, an annual internal audit plan, and a legislative compliance system.

The documents detail and promote the high standards of governance, accountability and compliance required of all personnel. The Charter was reviewed and updated during the year, and ACTEW's executives and senior managers were issued with a governance manual to ensure awareness of the corporate governance framework.

The Board engaged PricewaterhouseCoopers to conduct a review of its governance framework in February 2013. The report is expected to be presented to the Board in August 2013.

ACTEW has reporting and compliance obligations under Commonwealth and ACT legislation including *Corporations Act 2001*, *Privacy Act 1989*, *Territory-owned Corporations Act 1990*, *Work Health and Safety Act 2011*, *Utilities Act 2000*, *Water Resources Act 2007*, *Environment Protection Act 1997*, *Water and Sewerage Act 2000* and the *Public Health Act 1997*.

A number of licences and regulations govern the operations of the water and sewerage business. A project is currently underway to implement a new legal compliance database that will identify the legislative obligations with which the business must comply, and map these obligations to relevant processes, procedures and responsible roles. The new system will also enable ACTEW to monitor and respond to changes in legislation and is scheduled for completion in September 2013.

Details of licence and regulation compliance for 2012-13 are on page 8 and in the Financial Statements at pages 4 and 5.

### *Statement of Corporate Intent*

ACTEW has agreed commercial and business objectives, activities and priorities with the voting shareholders. These are detailed in an annual Statement of Corporate Intent (SCI). The 2012-13 SCI was tabled in the ACT Legislative Assembly on 23 August 2012. Quarterly reports on the progress of priorities outlined in the SCI, financial and operational matters, as well as reports and briefings on key and emerging issues, were provided to the voting shareholders during the year.

### *Policies and Procedures*

Shortly after 1 July 2012, a review of ACTEW's corporate policies and procedures commenced with the assistance of lawyers, King & Wood Mallesons. The aim of the review was to collate, amend and ensure the policies and procedures aligned with the new business structure and operations.

In October 2012 the Managing Director approved a new suite of eight corporate policies and 66 corporate procedures. These policies and procedures are available to all ACTEW staff on the ACTEW intranet.

### *Code of Conduct*

ACTEW's code of conduct outlines the high standards of honesty, integrity and ethical and law-abiding behaviour expected of all ACTEW personnel. The code of conduct was reviewed and updated as part of the policies and procedures review. There were no breaches of the code during the year.

## **Members of the ACTEW Board**

At 30 June 2013 the Board comprised eight Directors: seven Non-Executive Directors and one Executive Director. The Board met ten times during the year. The annual general meeting and two general meetings were also held. Details of attendance at Board and Committee meetings are on page 3 in the Financial Statements.

Directors' profiles are outlined below:

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

John Mackay was Chairman of ACTEW from 1 July 2008 to 30 June 2013. He was also Chairman of ActewAGL and is on the Board of Governors for the National Arboretum Canberra. Mr Mackay was a Member of the Board's Remuneration and Nomination Committees.

He is a Director of Canberra Investment Corporation Limited and the Little Company of Mary Healthcare, and a Member of the Canberra Raiders Board. He was appointed the inaugural Chairman of the Canberra Glassworks in 2006 and retired from the position in January 2011. On 1 January 2011 Mr Mackay took up his appointment as Chancellor of the University of Canberra.

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

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

### **Michael Easson AM, BA Hons (UNSW), MSc (Oxon.), PhD (ADFA), FAICD, FRICS - Deputy Chairman**

Michael Easson is Chairman of the EG Property Group, Chairman of Ridley & Co., and a Director of Stadium Australia Management Limited. He is the Deputy Chairman of the ActewAGL Joint Venture Partnerships Board and a Member of ActewAGL's Audit and Risk Management Committee.

He has served on the boards of various infrastructure, property and investment businesses.

Mr Easson has been a Director since July 1995 and Deputy Chairman since May 1996. He was Chairman of ACTEW's Audit and Risk Management Committee until 30 June 2013 and is a Member of the Remuneration and Nomination Committees. Mr Easson was appointed a Member of the Order of Australia in 1998.

He was appointed Acting Chairman of ACTEW from 1 July 2013.

### **Mark A Sullivan AO, BEc, FCPA, FAIM, MAICD - Managing Director**

Mark Sullivan was appointed Managing Director of ACTEW in July 2008. He is a member of the ActewAGL Joint Venture Partnerships Board, the Australian Taxation Office Audit Committee and the John James Memorial Foundation Limited Board. In February 2013 Mr Sullivan was appointed a Director and Deputy Chairman of the Water Services Association of Australia, and in May 2013 a Director of the Australian Water Association. Mr Sullivan is Chairman of the ACTEW Distribution Limited and ACTEW Retail Limited Boards.

Mr Sullivan was Secretary of the Department of Veterans' Affairs (DVA) and President of the Repatriation Commission and Chair of the Military Rehabilitation and Compensation Commission (2004-2008), Secretary of the Department for Family and Community Services (2001-2004), Chief Executive Officer of the Aboriginal and Torres Strait Islander Commission (1999-2001), and Deputy Secretary of the Department of Immigration and Multicultural Affairs (1988-1999). He has extensive senior managerial experience in both the private and public sectors.

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

### **Wendy Caird MAICD - Director**

Wendy Caird was appointed to the Board in December 2009 and was a Member of ACTEW's Audit and Risk Management Committee until May 2012. Ms Caird is a Member of the Remuneration and Nomination Committees, and Chair of the Safety and Environment Committee.

She has held a number of positions with Public Services International (France) including Co-chair Asia Pacific Region (1998-2002), a Member of the Executive Board (1997-2002), Global Director of the Quality Public Services campaign (2002-2006) and a Member of the Global Coordinating Committee of the "Global Call to Action Against Poverty: (Make Poverty History)" campaign (2005-2006).

Ms Caird held a number of executive positions with the Community and Public Sector Union (Australia) from 1983, including as NSW Branch Secretary, until her appointment as National Secretary in 1993. During this period she was Vice President of the Australian Council of Trade Unions and an Executive Member of the NSW Labour Council. She represented Australia at International Labour Organisation meetings, including as Co-chair of the Workers Group.

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

Ms Caird was appointed Acting Deputy Chair of ACTEW and a Member of the ActewAGL Joint Venture Partnerships Board from 1 July 2013.

### **Dr Allan Hawke AC BSc. (Hons), PhD (ANU), FAIM, FIPAA, FAICD - Director**

Dr Allan Hawke was appointed to the Board in December 2009 and is a Member of the Audit and Risk Management Committee, the Remuneration Committee and Nomination Committee. He holds a Bachelor of Science degree with first class honours and is a Doctor of Philosophy (ANU).

Dr Hawke was Secretary of the Department of Veterans' Affairs (1994–1996), Department of Transport and Regional Services (1996-1999) and the Department of Defence (1999-2002). He was Australian High Commissioner to New Zealand (2003-2006) and Chancellor of the Australian National University (2006-2009).

He is Chairman of the Civil Aviation Safety Authority, a Director of Datacom and a Member of the Canberra Raiders Board.

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

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

Rachel Peck was appointed to the Board in May 2011 and is a Member of the Remuneration, Nomination, and Safety and Environment Committees.

She is Principal of peckvonhartel. Ms Peck is currently on the Canberra Business Council Planning and Infrastructure Taskforce and a member of the Building and Grounds Committee for Trinity College at the University of Melbourne. She is a former Divisional Council Member of the Property Council of Australia (ACT), and has held a number of other committee positions with the Council including as a Member of the Infrastructure Committee, the Economic Development Committee and the Planning Committee. Ms Peck was an Interim Board Member of the Canberra International Arboretum from 2005 until 2006.

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

### **Jennifer Goddard BCom (Hons), MAICD - Director**

Jennifer Goddard was appointed to the Board in November 2011 and is a Member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. Ms Goddard is a non-Executive Director of the Grains Research and Development Corporation and Chair of the Corporation's Audit and Risk Committee, and a Member of the Australian Fisheries Management Authority Commission.

She was the inaugural Chair of the Australian Solar Institute Limited from 2009 to 2013.

During her twenty-four year career in the Australian Public Service, she held a number of senior executive positions in the Department of the Prime Minister and Cabinet (PM&C) and worked as an economist in the Treasury. As a Deputy Secretary in PM&C, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, water, environment and climate change policy matters and carried responsibility for Cabinet, COAG and budget processes.

### **Carol Lilley BCom, FCA, CIA, CGAP, MAICD - Director**

Carol Lilley was appointed to the Board in April 2013. She has held a number of positions in the professional services sector including as a Partner of PricewaterhouseCoopers Canberra (2004-2011) and as a financial statement and internal auditor from 1993 to 2011. She has over 19 years experience providing assurance services to clients including financial statement audit, internal audit and project and risk management, and has spent the last 16 years with a particular focus on government, primarily the ACT and Federal Governments.

Ms Lilley is currently Deputy Chair of the Audit Committee of the ACT Government Commerce & Works Directorate and was previously Chair of the Audit Committee of the ACT Auditor General's Office. She is also Chair of the Board of a local IT start up company, Relational IO Pty Ltd and runs her own website business.

Ms Lilley is a Fellow of the Institute of Chartered Accountants, was a registered company auditor for seven years and is a certified internal auditor and government audit professional.

Ms Lilley was appointed Acting Chair of the Audit and Risk Management Committee from 1 July 2013.

## **Executives**

### **Mark Sullivan AO, BEc, FCPA, FAIM, MAICD - Managing Director**

Mark Sullivan is responsible for the corporate and strategic management of the company.

### **Ian Carmody BEc - Deputy Chief Executive Officer**

Ian Carmody commenced with ACTEW in November 2009 as Director of the Water Security Program which included the construction of the enlarged Cotter Dam and the Murrumbidgee to Googong Water Transfer Pipeline. In July 2012 he assumed additional responsibilities for business transformation, commercial development and business investment matters as Executive Manager Commercial.

In February 2013 Mr Carmody was appointed Deputy Chief Executive Officer with responsibility for the strategic management and operation of ACTEW's water and sewerage assets as well as retaining his existing portfolio of responsibilities.

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

### **Michele Norris FAICD FAIM - Company Secretary and Executive Manager Governance**

Michele Norris commenced with ACTEW in 1999 and was appointed Company Secretary in December 2003. She is responsible for the management and coordination of corporate governance, statutory compliance and reporting, secretariat services and support to the Board, government liaison and reporting, and legal matters for the Corporation and subsidiary companies.

Ms Norris is Company Secretary of ACTEW Distribution Limited and ACTEW Retail Limited. She is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, an Affiliate of Chartered Secretaries Australia and a Justice of the Peace.

### **Simon Wallace BCom, CPA - Chief Financial Officer**

Simon Wallace was appointed Chief Financial Officer in May 2011. He commenced with ACTEW in 2004 and was previously the Corporation's Chief Accounting Officer.

Mr Wallace is a Director of ACTEW Distribution Limited and ACTEW Retail Limited. He holds a Bachelor of Commerce degree from the Australian National University and is a Certified Practising Accountant.



## Remuneration

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

Name and Position	\$ Short term benefits		\$ Post employment benefits superannuation	\$ Other long term benefits	\$ Termination benefits	\$ Total
	(a) cash salary, fees and short-term compensated absences	(b) short-term cash profit-sharing and other bonuses*				
John Mackay Non Executive Chairman	69,127	-	5,291	-	-	74,418
Michael Easson Non Executive Director	38,361	-	4,219	-	-	42,580
Mark Sullivan Managing Director	511,494	178,973	79,096	-	-	769,563
Allan Hawke Non Executive Director	33,358	-	3,669	-	-	37,027
Wendy Caird Non Executive Director	33,358	-	3,669	-	-	37,027
Rachel Peck Non Executive Director	33,358	-	3,669	-	-	37,027
Jennifer Goddard Non Executive Director	33,358	-	3,669	-	-	37,027
Carol Lilley Non Executive Director (from 1 April 2013)	8,688	-	-	-	-	8,688
Simon Wallace Chief Financial Officer	213,334	50,000	28,967	-	-	292,301
Michele Norris Company Secretary and Executive Manager Governance	163,796	58,020	35,978	2,268	-	260,062
Ian Carmody Executive Manager Commercial (until 24 February 2013) Deputy Chief Executive Officer (from 25 February 2013)	392,300	70,000	25,000	-	-	487,300
Ross Knee ^ Executive Manager Water Strategy (until 8 March 2013)	220,624	-	37,114	186,822	337,699	782,259
Asoka Wijeratne ^ Executive Manager Water Operations (until 25 February 2013)	261,372	-	42,252	-	687,130	990,754
<b>TOTAL</b>	<b>2,012,528</b>	<b>356,993</b>	<b>272,593</b>	<b>189,090</b>	<b>1,024,829</b>	<b>3,856,033</b>

\* Note total remuneration packages have been amended and no longer include bonuses post 1 July 2013.

The remuneration table above has been based on the following methodology:

- Salaries, employee entitlements, non monetary benefits and superannuation are on a cash method of reporting.
  - Bonuses and termination remuneration are based on the accrual method of reporting, relating to the current period of service.
- These are not paid until the following financial year.

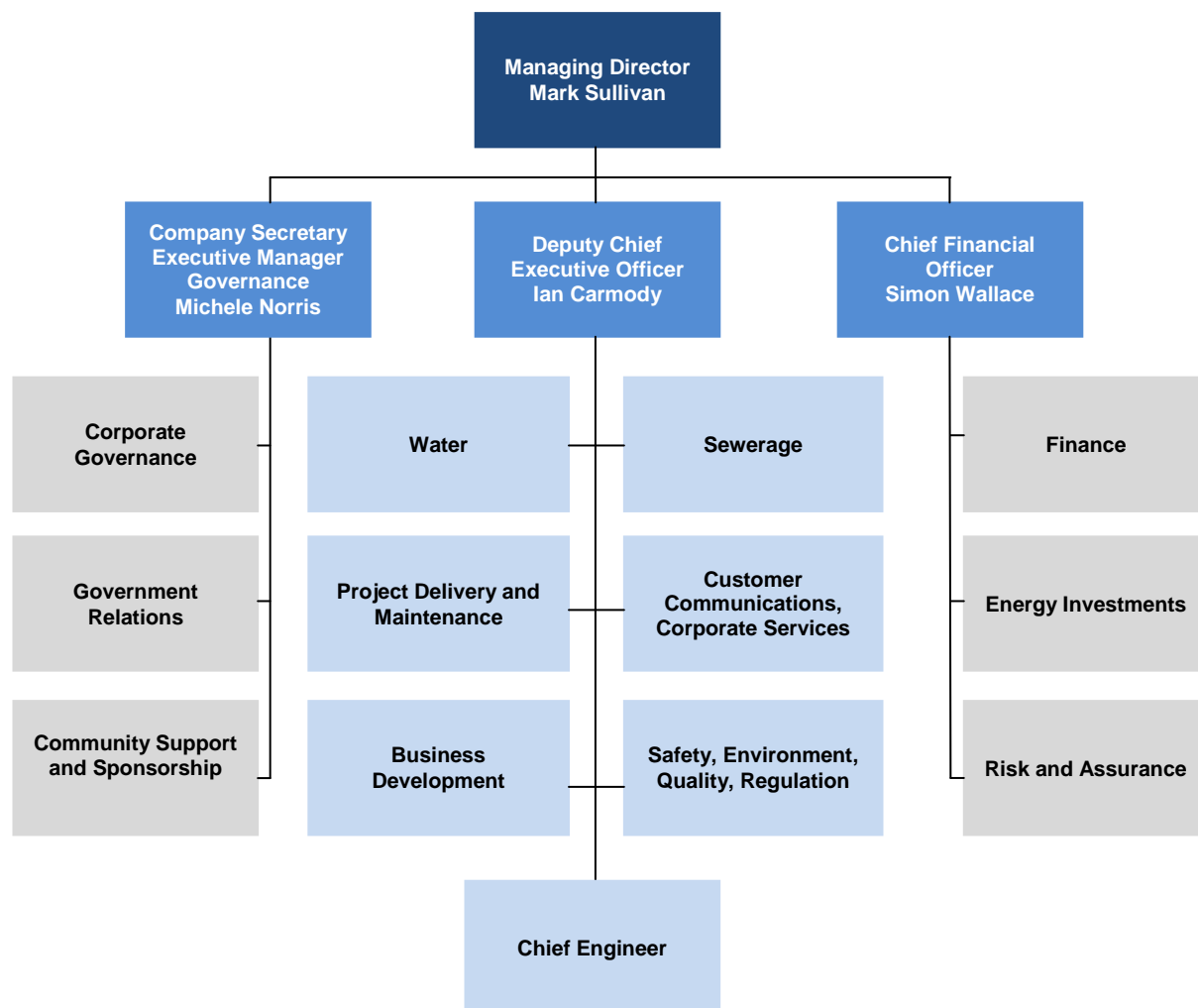
^ Asoka Wijeratne (Executive Manager Water Operations) became an unattached employee on 25 February 2013. His remuneration has been included for the period 1 July 2012 - 25 February 2013. Mr Wijeratne's redundancy has not been paid but has been provided for in the financial statements as at 30 June 2013 and has also been included in the remuneration note above. This amount does not include his long service leave entitlement (\$263,159.64), which will be exhausted before his termination payment is made. Ross Knee ceased employment on 8 March 2013 and was paid out termination benefits in the current year. There were no redundancies in the prior year.

## Staffing Profile

The integration of the management and operations of the water business resulted in a review and redesign of the organisational structure.

During the business diagnostic process it was identified that the existing organisational structure was going to inhibit the ability of the business to achieve the new corporate strategy. The business transformation team lead a project to develop a new operating model for ACTEW. This was an inclusive process with stakeholders being consulted across the organisation as well as business and government.

The new organisational structure reflects the diversity of the company's responsibilities. Staff have high levels of responsibility and accountability for business, financial and investment performance, governance, and regulatory and licence compliance. Day to day management of the Corporation is undertaken by a team of executives whose responsibilities are outlined in the organisational chart below.



At 30 June 2013 staffing numbers totalled 391:

Staffing categories types	Staffing No.s	Staffing categories types	Staffing No.s
Male employees	309	Under 30	30
Female employees	82	Age 30-39	128
Full time employees	376	Age 40-49	100
Part time employees	14	Age 50-59	90
Casual	1	Age 60+	43

## **Workplace Health and Safety**

ACTEW is committed to providing and maintaining the highest possible standard of health, safety and welfare for its employees. Our occupational health and safety policy applies to all employees and activities within the Corporation in order to ensure that ACTEW complies with all requirements under the *Work Safety Act 2011*.

The workplace health and safety program *Always Safe* is an integrated health, safety and environment (HSE) management system based on International and Australian and New Zealand standards for occupational health, safety and environment management. *Always Safe* uses Guardian as a web-based system, which captures incidents, actions, hazards, risks and injury management information.

The ACTEW Board established a safety and environment committee in July 2012 and it met four times during the year. The Executive also established a health, safety and environment committee that met eight times during the year. Additionally, there were five safety committees that met on a monthly basis and monthly staff safety presentations were held at all worksites.

