



ACT
Government



ACTEW Corporation Limited

Annual Report to the ACT Government

2013–14

ABN 86 069 381 960

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10 September 2014

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 2013-14 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 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 2013 to 30 June 2014 and that all material information has been included.

Yours sincerely



Dr Michael Easson AM
Chairman

Yours sincerely



John Knox
Managing Director

Annual Report

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SECTION 1

PERFORMANCE

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 Distribution Limited and ACTEW Retail Limited.

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

ACTEW's approved Modified Statement of Corporate Intent 2013-14 to 2016-17 outlines ACTEW's mission and vision and the seven strategic imperatives guiding its business and commitment to its shareholders and customers.

Mission: to provide safe, innovative and sustainable water, energy and related services to support the economic, cultural and social development of the Capital region.

Vision: 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.

Strategic Imperatives (2013-14)

ACTEW will:

- be a best practice provider of safety for our people and the community
- develop a culture that grows the capability of people and drives high performance
- have a commercial business focus that drives profit for shareholders through efficient business management
- generate diversified revenue through new business activities
- be a customer-centric organisation
- continue to develop strong relationships with government, industry and the community
- improve our quality of services to the community in an environmentally sustainable manner while driving efficiencies in operations.

Principal Registered Office

Level 5 ActewAGL House
40 Bunda Street
Canberra ACT 2600

ACN: 069 381 960

ABN: 86 069 381 960

Mitchell Operations Office

12 Hoskins Street
Mitchell ACT 2911

Auditor

ACT Auditor-General's office

Postal address: GPO Box 366 Canberra ACT 2601

Telephone: (02) 6248 3111

Facsimile: (02) 6248 3567

Solicitors

King & Wood Mallesons
Minter Ellison
Clayton Utz

Website: www.actew.com.au

Email: talktous@actew.com.au

Twitter: @ACTEWWater

Bankers

Commonwealth Bank of Australia
Reserve Bank of Australia
Westpac Banking Corporation

TTY for Hearing

Impaired: (02) 6248 3179

Language

Assistance: 13 14 50

Message from the Chairman

ACTEW achieved strong financial results for the year ended 30 June 2014 with a profit after tax of \$80.8m. Our assets are valued at \$2.8b, inclusive of \$2.1b in water and sewerage infrastructure. ACTEW holds a \$0.6b investment in the ActewAGL Joint Venture.

The recent investment in securing the ACT water supply has resulted in our gearing ratio increasing to 59%. While further investment is required to renew our infrastructure assets in the coming years, the Board is developing strategies to manage our gearing ratio.

Our 50% ownership of the ActewAGL partnership continued to be a strong commercial investment with ACTEW receiving \$52.0m in dividend payments from ActewAGL during the year. Dividends paid to our shareholders totalled \$138.2m (consisting of \$79.6m relating to profit generated in the prior year and an interim dividend of \$58.6m) as well as income tax equivalent payments totalling \$37.8m.

In October 2013, the new Cotter Dam was officially opened to the public. Expanding the size of the dam increased the Cotter Reservoir's capacity from four gegalitres (GL) to 78GL. Together with our existing water storage facilities and pipelines we have provided water security in the region for future generations. In November 2013, the Cotter Dam project was awarded an Environmental Excellence Award from the International Erosion Control Association Australasia in recognition of our efforts in protecting the natural environment of the Cotter Valley.


In March 2014, the Board provided shareholders with its response to the 22 recommendations made by the review of institutional arrangements relating to ACTEW (the Cohen Report). We are in agreement with many of the recommendations and are looking forward to ongoing consultations with the ACT Government in developing its response to the Cohen Report. While most of the recommendations are for the ACT Government to consider and resolve, work is currently underway towards implementation of those areas identified for improvement within ACTEW.

The Board welcomed the ACT Auditor-General's performance audit report of April 2014 relating to the water and sewerage pricing process. The audit included consideration of ACTEW's cooperation in the pricing process and, importantly, the audit found no evidence to support assertions that ACTEW withheld information during the pricing process. The audit report additionally made a number of recommendations to refine and improve the water and sewerage pricing determination process, for action by the ACT Government and the Independent Competition and Regulatory Commission (ICRC).