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

## **Human Rights Act 2004**

ACTEW's Human Rights and Discrimination Procedure describes the procedures to be followed with respect to acting consistently with, and protecting the human rights under the Legal and Compliance Policy. The procedure outlines the corporate behaviour standards as per the *Human Rights Act 2004 (ACT)* as well as the framework to manage human rights complaints.

There were no reports of matters or activities which contravened the Act during the year.

## **Strategic Bushfire Management Plan**

ACTEW has emergency management plans for all of its operational sites including the Lower Molonglo Water Quality Control Centre (LMWQCC) and its four dams, as well as its water and sewerage operations.

## Community Grants / Assistance / Sponsorship

ACTEW provides sponsorships, donations and in-kind donations to a variety of events, organisations and activities that benefit local and regional communities. This year the program provided three categories of sponsorship: major events, community support and centenary events.

There are five categories within the Major Events Program: cultural, arts, sport, education and community. A total of 12 sponsorships and donations were provided during the year.

No.	Name	Purpose	Amount
1	Canberra Symphony Orchestra	Grand Gala Concert Llewellyn Concerts	\$42,000 \$21,000
2	Canberra Area Theatre (CAT) Awards	Annual Theatre Awards	\$25,000
3	Royal National Capital Agricultural Society	National Wine Show of Australia	\$10,000
4	Bell Shakespeare Theatre Company	"Hearts in a Row" Theatre Access Program	\$10,000
5	Australian Water Association	National Water Week Water Leaders' Summit Dinner	\$2,500
6	Canberra Youth Music Inc	Sponsorship of youth music festival	\$10,000
7	Canberra International Music Festival	Sponsorship of annual music festival	\$30,000
8	National Arboretum Canberra	<i>Voices in the Forest</i> Concert	\$25,000
9	International Softball Skins Tournament	Sponsorship	\$5,000
10	Australian National Eisteddfod	Sponsorship	\$2,500
11	National Gallery of Australia	Toulouse Lautrec Exhibition	\$62,500
12	Federal Golf Club	Australian Ladies Open Qualifying Tournament	\$10,000

**Table 1 – Major Events Program**

The Community Support Program provides financial and in-kind assistance to organisations that provide valuable community support services and programs, and various community activities which provide and encourage community access and participation.

A total of 47 sponsorships and donations were made during the year.

No.	Name	Purpose	Amount
1	Artists Society of Canberra	Sponsorship of <i>Along the Molonglo</i> annual art exhibition	\$2,000
2	Queanbeyan Art Society	Sponsorship of <i>Along the Molonglo</i> annual art exhibition	\$1,000
3	Uniting Care Kippax	Donation to appeal	\$1,250
4	National Breast Cancer Foundation	Fundraising event	\$10,000
5	Vietnam Veterans Australia	Fundraising event	\$3,000
6	Order of Australia Association	Student Citizenship Awards Program	\$3,000
7	Canberra Cancerians	Fundraising event	\$5,700
8	Barnardos Children's Charity	Sponsorship of fundraising event	\$15,000

9	Dry July	Donations	\$800
10	Menslink	Sponsorship of fundraising breakfast, programs and other activities	\$5,000
11	Alphadog Inc	Donation to animal rescue charity	\$1,000
12	ACT Eden Monaro Cancer Support Group	Hawaiian Ball fundraising event	\$3,850
13	Solid Young Fullas Aboriginal Corporation	Donation to youth program	\$7,500
14	Rotary Club of Queanbeyan West	Donation to charity art show	\$700
15	Master Plumbers' Association of the ACT	Sponsorship of trade show	\$4,380
16	Burley Griffin Regatta	Sponsorship	\$2,750
17	Andrew Blair	Donation to compete in World Championships	\$1,250
18	Australian Cancer Research Foundation	Sponsorship of charity golf day	\$1,500
19	Snowy Hydro Southcare	Donation to fundraising event	\$5,000
20	WaterAid	Donation to fundraising event	\$3,000
21	Australian Red Cross	Annual donation	\$5,000
22	Salvation Army	Annual donation	\$5,000
23	RSPCA ACT	Donation	\$2,000
24	Cancer Council ACT	Sponsorship of fundraising golf day	\$6,000
25	Canberra CBD Limited	<i>Christmas Carnival in the City</i>	\$250
26	Canberra Amateur Swimming Club	Christmas Classic Meet	\$1,000
27	Australian Water Association	Sponsorship of two student prizes	\$2,000
28	ACT Valley Dragons Masters Football	Sponsorship	\$1,500
29	Asthma Foundation ACT	Donation	\$1,200
30	Dragons Abreast Australia	Donation	\$1,000
31	ACT Indigenous Rugby Team	Sponsorship of team for "Ella 7's Tournament"	\$5,000
32	Kidsafe ACT	Donation	\$5,000
33	Lord's Taverners Charity Golf Day	Donation	\$1,000
34	The Yellow Van	Donation	\$2,000
35	Ricky Stuart Foundation	Donation	\$5,000
36	<i>Hats and Gloves</i> – Malkara School	Donation	\$8,000
37	Ronald McDonald House	Donation	\$5,000
38	Legacy	Sponsorship of ANZAC Concert	\$5,000
39	Weston Creek Bowls Club	Fundraising event for Cancer Council	\$1,380
40	Gungahlin Jets Football Club	Sponsorship and development of women's and juniors programs	\$10,000
41	Pegasus Riding for the Disabled	Donation	\$5,000
42	Woden Rotary	Kiwirrkurra Aboriginal Community Project	\$3,000

43	Calisthenics ACT Incorporated	Sponsorship of ACT Team to National Championships	\$5,000
44	Conservation Council ACT Region	World Environment Day fundraising event	\$1,000
45	CBD Limited	<i>Skate in the City</i>	\$2,000 (in kind)
46	ArtSound FM	Donation	\$5,000
47	St Vinnies CEO Sleepout	Donation	\$1,000

**Table 2 – Community Support Program**

The Centenary Sponsorship program was established especially for 2013 to provide funding for events and activities related to Canberra's Centenary Celebrations.

A total of eight sponsorships and donations were provided through the year.

No.	Name	Purpose	Amount
1	Molonglo Catchment Group	Centenary Exhibition for Students	\$2,050
2	Australian Business Arts Foundation	Public art mobile APP	\$24,000
3	Engineers Australia	Sponsorship of Centenary publication	\$5,000
4	Order of Australia	Centenary National Conference	\$5,000
5	Salvation Army	Royal Canberra Centenary Show	\$1,000
6	Mount Stromlo Scope Café	Centenary Exhibition	\$3,000
7	Free Rain Theatre Company	Sponsorship of "Phantom of the Opera" Centenary Show	\$20,000
8	Marymead	Donation to establish a horticultural program for young people with a disability	\$20,000

**Table 3 – Centenary Program**

## Territory Records Act

A records management program was in place as required by the Territory Records Office (TRO) during the year. ACTEW continues to work with the TRO to review their sector-specific retention and disposal schedules and to align with the whole of Government record keeping model and to reflect the new organisational structure.

Ongoing collaboration between ACTEW and the TRO should see finalisation of six active schedules being consolidated into two. This will provide for easier and more effective sentencing of water and sewerage management records for ACTEW's document and records management system.

## Commissioner for the Environment

ACTEW attended the ACT's State of Environment Reporting workshop in March 2013. The workshop agenda revolved around the setting and expanding of reporting mechanisms and themes for the next State of the Environment sustainability reporting period, and ACTEW's input was formally noted.

There were no investigations carried out by the Commissioner with ACTEW.

## Environmental Management and Ecologically Sustainable Development

We have maintained a fully compliant Environmental Management System to the international standard ISO:14001 and continued to implement compliant environmental actions.

A strategy was developed to reduce greenhouse gas emissions and improve its energy management systems. Initiatives in this strategy focus on the most cost effective and sustainable options that will help ACTEW reach greenhouse gas emission targets set by the ACT Government including:

- 40% reduction of 1990 emission levels by 2020;
- 80% reduction of 1990 emission levels by 2050; and
- Carbon neutrality by 2060.

A drive to implement these initiatives will focus on energy avoidance and efficiency, demand management, renewable low emission energy sources and carbon offsets. In the meantime, ACTEW achieved its target of 15% renewable energy supply in 2012-13 to comply with the ACT Government's targets for renewable energy supply in the *Climate Change and Greenhouse Reduction Act 2010*.

To offset its greenhouse gas emissions, ACTEW has been undertaking a process to certify its carbon forests under the Carbon Farming Initiative. The certification process is due to be completed in 2013-14. It is expected that this will result in about 20,000 tonnes of carbon equivalent being offset in the 2012-13 period.

To offset the environmental impacts from the Water Security Projects, ACTEW established two biodiversity offset sites. Continued progress with the enlarged Cotter Dam Biodiversity Offsets Program has provided positive landscape-scale change to the Cotter catchment area.

Work was also undertaken with the Indigenous Green Team to incorporate local indigenous bush tucker plants into the Offsets Program. Implementation of a Memorandum of Understanding between ACT Parks and Conservation Service and ACTEW is providing land stabilisation and enhanced water quality in the Cotter catchment. Weed control works for 2012-13 have also been completed. Results indicate that the weed control program is continuing to be successful, with revegetation outcomes to be determined over the coming years.

The Murrumbidgee to Googong Offsets Program has been implemented, securing over 90 hectares of land for in-perpetuity conservation. On-ground works to improve the conservation value of the property have continued, with extensive weed control measures implemented, and fencing modifications undertaken to exclude grazing stock from the offsets site and allow for greater connectivity across the property.

The enlarged Cotter Dam Fish Management Program continued, providing information and management actions to ensure our operations were not adversely affecting threatened fish and crayfish species in the Cotter catchment. The Fish Monitoring Program has been completed and will allow ACTEW to measure the effects of the filling and operation of the enlarged Cotter Reservoir. Monitoring buoys were installed across the Reservoir to allow ACTEW to track water quality changes. As the Reservoir continues to fill the threatened species, Macquarie Perch, will soon be able to access the specially constructed habitat areas. The Fish Management Program received the Program Innovation Award at the 2013 Australian Water Association National Water Awards.

The Water's Source Water Protection Program (SWPP) assesses and manages potential risks to the quality of source water supply through targeted work within the ACT drinking water catchments. The Program made substantial progress in building effective relationships with a wide range of drinking water catchment stakeholders. In 2013, we developed a strategy for source water protection for the next five years to guide investment and provide transparency in outcomes.

The development of a sustainability framework to guide the business and drive progress in all elements of sustainability commenced during the year. A sustainability policy and set of sustainability principles have also been introduced.

We continued to participate in the Be Green campaign which encourages staff to reduce their impact on the environment both at work and home. Net greenhouse gas emissions decreased by approximately 862 tonnes of carbon dioxide equivalence compared with the previous year excluding offsets.

### Environmental Data

<u>Transport</u>	
Total number of fleet vehicles	131
Total transport fuel used (kilolitres)	1,230
Total direct greenhouse gas emissions of the fleet (tonnes of CO <sub>2</sub> e)	3,284
<u>Energy Use</u>	
Total energy use (megajoules)	215,642 GJ (215,642,000 MJ)
<u>Greenhouse Gas Emissions</u>	
Total greenhouse gas emissions in tCO <sub>2</sub> e	47,653 (Scope 1 and Scope 2)
Net greenhouse gas emissions in tCO <sub>2</sub> e	45,636 (Scope 1 and Scope 2)
<u>Resource Efficiency and Waste</u>	
Estimate of paper used (reams)	3,557 reams

## Model Litigant Guidelines

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

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





# Financial Statements

# **ACTEW Corporation Limited**

ABN 86 069 381 960

**General Purpose**

## **Financial Report**

**for the year ended 30 June 2013**

# Contents

for the year ended 30 June 2013

Directors' Report.....	2
Directors' Declaration .....	7
Independent Auditor's Report.....	8
Auditor's Independence Declaration .....	10
Consolidated Income Statement .....	11
Consolidated Statement of Comprehensive Income .....	12
Consolidated Balance Sheet .....	13
Consolidated Statement of Cash Flows .....	14
Consolidated Statement of Changes in Equity.....	15
Notes to the Financial Report.....	16

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

The financial report was authorised for issue by the directors on 4 September 2013.

**ACTEW Corporation Limited and Controlled Entities**

## **Directors' Report**

**For the year ended 30 June 2013**

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 2013.

### **Directors**

The following persons were directors of ACTEW during the whole of the financial year and up to the date of this report unless otherwise indicated:

- John Angus Mackay AM, Chairman (to 30 June 2013)
- Michael Bernard Easson AM, Deputy Chairman
- Mark Anthony Sullivan AO
- Allan Douglas Hawke AC
- Wendy Caird
- Rachel Sarah Hartel Peck
- Jennifer Lois Goddard
- Carolyn Jean Lilley (from 1 April 2013).

Refer to pages 21-23 of the Annual Report for information on directors' experience and qualifications.

### **Company Secretary**

Michele Norris joined ACTEW in August 1999 as Legal Compliance Education Manager and in 2000 was appointed Assistant Company Secretary and in December 2003, Company Secretary. She is responsible for the management and coordination of corporate governance, statutory compliance and reporting, secretariat services and support to the Board, government liaison and reporting, and legal matters for the Corporation and subsidiary companies. Ms Norris is Company Secretary of ACTEW Distribution Limited and ACTEW Retail Limited. She is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, an Affiliate of Chartered Secretaries Australia and a Justice of the Peace.

### **Directors' Meetings**

Ten directors' meetings were held during the financial year. The Board's four Committees also met during the year. The Audit and Risk Management Committee met six times during the year. The newly established Safety and Environment Committee met four times during the year. The entire ACTEW Board meets as the Remuneration Committee. The Remuneration Committee met once during the year. The Nomination Committee met twice during the year.

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

Director	ACTEW Board Meetings	Audit & Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Safety and Environment Committee
J A Mackay	10 (10)	0 (0)	2 (2)	2 (2)	0 (0)
M B Easson	9 (10)	6 (6)	2 (2)	2 (2)	0 (0)
M A Sullivan	10 (10)	0 (0)	2 (2)	2 (2)	4 (4)
A D Hawke	10 (10)	4 (6)	2 (2)	2 (2)	0 (0)
W Caird	10 (10)	0 (0)	2 (2)	2 (2)	4 (4)
R S H Peck	9 (10)	0 (0)	2 (2)	2 (2)	3 (4)
J L Goddard	10 (10)	6 (6)	2 (2)	2 (2)	0 (0)
C J Lilley	3 (3)	2 (2)	2 (2)	0 (0)	0 (0)

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

### Principal Activities

The principal activities of ACTEW during the year were to:

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

The principal activities of the subsidiary companies were as follows:

- ACTEW Retail Limited – a holding company for ACTEW's interest in the Retail Partnership of the ActewAGL Joint Venture
- ACTEW Distribution Limited – a holding company for ACTEW's interest in the Distribution Partnership of the ActewAGL Joint Venture
- ActewAGL Generation Pty Ltd - ACTEW Retail Limited entered into a joint venture with AGL ACT Retail Investments Pty Ltd to form ActewAGL Generation Pty Ltd in order to participate in the ACT Government's Solar Auction process.

### Review and results of operations

A summary of the revenue and results is set out on the next page.

	2013	2012
	\$ million	\$ million
Revenue (from continuing operations and other income)	332.9	279.9
Share of net profit from joint ventures partnership	<u>97.8</u>	<u>81.8</u>
Total revenue and share of net profit from joint venture partnership	<u>430.7</u>	<u>361.7</u>
Profit before income tax expense	121.1	104.8
Income tax	<u>41.5</u>	<u>30.9</u>
Profit for the year	<u>79.6</u>	<u>73.9</u>
Payments to ACT Government:		
Interim dividend for current year profit	-	55.6
Final dividend for previous year profit	<u>18.4</u>	<u>11.8</u>
	18.4	67.4
Tax equivalent payments	<u>57.1</u>	<u>43.2</u>
Total payments to ACT Government	<u>75.5</u>	<u>110.6</u>

Profit for the year increased from prior year due to increased water revenue from higher volumes and an increase in income from the ActewAGL Joint Venture. This is offset by increased interest expenses and expenses relating to the integration of the water and sewerage business.

#### **Dividends**

The interim dividend was not paid in June 2013 (2012 interim: \$55.6m) due to the Independent Competition and Regulatory Commission (ICRC) final price direction in June 2013 and uncertainty in the water and sewerage infrastructure assets valuation. The directors expect to declare a 2012-13 final dividend of \$79.6m (2012 final: \$18.4m) at the annual general meeting.

#### **Significant changes in the state of affairs**

ACTEW owns ACT's water infrastructure and assets; up to 30 June 2012 ActewAGL Water Division managed, operated and maintained the ACTEW's network and business in accordance with the Utilities Management Agreement (UMA). ACTEW performed a review of the governance, structure and operations of the water and sewerage business during 2011. As a result of the review, the UMA has been terminated and the water and sewerage business has been integrated into ACTEW. The integration took effect on 1 July 2012.

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

On the 19th of August 2013, ActewAGL Generation Pty Ltd was informed it was unsuccessful in the regular stream of the ACT Government's Large-scale Solar Auction held by the ACT Government. No other matters of significance have arisen since the end of the financial year.

#### **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 ICRC under the *Utilities Act 2000* on 29 June 2001. On 30 September 2011 ACTEW provided its Capex annual report to the ICRC on its obligations under the Licence and other reporting requirements of the Act.

### *Environmental Regulations*

In accordance with the ACT *Environment Protection Act 1997*, ACTEW is subject to environmental regulation in respect of its operations of the Lower Molonglo Water Quality Control Centre. ACTEW is also subject to New South Wales Environment Protection Authority regulations for the discharge from Googong Water Treatment Plant. ACTEW complied with all reporting requirements during 2012-13.

Compliance details were:

	<b>Compliance 2012-13</b>	<b>Target</b>
Googong pollution control licence compliance	100%	100%
Sewage treatment discharge compliance	99%	100%
Sewage treatment incinerator air emission compliance	99%	100%

ACTEW has assessed that there are no other particular or significant environmental regulations that apply. However, ACTEW does have a register of approval conditions applied through the major project assessment process that requires compliance. ACTEW has maintained compliance with all current approval commitments.

### *Licence to Take Water*

Issued by the ACT Environment Protection Authority (EPA) under the *Water Resources Act 2007*, the licence provides for taking of water covered by water access entitlements and the protection of environmental flows. ACTEW provided its annual report to the EPA on 31 October 2012. ACTEW complied with the requirements of the licence throughout 2012-13. ACTEW provided monthly reports to the EPA detailing compliance with the environmental flows requirements.

### *Drinking Water Utility Licence*

ACTEW's licence, issued by ACT Health, authorises ACTEW to carry on the Operation of Drinking Water Utility under the *Public Health Act 1997*. ACTEW provided water in accordance with the *Australian Drinking Water Guidelines 2004* under this Licence. ACTEW complied with all reporting requirements to ACT Health throughout 2012-13.



### Insurance of Officers

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

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

### Indemnity of Officers

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

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

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by the *Corporations Act 2001* is set out on page 10.