In April 2014, the Treasurer appointed an independent Industry Panel to review the ICRC's water and sewerage price determination for the 2013-2019 regulatory period. We look forward to cooperating with the Industry Panel throughout the review process.

The shareholders appointed myself as Chairman and Wendy Caird as Deputy Chair of the Board in March 2014 for three years. The shareholders also reappointed Rachel Peck as a Board Director for a further three years from May 2014 and agreed to the appointment of John Knox as Managing Director in March 2014, following the departure of former Managing Director, Mark Sullivan. These appointments bring a considerable depth and expertise to the Board.

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



Dr Michael Easson AM
Chairman

Message from the Managing Director

The 2013-14 financial year has seen substantial work undertaken across ACTEW. Our business transformation journey continued in 2013-14, post integration of the water and sewerage functions within ACTEW's business from 1 July 2012. Initial work was done in 2012-13 to benchmark our business and to develop our strategic imperatives going forward. As part of this business transformation program we made improvements to key business processes relating to the management of safety, assets, customers and information and communication technology.

In September 2013, ACTEW won the 'Partnerships with Landcare' category at the ACT Landcare Awards for its Source Water Protection Program, having being nominated by four of the community groups that have worked with us to protect water quality in the region over the past four years. ACTEW worked in partnership with community organisations to deliver sustainable land management training, support projects which protect water quality, and provide education to schools and the community. We are now in the running for the national Landcare Award in September 2014.

ACTEW has undertaken a suite of projects during the year, as part of its Customer Strategy, to support its customer-centric culture with an improved focus on seamless customer service. Initiatives have included enhancements to our website as well as simplifying online application processes. Results of a customer survey undertaken during the year have indicated that our demonstrated shift in culture and customer-centric focus has had significant positive impacts on our customers.

We also maintained our commitment to the ACT community through sponsorships and donations supporting an array of major events, individuals, charities and organisations in 2013-14.

The safety of ACTEW's people and the community continues to be a top priority. Significant work has been undertaken in 2013-14 with the launch of the *Work Health and Safety Strategy 2014-16*. The Strategy includes initiatives to further improve our safety processes and systems and building a safety aware culture, which has already significantly reduced our lost time injury and serious injury frequency rates.