### Rounding of amounts

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

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



Michael Easson AM  
Acting Chairman

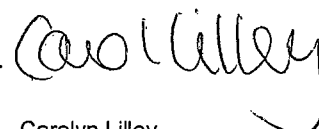
Canberra

4 September 2013

Mark Sullivan AO  
Managing Director

Canberra

4 September 2013



Carolyn Lilley  
Acting Chair  
Audit and Risk Management  
Committee

Canberra

4 September 2013

ACTEW Corporation Limited and Controlled Entities

## Directors' Declaration

for the year ended 30 June 2013

In the director's opinion:

(a) the financial statements and notes set on pages 11 to 58 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and comply with Australian Accounting Standards, the *Corporations Regulation* and other professional reporting requirements; 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.



Michael Easson AM  
Acting Chairman

Canberra

4 September 2013

Mark Sullivan AO  
Managing Director

Canberra

4 September 2013



Carolyn Lilley  
Acting Chair  
Audit and Risk Management  
Committee

Canberra

4 September 2013



## ACT AUDITOR-GENERAL'S OFFICE



### INDEPENDENT AUDIT REPORT ACTEW CORPORATION LIMITED

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

#### Report on the financial report

The financial report of ACTEW Corporation Limited and Controlled Entities (the Company) for the year ended 30 June 2013 has been audited. The financial report comprises the consolidated income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

#### Responsibility for the financial report

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

#### The auditor's responsibility

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

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

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

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

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

### **Electronic presentation of the audited financial report**

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

### **Independence**


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

### **Audit opinion**

In my opinion, the financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2013 and its performance for the year ended on that date; and
- (b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and *Corporations Regulations 2001*.

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

  
Dr Maxine Cooper  
Auditor-General  
5 September 2013



## ACT AUDITOR-GENERAL'S OFFICE



Board of Directors  
ACTEW Corporation Limited  
ActewAGL House  
40 Bunda Street  
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
ACTEW CORPORATION LIMITED FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013**

In relation to the audit of the financial report of ACTEW Corporation Limited and Controlled Entities for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely

Dr Maxine Cooper  
Auditor-General  
4 September 2013

## Consolidated Income Statement

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue from continuing operations	5	305,484	261,604
Other income	6	27,380	18,286
		<u>332,864</u>	<u>279,890</u>
ACT Government charges		30,930	27,246
Employment and associated costs		60,986	8,965
Depreciation and amortisation expense	7	35,917	40,524
Finance costs	7	73,863	65,035
Operational costs		82,941	105,881
Consumables used	12	9,461	-
Impairment of assets	7	4,927	2,131
Other expenses arising from ordinary activities		10,551	7,157
Investments in associates' equity accounted profits	35	-	79
(Reversal) of impairment of investments		-	(79)
Share of net (profit) of joint ventures partnership accounted for using the equity method		<u>(97,790)</u>	<u>(81,821)</u>
<b>Profit before income tax</b>		<b>121,078</b>	<b>104,772</b>
Income tax expense	8	41,498	30,873
<b>Profit for the year</b>		<b><u>79,580</u></b>	<b><u>73,899</u></b>
<b>Attributable to:</b>			
Owners of ACTEW Corporation Limited		79,580	73,899
		<u>79,580</u>	<u>73,899</u>

*The above consolidated income statement should be read in conjunction with the accompanying notes as set out on pages 16 to 58.*

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Profit for the year</b>		<u>79,580</u>	<u>73,899</u>
Other comprehensive income			
Fixed asset revaluation increment net of tax	28	<u>51,808</u>	<u>-</u>
Changes in the fair value of cash flow hedges	28	<u>-</u>	<u>10</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>51,808</u>	<u>10</u>
<b>Total comprehensive income for the year</b>		<u><u>131,388</u></u>	<u><u>73,909</u></u>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 16 to 58.*

## Consolidated Balance Sheet

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	10	83,744	190,505
Trade and other receivables	11	53,818	46,990
Inventories	12	3,690	-
Other	13	12,026	36,028
<b>Total Current Assets</b>		<b>153,278</b>	<b>273,523</b>
<b>Non-Current Assets</b>			
Held-to-maturity investments	14	468	582
Investments accounted for using the equity method	15	601,287	552,455
Property, plant and equipment	16	2,025,593	1,840,570
Intangible assets	18	27,066	31,112
Other	19	2,112	106
<b>Total Non-Current Assets</b>		<b>2,656,526</b>	<b>2,424,825</b>
<b>TOTAL ASSETS</b>		<b>2,809,804</b>	<b>2,698,348</b>
<b>Current Liabilities</b>			
Trade and other payables	20	55,367	87,241
Borrowings	21	17,392	15,760
Provisions	22	105,964	39,188
Other	23	3,496	2,874
<b>Total Current Liabilities</b>		<b>182,219</b>	<b>145,063</b>
<b>Non-Current Liabilities</b>			
Borrowings	24	1,335,105	1,343,358
Provisions	25	9,613	1,313
Other liabilities	26	724	-
Deferred tax balances	17	287,315	265,594
<b>Total Non-Current Liabilities</b>		<b>1,632,757</b>	<b>1,610,265</b>
<b>TOTAL LIABILITIES</b>		<b>1,814,976</b>	<b>1,755,328</b>
<b>NET ASSETS</b>		<b>994,828</b>	<b>943,020</b>
<b>Equity</b>			
Contributed equity	27	758,871	758,871
Reserves	28	228,156	176,348
Retained profits	29	7,801	7,801
<b>TOTAL EQUITY</b>		<b>994,828</b>	<b>943,020</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes as set out on pages 16 to 58.



## Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers (inclusive of goods & services tax)		313,334	258,142
Payments to suppliers and employees (inclusive of goods & services tax)		<u>(165,038)</u>	<u>(159,842)</u>
		148,296	98,300
Interest received		6,426	10,093
Income tax equivalents paid		<u>(57,050)</u>	<u>(43,242)</u>
Interest paid		<u>(73,558)</u>	<u>(68,416)</u>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<u>24,114</u>	<u>(3,265)</u>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		<u>(154,418)</u>	<u>(224,333)</u>
Payments for intangibles		<u>(540)</u>	<u>(12,646)</u>
Distribution received from joint venture partnerships		48,950	43,700
Proceeds from other financial assets		<u>114</u>	<u>5,059</u>
<b>Net Cash (Outflow) from Investing Activities</b>		<u>(105,894)</u>	<u>(188,220)</u>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		<u>(6,622)</u>	<u>(73,752)</u>
Proceeds from borrowings		-	214,145
Dividend paid		<u>(18,359)</u>	<u>(67,371)</u>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<u>(24,981)</u>	<u>73,022</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>		<u>(106,761)</u>	<u>(118,463)</u>
<b>Cash and Cash Equivalents at the beginning of the financial year</b>		190,505	308,968
<b>Cash and Cash Equivalents at the end of the financial year</b>	10	<u>83,744</u>	<u>190,505</u>

The above consolidated cashflow statement should be read in conjunction with the accompanying notes as set out on pages 16 to 58.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Note	Capital \$'000	Retained Profits \$'000	General Reserve \$'000	Hedge Reserve \$'000	Property, Plant and Equipment Revaluation Reserve \$'000	Total \$'000
<b>Balance at 30 June 2011</b>		758,871	7,801	9,820	(10)	166,528	943,010
Profit for the year		-	73,899	-	-	-	73,899
Other comprehensive income for the year, net of tax	28	-	-	-	10	-	10
Total comprehensive income for the year		-	73,899	-	10	-	73,909
<b>Transactions with owners in their capacity as owners</b>							
Dividends provided for or paid		-	(73,899)	-	-	-	(73,899)
<b>Balance at 30 June 2012</b>		758,871	7,801	9,820	-	166,528	943,020
Profit for the year		-	79,580	-	-	-	79,580
Other comprehensive income for the year, net of tax	28	-	-	-	-	51,808	51,808
Total comprehensive income for the year		-	79,580	-	-	51,808	131,388
<b>Transactions with owners in their capacity as owners</b>							
Dividends provided for or paid		-	(79,580)	-	-	-	(79,580)
<b>Balance at 30 June 2013</b>		758,871	7,801	9,820	-	218,336	994,828

# Notes to the Financial Report

For the year ended 30 June 2013

<b>Contents of the notes to the Financial Report</b>	<b>Page</b>
1 Summary of significant accounting policies	17
2 Financial risk management - Valuation techniques	27
3 Critical accounting judgements and estimates	27
4 Segment information	29
5 Revenue from continuing operations	33
6 Other income	33
7 Expenses	34
8 Income tax expense	35
9 Dividends	36
10 Current assets - cash and cash equivalents	36
11 Current assets - trade and other receivables	37
12 Inventories	37
13 Current assets - other	38
14 Non-current assets - held-to-maturity investments	38
15 Non-current assets - investments accounted for using the equity method	38
16 Non-current assets - property, plant and equipment	39
17 Deferred tax balances	41
18 Non-current assets - intangible assets	43
19 Non-current assets - other	44
20 Current liabilities - trade and other payables	44
21 Current liabilities - borrowings	44
22 Current liabilities - provisions	44
23 Current liabilities - other	46
24 Non-current liabilities - borrowings	46
25 Non-current liabilities - provisions	47
26 Non-current liabilities - other liabilities	47
27 Contributed equity	48
28 Reserves	48
29 Retained profits	49
30 Key management personnel	50
31 Related parties	53
32 Commitments for expenditure	54
33 Contingent liabilities and assets	55
34 Investment in controlled entities	56
35 Investments in associates	56
36 Interests in joint ventures	57
37 Events subsequent to balance date	57
38 Parent entity financial information	58

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of ACTEW Corporation Limited (ACTEW) and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. For the purposes of preparing the financial statements, the company is a for-profit entity.

#### *Compliance with Australian Accounting Standards – Reduced Disclosure Requirements*

The consolidated financial statements of ACTEW and its subsidiaries (ACTEW Group) comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

#### *Early adoption of standards*

The ACTEW Group has elected under s.334(5) of the *Corporations Act 2001* to apply Australian Accounting Standard AASB 1053 'Application of Tiers of Australian Accounting Standards', AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' and AASB 2011-2 'Amendments to Australian Accounting Standards advisory from the Trans-Tasman convergence Project-Reduced Disclosure Requirements' in accordance of their effective dates. AASB 1053, AASB 2010-2, AASB 2011-2 are not required to be applied until annual reporting periods beginning on or after 1 July 2013.

#### *Historical Cost Convention*

This financial report has been prepared on an historical cost basis except for the revaluation of certain classes of property, plant and equipment and intangible assets that have been measured at fair value, which have been outlined in note 1 (h).

#### *Critical accounting estimates*

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

#### *Rounding of amounts*

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

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by ACTEW as at 30 June 2013 and the results of all subsidiaries for the year then ended. ACTEW and its subsidiaries together are referred to in this financial report as the Group.

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

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Investments in subsidiaries are accounted for in the financial statements of ACTEW using the equity method carried at cost. The share of the electricity and gas network assets of the ActewAGL Partnership in 2007 was adjusted to fair value applying a Director's valuation based on future discounted cash flows.

#### (ii) Associates

Associates are all entities over which ACTEW has significant influence but not control, generally accompanying a shareholding of less than 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the cost of investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### (iii) Joint ventures

##### *Joint venture partnership*

The ActewAGL Joint Venture is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent. The share of the electricity and gas network assets of the ActewAGL Partnership in 2007 was adjusted to fair value applying a Director's valuation based on future discounted cash flows.

Under the equity method, the share of the profit and losses of partnerships are recognised in the income statement, and the share of movements in reserves are recognised in other comprehensive income. Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they related to an unrealised loss that provides evidence of the impairment of an asset transferred. Details relating to the Partnership are set out in Note 36.

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (c) Business activity

On 3 October 2000, wholly owned subsidiaries of ACTEW Corporation formed a partnership with Australian Gas Light Company Ltd to take over the operations of ACTEW's electricity network and related retail operations and AGL's ACT and Queanbeyan gas network and related retail operations.

This partnership also managed the water and sewerage business of ACTEW Corporation. Partnership changes occurred in August 2007 resulting in AGL Energy being 50% owner of the ActewAGL Retail Partnership and Jemena Networks (ACT) Pty Ltd being 50% owner of the ActewAGL Distribution Partnership. The ActewAGL Joint Venture Partnerships consists of ACTEW Corporation's 50% ownership in the ActewAGL Distribution and Retail Partnerships.

During 2011 ACTEW undertook a review of its water and sewerage business. Following that review, responsibility for the management, operation and maintenance of the infrastructure was returned to ACTEW on 1 July 2012 and all Water Division staff were transferred to ACTEW.

A number of employees of ACTEW have been seconded to the Joint Venture Partnerships. The Joint Venture Partnerships reimburse ACTEW for all costs related to these seconded employees. ACTEW legally employs seconded employees however, as they are seen to be employees of the Joint Venture Partnerships from an accounting viewpoint, the employee entitlement liabilities and a corresponding receivable from the partnerships is disclosed in the financial report.

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

ACTEW has a 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2013, there have been no transactions within ActewAGL Generation Pty Ltd.

### (d) Income tax equivalents

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

Tax effect accounting procedures are followed whereby the income tax equivalent expense or revenue for the period is the tax payable on the current period's taxable income based on the National Tax Equivalents Regime adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

### **Tax consolidation legislation**

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

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (e) Revenue recognition

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

#### *Services provided*

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

#### *Interest*

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

#### *Dividends*

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

#### *Contributed assets*

Revenue is recognised when the entity gains control of the asset and the amount of the contribution can be measured reliably.

Contributed assets are measured at replacement cost and subsequently revalued as part of the class of property, plant and equipment to which the assets belong.

### (f) Acquisitions of assets

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

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

### (g) Trade receivables

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

The amount of the impairment loss is recognised in the income statement within Other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (h) Property, plant and equipment

#### *Valuation*

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

Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are undertaken by external independent valuers every 5 years with the most recent valuation in June 2013 resulting in an increase of \$12.9 million to land and buildings. The majority of ACTEW's land and buildings are considered specialised assets and hence are valued using the depreciated replacement cost approach. Other non specialised land and buildings are valued using capitalisation of income approach and market value approach.

Water and sewerage assets are shown at fair value. The value was determined by applying a discounted cash flow analysis to the asset base. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

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

#### *Depreciation*

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate the assets' cost or revalued amounts, net of their residual values over their estimated useful lives as follows:

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

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



# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (i) Impairment of assets

At each reporting date, the ACTEW Group assesses whether there is any indication that an asset may be impaired. If such an indication of impairment exists, the ACTEW Group will estimate the recoverable amount of the asset. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

### (j) Cash and cash equivalents

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

### (k) Investments and other financial assets

#### Classification

ACTEW classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### *(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that ACTEW Corporation has the positive intention and ability to hold to maturity. If ACTEW Corporation were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### *(iii) Available-for sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

#### *Financial assets - reclassification*

A non-derivative trading financial asset may be reclassified out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### *Recognition and derecognition*

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

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

### *Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss and available for sale” categories are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when ACTEW's right to receive payments is established.

### *Fair value*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the ACTEW Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### *Impairment*

ACTEW assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Finance lease principal repayments are recorded in the balance sheet as a reduction in the current lease liability payable and finance lease interest is charged to the income statement when incurred.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership. Operating lease payments are charged to the income statement on a straight line basis over the lease term.

### (m) Intangible assets

#### *Water Licences*

Under the Tantangara Transfer project, water is purchased and transferred from the Murrumbidgee Regulated River System and stored and released from Tantangara Reservoir in the Snowy Mountains Scheme; to the ACT. ACTEW commenced purchase of water licences in mid-2009. Water licences are recognised at fair value. Water licences have an infinite useful life and are thus not subject to amortisation, but are tested for impairment by comparing their recoverable amount with their carrying amount. Water licences are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired (Note 18).

#### *Carbon Credits*

ACTEW has committed to offset the carbon production associated with the construction and operation of the Water Security Major Projects (WSMP). ACTEW has confirmed contracts with AusCarbon Pty Ltd and CO2 Australia Limited to supply 900,000 tonnes of carbon credits over 30 years. The legislation framework governing carbon credits remains uncertain at this stage. An impairment of the full amount has been recognised for the year ended 30 June 2013 of \$340,749 (2012: \$964,993).

#### *Computer Software*

ACTEW capitalises and amortises specific-use computer software, such as Geospatial Information Systems and design drawing software. Computer software includes capitalised development costs being an internally generated intangible asset.

### (n) Trade and other payables

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

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (o) Interest-bearing loans and borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Indexed Annuity Loans are adjusted quarterly based on the Consumer Price Index (CPI). The adjustment increases the principal of the loan and an expense is recognised in the period of the adjustment depending on the terms of the loan. Refer to Notes 21 and 24.

### (p) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. ACTEW incurs borrowing costs on short and long term borrowings and finance leases.

### (q) Employee benefits

#### (i) Wages and salaries

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Annual, sick and long service leave

A liability for annual, sick leave and long service leave seven years or greater is recognised as a current provision for employee benefits. An employee who has completed seven years service with a single employer is entitled to long service leave for the period of the service and hence considered a current provision. Long service leave less than seven years is measured as a non-current provision for employee benefits. Long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and for long service leave expectation of employee departures and periods of service.

Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

iii) Some ACTEW staff are seconded to the ActewAGL Joint Venture Partnerships and all employee related expenses are billed to the partnerships. No employee related revenues or expenses are recognised in the income statement in respect of these employees.

However the total employee entitlement liability, calculated, as set out below, is shown as a liability of the Group, with a corresponding receivable owed by the ActewAGL Joint Venture Partnerships.

### (r) Dividends

The voting shareholders have a 100% distribution after tax dividend policy for ACTEW. In previous years, dividends were paid on an 80% interim and 20% final payment. The 80% interim dividend was based on estimated profit since this is not confirmed until after 30 June each year. This policy is reviewed each financial year with the voting shareholders. Due to finalisation of the ICRC final price direction in June 2013 the dividend policy was reviewed for the current financial year. It was agreed with the ACT Treasurer that dividends will be paid in full in the next financial year on finalisation of the financial statements.

# Notes to the Financial Report

For the year ended 30 June 2013

## 1 Summary of significant accounting policies (continued)

### (s) Government grants

ACTEW receives a Commonwealth subvention payment for disabilities associated with providing water supply and sewerage services in the ACT as they relate to an inland location and national capital influences. This is recognised as revenue in the income statement at fair value where there is reasonable assurance that the grant will be received.

### (t) Inventory

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in-first out basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. This is the first period ACTEW has applied this policy due to the integration of the water and sewerage business.

### (u) Goods and Services Tax (GST)

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

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

### (v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. Details of segments are contained in Note 4.

### (w) Parent entity financial information

The financial information for the parent entity, ACTEW, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements except for interest in the Joint Venture, which are accounted at cost.

### (x) Provisions

Provisions are recognised when the ACTEW Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

# Notes to the Financial Report

For the year ended 30 June 2013

## 2 Financial risk management - valuation techniques

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. ACTEW uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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

## 3 Critical accounting judgements and estimates

### *Fair value assessment*

ACTEW water and sewerage infrastructure assets are held at fair value in accordance with AASB 116 *Property, Plant and Equipment*. The fair value of infrastructure assets is determined annually by application of an income approach by way of a Discounted Cash Flow (DCF) method, to determine the extent of difference in the economic value and the carrying amount of these assets. The nature of water and sewerage infrastructure assets is such that market-based evidence of fair value is unlikely to exist because of the specialised nature of these assets. Therefore, the application of fair value by way of a DCF method is adopted. This valuation includes business assumptions about future income streams, operational and capital expenditure. The expected net cash flows are then discounted to their present value using a market determined risk adjusted discount rate. This fair value methodology is consistent with the approach taken by other Australian water and sewerage utilities.