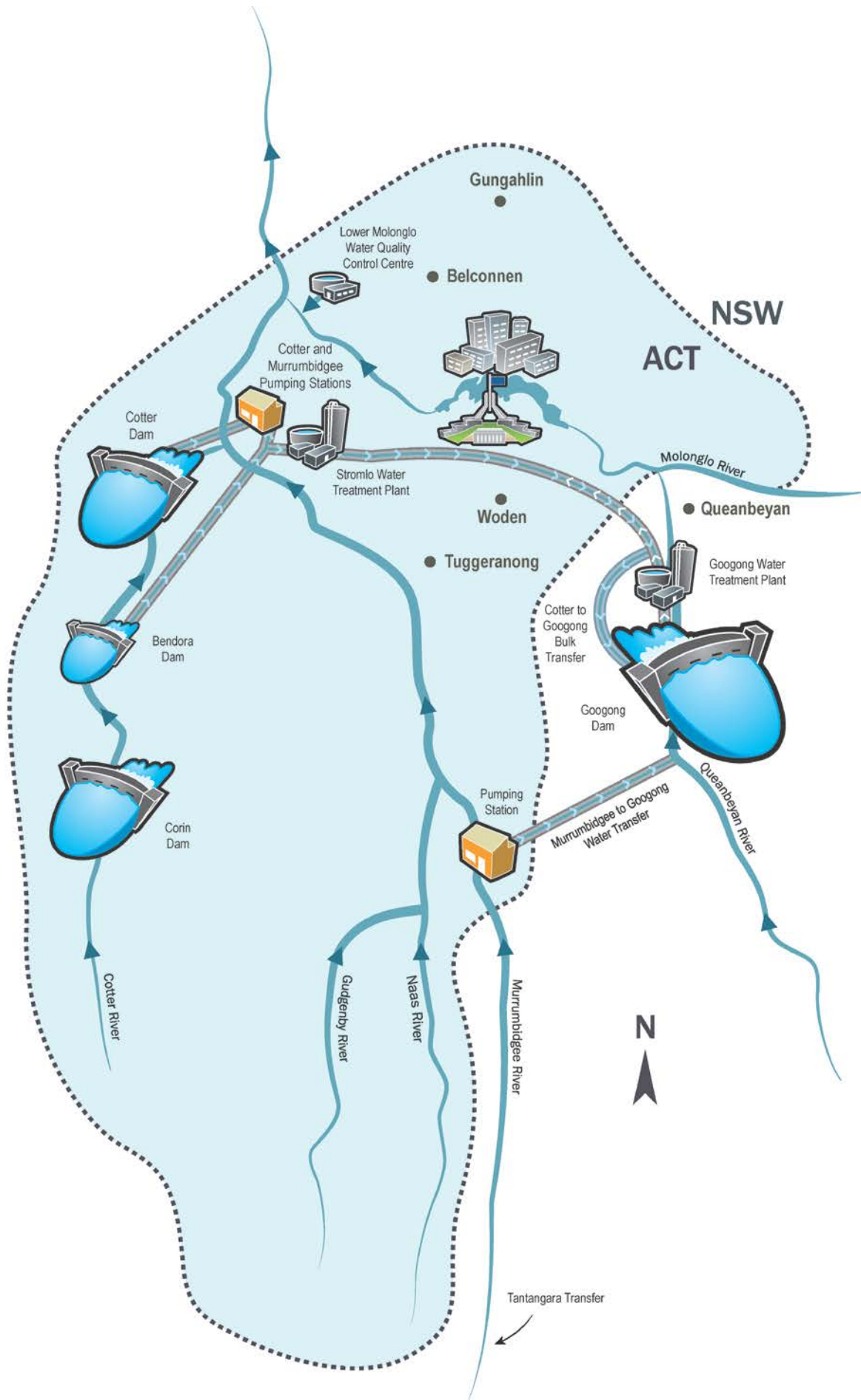
In the first half of the financial year, a review of ACTEW's governance framework was completed. This review, together with the Cohen Report recommendations, highlighted a number of areas for improvement. Work is underway to further improve organisational governance and business performance monitoring arrangements, enhance monitoring and oversight of ACTEW's energy investment in ActewAGL and address ACTEW's brand confusion with ActewAGL.

In early June 2014, I announced changes to the organisational structure with a new executive team to focus on the ongoing strategic direction of the organisation. In the current operating environment, our organisation needs a framework that will provide us with the ability to better respond to operational challenges, and also have the capacity for improved long term asset management and business planning.

I acknowledge the dedication, professionalism and commitment of ACTEW's Board members, our executive and management team and all employees, and thank them for their contributions during 2013-14. I look forward to working with the entire ACTEW team in continuing their invaluable work in 2014-15.



John Knox
Managing Director



Investments

ActewAGL

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

ActewAGL comprises two partnerships:

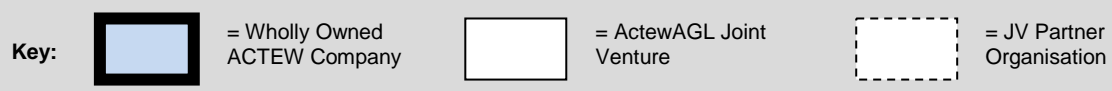
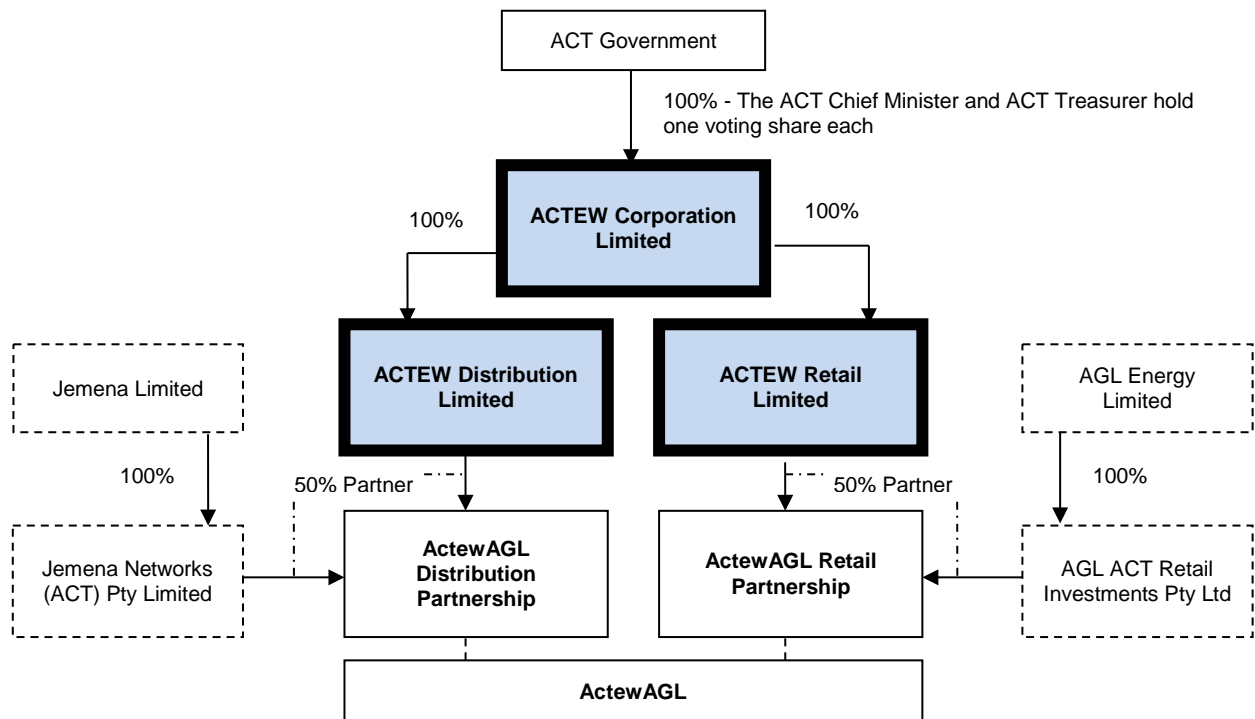
- ActewAGL Distribution (a partnership between ACTEW Distribution Limited and Jemena Networks (ACT) Pty Limited) – which owns and operates the electricity and gas distribution networks in the ACT and in certain adjacent regional centres
- ActewAGL Retail (a partnership between ACTEW Retail Limited and AGL ACT Retail Investments Pty Limited) – which sells electricity and gas to its residential, commercial and government customers in the ACT and the surrounding region.

Members of the ActewAGL Joint Venture Partnerships Board at 30 June 2014 were:

- Mr Paul Frazer (Chairman)
- Dr Michael Easson AM – (Deputy Chairman)
- Ms Wendy Caird
- Mr Paul Adams
- Mr Ruan Quiantu
- Mr John Knox

Details of ActewAGL's financial performance for 2013-14 can be found highlighted in the Annexed Reports section. More information on ActewAGL can be found at www.actewagl.com.au.

ActewAGL Joint Venture structure



Note (Jemena Limited Ownership): In January 2014 State Grid Corporation of China purchased a 60 per cent interest in Jemena Limited, with Singapore Power International retaining 40 per cent.

Highlights

Business Transformation

Phase 3 of the Business Transformation Program (the Program) commenced following the implementation of a new business structure on 1 July 2013. Business changes identified during the initial stages of the Program (that commenced in 2012-13) were reviewed and implemented. These included:

- Business process review
- Information and communication technology (ICT)
- Customer strategy
- Cultural program.

Business process review

A review of business processes against the organisation strategy targeted the following key areas:

- A focus on asset management has considered the benefits of a more strategic model, and the business processes required to support this. Governance arrangements, including the establishment of an Investment Review Committee, as well as options for a suitable asset management and maintenance system are also supporting the development of an asset management strategy.
- Research and Development – a review of the Research and Development program has led to a more refined program with key initiatives better supporting the organisations objectives and priorities.
- Procurement – an initial examination of the organisations procurement process identified several opportunities for improvement. A specialist procurement consultancy was engaged to develop a 'fit for purpose' procurement operating framework as well as an implementation plan.

Information and communication technology (ICT)

During the year, a dedicated ICT Manager position was created. The creation of this new position has enabled ACTEW to develop its own ICT strategy, drive better services from our corporate ICT service provider and reduce business risks associated with issues such as network asset security.