The DCF valuation for the year ended 30 June 2013 reflects the ICRC's final report and Price Direction (26 June 2013). The method uses ACTEW's forecast net cash flow, with a terminal value based on cash flow perpetuity, discounted using a market based post-tax nominal rate of 5.92%. Forecast cash flow estimates are based on the final ICRC determination and assumes that revenue for the period is fully recovered, with no revenue shortfall or over recovery from volume variations. This valuation exercise resulted in an increase to the value of sewerage infrastructure assets of \$61.1 million and no material change to water infrastructure assets (refer to note 16). This is recognised in the asset revaluation reserve net of tax of \$42.8 million and an associated deferred tax liability of \$18.3 million.

The calculation of the DCF valuation is highly sensitive to variations in key assumptions. The key assumptions underlying valuation calculations for the current reporting period are:

- The cash flow forecasts are based on the ICRC's six-year regulatory period and presumes that the assumptions of the final report are maintained.
- Revenue is forecast with a current rate of return on equity (ROE) of 2.8%, a proposed rate of ROE to 4.4% after two years and to 6% in the final two years.
- Operating and capital expenditure for the first two years are based on the ICRC decision, from years three to six expenditure is based on ACTEW's assumptions.

## ACTEW Corporation Limited and Controlled Entities

- The market based nominal discount rate (post tax) used is 5.92%.
- The terminal growth rate used is 2.5%.

The DCF methodology is highly sensitive to variations in the market based nominal discount rate. For example, a 0.1% increase (decrease) in this discount rate, results in a decrease (increase) in the recoverable amount of the asset bases of approximately \$40 million for water infrastructure assets and \$28 million for sewerage infrastructure assets. Independent advice of the discount rate adopted for the current financial year was obtained from PriceWaterhouseCoopers.

### *Revenue recognition*

ACTEW water revenue includes an estimated accrual for water consumed but not yet billed. This is a regular occurrence at the end of each reporting period. The estimate is calculated on outstanding water consumed (net of estimated losses) for the period less actual billing. This is multiplied by the average price of water consumption. The June 2013 amount totalled \$16.1 million (2012 - \$13.3m).

The joint venture partnerships provide a fair value estimate of consumption of electricity and gas which has not been read from the customer's meters as at 30 June 2013. The method used in measuring unbilled energy volumes is to add the current sales to the closing unbilled energy volumes for the previous period and subtract current billings. The closing unbilled energy volumes are then allocated across the tariff classes using the actual throughput volumes for the month and multiplied by the prevailing tariff rates to determine unread consumption.

### *Revaluation of Water Licences*

Water Licences are held at fair value. As part of the annual impairment assessment, ACTEW has undertaken an analysis of recent observable water transactions within the market and determined the upper and lower price limits for the March 2013 Quarter. The upper price value was used as the water licences held are of a larger volume, which are assumed to be higher priced in the market. This analysis resulted in an impairment of \$4.6 million charged against the water licences for the year ended 30 June 2013. Refer to note 18.

### *Carbon Credits*

The legislation framework governing carbon credits remains uncertain at this stage. An impairment of the full amount has been recognised for the year ended 30 June 2013. Refer to note 18.

### *Comcare provision*

Since 2002, ACTEW Water has participated in the ComCare workers compensation scheme (for ACT Government). The ACT Government and ACTEW have agreed to cancel ACTEW's arrangement with ComCare under the provisions outlined in the ACTEW Withdrawal from the Safety, Rehabilitation and Compensation Act 1988 Deed dated 30 August 2012 (the 'Deed'). Regardless of the withdrawal ACTEW continues to have obligations that may arise out of related events that occurred prior to the exit date, 1 September 2012.

At 30 June 2013, the expected total payments over ten years are estimated at \$11.2m. The net present value of these payments is estimated at \$9.6m and after initial payments have been made (\$2.7m) and unwinding of discount (\$0.6m), a provision of \$7.5m has been recognised at 30 June 2013 (refer to note 22 and 25). A receivable has also been recognised for 35% of this amount due to an agreement with ActewAGL Joint Venture to reimburse a portion of the costs (refer to note 11 and 19). The estimate may vary as a result of changes in the case claims where applicable.

# Notes to the Financial Report

For the year ended 30 June 2013

## 3 Critical accounting judgements and estimates (continued)

### *Employee Entitlements*

A liability for annual, sick leave and long service leave seven years or greater is recognised as a current provision for employee benefits. An employee who has completed seven years service with a single employer is entitled to long service leave for the period of the service and hence considered a current provision. Long service leave less than seven years is measured as a non-current provision for employee benefits.

Long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and for long service leave expectation 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.

### *Application of new and revised accounting standards*

There are no new and revised standards and interpretations adopted in these financial statements affecting the reporting results or financial position apart from those early adopted in note 1a).

## 4 Segment information

Management has determined the operating segments that are used to make strategic decisions.

### **Business segments**

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

#### *Water and sewerage*

The supply of water and the provision of sewerage services.

#### *Investments*

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

### **Geographical segments**

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

## **Notes to and forming part of the segment information**

### **a) Accounting policies**

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

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, and other assets, net of related allowances.



# Notes to the Financial Report

For the year ended 30 June 2013

## 4 Segment information (continued)

While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by segments are allocated based on a reasonable estimate of usage. Segment liabilities consist primarily of trade and other payables and employee benefits. Borrowings, interest expense and interest revenue have been allocated to the segments based on an average percentage of borrowings as deemed reasonable by management.

### b) Inter-segment transfers

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

### c) Equity accounted investments

The consolidated entity includes 100% of ACTEW Retail Ltd and ACTEW Distribution Ltd. ACTEW Retail Ltd has entered into a partnership with AGL Energy Limited to manage and market the retail operations of the ACT electricity and gas markets.

ACTEW Distribution Ltd has entered into a partnership with Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and the ACT, Queanbeyan and Nowra gas networks. These investments are accounted for using the equity method. These investments are included in the investment segment.

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

ACTEW has a 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2013, there have been no transactions within ActewAGL Generation Pty Ltd.

# Notes to the Financial Report

For the year ended 30 June 2013

## 4 Segment information (continued)

### Primary reporting - business segments

Year ended 30 June 2013

#### Income statement

Sales to external customers including share of net profit of joint venture partnerships

Other revenue

Gifted assets

Total segment revenue

Segment result before tax expense

Tax expense

Segment result for the year

#### Balance Sheet

Segment assets

Segment liabilities

Investments in associates and joint venture partnerships

#### Other

Acquisition of property, plant and equipment (including gifted assets)

Depreciation and amortisation

Impairment of assets

	Water \$'000	Sewerage \$'000	Investments \$'000	Unallocated \$'000	Consolidated \$'000
	167,700	132,177	97,790	-	397,667
	12,491	14,344	1,417	-	28,252
	1,998	2,738	-	-	4,736
	182,189	149,259	99,207	-	430,655
	150	36,988	83,940	-	121,078
	47	11,595	29,856	-	41,498
	103	25,393	54,084	-	79,580
	1,407,968	768,094	633,742	-	2,809,804
	1,104,558	339,102	371,316	-	1,814,976
	-	-	601,287	-	601,287
	114,318	32,387	-	-	146,705
	20,649	15,268	-	-	35,917
	4,756	171	-	-	4,927

# Notes to the Financial Report

For the year ended 30 June 2013

## 4 Segment information (continued)

### Primary reporting - business segments

Year ended 30 June 2012

#### Income statement

Sales to external customers including share of net profit of joint venture partnerships

Other revenue

Gifted Assets

Total segment revenue

Segment result before tax expense

Tax expense

Segment result for the year

#### Balance Sheet

Segment assets

Segment liabilities

Investments in associates and joint venture partnerships

#### Other

Acquisition of property, plant and equipment

Depreciation and amortisation

Impairment of assets

	Water \$'000	Sewerage \$'000	Investments \$'000	Unallocated \$'000	Consolidated \$'000
	133,862	118,126	81,821	-	333,809
	10,436	10,751	2,495	-	23,682
	2,000	2,220	-	-	4,220
	146,298	131,097	84,316	-	361,711
	(7,005)	41,257	70,520	-	104,772
	(1,327)	7,815	24,385	-	30,873
	(5,678)	33,442	46,135	-	73,899
	1,390,567	691,729	616,052	-	2,698,348
	1,111,158	289,843	354,327	-	1,755,328
	-	-	552,455	-	552,455
	195,255	26,687	-	-	221,941
	22,135	18,389	-	-	40,524
	2,131	-	-	-	2,131

## Notes to the Financial Report

For the year ended 30 June 2013

### 5 Revenue from continuing operations

	Notes	2013 \$'000	2012 \$'000
<b>Sales revenue</b>			
Water revenue		167,700	133,862
Sewerage revenue		132,177	118,126
		<u>299,877</u>	<u>251,988</u>
<b>Other revenue</b>			
Interest		5,607	9,616
	a	<u>305,484</u>	<u>261,604</u>

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

### 6 Other income

	Notes	2013 \$'000	2012 \$'000
Commonwealth subvention	a	10,587	10,390
Contributed assets		4,736	4,220
Regulated income		2,026	2,395
Other income	b	10,031	1,281
		<u>27,380</u>	<u>18,286</u>

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

b) Other income relates to revenue received from the stormwater contract and revenue from Fyshwick premises lease income. This income has been recognised for the year ended 30 June 2013 due to the integration of the water and sewerage business.

## Notes to the Financial Report

For the year ended 30 June 2013

### 7 Expenses

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

	2013 \$'000	2012 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
Finance costs	<u>73,863</u>	<u>65,035</u>
Depreciation:		
Water system assets	20,089	21,883
Sewerage system assets	14,707	18,130
Infrastructure land and buildings	7	7
Non-infrastructure land and buildings	453	400
Plant and equipment	416	86
Finance lease	14	-
Total depreciation	<u>35,686</u>	<u>40,506</u>
Amortisation:		
Computer software	224	-
Leasehold improvement	7	18
Total amortisation	<u>231</u>	<u>18</u>
Total depreciation and amortisation	<u>35,917</u>	<u>40,524</u>
Superannuation	6,060	911
Rental expenses relating to operating leases	3,163	815
Impairment losses recognised - financial assets - trade receivables	129	267
Impairment losses - assets	4,927	2,131

## Notes to the Financial Report

For the year ended 30 June 2013

### 8 Income tax expense

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

	2013 \$'000	2012 \$'000
<b>(a) Income tax expense</b>		
Current tax	42,653	59,779
Adjustment to prior year	a (4,896)	(1,125)
Adjustment for acquisition	4,222	-
	<u>41,979</u>	<u>58,654</u>
<b>Deferred tax</b>		
Deferred tax expense recognised in the current year	(4,198)	(27,781)
Adjustment of deferred tax for prior periods	a 3,717	-
	<u>(481)</u>	<u>(27,781)</u>
<b>Aggregate income tax expense</b>	<u><u>41,498</u></u>	<u><u>30,873</u></u>
<b>(b) Numerical reconciliation of income tax equivalents to prima facie tax payable</b>		
Profit from continuing operations before income tax equivalents	121,078	104,772
Income tax calculated at 30%	36,323	31,432
Other items		
Non-deductible expenses	2,365	265
Inter-company dividends	(144)	448
Research and development	-	(178)
Previously unrecognised temporary differences	b 4,153	-
Share of Joint Venture profits and partner share of profits	(20)	31
Adjustment to prior year income tax expense	a (1,179)	(1,125)
<b>Income tax expense</b>	<u><u>41,498</u></u>	<u><u>30,873</u></u>

a) Adjustment to prior year relates to differences between the 2011/12 financial statements and the 2011/12 Income tax return. The net adjustment is \$1.2m.

b) Previously unrecognised temporary differences relates to employee entitlements from the integration of water and sewerage business from 1 July 2012.

ACTEW and controlled entities are exempt from Federal income tax. However, ACTEW is required to pay income tax equivalents to the ACT Government.

## Notes to the Financial Report

For the year ended 30 June 2013

### 8 Income tax expense (continued)

#### *Tax consolidation legislation*

ACTEW and its wholly-owned subsidiaries have implemented tax consolidation legislation as of 1 July 2003.

The accounting policy note to this legislation is set out in Note 1(d).

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

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

### 9 Dividends

	2013 \$'000	2012 \$'000
At the beginning of the financial year	18,359	11,831
Amount appropriated from operating profit	<u>79,580</u>	<u>73,899</u>
	97,939	85,730
Amount paid during the year	<u>(18,359)</u>	<u>(67,371)</u>
At the end of the financial year	<u><u>79,580</u></u>	<u><u>18,359</u></u>

### 10 Current assets - cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and on hand	6,244	7,520
Short-term deposits	<u>77,500</u>	<u>182,985</u>
<b>Cash and cash equivalents</b>	<u><u>83,744</u></u>	<u><u>190,505</u></u>

Cash held under short term deposits has a maturity of 1 to 6 months and is classified as cash because these funds can be accessed at call.

## Notes to the Financial Report

For the year ended 30 June 2013

### 11 Current assets - trade and other receivables

	Notes	2013 \$'000	2012 \$'000
Water revenue receivable		32,105	24,885
Sewerage revenue receivable		12,700	11,765
Other trade receivables	a	4,346	6,797
Allowance for impairment of receivables	b	(908)	(779)
		<u>48,243</u>	<u>42,668</u>
Sundry receivables and accrued revenue	c	5,575	4,322
<b>Total trade receivables</b>		<u><b>53,818</b></u>	<u><b>46,990</b></u>

#### a) Other trade receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

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

	2013 \$'000	2012 \$'000
At the beginning of the financial year	779	512
Allowance for impairment recognised during the year	140	332
Receivables written off during the year as uncollectible	(11)	(65)
At the end of the financial year	<u>908</u>	<u>779</u>

Movements in the allowance for impaired receivables has been included in 'other expenses' in the income statement.

c) \$0.618m of sundry receivables is made up of a receivable from ActewAGL Joint Venture in respect to the ComCare exit scheme. Refer to note 25.

### 12 Inventories

	Notes	2013 \$'000	2012 \$'000
Finished goods for operational use	a,b	<u>3,690</u>	-
<b>Total Inventories</b>		<u><b>3,690</b></u>	<u>-</u>

a) Inventories consist of consumables such as spare system asset components, chemicals and fuel, and personal issue items for operational use. Inventories were acquired during the integration of the water and sewerage business on 1 July 2012.

b) The cost of consumables used and recognised as an expense during the year in respect of continuing operations was \$9.5 million (2012: \$0) this increase is due to integration of the Water and Sewerage business on 1 July 2012.



## Notes to the Financial Report

For the year ended 30 June 2013

### 13 Current assets - other

	Notes	2013 \$'000	2012 \$'000
Employee entitlement receivable - related parties		11,286	19,647
Acquisition of ActewAGL Water Division	a	-	15,695
Other		740	686
<b>Total other assets</b>		<b>12,026</b>	<b>36,028</b>

a) Included as prepayments in 2012 was the cash consideration paid to ActewAGL Distribution for the water and sewerage business, which took effect on 1 July 2012.

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

	2013 \$'000	2012 \$'000
Long-term securities	468	582
<b>Total held-to-maturity investments</b>	<b>468</b>	<b>582</b>

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

	Notes	2013 \$'000	2012 \$'000
Investments in joint venture partnerships	36	601,287	552,455
<b>Total investments accounted for using equity method</b>		<b>601,287</b>	<b>552,455</b>

# Notes to the Financial Report

For the year ended 30 June 2013

## 16 Non-current assets - property, plant and equipment

	Water \$'000	Sewerage \$'000	Infrastructure land & buildings \$'000	Non-infra - structure land & buildings \$'000	Plant & equipment \$'000	Equipment under finance lease at cost \$'000	Total \$'000
<b>At 30 June 2011</b>							
Fair value	1,050,808	705,514	7,135	22,425	703	-	1,786,585
Accumulated depreciation	(54,744)	(67,485)	(320)	(4,542)	(359)	-	(127,450)
Net book amount	996,064	638,029	6,815	17,883	344	-	1,659,135
<b>Year ended 30 June 2012</b>							
Opening net book amount	996,064	638,029	6,815	17,883	344	-	1,659,135
Additions	192,363	23,575	-	667	1,116	-	217,721
Gifted assets	2,000	2,220	-	-	-	-	4,220
Transfer/adjustments	-	-	639	(639)	-	-	-
Depreciation charge	(21,883)	(18,130)	(7)	(400)	(86)	-	(40,506)
Closing net book amount	1,168,544	645,694	7,447	17,511	1,374	-	1,840,570
<b>At 30 June 2012</b>							
Fair value	1,245,171	731,309	7,774	22,453	1,819	-	2,008,526
Accumulated depreciation	(76,627)	(85,615)	(327)	(4,942)	(445)	-	(167,956)
Net book amount	1,168,544	645,694	7,447	17,511	1,374	-	1,840,570
<b>At 30 June 2013</b>							
Opening net book amount	1,168,544	645,694	7,447	17,511	1,374	-	1,840,570
Additions	110,105	27,434	-	1,878	1,740	812	141,969
Gifted assets	1,998	2,738	-	-	-	-	4,736
Retirement	-	-	-	-	(8)	-	(8)
Revaluation	-	61,118	7,716	5,178	-	-	74,012
Transfer/adjustments	(160)	(188)	252	98	(2)	-	-
Depreciation charge	(20,089)	(14,707)	(7)	(453)	(416)	(14)	(35,686)
Closing net book amount	1,260,398	722,089	15,408	24,212	2,688	798	2,025,593
<b>At 30 June 2013</b>							
Fair value	1,357,114	722,089	15,408	24,678	3,549	812	2,123,650
Accumulated depreciation	(96,716)	-	-	(466)	(861)	(14)	(98,057)
Net book amount	1,260,398	722,089	15,408	24,212	2,688	798	2,025,593

## Notes to the Financial Report

For the year ended 30 June 2013

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

- a. All property, plant and equipment are held by the parent entity.
- b. A finance lease has been entered into by the parent entity with Toyota Fleet Management on 19 February 2013 ending 18 February 2020. This is for a specialised heavy vehicle used in operations and included above. Minimum lease payments included in note 32.

### Valuation

#### *Water and Sewerage infrastructure assets*

ACTEW water and sewerage infrastructure assets are held at fair value in accordance with AASB 116 *Property, Plant and Equipment*. The fair value of infrastructure assets is determined annually by application of an income approach by way of a Discounted Cash Flow (DCF) method, to determine the extent of difference in the economic value and the carrying amount of these assets. The nature of water and sewerage infrastructure assets is such that market-based evidence of fair value is unlikely to exist because of the specialised nature of these assets. Therefore, the application of fair value by way of a DCF method is adopted. The DCF was determined over a six-year period that reflects the ICRC's final report and Price Direction. The method uses ACTEW's forecast net cash flow results with a terminal value based on cash flow perpetuity discounted using a market based post-tax nominal cash flow of 5.92%. The DCF model is highly sensitive to some key assumptions, including the discount rate adopted. (Refer note 3 for information on these key assumptions). This resulted in an increase of \$61.1 million to the value of the sewerage assets, and no material change in valuation for water assets. This is recognised in the asset revaluation reserve net of tax of \$42.8 million (note 28) and an associated deferred tax liability of \$18.3 million (note 17).