Customer strategy

A program of work was undertaken in 2013-14 to review and improve customer-centric processes and identify requirements of our different customer segments. This information was used to inform business processes and decisions. This work has been integral to the development of ACTEW's Customer Strategy this year, which will be subject to continuous review and improvement.

Cultural program

An initial organisational cultural survey was conducted in 2012 to establish a baseline in the areas of leadership, strategy, accountability, communication and collaboration and decision making. A second cultural survey was conducted in November 2013 to measure the success of the business transformation initiatives adopted over the past year and a half. Significant improvements were achieved in the areas of leadership, safety, communication, accountability and responsibility. The outcomes of the 2013 survey will be invaluable in identifying what is working well and opportunities for future improvements.

Sewerage Operations

2013–14 saw a major review of servicing strategies for the Molonglo Valley, with management and augmentation strategies also being defined for the major infill corridors in North Canberra including the 'City to the Lake' development. ACTEW commenced projects during the year to mitigate the risk of

sewage leaks into Lake Burley Griffin and to update operation and maintenance manuals for network assets.

ACTEW worked with the Environment Protection Authority (EPA) to develop Environmental Management Plans (EMP) for both the Lower Molonglo Water Quality Control Centre (LMWQCC) and the Cotter Effluent Absorption Facility. This commitment to the EMP process provides assurance that both sewerage treatment plants are managed appropriately to mitigate any risk to the environment.

During 2013-14, the EPA agreed to put in place interim odour control guidelines for the ACT. These guidelines support extensive modelling of ACTEW’s sewer assets and allow ACTEW to better manage encroachment risks arising from development proposals in and around sewer assets. The guidelines enable ACTEW to scope the required nature of asset upgrades and, where land development is proposed to encroach in zones of impact, request the creation of buffer zones.

ACTEW achieved the following compliance results against its environmental authorisations.

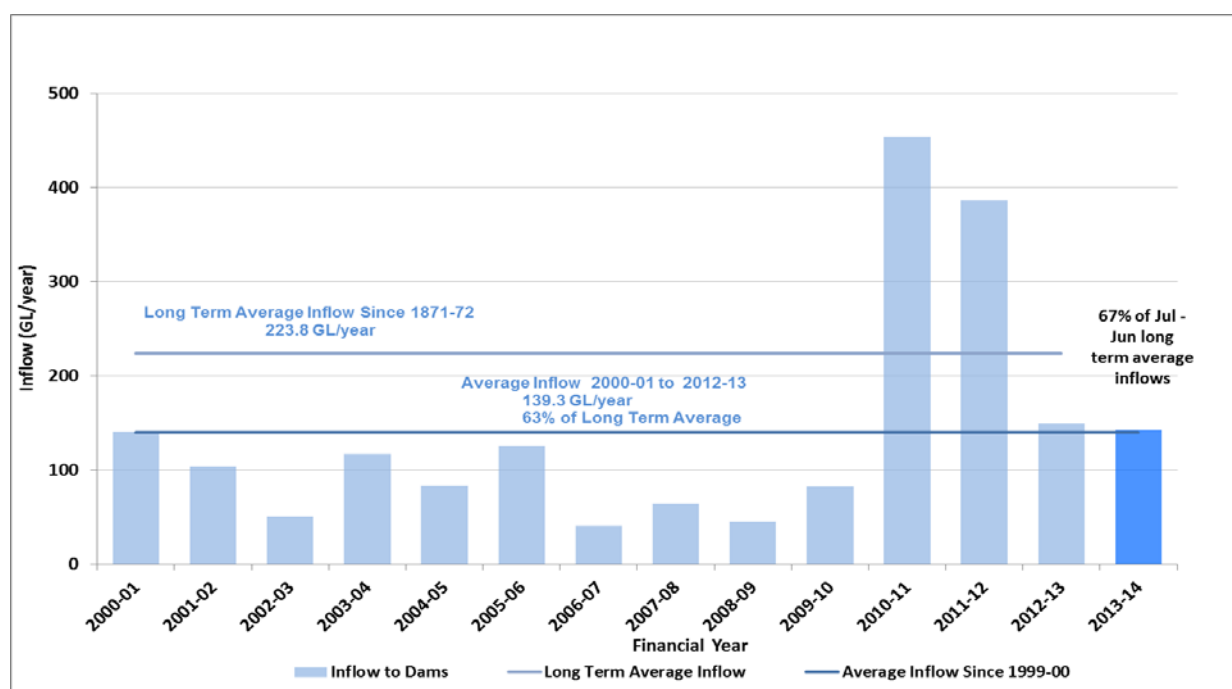
LMWQCC effluent reuse	100%
North Canberra Water Reuse Scheme (NCWRS)	100%

Additional environmental licence compliance is outlined in Financial Reports on page 4.