#### *Land and buildings*

An independent valuation of land and buildings was undertaken by Colliers International Consultancy and Valuation Pty Limited, who are Certified Practicing Valuers and financial members of the ACT Division of the Australian Property Institute. The fair value of each land and building has been assessed as at 30 June 2013 for financial reporting purposes. Land and buildings were assessed to fair value in accordance with Australian Accounting standard AASB116 *Property Plant and Equipment*. Land assets have been valued on the basis of existing use with consideration of legal and physical restraints. Building assets have been valued with regard to their physical and functional obsolescence. A \$12.9 million revaluation increase to land and buildings was recognised as a result, with an associated increase to the land and buildings revaluation reserve of \$9 million (note 28) and deferred tax liability of \$3.9 million (note 17) recognised.

## Notes to the Financial Report

For the year ended 30 June 2013

	At the beginning of the financial year	Recognised in profit or loss	Recognised directly in equity	Acquisitions or disposals	At the end of the financial year
	\$'000	\$'000	\$'000		\$'000
<b>17 Deferred tax balances</b>					
<b>2013</b>					
<b>Temporary Differences</b>					
Distributions from ActewAGL Partnerships	(22,373)	(3,560)	-	-	(25,933)
Adjustment to prior year tax	-	(3,718)	-	-	(3,718)
Employee entitlements	6,787	3,693	-	-	10,480
Audit fees	8	-	-	-	8
Depreciation	(228,294)	535	-	-	(227,759)
Joint Venture receivable - employee entitlements	(5,894)	2,502	-	-	(3,392)
Other	1,197	1,031	-	-	2,228
Asset Revaluation	(17,025)	-	(22,204)	-	(39,229)
	(265,594)	483	(22,204)	-	(287,315)

## Notes to the Financial Report

For the year ended 30 June 2013

### 17 Deferred tax balances (continued)

2012	At the beginning of the financial year \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Acquisitions or disposals	At the end of the financial year \$'000
<b>Temporary Differences</b>					
Distributions from ActewAGL Partnerships	(43,257)	20,884	-	-	(22,373)
Employee entitlements	6,635	152	-	-	6,787
Audit fees	9	(1)	-	-	8
Unread consumption income	(3,979)	3,979	-	-	-
Depreciation	(231,323)	3,029	-	-	(228,294)
Joint Venture receivable - employee entitlements	(5,814)	(80)	-	-	(5,894)
Other	2,146	(949)	-	-	1,197
Asset Revaluation	(17,025)	-	-	-	(17,025)
Hedge Reserve	(466)	483	(17)	-	-
	(293,074)	27,497	(17)	-	(265,594)

## Notes to the Financial Report

For the year ended 30 June 2013

### 18 Non-current assets - intangible assets

	Notes	Computer Software ~ \$'000	Carbon Credits ^ \$'000	Licences * \$'000	Total \$'000
<b>At 30 June 2012</b>					
Cost		-	965	32,718	33,683
Accumulated impairment		-	(965)	(1,606)	(2,571)
Net book value		-	-	31,112	31,112
<b>Year ended 30 June 2013</b>					
Opening net book value		-	-	31,112	31,112
Additions - acquisitions		764	341	-	1,105
Amortisation expense		(224)	-	-	(224)
Impairment charge	a , b	-	(341)	(4,586)	(4,927)
Closing net book value		540	-	26,526	27,066
<b>At 30 June 2013</b>					
Cost		764	1,306	32,718	34,788
Accumulated impairment		-	(1,306)	(6,192)	(7,498)
Accumulated amortisation		(224)	-	-	(224)
Net book value		540	-	26,526	27,066

~ ACTEW capitalises and amortises specific-use computer software, such as Geospatial Information systems and design drawing software. Computer software includes capitalised development costs being an internally generated intangible asset.

^ ACTEW has committed to offset the carbon production associated with the construction and operation of the Water Security Major Projects (WSMP). ACTEW has contracts with AusCarbon Pty Ltd and CO2 Australia Limited to supply 900,000 tonnes of carbon credits over 30 years.

\* Under the Tantangara Transfer project, ACTEW has purchased water licences to extract and transfer water from the Murrumbidgee Regulated River System, which is stored and released from Tantangara Reservoir in the Snowy Mountains Scheme, to the ACT.

a) The legislation framework governing carbon credits remains uncertain at this stage. An impairment of the full amount has been recognised for the year ended 30 June 2013.

b) As part of the annual impairment assessment, ACTEW has undertaken an analysis of recent observable water transactions within the market and determined the upper and lower price limits for the March 2013 Quarter. The upper price value was used as the water licences held are of a larger volume, which are assumed to be higher priced in the market. This analysis resulted in an impairment of \$4.6 million charged against the water licences for the year ended 30 June 2013.

## Notes to the Financial Report

For the year ended 30 June 2013

### 19 Non-current assets - other

	Notes	2013 \$'000	2012 \$'000
Other	a	2,112	106
<b>Total other non-current assets</b>		<b>2,112</b>	<b>106</b>

a) \$1.9 million of other non-current assets relates to a receivable from ActewAGL Joint Venture in respect to the ComCare exit scheme. Refer to note 25.

### 20 Current liabilities - trade and other payables

	2013 \$'000	2012 \$'000
Trade payables	4,682	17,852
Other payables and accruals	42,845	38,387
Income tax payable	7,840	31,002
<b>Total payables</b>	<b>55,367</b>	<b>87,241</b>

### 21 Current liabilities - borrowings

	2013 \$'000	2012 \$'000
<b>Unsecured</b>		
Loans	17,392	15,760
<b>Total borrowings</b>	<b>17,392</b>	<b>15,760</b>

### 22 Current liabilities - provisions

	Notes	2013 \$'000	2012 \$'000
Employee entitlements	a	10,274	928
Employee entitlements - seconded employees	a	11,286	19,621
Provision for dividend	9	79,580	18,359
Redundancy provision	b i)	2,707	-
Workers' compensation (Pre-1989)	b ii)	185	130
Provision for make good restoration	b iii)	166	150
Comcare exit scheme provision	b iv)	1,766	-
<b>Total provisions</b>		<b>105,964</b>	<b>39,188</b>

a) Subsequent to the integration of the water and sewerage business, employees seconded to ActewAGL Joint Venture have returned to ACTEW.

## Notes to the Financial Report

For the year ended 30 June 2013

### 22 Current liabilities – provisions (continued)

#### Movements in consolidated non-current provisions

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

	2013 \$'000	2012 \$'000
<b>i) Redundancy Provision</b>		
At the beginning of the financial year	-	-
(Credited) to profit or loss		
- additional provisions recognised	2,707	-
- unused amounts reversed	-	-
At the end of the financial year	<u>2,707</u>	<u>-</u>
	2013 \$'000	2012 \$'000
<b>ii) Workers' Compensation (Pre 1989)</b>		
At the beginning of the financial year	130	125
(Credited) to profit or loss		
- additional provisions recognised	55	5
- unused amounts reversed	-	-
At the end of the financial year	<u>185</u>	<u>130</u>
	2013 \$'000	2012 \$'000
<b>iii) Provision for make good restoration</b>		
At the beginning of the financial year	150	124
(Credited) to profit or loss		
- additional provisions recognised	16	26
- unused amounts reversed	-	-
At the end of the financial year	<u>166</u>	<u>150</u>
	2013 \$'000	2012 \$'000
<b>iv) Comcare exit scheme provision</b>		
At the beginning of the financial year	-	-
(Credited) to profit or loss		
- additional provisions recognised	1,766	-
- unused amounts reversed	-	-
At the end of the financial year	<u>1,766</u>	<u>-</u>

25b



## Notes to the Financial Report

For the year ended 30 June 2013

### 23 Current liabilities – other

	2013 \$'000	2012 \$'000
Unearned revenue	<u>3,496</u>	<u>2,874</u>
<b>Total other</b>	<b><u>3,496</u></b>	<b><u>2,874</u></b>

### 24 Non-current liabilities - borrowings

	Notes	2013 \$'000	2012 \$'000
<b>Unsecured</b>			
Loans		<u>1,335,105</u>	<u>1,343,358</u>
<b>Total non-current borrowings</b>	<b>a</b>	<b><u>1,335,105</u></b>	<b><u>1,343,358</u></b>

a) ACTEW maintains a balanced portfolio consisting of two CPI linked indexed annuity bonds (IABs), a capital indexed bond (CIB) and two medium term notes.

The IABs consist of \$250 million borrowed on 17 April 2000 at a yield of 3.89%, which matures on 17 April 2020 and \$397 million, which consists of \$300 million borrowed on 12 June 2008 at a yield of 2.42% and a further \$97 million maturing on 12 June 2048 at a yield of 3.94%. The bonds are issued paying a base coupon amount, with a CPI component attached. Principal and interest payments are made quarterly with the interest component directly reflecting the movements in the CPI.

The CIB of \$243 million was acquired on 17 June 2010 at a yield of 3.72% and matures on 17 June 2030. Interest payments are made on a quarterly basis with the principal inflated by CPI with full payment in 2030.

On 7 June 2011, a \$300 million seven year Medium Term Note at a fixed interest rate of 5.72% was acquired. Interest payments are made semi-annually. On 22 May 2012, a \$215 million eight year Medium Term Note at a fixed rate of 4.33% was acquired. Interest payments are made semi-annually.

As at 30 June 2013 the total principal outstanding was \$1,352 million (2012 - \$1,359 million) consisting of \$17.4 million current liability (note 21) and \$1,335 million non current liability (note 24).

## Notes to the Financial Report

For the year ended 30 June 2013

### 25 Non-current liabilities - provisions

	Notes	2013 \$'000	2012 \$'000
Employee entitlements		1,587	140
Employee entitlements - seconded employees		19	-
Workers' compensation (Pre-1989)	a	2,310	1,173
Comcare exit scheme provision	a, b	5,697	-
<b>Total provisions</b>		<b>9,613</b>	<b>1,313</b>

### Movements in consolidated non-current provisions

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

	2013 \$'000	2012 \$'000
<b>i) Workers' Compensation (Pre 1989)</b>		
At the beginning of the financial year	1,173	1,252
(Credited) to profit or loss		
- additional provisions recognised	1,137	-
- unused amounts reversed	-	(79)
At the end of the financial year	<b>2,310</b>	<b>1,173</b>
	2013 \$'000	2012 \$'000
<b>ii) Comcare exit scheme provision</b>		
At the beginning of the financial year	-	-
(Credited) to profit or loss		
- additional provisions recognised	5,697	-
- unused amounts reversed	-	-
At the end of the financial year	<b>5,697</b>	<b>-</b>

b) Since 2002, ACTEW Water has participated in the ComCare workers compensation scheme (for ACT Government). The ACT Government and ACTEW have agreed to cancel ACTEW's arrangement with ComCare under the provisions outlined in the ACTEW Withdrawal from the Safety, Rehabilitation and Compensation Act 1988 Deed dated 30 August 2012 (the 'Deed'). Regardless of the withdrawal ACTEW continues to have obligations that may arise out of related events that occurred prior to the exit date, 1 September 2012.

At 30 June 2013, the expected total payments over ten years are estimated at \$11.2m. The net present value of these payments is estimated at \$9.6m and after initial payments have been made (\$2.7m) and unwinding of discount (\$0.6m), a provision of \$7.5m has been recognised at 30 June 2013 (refer to note 22 and 25). A receivable has also been recognised for 35% of this amount due to an agreement with ActewAGL Joint Venture to reimburse a portion of the costs (refer to note 11 and 19). The estimate may vary as a result of changes in the case claims where applicable

### 26 Non-current liabilities - Other liabilities

	Notes	2013 \$'000	2012 \$'000
Finance Lease	a	724	-
		<b>724</b>	<b>-</b>

a) Finance Lease commitments are detailed within note 32.

## Notes to the Financial Report

For the year ended 30 June 2013

### 27 Contributed equity

	2013 Shares	2012 Shares
<b>a) Paid up capital:</b>		
Ordinary shares fully paid	<u>2</u>	<u>2</u>
<b>Total share capital</b>	<u><u>2</u></u>	<u><u>2</u></u>
	2013	2012
<b>b) Total capital</b>	<b>\$'000</b>	<b>\$'000</b>
Contributed Capital	<u>758,871</u>	<u>758,871</u>
<b>Total capital</b>	<u><u>758,871</u></u>	<u><u>758,871</u></u>

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

### c) Movement in ordinary share capital

There has been no movement in share capital.

### d) Capital risk management

The ACTEW Group's and the parent entity's objectives when managing capital is to safeguard their ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The ACTEW Group's strategy is to maintain financial flexibility to accommodate future investments.

The net debt to equity ratio at 30 June 2013 and 30 June 2012 were as follows:

	Notes	2013 \$'000	2012 \$'000
Total borrowings	21,24	1,352,497	1,359,118
Less: cash as per statement of cash flows	10	<u>(83,744)</u>	<u>(190,505)</u>
Net debt		1,268,753	1,168,613
Total equity		<u>994,828</u>	<u>943,020</u>
Total capital		<u><u>2,263,581</u></u>	<u><u>2,111,633</u></u>
Net debt to capital ratio		<u><u>56.1%</u></u>	<u><u>55.3%</u></u>

### 28 Reserves

	2013 \$'000	2012 \$'000
<b>Reserves</b>		
Asset revaluation	218,336	166,528
General insurance	<u>9,820</u>	<u>9,820</u>
<b>Total reserves</b>	<u><u>228,156</u></u>	<u><u>176,348</u></u>

## Notes to the Financial Report

For the year ended 30 June 2013

### 28 Reserves (continued)

a) Movements in reserves:	2013 \$'000	2012 \$'000
<b>Asset revaluation</b>		
At the beginning of the financial year	166,528	166,528
Revaluation – net of tax		
Water	-	-
Sewerage	42,783	-
Land and Buildings	9,025	-
	<u>51,808</u>	<u>-</u>
At the end of the financial year	<u>218,336</u>	<u>166,528</u>
<b>Hedging reserve - cash flow hedges</b>		
At the beginning of the financial year	-	(10)
Revaluation - net	-	10
At the end of the financial year	<u>-</u>	<u>-</u>

### b) Nature and purpose of reserves

#### (i) General insurance reserve

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

#### (ii) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

#### (iii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects the income statement.

### 29 Retained profits

Movements in retained earnings were as follows:	2013 \$'000	2012 \$'000
At the beginning of the financial year	7,801	7,801
Net profits available for reserves and dividends	<u>79,580</u>	<u>73,899</u>
Total available for appropriation	87,381	81,700
Dividends provided for or paid	<u>(79,580)</u>	<u>(73,899)</u>
At the end of the financial year	<u>7,801</u>	<u>7,801</u>

## Notes to the Financial Report

For the year ended 30 June 2013

### 30 Key management personnel

#### Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

Short-term employee benefits	2,369,521	1,860,021
Post-employment benefits	272,593	227,117
Other long-term benefits	189,090	-
Termination benefits	1,024,829	-
Total benefits	<u>3,856,033</u>	<u>2,087,138</u>

The compensation of each member of the key management personnel of the Group for the current year is set out on the following page.

The remuneration table below is based on the following methodology:

- Salaries, employee entitlements, non-monetary benefits and superannuation are on a cash method of reporting.
- Bonuses and termination remuneration are based on the accrual method of reporting, relating to the current period of service. These are not paid out until following periods.

# Notes to the Financial Report

For the year ended 30 June 2013

## 30 Key management personnel (continued)

2013	short term employee benefits		post-employment benefits	long-term employee benefits	termination benefits	Total
	(a) cash salary, fees and short-term compensated absences	(b) short-term cash profit-sharing and other bonuses*				
John Mackay	\$ 69,127	\$ -	\$ 5,291	\$ -	\$ -	\$ 74,418
Michael Easson	\$ 38,361	\$ -	\$ 4,219	\$ -	\$ -	\$ 42,580
Allan Hawke	\$ 33,358	\$ -	\$ 3,669	\$ -	\$ -	\$ 37,027
Jennifer Goddard	\$ 33,358	\$ -	\$ 3,669	\$ -	\$ -	\$ 37,027
Wendy Caird	\$ 33,358	\$ -	\$ 3,669	\$ -	\$ -	\$ 37,027
Carolyn Lilley	\$ 8,688	\$ -	\$ -	\$ -	\$ -	\$ 8,688
Rachel Peck	\$ 33,358	\$ -	\$ 3,669	\$ -	\$ -	\$ 37,027
Mark Sullivan	\$ 511,494	\$ 178,973	\$ 79,096	\$ -	\$ -	\$ 769,563
Michele Norris	\$ 163,796	\$ 58,020	\$ 35,978	\$ 2,268	\$ -	\$ 260,062
Simon Wallace	\$ 213,334	\$ 50,000	\$ 28,967	\$ -	\$ -	\$ 292,301
Ian Carmody	\$ 392,300	\$ 70,000	\$ 25,000	\$ -	\$ -	\$ 487,300
Ross Knee	\$ 220,624	\$ -	\$ 37,114	\$ 186,822	\$ 337,699	\$ 782,259
Asoka Wijeratne	\$ 261,372	\$ -	\$ 42,252	\$ -	\$ 687,130	\$ 990,754
<b>TOTAL</b>	\$ 2,012,528	\$ 356,993	\$ 272,593	\$ 189,090	\$ 1,024,829	\$ 3,856,033

\* Note total remuneration packages have been amended and no longer include bonuses post 1 July 2013.

Asoka Wijeratne (Executive Manager Water Operations) became an unattached employee on 25th February 2013. His remuneration has been included for the period 1 July 2012 - 25th February 2013. Mr Wijeratne's redundancy has not been paid but has been provided for in the financial statements as at 30 June 2013 and has also been included in the remuneration note above. This amount does not include his long service leave entitlement (\$263,159.64), which will be exhausted before his termination payment is made. Ross Knee ceased employment on 8th March 2013 and was paid out termination benefits in the current year. There were no redundancies in the prior year.

# Notes to the Financial Report

For the year ended 30 June 2013

## 30 Key management personnel (continued)

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

2012	short term employee benefits		post-employment benefits	long-term employee benefits	termination benefits	Total
	(a) cash salary, fees and short-term compensated absences	(b) short-term cash profit-sharing and other bonuses				
John Mackay	\$ 60,084	\$ -	\$ 6,008	\$ -	\$ -	\$ 66,092
Michael Easson	\$ 34,519	\$ -	\$ 3,452	\$ -	\$ -	\$ 37,971
Allan Hawke	\$ 30,017	\$ -	\$ 3,002	\$ -	\$ -	\$ 33,019
Jennifer Goddard	\$ 19,281	\$ -	\$ 1,928	\$ -	\$ -	\$ 21,209
Wendy Caird	\$ 30,017	\$ -	\$ 3,002	\$ -	\$ -	\$ 33,019
Rachel Peck	\$ 30,017	\$ -	\$ 3,002	\$ -	\$ -	\$ 33,019
Ted Matthews	\$ 808	\$ -	\$ 73	\$ -	\$ -	\$ 881
Mark Sullivan	\$ 442,614	\$ 316,300	\$ 95,124	\$ -	\$ -	\$ 854,038
Michele Norris	\$ 161,687	\$ 58,419	\$ 30,725	\$ -	\$ -	\$ 250,831
Simon Wallace	\$ 211,875	\$ 50,000	\$ 25,549	\$ -	\$ -	\$ 287,424
Ross Knee	\$ 271,457	\$ 142,926	\$ 55,252	\$ -	\$ -	\$ 469,635
<b>TOTAL</b>	\$ 1,292,376	\$ 567,645	\$ 227,117	\$ -	\$ -	\$ 2,087,138

# Notes to the Financial Report

For the year ended 30 June 2013

## 31 Related parties

### Parent entities

The wholly owned group consists of ACTEW Corporation Limited and its wholly owned controlled entities. These entities are ACTEW Retail Limited and ACTEW Distribution Limited. The results of the ActewAGL joint venture partnerships, which are 50% owned by ACTEW Corporation Limited through its subsidiaries, ACTEW Retail Limited and ACTEW Distribution Limited are accounted for using the equity method. ACTEW Corporation Limited has several operational arrangements with its controlled entities. All transactions are at an arm's length basis.

The following transactions occurred with related parties:

	2013 \$'000	2012 \$'000
<b>Wholly owned controlled entities</b>		
Dividend revenue	67,452	56,934
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date were as follows:		
Current receivables (tax funding agreement)	18,832	45,249
Current receivables (other)	74,639	55,211
Current payables and other	79,580	73,899
Non-interest bearing loans	434,937	390,596

### Parent entity

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

The ultimate parent entity is the ACT Government, which owns 100% (2012 - 100%) of the issued ordinary shares of ACTEW Corporation Ltd.

### Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes: Controlled Entities – Note 34.

### Other related parties

	2013 \$'000	2012 \$'000
<b>The following transactions occurred with ActewAGL Joint Venture:</b>		
Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties:		
Operating expenses	58,924	105,881
Capital expenses	-	47,191
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	13,715	19,647
Current accounts payables and other	14,729	19,621
Non-current receivables	1,994	-
Non-current accounts payables and other	-	-



## Notes to the Financial Report

For the year ended 30 June 2013

### 32 Commitments for expenditure

	Notes	2013 \$'000	2012 \$'000
Capital expenditure commitments	a	<u>166,784</u>	<u>183,308</u>
Other expenditure commitments	b	<u>321,134</u>	<u>289,447</u>
Operating lease commitments			
Commitments in relation to operating leases contracted for at balance date, but not provided for in accounts payable:			
Within 1 year		2,765	638
Later than 1 year but not later than 5 years		5,812	2,513
Later than 5 years		<u>5,653</u>	<u>6,063</u>
	c	<u>14,230</u>	<u>9,214</u>
Finance lease commitments			
Commitments in relation to finance leases contracted for at balance date, but not provided for in accounts payable:			
Within 1 year		101	-
Later than 1 year but not later than 5 years		404	-
Later than 5 years		<u>458</u>	-
Minimum lease payments	d	<u>963</u>	-

a) Capital commitments includes the ICRC final determination for Capital expenditure for 2013-14 year of \$152.7 million and amounts for purchase of carbon credits through contracts with CO2 and AusCarbon for \$14.1 million.

b) On 27 June 2012 ACTEW entered into a contract with ActewAGL Distribution Partnership to provide corporate services to ACTEW, and a contract with ActewAGL Retail Partnership to provide retail services. These services were previously provided under the Utilities Management Agreement (UMA) and the Umbrella Agreement. The expenditure commitments include these contracts as well as general expenditure commitments.

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

d) Finance lease has been entered into by the parent entity with Toyota Fleet Management on 19 February 2013 ending 18 February 2020. This is for a specialised heavy vehicle used in operations.

# Notes to the Financial Report

For the year ended 30 June 2013

## 33 Contingent liabilities and assets

### *Contingent Liabilities*

#### *i) Claims*

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

#### *ii) Bank Guarantees*

ACTEW has given bank guarantees in respect to:

- Performance guarantees in relation to its service contracts amounting to \$100,000 (2012: \$0).

### *Contingent Assets*

In March 2012 all Water Security Program construction projects were affected by heavy rainfall and severe flooding. Pre-flood safety and mitigation actions, project site debris clean up and post-flood repair works undertaken at the site resulted in an interim assessment of estimated costs up to \$9.9 million. However, once final costs have been determined it is anticipated that a significant portion of these costs will be recovered via insurance claims. No amounts have been recorded in these financial statements for any recovery.

## Notes to the Financial Report

For the year ended 30 June 2013

### 34 Investment in controlled entities

Name of Entity	Country of Incorporation	Class of shares	Equity Holding	Equity Holding
			2013 %	2012 %
ACTEW Distribution Ltd	Australia	Ordinary	100%	100%
ACTEW Retail Ltd	Australia	Ordinary	100%	100%
ActewAGL Generation Pty Ltd	Australia	Ordinary	50%	50%

### 35 Investments in associates

	Ownership Interest	2013 \$'000	2012 \$'000
TransACT Communications Pty Limited	0% (2012: 0%)		

#### Movement in carrying amount of investments in associates

At the beginning of the financial year	-	60,799
Prior year equity accounted losses	-	(50,157)
Current year equity accounted (profits)/losses	-	(79)
Allowance for impairment	-	(5,867)
Proceeds from Sale of Investment	-	(4,901)
Reversal of prior impairment	-	205
At the end of the financial year	-	-

ACTEW sold its investment in TransACT in August 2011.

# Notes to the Financial Report

For the year ended 30 June 2013

## 36 Interests in joint ventures

### (a) Joint Venture Partnerships - ActewAGL Partnership

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

	2013	2012
	\$'000	\$'000
<b>Share of partnership's commitments</b>		
Lease commitments	38,239	38,058
Total expenditure commitments	38,239	38,058
Capital and other commitments	23,875	38,332
	<b>62,114</b>	<b>76,390</b>

### (b) Joint Venture Partnerships - ActewAGL Generation

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

ACTEW has a 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2013, there have been no transactions within ActewAGL Generation Pty Ltd.

### (c) Contingent liabilities relating to joint ventures

#### (i) Claims

There are a number of public liability insurance claims against the ActewAGL partnerships at year end. Should the partnerships be proved liable, the partnerships must pay the first \$25,000 of each claim. This contingent liability is estimated to be \$32,595 as at 30 June 2013 (2012: \$340,229).

#### (ii) Bank guarantees

The Group has given a number of bank guarantees in respect to:

Security deposits in relation to its leases amounting to \$4,735,985 (2012: \$4,777,235)

Security deposits in relation to its service contracts amounting to \$0 (2012: \$32,500)

Performance guarantees in relation to its service contracts amounting to \$0 (2012: \$100,000)

These have not been recognised in the balance sheet.

## 37 Events subsequent to balance date

On the 19<sup>th</sup> of August 2013, ActewAGL Generation Pty Ltd was informed it was unsuccessful in the regular stream of the ACT Government's Large-scale Solar Auction held by the ACT Government. No other matters of significance have arisen since the end of the financial year.

## Notes to the Financial Report

For the year ended 30 June 2013

### 38 Parent entity financial information

#### a) Summary financial information

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

	2013 \$'000	2012 \$'000
<b>Balance Sheet</b>		
Current Assets	<u>244,977</u>	<u>373,983</u>
Total Assets	<u>2,753,256</u>	<u>2,646,340</u>
Current Liabilities	<u>180,421</u>	<u>145,015</u>
Total Liabilities	<u>1,779,465</u>	<u>1,723,877</u>
Equity		
Contributed equity	758,872	758,872
Reserves		
Asset revaluation	178,612	126,802
General insurance	9,820	9,820
Retained profits	<u>26,487</u>	<u>27,448</u>
	<u>973,791</u>	<u>922,942</u>
<b>Profit or loss for the year</b>	<u>79,102</u>	<u>73,418</u>
<b>Total comprehensive income</b>	<u>130,910</u>	<u>73,428</u>

#### b) Guarantees entered into by the parent entity

The parent entity bank guarantees as at 30 June 2013 are referred to in Note 33.

#### c) Contingent liabilities of the parent entity

The parent entity contingent liabilities as at 30 June 2013 are referred to in Note 33.

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

The parent entity contractual commitments for the acquisition of property, plant and equipment as at 30 June 2013 are referred to in note 32.



# Annexed Reports

- A. ACTEW Distribution Limited;
- B. ACTEW Retail Limited; and
- C. ActewAGL Joint Venture.

# **ACTEW Distribution Limited**

ABN 83 073 025 224

**General Purpose**  
**Financial Report**  
for the year ended 30 June 2013



# Contents

for the year ended 30 June 2013

Company Profile .....	2
Directors' Report .....	3
Directors' Declaration .....	5
Independent Auditor's Report .....	6
Auditor's Independence Declaration .....	8
Statement of Comprehensive Income .....	9
Balance Sheet .....	10
Statement of Cash Flows .....	11
Statement of Changes in Equity .....	12
Notes to the Financial Report .....	13

This financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 4 September 2013.

**ACTEW Distribution Limited**

## **Company Profile**

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

### **Principal Registered Office**

Level 5, ActewAGL House  
40 Bunda Street  
CANBERRA ACT 2600

Postal address: GPO Box 366, Canberra ACT 2601  
Telephone: (02) 6248 3871

Facsimile: (02) 6248 3567

Website: [www.actew.com.au](http://www.actew.com.au)

### **Principal Place of Business**

Level 5, ActewAGL House  
40 Bunda Street  
CANBERRA ACT 2600

### **Auditor**

Auditor-General for the ACT

### **Solicitors**

King & Wood Mallesons  
Minter Ellison

### **Bankers**

Westpac Banking Corporation

**ACN 073 025 224**  
**ABN 83 073 025 224**

ACTEW Distribution Limited

## Directors' Report

In respect of the financial year ended 30 June 2013 the Directors of ACTEW Distribution Limited submit the following report made out in accordance with a resolution of the Directors.

### Directors

Mark Anthony Sullivan AO, Chairman

Simon Peter Wallace

Ross Munro Knee (until 22 February 2013)

Ian Peter Carmody (from 7 March 2013)

### Company Secretary

Michele Norris

### Directors' Meetings

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

Director	No. of meetings attended	No. of meetings eligible to attend
MA Sullivan AO	2	2
SP Wallace	2	2
RM Knee	1	1
IP Carmody	0	1

### Principal activities / likely developments and expected results of operations

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

### Significant changes in the state of affairs

ACTEW owns ACT's water infrastructure and assets; up to 30 June 2012 ActewAGL Water Division managed, operated and maintained the ACTEW's network and business in accordance with the Utilities Management Agreement (UMA). ACTEW performed a review of the governance, structure and operations of the water and sewerage business during 2011. As a result of the review, the UMA has been terminated and the water and sewerage business has been integrated into ACTEW. The integration took effect on 1 July 2012.

### Trading results and dividends / review of operations

A dividend of \$49,616,346 (2012: \$36,461,217) has been declared by the directors to be paid, which is 100% of 30 June 2013 after tax net profit.

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

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

### **Environmental Regulations**

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

### **Insurance of Officers**

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

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

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

### **Indemnity of Officers**

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

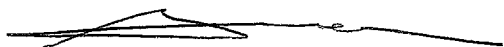
### **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required by the *Corporations Act 2001* is set out on page 6.

### **Rounding of Amounts**

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

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



Mark Sullivan AO  
Chairman

Canberra  
4 September 2013



Simon Wallace  
Director

Canberra  
4 September 2013

ACTEW Distribution Limited

## Directors' Declaration

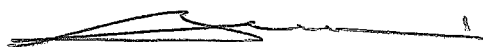
For the year ended 30 June 2013

In the director's opinion:

(a) the financial statements and notes set on pages 9-25 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of ACTEW Distribution Limited's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and complying with Australian Accounting Standards, the Corporations Regulation and other professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Mark Sullivan AO  
Chairman

Canberra  
4 September 2013



Simon Wallace  
Director

Canberra  
4 September 2013



## ACT AUDITOR-GENERAL'S OFFICE



### INDEPENDENT AUDIT REPORT ACTEW DISTRIBUTION LIMITED

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

#### Report on the financial report

The financial report of ACTEW Distribution Limited (the Company) for the year ended 30 June 2013 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

#### Responsibility for the financial report

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

#### The auditor's responsibility

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

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

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

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

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

### **Electronic presentation of the audited financial report**

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

### **Independence**

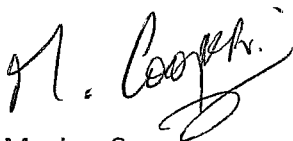
Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

### **Audit opinion**

In my opinion, the financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2013 and its performance for the year ended on that date; and
- (b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and *Corporations Regulations 2001*.

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



Dr Maxine Cooper  
Auditor-General

5 September 2013



## ACT AUDITOR-GENERAL'S OFFICE



Board of Directors  
ACTEW Distribution Limited  
ActewAGL House  
40 Bunda Street  
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
ACTEW DISTRIBUTION LIMITED FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013**

In relation to the audit of the financial report of ACTEW Distribution Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely

Dr Maxine Cooper  
Auditor-General  
4 September 2013



## Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Share of net profit of the ActewAGL Distribution Partnership accounted for using the equity method	2	<u>71,145</u>	<u>53,570</u>
<b>Total revenue</b>		<u><b>71,145</b></u>	<u><b>53,570</b></u>
Expenses	3	<u>1</u>	<u>11</u>
<b>Total expenses</b>		<u><b>1</b></u>	<u><b>11</b></u>
<b>Profit before income tax equivalents expense</b>		<b>71,144</b>	<b>53,559</b>
Income tax equivalents expense	4	<u>21,528</u>	<u>17,098</u>
<b>Profit for the year</b>		<u><b>49,616</b></u>	<u><b>36,461</b></u>
<b>Attributable to:</b>			
Owners of ACTEW Distribution Limited		<b>49,616</b>	<b>36,461</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><b>49,616</b></u>	<u><b>36,461</b></u>
<b>Attributable to:</b>			
Owners of ACTEW Distribution Limited		<b>49,616</b>	<b>36,461</b>
		<u><b>49,616</b></u>	<u><b>36,461</b></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 13 to 25.

# Balance Sheet

As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Non current assets</b>			
Investment accounted for using the equity method	6	579,937	533,242
<b>Total non current assets</b>		<u>579,937</u>	<u>533,242</u>
<b>Total assets</b>		<u>579,937</u>	<u>533,242</u>
<b>Current liabilities</b>			
Payables	7	14	24
Dividend payable	8	49,616	36,461
<b>Total current liabilities</b>		<u>49,630</u>	<u>36,485</u>
<b>Non current liabilities</b>			
Deferred tax balances	9	52,114	46,623
Other	10	438,068	410,009
<b>Total non-current liabilities</b>		<u>490,182</u>	<u>456,632</u>
<b>Total liabilities</b>		<u>539,812</u>	<u>493,117</u>
<b>Net assets</b>		<u>40,125</u>	<u>40,125</u>
<b>Equity</b>			
Contributed equity	11	400	400
Reserves	12	39,725	39,725
Retained profits	13	-	-
<b>Total equity</b>		<u>40,125</u>	<u>40,125</u>

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 13 to 25.

## Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Distributions received from the ActewAGL Distribution Partnership		24,450	17,050
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(11)</u>	<u>(11)</u>
<b>Net cash inflows from operating activities</b>		<u>24,439</u>	<u>17,039</u>
<b>Cash flow from financing activities</b>			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(16,038)	(22,192)
Dividend paid to ACTEW Corporation Limited	5	<u>(36,461)</u>	<u>(38,906)</u>
<b>Net cash (outflows) from financing activities</b>		<u>(52,499)</u>	<u>(61,098)</u>
<b>Net (decrease) in cash held</b>		<u>(28,060)</u>	<u>(44,059)</u>
<b>Financed by:</b>			
<b>Parent Company intercompany loan account movements</b>			
Balance at the beginning of the financial year		(410,009)	(365,948)
Balance at the end of the financial year	10	<u>(438,069)</u>	<u>(410,009)</u>
<b>Net (decrease) in cash held</b>		<u>(28,060)</u>	<u>(44,059)</u>

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 13 to 25.

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

All cash is handled through ACTEW Corporation Limited and is reflected in the accounts of that Company.

## Statement of Changes in Equity

For the year ended 30 June 2013

	Notes	Capital \$'000	Retained Profits \$'000	Reserves \$'000	Total \$'000
<b>Balance at 1 July 2011</b>		400	-	39,725	40,125
Total comprehensive income for the year		-	36,461	-	36,461
<b>Transactions with owners in their capacity as owners</b>					
Dividends provided for or paid	5	-	(36,461)	-	(36,461)
<b>Balance at 30 June 2012</b>		<u>400</u>	<u>-</u>	<u>39,725</u>	<u>40,125</u>
Total comprehensive income for the year		-	49,616	-	49,616
<b>Transactions with owners in their capacity as owners</b>					
Dividends provided for or paid		-	(49,616)	-	(49,616)
<b>Balance at 30 June 2013</b>		<u>400</u>	<u>-</u>	<u>39,725</u>	<u>40,125</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes as set out on pages 13 to 25.

# Notes to the Financial Report

For the year ended 30 June 2013

<b>Contents of the notes to the financial report</b>	<b>Page</b>
1 Summary of significant accounting policies	14
2 Revenue from continuing operations	17
3 Expenses	17
4 Income tax equivalents	17
5 Dividends	19
6 Non-current assets - investments accounted for using equity method	19
7 Current liabilities - payables	19
8 Current liabilities - dividend payable	19
9 Deferred tax balances	20
10 Non-current liabilities - other	20
11 Contributed equity	21
12 Reserves	21
13 Retained profits	22
14 Contingent liabilities	22
15 Commitments for expenditure	22
16 Related parties	23
17 Interests in joint ventures	25
18 Events subsequent to balance date	25

# Notes to the Financial Statements

For the year ended 30 June 2013

## Note 1: Summary of significant accounting policies

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

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. For the purposes of preparing the financial statements, the Company is a for-profit entity.

#### *Compliance with Australian Accounting Standards – Reduced Disclosure Requirements*

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

#### *Early adoption of standards*

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

#### *Historical cost convention*

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

#### *Rounding of amounts*

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

### (b) Income tax equivalents

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

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

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

# Notes to the Financial Statements

For the year ended 30 June 2013

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

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ACTEW Distribution Limited is exempt from Federal income tax. The ACTEW Group is required to make an equivalent payment to the ACT Government as required by the *Territory Owned Corporations Act 1990*. A tax sharing agreement (including a tax contribution agreement) has been executed by the Head Company, ACTEW Corporation Limited with its wholly-owned subsidiaries (including ACTEW Distribution Limited) agreeing that should the Head Company default in not paying the tax liability for a tax period by the time it becomes due and payable, each contributing member will be liable to pay to the ACT Chief Minister and Treasury Directorate (ACT Revenue Office) an amount which represents a reasonable allocation among the Head Company and contributing members. The likelihood of default by the Head Company of tax payments payable to the ACT Chief Minister and Treasury Directorate (ACT Revenue Office) on behalf of its subsidiaries is considered to be remote.