ACTEW’s continued focus on safety initiatives resulted in an assessment of all high risk construction activities occurring within sewerage treatment plant sites. This body of work provided a sound basis for ensuring a safe working environment for all staff undertaking operational or maintenance activities on or around sewerage treatment plants.

Water Operations

The financial year has seen slightly lower levels of rainfall (599.0mm) compared to the long term average (615.7mm). There has been significant seasonal variability in the rainfall with a hot and relatively dry summer following high rainfall during November 2013, and above average rainfall late in February, March and April 2014. Sporadic rainfall has resulted in periods of drying within the water supply catchments, resulting in runoff being slightly lower than normal. The total inflow to the four reservoirs during 2013-14 was 141.8 gigalitres (GL). This is slightly higher than the recent (since 2000–01) average annual inflow of 139GL, but significantly lower than the long-term average annual inflow to the four reservoirs of approximately 234.7GL.



Water production for the year was 48.7GL and currently represents a per capita reduction of 36.9% relative to the 1993-2002 levels. This remains ahead of the 'Think water, act water' target reduction of 25% by 2023. Net abstraction¹ for the 12 month period is approximately 17.7GL.

Testing of the quality of water was undertaken in accordance with the Australian Drinking Water Guidelines. ACTEW had 100% compliance with the Drinking Water Utility Licence and the Public Health (Drinking Water) Code of Practice (2007) (the Code) in 2013-14. Year to date there have been 11 notifiable incidents to ACT Health as per the Code. ACTEW also published its Annual Drinking Water Quality Report 2012-13 in accordance with the Code in October 2013 (the report is available under 'publications' on ACTEW's website at www.actew.com.au) with the 2013-14 report expected to be published in late 2014.

Capital Works and Major Infrastructure

Enlarged Cotter Dam (ECD)

Construction of the ECD was completed in August 2013, safeguarding Canberra's water supply for future generations. The success of the ECD project has been recognised by the receipt of seven industry awards, including two Engineering Excellence Awards (ACT Branch), the Australian Water Association National Program Innovation Award for the fish management program, and the Environmental Excellence Award from the International Erosion Control Association Australasia. The technical nature of the ECD's design and construction innovation resulted in nine papers being presented internationally at various conferences. These project accolades highlight the excellence of the project, particularly as they were awarded through industry peer review against other infrastructure projects.

Murrumbidgee to Googong Transfer Pipeline (M2G Pipeline)

After commissioning of the M2G Pipeline in August and September 2012, work has continued to incorporate the operations and maintenance processes of the pipeline into standard ACTEW operating practices. The Pipeline Management Plan (PMP) for the Murrumbidgee to Googong Transfer was updated in June this year, after significant amendments to the NSW Pipeline Regulations and the relevant Australian Standard which required the PMP to take a more holistic management approach. As part of this revision, an operational *Safety Management Study* for the pipeline was conducted, developing on the safety management studies performed during the construction and commissioning phases of the pipeline. These revisions ensure that ACTEW is taking the required measures to protect the safety of the public, workers and the environment. Periodic maintenance runs on the pipeline were also conducted during the year.

Molonglo Development

ACTEW continued to support the ACT Government's Economic Development Directorate (EDD) program in the Molonglo Development, with the Molonglo Valley Bulk Mains now in commissioning and the erection of the 14ML Molonglo Valley (Oddie) Reservoir expected to be completed early in the new financial year. The project providing bulk water to the Extra Low Zone section of the Molonglo Development will transition to construction next financial year. The installation of approximately 2650m of trunk sewer has been installed to connect the existing Molonglo Valley Interceptor Sewer to the new suburbs of Wright and Coombs.