### *Tax consolidation legislation*

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

### **(c) Acquisitions of assets**

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

### **(d) Revenue recognition**

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

### **(e) Trade receivables**

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

### **(f) Trade and other payables**

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

### **(g) Joint venture partnership**

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

# Notes to the Financial Statements

For the year ended 30 June 2013

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

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### **(h) Cash and cash equivalents**

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

### **(i) Dividends**

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

### **(j) Goods and Services Tax (GST)**

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

### **(k) Going Concern**

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



## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 2: Revenue from continuing operations

	2013 \$'000	2012 \$'000
<b>Revenue</b>		
Share of net profit or loss of the ActewAGL Distribution Partnership accounted for using the equity method	71,145	53,570
<b>Total Revenue</b>	<u>71,145</u>	<u>53,570</u>

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

### Note 3: Expenses

	2013 \$'000	2012 \$'000
<b>Expenses</b>		
Operating expenses	1	11
<b>Total operating expenses</b>	<u>1</u>	<u>11</u>

### Note 4: Income tax equivalents

	2013 \$'000	2012 \$'000
<b>(i) Income tax equivalents</b>		
<b>Current tax</b>		
Current tax	17,888	21,009
Adjustments to the prior year income tax expense	a (1,854)	1,011
	<u>16,034</u>	<u>22,020</u>
<b>Deferred tax</b>		
Deferred tax expense recognised in the current year	3,494	(4,922)
Deferred tax reclassified from equity to profit and loss	2,000	-
	<u>5,494</u>	<u>(4,922)</u>
<b>Total income tax equivalents recognised in the current year</b>	<u>21,528</u>	<u>17,098</u>

a) Adjustment relates to the prior year income tax return reconciliation (unders/overs).

## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 4: Income tax equivalents (continued)

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

Profit from continuing operations before income tax equivalents expense	<u>71,144</u>	<u>53,559</u>
Income tax calculated @ 30%	21,343	16,068
Other items		
- Other Non-deductible items	138	6
- Share of Joint Venture profits and partner share of profits		13
- Previously unrecognised temporary difference	(100)	-
- Adjustment to prior year income tax expense	<u>147</u>	<u>1,011</u>
Income tax equivalents expense	<u><u>21,528</u></u>	<u><u>17,098</u></u>

ACTEW Distribution Limited is exempt from Federal income tax.

#### Tax consolidation legislation

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

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

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

## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 5: Dividends

	2013 \$'000	2012 \$'000
Balance at the beginning of the financial year	36,461	38,906
Amount appropriated from profit for the year	<u>49,616</u>	<u>36,461</u>
	86,077	75,367
Dividends paid during the year	<u>(36,461)</u>	<u>(38,906)</u>
Balance at the end of the financial year	<u><u>49,616</u></u>	<u><u>36,461</u></u>

### Note 6: Non-current assets - investments accounted for using the equity method

	2013 \$'000	2012 \$'000
Investments in the ActewAGL Distribution Partnership	579,937	533,242
<b>Total investment</b>	<u><u>579,937</u></u>	<u><u>533,242</u></u>

### Note 7: Current liabilities - payables

	2013 \$'000	2012 \$'000
Trade payables	14	24
<b>Total trade payables</b>	<u><u>14</u></u>	<u><u>24</u></u>

### Note 8: Current liabilities - dividends payable

	2013 \$'000	2012 \$'000
Dividend	49,616	36,461
<b>Total dividends payable</b>	<u><u>49,616</u></u>	<u><u>36,461</u></u>

## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 9: Deferred tax balances

2013	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
<b>Temporary Differences</b>				
Distributions from ActewAGL Distribution Partnership	(29,600)	(3,494)	-	(33,094)
Adjustment to prior year deferred tax <b>a</b>	-	(2,000)	-	(2,000)
Accruals	2	2	-	4
Asset Revaluation	(17,025)	-	-	(17,025)
Other	-	1	-	1
Hedge Reserve	-	-	-	-
	<b>(46,623)</b>	<b>(5,491)</b>	<b>-</b>	<b>(52,114)</b>

(a) Adjustment relates to the prior year income tax return reconciliation (unders/overs).

2012	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
<b>Temporary Differences</b>				
Distributions from ActewAGL Distribution Partnership	(34,715)	5,115	-	(29,600)
Accruals	3	(1)	-	2
Asset Revaluation	(17,025)	-	-	(17,025)
Hedge Reserve	17	-	(17)	-
	<b>(51,720)</b>	<b>5,114</b>	<b>(17)</b>	<b>(46,623)</b>

### Note 10: Non-current liabilities - other

	2013 \$'000	2012 \$'000
Intercompany loan liability - ACTEW Corporation Limited	438,068	410,009
<b>Total other</b>	<b>438,068</b>	<b>410,009</b>

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

## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 11: Contributed equity

<b>(a) Share capital:</b>	<b>2013</b>	<b>2012</b>
	<b>Shares</b>	<b>Shares</b>
Ordinary shares fully paid	<u>400,000</u>	<u>400,000</u>
<b>Total share capital</b>	<b><u>400,000</u></b>	<b><u>400,000</u></b>

<b>(b) Total Capital</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares fully paid	<u>400</u>	<u>400</u>
<b>Total capital</b>	<b><u>400</u></b>	<b><u>400</u></b>

#### Par Value

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

### Note 12: Reserves

<b>Asset revaluation reserve</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
ActewAGL Distribution Partnership revaluation	<u>39,725</u>	<u>39,725</u>
<b>Total Reserves</b>	<b><u>39,725</u></b>	<b><u>39,725</u></b>

#### Movements in the asset revaluation reserve:

Balance at the beginning of the financial year	<u>39,725</u>	<u>39,725</u>
Balance at the end of the financial year	<b><u>39,725</u></b>	<b><u>39,725</u></b>

#### (i) Asset Revaluation Reserve

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

## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 13: Retained profits

	2013 \$'000	2012 \$'000
Retained profits at the beginning of the financial year	-	-
Net profit for the year	49,616	36,461
Dividends provided for	(49,616)	(36,461)
<b>Retained profits at the end of the financial year</b>	<b>-</b>	<b>-</b>

### Note 14: Contingent liabilities

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

### Note 15: Commitments for expenditure

As at 30 June 2013, the Company had not committed to any future expenditure (2012 – Nil)

# Notes to the Financial Statements

For the year ended 30 June 2013

## Note 16: Related parties

### Director disclosures

#### (a) Directors

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

M. Sullivan  
S Wallace  
R Knee (retired 22nd February 2013)  
I. Carmody (appointed 7th March 2013)

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

#### (b) Remuneration of directors

##### *(i) Directors' fees*

No director has been remunerated in respect of ACTEW Distribution Limited (2012 - Nil)

##### *(ii) Retirement benefits*

There were no retirement benefits paid to directors as at 30 June 2013 (2012 - Nil). All remuneration of key management personnel is paid through ACTEW Corporation Limited.

##### *(iii) Loans to directors*

There were no loans to any directors as at 30 June 2013 (2012 - Nil)

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

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

#### (c) Key management personnel remuneration

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

## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 16: Related parties (continued)

#### (d) Parent entity

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

The ultimate parent entity is ACT Government who own 100% of the shares of ACTEW Corporation Limited.

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

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

		2013	2012
		\$	\$
	Note		
The following transactions occurred with related parties:			
Revenue from the ActewAGL Distribution Partnership	2	<b>71,145,385</b>	53,569,970

The following balances are outstanding at the reporting date in relation to transactions with other related parties:

Dividend payable to ACTEW Corporation Limited	5	<b>49,616,346</b>	36,461,217
Intercompany loan liability - ACTEW Corporation Limited	10	<b>438,068,697</b>	410,008,611



## Notes to the Financial Statements

For the year ended 30 June 2013

### Note 17: Interests in joint venture

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

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

	2013 \$'000	2012 \$'000
<b>Share of the ActewAGL Distribution Partnership's commitments</b>		
Lease commitments	37,835	30,397
Capital and other commitments	23,416	32,429
Total expenditure commitments	<u>61,251</u>	<u>62,826</u>

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

Each of the partners in the ActewAGL Distribution Partnership are jointly and severally liable for the debts of the partnership. The assets of the partnership exceeded its debts as at 30 June 2013.

#### (a) Contingent liabilities

##### (i) Claims

There are a number of public liability insurance claims against the ActewAGL Distribution Partnership at year end.

Should the Partnership be proved liable, the Partnership must pay the first \$25,000 of each claim.

This contingent liability is estimated to be \$32,595 as at 30 June 2013 (2012: \$340,229).

### Note 18: Events subsequent to balance date

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

# **ACTEW Retail Limited**

ABN 23 074 371 207

**General Purpose**

## **Financial Report**

**for the year ended 30 June 2013**

# Contents

for the year ended 30 June 2013

Company Profile .....	2
Directors' Report .....	3
Directors' Declaration .....	5
Independent Auditor's Report .....	6
Auditor's Independence Declaration .....	8
Statement of Comprehensive Income .....	9
Balance Sheet .....	10
Statement of Cash Flows .....	11
Statement of Changes in Equity .....	12
Notes to the Financial Report .....	13

This financial report is presented in Australian dollars.

The financial report was authorised for issue by the directors on 4 September 2013.

**ACTEW Retail Limited**

## **Company Profile**

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

### **Principal Registered Office**

Level 5, ActewAGL House  
40 Bunda Street  
CANBERRA ACT 2600

Postal address: GPO Box 366, Canberra ACT 2601  
Telephone: (02) 6248 3871

Facsimile: (02) 6248 3567

Website: [www.actew.com.au](http://www.actew.com.au)

### **Principal Place of Business**

Level 5, ActewAGL House  
40 Bunda Street  
CANBERRA ACT 2600

### **Auditor**

Auditor-General for the ACT

### **Solicitors**

King & Wood Mallesons  
Minter Ellison

### **Bankers**

Westpac Banking Corporation

**ACN 074 371 207**

**ABN 23 074 371 207**

ACTEW Retail Limited

## Directors' Report

In respect of the financial year ended 30 June 2013 the Directors of ACTEW Retail Limited submit the following report made out in accordance with a resolution of the Directors.

### Directors

Mark Anthony Sullivan AO, Chairman

Simon Peter Wallace

Ross Munro Knee (until 22 February 2013)

Ian Peter Carmody (from 7 March 2013)

### Company Secretary

Michele Norris

### Directors' Meetings

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

Director	No. of meetings attended	No. of meetings eligible to attend
MA Sullivan AO	2	2
SP Wallace	2	2
RM Knee	1	1
IP Carmody	0	1

### Principal activities / likely developments and expected results of operations

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

On 5 April 2012 ACTEW Retail Limited entered into a joint venture with AGL. ACT Retail investments Pty Ltd to form ActewAGL Generation Pty Ltd in order to participate in the ACT Government's Solar Auction process. The Company holds the 50% interest of ACTEW Corporation Limited in ActewAGL Generation Pty Ltd.

### Trading Results and Dividends

A dividend of \$17,835,469 (2012: \$20,472,862) has been declared by the directors to be paid which is 100% of 30 June 2013 after tax net profit.

### Review of operations

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

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

### Significant changes in the state of affairs

There were no significant changes in the state of affairs.

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

On the 19th of August 2013, ActewAGL Generation Pty Ltd was informed it was unsuccessful in the regular stream of the ACT Government's Large-scale Solar Auction held by the ACT Government. No other matters of significance have arisen since the end of the financial year.

#### **Likely Developments and Expected Results of Operations**

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

#### **Environmental Regulations**

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

#### **Insurance of Officers**

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

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

#### **Indemnity of Officers**

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

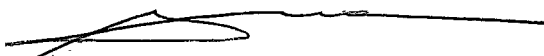
#### **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required by the *Corporations Act 2001* is set out on page 6.

#### **Rounding of Amounts**

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

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



Mark Sullivan AO  
Chairman

Canberra  
4 September 2013



Simon Wallace  
Director

Canberra  
4 September 2013

ACTEW Retail Limited

## Directors' Declaration

In the director's opinion:

(a) the financial statements and notes set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of ACTEW Retail Limited's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that ACTEW Retail Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Mark Sullivan AO  
Chairman

Canberra  
4 September 2013



Simon Wallace  
Director

Canberra  
4 September 2013



## ACT AUDITOR-GENERAL'S OFFICE



### INDEPENDENT AUDIT REPORT

#### ACTEW RETAIL LIMITED

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

#### Report on the financial report

The financial report of ACTEW Retail Limited (the Company) for the year ended 30 June 2013 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and directors' declaration.

#### Responsibility for the financial report

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

#### The auditor's responsibility

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

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

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

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



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

### **Electronic presentation of the audited financial report**

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

### **Independence**

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

### **Audit opinion**

In my opinion, the financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2013 and its performance for the year ended on that date; and
- (b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) – Reduced Disclosure Requirements and *Corporations Regulations 2001*.

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



Dr Maxine Cooper  
Auditor-General

5 September 2013



## ACT AUDITOR-GENERAL'S OFFICE



Board of Directors  
ACTEW Retail Limited  
ActewAGL House  
40 Bunda Street  
CANBERRA CITY ACT 2601

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
ACTEW RETAIL LIMITED FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013**

In relation to the audit of the financial report of ACTEW Retail Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely

Dr Maxine Cooper  
Auditor-General  
4 September 2013

## Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method		26,096	27,202
Other revenue from ActewAGL Retail Partnership		<u>69</u>	<u>69</u>
<b>Total revenue</b>	2	<u>26,165</u>	<u>27,271</u>
Expenses	3	<u>1</u>	<u>11</u>
<b>Total expenses</b>		<u>1</u>	<u>11</u>
<b>Profit before income tax equivalents expense</b>		26,164	27,760
Income tax equivalents expense	4	8,329	7,287
<b>Profit for the year</b>		<u>17,835</u>	<u>20,473</u>
<b>Attributable to:</b>			
Owners of ACTEW Retail Limited		17,835	20,473
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>17,835</u>	<u>20,473</u>
<b>Attributable to:</b>			
Owners of ACTEW Retail Limited		17,835	20,473
		<u>17,835</u>	<u>20,473</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 13 to 21.

# Balance Sheet

As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Non current assets</b>			
Receivables	6	6,726	6,737
Investments accounted for using the equity method	7	38,726	37,064
Deferred tax balances	8	1,698	7,229
<b>Total non current assets</b>		<b>47,150</b>	<b>51,030</b>
<b>Total assets</b>		<b>47,150</b>	<b>51,030</b>
<b>Current Liabilities</b>			
Payables	9	-	24
Dividend payable	10	17,835	20,473
<b>Total current liabilities</b>		<b>17,835</b>	<b>20,497</b>
<b>Non current liabilities</b>			
Other	11	28,315	29,533
<b>Total non-current liabilities</b>		<b>28,315</b>	<b>29,533</b>
<b>Total liabilities</b>		<b>46,150</b>	<b>50,030</b>
<b>Net assets</b>		<b>1,000</b>	<b>1,000</b>
<b>Equity</b>			
Contributed equity	12	1,000	1,000
Retained profits	13	-	-
<b>Total equity</b>		<b>1,000</b>	<b>1,000</b>

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 13 to 21.

## Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Distributions received from the ActewAGL Retail Partnership		24,500	26,650
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(11)</u>	<u>(11)</u>
<b>Net cash inflow from operating activities</b>		<b><u>24,489</u></b>	<b><u>26,639</u></b>
<b>Cash flows from financing activities</b>			
Transfer income tax equivalents paid to ACTEW Corporation Limited		(2,798)	(23,055)
Payment of dividends to ACTEW Corporation Limited	5	<u>(20,473)</u>	<u>(19,820)</u>
<b>Net cash (outflow) from financing activities</b>		<b><u>(23,271)</u></b>	<b><u>(42,875)</u></b>
<b>Net (decrease) in cash held</b>		<b><u><u>1,218</u></u></b>	<b><u><u>(16,236)</u></u></b>
<b>Financed by</b>			
<b>Parent Company intercompany loan account movements</b>			
Balance at the beginning of the financial year		(29,533)	(13,297)
Balance at the end of the financial year	11	<u>(28,315)</u>	<u>(29,533)</u>
<b>Total movement</b>		<b><u><u>1,218</u></u></b>	<b><u><u>(16,236)</u></u></b>

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 13 to 21.

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

All cash is handled through ACTEW Corporation Limited and is reflected in the accounts of that company.

## Statement of Changes in Equity

For the year ended 30 June 2013

	Capital \$'000	Retained Profits \$'000	Total \$'000
<b>Balance at 1 July 2011</b>	1,000	-	1,000
Total comprehensive income for the year	-	20,473	20,473
<b>Transactions with owners in their capacity as owners</b>			
Dividends provided for or paid	-	(20,473)	(20,473)
<b>Balance at 30 June 2012</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
Total comprehensive income for the year	-	17,835	17,835
<b>Transactions with owners in their capacity as owners</b>			
Dividends provided for or paid	-	(17,835)	(17,835)
<b>Balance at 30 June 2013</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes as set out on pages 13 to 21.

# Notes to the Financial Report

For the year ended 30 June 2013

## Note 1: Summary of significant accounting policies

---

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

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. For the purposes of preparing the financial statements, the ACTEW Retail Limited is a for-profit entity.

#### *Compliance with Australian Accounting Standards – Reduced Disclosure Requirements*

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

#### *Early Adoption of Standards*

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

#### *Historical cost convention*

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

#### *Rounding of amounts*

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

### (b) Income tax equivalents

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

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

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

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

#### *Tax consolidation legislation*

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

# Notes to the Financial Report

For the year ended 30 June 2013

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

---

### **(c) Acquisitions of assets**

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

### **(d) Revenue recognition**

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

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

### **(e) Trade receivables**

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

### **(f) Trade and other payables**

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

### **(g) Joint venture partnership**

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

### **(h) Cash and cash equivalents**

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

### **(i) Dividends**

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

### **(j) Goods and Services Tax (GST)**

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

### **(k) Going Concern**

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



## Notes to the Financial Report

For the year ended 30 June 2013

### Note 2: Revenue from continuing operations

	2013 \$'000	2012 \$'000
<b>Revenue</b>		
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method	26,096	27,702
Other revenue from the ActewAGL Retail Partnership	<u>69</u>	<u>69</u>
<b>Total Revenue</b>	<b><u>26,165</u></b>	<b><u>27,771</u></b>

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

### Note 3: Expenses

	2013 \$'000	2012 \$'000
<b>Expenses</b>		
Total operating expenses	<u>1</u>	<u>11</u>
	<b><u>1</u></b>	<b><u>11</u></b>

### Note 4: Income tax equivalents

	2013 \$'000	2012 \$'000
<b>(i) Income tax equivalents expense</b>		
Current tax	8,106	22,521
Adjustments to prior year income tax expense	(a) <u>(5,307)</u>	<u>(1,068)</u>
	<b><u>2,799</u></b>	<b><u>21,453</u></b>
<b>Deferred tax</b>		
Deferred tax expense recognised in the current year	69	(14,166)
Deferred tax adjustment for prior periods	(a) <u>5,461</u>	<u>-</u>
	<b><u>5,530</u></b>	<b><u>(14,166)</u></b>
Total income tax equivalents recognised in the current year	<b><u>8,329</u></b>	<b><u>7,287</u></b>

a) Adjustment relates to the prior year income tax return reconciliation (unders/overs).