Googong Foreshores

Stage A of the Bulk Water Infrastructure project has progressed to the commissioning phase. This has brought an end to the interim measures that have been providing water to the development since

¹ Net abstraction is Total Production less Lower Molonglo Water Quality Control Centre return flow

January 2014. Stage B, which includes a connection between the main supply and Googong development bulk main networks, is planned for later this calendar year.

Googong Water Treatment Plant

Upgrading works commenced this year with the breaking of ground for a combined Carbon and Fluoride dosing facility. An element of these works is a sludge dewatering facility (a by-product of the filtration process) which is currently in design and related minor works. The total package represents an estimated \$16.7m investment commencing in 2012-13 and to be finalised in 2014-15.

Mt Stromlo Water Treatment Plant

Several projects have reached commissioning or completion in 2013-14 including the Electrical, Instrumentation, and Mechanical Control Systems project which involved the rebuilding of major elements of the electrical system and Filter to Waste treatment process. It is envisaged that this investment will reduce the frequency of short term water quality fluctuations impacting the filtration process.

Water distribution and bulk supply systems

Commissioning activities associated with the Cotter Dam De-stratification units were completed in 2013-14. This will assist in managing and controlling raw water quality; and water main replacement works extending through sections of Braddon and the Australian National University campus. Security has also been significantly improved around a number of key water reservoirs with the completion of the Critical Infrastructure Project earlier in 2013-14.

Lower Molongolo Water Quality Control Centre

A large proportion of capital works for sewerage projects in 2013–14 has been to progress key projects through their design phases. Some of these projects include the aeration, tertiary and solids handling upgrades at the Lower Molongolo Water Quality Control Centre (LMWQCC). The construction phases of these projects are envisaged to commence in the 2015-16 through to 2017-18 financial years.

Regulatory Review and Pricing Determination

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

On 1 July 2013, ACTEW implemented the prices determined by the ICRC in its Price Direction of 26 June 2013. Water bills increased by up to five per cent on the previous financial year and sewerage bills decreased by 18 per cent, resulting in an overall decrease of seven per cent to a typical household water and sewerage bill.

The ICRC Price Direction covers a six-year period from 1 July 2013 to 30 June 2019. A price path was set for 2013-14 and 2014-15, with major biennial reviews to take place in 2014-15 and 2016-17. Prices for water and sewerage services in 2014-15 are to be increased in line with the Consumer Price Index, with adjustments to pass through increases in the water abstraction charge and the utilities network facilities tax.

ACTEW undertook a detailed assessment of whether the ICRC Price Direction had been made with proper regard to the criteria set out in section 20(2) of the *Independent Competition and Regulatory Commission Act 1997* (the ICRC Act). This assessment resulted in ACTEW seeking an external opinion on the matter from an internationally recognised expert. The external opinion confirmed there were significant shortcomings in the analysis and conclusions in the Price Direction and its supporting final report. This led to ACTEW seeking a review of the Price Direction in September 2013.

On 17 April 2014, the Deputy Chief Minister and Treasurer of the ACT Government announced that an independent industry panel had been appointed to undertake the review into the ICRC's Price Direction for water and sewerage services for 1 July 2013 to 30 June 2019. ACTEW will be cooperating with the Industry Panel throughout the review process.

In April 2014, the ACT Auditor-General concluded a performance audit that examined the governance and administrative arrangements for the ICRC review of water and sewerage prices in the ACT. The audit included consideration of ACTEW's cooperation in the pricing process and found that the assertions made by the ICRC against ACTEW in that regard were unsubstantiated. Further, the performance audit made a number of recommendations about refining and improving the water and sewerage pricing determination process going forward.

Customer Services and Engagement

ACTEW's customer strategy was launched in March 2014. The strategy was developed through engaging with our customers to improve our understanding of their needs and identify specific business processes that are valued by various customer segments within the community. The strategy has included a website review and reconfiguration to simplify online application processes and to eliminate brand confusion between ACTEW and ActewAGL, as much as possible.

ACTEW is committed to effective internal and external customer service. Increased awareness and consideration of how we can add value to our customer interactions has led to a review of processes to increase customer satisfaction and create efficiencies. Training that has been conducted across the business has increased commercial awareness of individuals and teams. Overall the business is operating with greater accountability to the community.