## Notes to the Financial Report

For the year ended 30 June 2013

### Note 4: Income tax equivalents (continued)

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

	2013 \$'000	2012 \$'000
Profit from continuing operations before income tax equivalents expense	26,164	27,760
Income tax calculated @ 30%	7,849	8,328
Other items		
- Other non- assessable items	-	-
- Other non-deductible items	346	10
- Share of Joint Venture profits and partner share of profits	(20)	18
- Adjustment to the prior year income tax expense	154	(1,069)
Income tax equivalents expense	<u>8,329</u>	<u>7,287</u>

#### ***Tax consolidation legislation***

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

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

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

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

## Notes to the Financial Report

For the year ended 30 June 2013

### Note 5: Dividends

	2013 \$'000	2012 \$'000
Balance at the beginning of the financial year	20,473	19,820
Amount appropriated from operating profit for the year	<u>17,835</u>	<u>20,473</u>
	38,308	40,293
Dividends paid during the year	<u>(20,473)</u>	<u>(19,820)</u>
Balance at the end of the financial year	<u><u>17,835</u></u>	<u><u>20,473</u></u>

### Note 6: Non-current asset - receivables

	2013 \$'000	2012 \$'000
Receivable from ACTEW Corporation Limited for tax losses	<u>6,726</u>	<u>6,737</u>
<b>Total receivables</b>	<u><u>6,726</u></u>	<u><u>6,737</u></u>

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

	2013 \$'000	2012 \$'000
Investments in the ActewAGL Retail Partnership and ActewAGL Generation Pty Ltd	<u>38,726</u>	<u>37,064</u>
<b>Total investment</b>	<u><u>38,726</u></u>	<u><u>37,064</u></u>

# Notes to the Financial Report

For the year ended 30 June 2013

## Note 8: Deferred tax balances

2013	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Closing balance \$'000
<b>Temporary Differences</b>				
Distributions from ActewAGL Retail Partnership	7,228	(69)	-	7,159
Adjustment to prior year deferred tax a	-	(5,461)	-	(5,461)
Accrual	6	(3)	-	3
Other	(5)	2	-	(3)
	<u>7,229</u>	<u>(5,531)</u>	-	<u>1,698</u>

(a) Adjustment relates to the prior year income tax return reconciliation (unders/overs).

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

## Note 9: Current liabilities - payables

	2013 \$'000	2012 \$'000
Other creditors and accruals	-	24
<b>Total accounts payable</b>	<u>-</u>	<u>24</u>

## Note 10: Current liabilities - dividends payable

	2013 \$'000	2012 \$'000
Dividend payable to ACTEW Corporation Limited	<u>17,835</u>	<u>20,473</u>
<b>Total dividends payable</b>	<u>17,835</u>	<u>20,473</u>

## Notes to the Financial Report

For the year ended 30 June 2013

### Note 11: Non-current liabilities - Other

	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Intercompany loan liability - ACTEW Corporation Limited (a)	<u>28,315</u>	<u>29,533</u>
<b>Total Other</b>	<u><b>28,315</b></u>	<u><b>29,533</b></u>

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

### Note 12: Contributed equity

	<b>2013</b>	2012
	<b>Shares</b>	Shares
<b>Share capital :</b>		
(a) Ordinary shares fully paid	<u>1,005</u>	<u>1,005</u>
<b>Total share capital</b>	<u><b>1,005</b></u>	<u><b>1,005</b></u>
	<b>2013</b>	2012
	<b>\$</b>	<b>\$</b>
(b) Ordinary shares fully paid	<u>1,000,005</u>	<u>1,000,005</u>
<b>Total capital</b>	<u><b>1,000,005</b></u>	<u><b>1,000,005</b></u>

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

### Note 13: Retained profits

	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Retained profits at the beginning of the financial year	-	-
Net profits	<b>17,835</b>	20,473
Dividends provided for	<u>(17,835)</u>	<u>(20,473)</u>
<b>Retained profits at the end of the financial year</b>	<u><b>-</b></u>	<u><b>-</b></u>

### Note 14: Contingent liabilities

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

# Notes to the Financial Report

For the year ended 30 June 2013

## **Note 15: Commitments for expenditure**

As at 30 June 2013, the Company had not committed to any future expenditure (2012 - Nil).

## **Note 16: Related parties**

### **Directors and Director Related Entities**

#### **(a) Directors**

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

M. Sullivan  
S Wallace  
R Knee (retired 22nd February 2013)  
I. Carmody (appointed 7th March 2013)

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

#### **(b) Remuneration of directors**

##### *(i) Directors' remuneration*

No director has been remunerated in respect of ACTEW Retail Limited (2012 - Nil).

##### *(ii) Retirement benefits*

There were no retirement benefits paid to directors as at 30 June 2013 (2012 - Nil).

##### *(iii) Loans to directors*

There were no loans to any directors as at 30 June 2013 (2012 - Nil).

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

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

#### **(c) Key management personnel remuneration**

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

#### **(d) Parent entity**

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

The ultimate parent entity is the ACT Government who owns 100% of the shares of ACTEW Corporation Limited.

The principal activity of the company is to manage a 50% interest in a joint venture partnership between ACTEW Corporation Limited and AGL Energy Limited. All transactions between the wholly-owned group are at arm's length.

# Notes to the Financial Report

For the year ended 30 June 2013

## Note 16: Related parties (continued)

		2013	2012
		\$	\$

### Note

The following transactions occurred with related parties:

Revenue from the ACTEW Retail Partnership	2	26,096,268	27,701,661
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The following balances are outstanding at the reporting date in relation to transactions with other related parties:

Receivables from ACTEW Corporation Limited	6	6,725,814	6,736,996
Dividend payable to ACTEW Corporation Limited	5	17,835,469	20,472,862
Intercompany loan liability - ACTEW Corporation Limited	11	28,314,871	29,553,441

## Note 17: Interests in joint ventures

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

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

Share of the ActewAGL Retail Partnership commitments	2013	2012
	\$'000	\$'000
Lease commitments	6,965	7,655
Capital and other commitments	458	1,654
Total expenditure commitments	<u>7,423</u>	<u>9,309</u>

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

ACTEW Corporation Ltd has 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2013, there have been no transactions within ActewAGL Generation Pty Ltd.

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

Each of the partners in the ActewAGL Retail Partnership are jointly and severally liable for the debts of the Partnership. The assets of the Partnership exceeded its debts as at 30 June 2013.

## 18: Events subsequent to balance date

On the 19<sup>th</sup> of August 2013, ActewAGL Generation Pty Ltd was informed it was unsuccessful in the regular stream of the ACT Government's Large-scale Solar Auction held by the ACT Government. No other matters of significance have arisen since the end of the financial year.

**ActewAGL Joint Venture  
Summary financial report  
for the year ended 30 June 2013**



# ActewAGL Joint Venture Summary financial report - 30 June 2013

## Contents

	Page
Financial statements	
Introduction to the summary financial report	2
Statement of comprehensive income	3
Balance sheet	4
Statement of changes in joint venture funds	5
Statement of cash flows	6
Joint Venture Board's declaration	7
Independent auditor's report to the members	8
Auditor's Independence Declaration	10

## **Introduction to the summary financial report**

### **Profit**

Profit for the year ended 30 June 2013 was \$194.5 million, as compared to the prior year's profit of \$162.6 million.

Total operating revenue from continuing operations for the year ended 30 June 2013 was \$829.4 million compared to \$729.6 million in the prior year. The increase in revenue is primarily due to associated cost increases in energy purchases, the receipt of capital contributions for Customer Initiated capital works and fees received for managed services.

Total expenses from continuing operations for the year ended 30 June 2013 was \$661.6 million compared to \$573.8 million in the prior year. This is primarily attributed to an increase in the cost of energy, network prices, and a number of Government initiatives including the Feed in Tariff, the Carbon Pricing Mechanism and the Energy Efficiency Improvement Scheme. Further contributing to the increase in expenses was the impairment of the investment in Better Place Australia, increased vegetation management for bushfire mitigation and costs associated with the upgrade of ActewAGL's operational technologies.

Profit from discontinued operations includes the gain on sale of Water Division of \$27.3 million.

### **Cash flow**

The Joint Venture generated \$203.9 million from its operating activities for the year ended 30 June 2013 compared to \$194.0 million in the prior year.

Net cash outflows from investing activities were \$111.7 million for the current year, compared to \$81.1 million for the prior year. The increase in cash outflows is mainly driven by additional expenditure on capital projects. Prior year outflows were reduced due to funds received in advance for the sale of Water Division.

Cash surplus to the Joint Venture's operational and capital requirements is returned to the partners in the form of cash distributions. In the current financial year, \$97.9 million was distributed to ActewAGL's partners; \$10.5 million higher than the \$87.4 million in the prior year.

### **Financial position**

As at 30 June 2013, the Joint Venture had net assets of \$1,126.3 million compared to \$1,029.7 million in the prior year. The increase is mainly due to the increase in working capital and capital investment in the network business. Cash available as at 30 June 2013 was \$57.5 million, \$6.4 million lower than prior year. Current assets were \$253.7 million compared to \$266.2 million in the prior year. Current liabilities were \$174.0 million compared to \$213.7 million as the same time last year. The Joint Venture does not have any borrowings other than finance leases.

The carrying value of property, plant and equipment of \$1,030.2 million, compared to \$952.0 million as at 30 June 2012, is primarily due to increased capital expenditure in the network business.

### **Partners' return**

The return on funds employed for the current financial year on the net profit before income tax was 17.4% compared to 15.8% in the prior year.

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

**ActewAGL Joint Venture**  
**Statement of comprehensive income**  
**For the year ended 30 June 2013**

	30 June 2013 \$'000	30 June 2012 \$'000
Revenue from continuing operations	829,384	729,551
Other income	5	-
<b>Total income</b>	<b>829,389</b>	<b>729,551</b>
Energy purchases	(436,137)	(362,001)
Employee costs	(104,111)	(102,594)
Depreciation and amortisation expense	(38,127)	(36,156)
Contract expenses	(33,016)	(28,799)
Lease expenses	(13,193)	(12,231)
Material costs	(4,555)	(4,711)
Finance costs	(1,987)	(1,799)
Impairment of investments	(2,000)	-
Project related expenses	(7,327)	(7,210)
Selling expenses	(6,963)	(5,801)
Debt collection expenses	(8,098)	(6,429)
Other expenses	(6,077)	(6,081)
<b>Total expenses</b>	<b>(661,591)</b>	<b>(573,812)</b>
Profit from continuing operations	167,798	155,739
Profit from discontinued operation	26,685	6,867
<b>Profit for the year</b>	<b>194,483</b>	<b>162,606</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>194,483</b>	<b>162,606</b>
Profit is attributable to:		
Partners of the ActewAGL Joint Venture	194,483	162,606
	<b>194,483</b>	<b>162,606</b>
Total comprehensive income for the year is attributable to:		
Partners of the ActewAGL Joint Venture	194,483	162,606
	<b>194,483</b>	<b>162,606</b>
Total comprehensive income for the year attributable to partners of the ActewAGL Joint Venture arises from:		
Continuing operations	167,798	155,739
Discontinued operations	26,685	6,867
	<b>194,483</b>	<b>162,606</b>

**ActewAGL Joint Venture  
Balance sheet  
As at 30 June 2013**

	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	57,538	63,897
Trade and other receivables	186,085	185,145
Inventories	10,038	10,538
Assets classified as held for sale	-	6,576
<b>Total current assets</b>	<b>253,661</b>	<b>266,156</b>
<b>Non-current assets</b>		
Receivables	761	603
Available-for-sale financial assets	-	2,000
Property, plant and equipment	1,030,247	952,048
Intangible assets	30,913	31,018
<b>Total non-current assets</b>	<b>1,061,921</b>	<b>985,669</b>
<b>Total assets</b>	<b>1,315,582</b>	<b>1,251,825</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	123,306	140,401
Provisions	27,589	20,705
Other current liabilities	23,143	35,722
Liabilities classified as held for sale	-	16,867
<b>Total current liabilities</b>	<b>174,038</b>	<b>213,695</b>
<b>Non-current liabilities</b>		
Provisions	5,032	3,066
Other non-current liabilities	10,187	5,322
<b>Total non-current liabilities</b>	<b>15,219</b>	<b>8,388</b>
<b>Total liabilities</b>	<b>189,257</b>	<b>222,083</b>
<b>Net assets</b>	<b>1,126,325</b>	<b>1,029,742</b>
<b>JOINT VENTURE FUNDS</b>		
Joint venture funds	1,126,325	1,029,742
<b>Total joint venture funds</b>	<b>1,126,325</b>	<b>1,029,742</b>

**ActewAGL Joint Venture**  
**Statement of changes in joint venture funds**  
**For the year ended 30 June 2013**

	<b>Total equity \$'000</b>
<b>Balance at 1 July 2011</b>	<u>954,536</u>
Profit for the year	162,606
Other comprehensive income	-
<b>Total comprehensive income for the year</b>	<u>162,606</u>
<b>Transactions with partners in their capacity as partners:</b>	
Distributions paid	<u>(87,400)</u>
<b>Balance at 30 June 2012</b>	<u>1,029,742</u>
	<b>Total equity \$'000</b>
<b>Balance at 1 July 2012</b>	<u>1,029,742</u>
Profit for the year	194,483
Other comprehensive income	-
<b>Total comprehensive income for the year</b>	<u>194,483</u>
<b>Transactions with partners in their capacity as partners:</b>	
Distributions paid	<u>(97,900)</u>
<b>Balance at 30 June 2013</b>	<u>1,126,325</u>

**ActewAGL Joint Venture**  
**Statement of cash flows**  
**For the year ended 30 June 2013**

	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	<b>926,676</b>	958,217
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(725,830)</b>	(766,795)
	<b>200,846</b>	191,422
Interest received	<b>3,247</b>	2,585
Interest and other costs of finance paid	<b>(151)</b>	(45)
<b>Net cash inflow from operating activities</b>	<b>203,942</b>	193,962
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<b>(112,161)</b>	(96,816)
Proceeds from sale of property, plant and equipment	<b>17</b>	46
Proceeds from sale of Water Division	<b>400</b>	15,695
<b>Net cash (outflow) from investing activities</b>	<b>(111,744)</b>	(81,075)
<b>Cash flows from financing activities</b>		
Distributions paid	<b>(97,900)</b>	(87,400)
Repayment of borrowings	<b>(657)</b>	(221)
<b>Net cash (outflow) from financing activities</b>	<b>(98,557)</b>	(87,621)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(6,359)</b>	25,266
Cash and cash equivalents at the beginning of the financial year	<b>63,897</b>	38,635
Cash reclassified as held for sale	<b>-</b>	(4)
<b>Cash and cash equivalents at end of year</b>	<b>57,538</b>	63,897

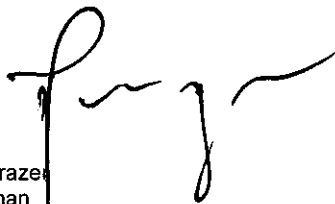
**ActewAGL Joint Venture  
Joint Venture Board's declaration  
30 June 2013**

As detailed in note 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 6:
  - (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 2013 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  
28 August 2013



Mark Sullivan, AO  
Board Member  
Canberra  
28 August 2013



**ACT AUDITOR-GENERAL'S OFFICE**



## **INDEPENDENT AUDIT REPORT**

### **To the Partners of ActewAGL Joint Venture**

#### **Report on the summary financial report**

The summary financial report (financial report) of the ActewAGL Joint Venture has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of changes in joint venture funds, statement of cash flows and Joint Venture Board's (the Board's) declaration. The financial report has been derived from the audited special purpose financial report of the ActewAGL Joint Venture (the Joint Venture) for the year ended 30 June 2013.

On 30 August 2013, I issued an unmodified audit report on the special purpose financial report of the Joint Venture for the year ended 30 June 2013.

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

#### **Responsibility for the financial report**

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

#### **Auditor's responsibility**

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

#### **Electronic presentation of the financial report**

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



## **Independence**

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

## **Audit opinion**

In my opinion, the financial report, derived from the audited special purpose financial report of ActewAGL Joint Venture for the year ended 30 June 2013, is materially consistent with the special purpose financial report.



Dr Maxine Cooper  
Auditor-General  
30 August 2012



## ACT AUDITOR-GENERAL'S OFFICE



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

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
ACTEWAGL JOINT VENTURE SUMMARY FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013**

In relation to the audit of the summary financial report of the ActewAGL Joint Venture for the year ended 30 June 2013, 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

Dr Maxine Cooper  
Auditor-General  
28 August 2013



# Compliance Index

# Compliance Index

	Page/s
<b>Transmittal Certificate</b>	2
<b>Section A - Performance and Financial Management Reporting</b>	
A.1 The Organisation	4
A.2 Overview	5-7
A.3 Highlights	8-11
A.4 Outlook	12
A.5 Management Discussion and Analysis	13-15
A.6 Financial Statement	33
A.7 Annexed Reports (Statement of Performance)	34
A.8 Strategic Indicators	n/a
A.9 Analysis of Agency Performance	5-7
A.10 Triple Bottom Line Report	n/a
<b>Section B – Consultation and Scrutiny Reporting</b>	
B.1 Community Engagement	16
B.2 Internal & External Scrutiny	17
B.3 Legislative Assembly Committee Inquiries and Reports	17
B.4 Legislation Report	n/a
<b>Section C – Legislative and Policy Based Reporting</b>	
C.1 Risk Management and Internal Audit	18
C.2 Fraud Prevention	18
C.3 Public Interest Disclosure	18
C.4 Freedom of Information	19
C.5 Internal Accountability	20
C.6 Human Resource Performance	n/a
C.7 Staffing Profile	26
C.8 Learning and Development	n/a
C.9 Workplace Health and Safety	27
C.10 Workplace Relations	n/a
C.11 Human Rights Act 2004	27
C.12 Strategic Bushfire Management Plan	27
C.13 Strategic Asset Management	n/a
C.14 Capital Works	10
C.15 Government Contracting	n/a
C.16 Community Grants/Assistance/Sponsorship	28-30
C.17 Territory Records Act	30
C.18 Commissioner for the Environment	30
C.19 Environment Management and Ecologically Sustainable Development	31
C.20 Climate Change and Greenhouse Gas Reduction policies and programs	31-32
C.21 Aboriginal and Torres Strait Islander Reporting	n/a
C.22 ACT Multicultural Strategy 2010-2013	n/a
C.23 ACT Strategic Plan for Positive Ageing 2010-2015	n/a
C.24 ACT Women's Plan	n/a
C.25 Model Litigant Guidelines	32
C.26 Notices of Non-compliance	n/a

# Omissions Report

As a public unlisted company ACTEW is not required to comply with a number of ACT Government reporting requirements which are applicable to public sector entities. These are outlined below.

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