Consultation with customers has identified opportunities to provide additional services, outside of traditional core business. For example, larger customers have been engaging with ACTEW to provide water efficiency assessments, and remote consumption monitoring.

ACTEW continues to track complaints and feedback providing valuable information to management in operational areas leading to improvements in services.

As at 30 June 2014, ACTEW had 163,000 and 159,000 water and sewerage customers, respectively. We received over 33,000 customer calls (including faults and emergencies, account and general enquiries). Total customer complaints reduced by 9.5% from 2012-13. A survey of 270 households and 50 major businesses, conducted by an external consultant in February 2014, showed that customer satisfaction levels have improved – residential (93%) and business (90%) relative to the 2012 survey results of 58% and 68% respectively. In relation to call centre customer satisfaction, 13% of the survey sampled had contact with ACTEW's Contact Centre in the last twelve months. 94% of households were satisfied with the service they received, with 100% positive rating of the courtesy of ACTEW call centre staff.

Business Opportunities

In 2013-14, ACTEW refined its approach in relation to the identification and consideration of new business opportunities. As outlined in ACTEW's Modified Statement of Corporate Intent 2013-14 to 2016-17, in assessing new opportunities there are three essential criteria which must be met:

- new activities must not detract from ACTEW's core business
- the activities must deliver commercial benefits to ACTEW and our shareholders
- the activity must align with and complement ACTEW's core functions.

ACTEW has identified that there may be potential new business opportunities in the local region which have the ability to satisfy these criteria. During 2013-14, ACTEW engaged with neighbouring local councils to strengthen the existing relationships and explore opportunities for closer regional cooperation. While these discussions are at an early stage, there are opportunities for ACTEW to work more closely with its regional neighbours in ways which will benefit ACTEW, the ACT Government and the region.

Research and Development

A new Research and Development (R&D) operating framework was developed in 2013-14 with document templates, governance structures and improved project ownership in order to ensure that ACTEW drives the maximum benefit out of current and future R&D projects.

As part of this new R&D framework, existing projects identified to continue included:

- the 'Alum Sludge Recycling' project - investigating alternate uses for alum sludge from the water treatment process
- the 'Water Quality Impacts from Extreme Weather Related Events' project - documenting knowledge from real world extreme weather events in order to provide an industry fact sheet on managing the consequences of these events, as well as providing information into the Australian Drinking Water Guidelines.

The first recipient of ACTEW's Aspi Baria Scholarship will complete her PhD in the third quarter of 2014. The PhD will provide ACTEW with a better understanding of the contaminants that appear through the sewerage treatment process at the Lower Molongolo Water Quality Control Centre.

Outlook (2014–15)

Objectives

ACTEW's objectives are derived from the *Territory-owned Corporations Act 1990* (TOC Act).

Under Section 7(1) of the TOC Act, ACTEW has four main objectives:

- **Efficiency:** Operate at least as efficiently as any comparable business
- **Sustainable return:** Maximise the sustainable return to our shareholders on the investment in ACTEW
- **Social responsibility:** Show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests
- **Ecologically sustainable development:** Effective integration of environmental and economic considerations in decision-making processes.

These objectives form the foundation upon which ACTEW conducts all its activities.

Priorities

Over the period 2014-15 to 2017-18, ACTEW will achieve its objectives through a range of strategies. Key priorities in 2014-15 will include:

- Safety management – cultivating a work health and safety culture across the organisation that engages, collaborates and innovates through: benchmarking work health and safety performance; building safety leadership skills; and developing and promoting a safety recognition program.
- Asset management – implementing a revised asset management framework that will ensure holistic and efficient life-cycle asset management in accordance with relevant industry standards.
- Customer management – continuing to build on our customer-centric culture, addressing the brand confusion between ACTEW and ActewAGL and introducing enhancements to the ACTEW website.
- Financial management – improving profitability to support strong dividends to shareholders, managing our gearing levels and continuing active management of ACTEW's energy investments.

Community Engagement and Support

Community Engagement

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

Project	Consultation Process (tools used)	Groups or Individuals consulted	Approx. number consulted	Outcome
Enlarged Cotter Dam	<ul style="list-style-type: none"> Community open days Site tours Community group talks Participation in conferences Stakeholder update publications Advertisements YouTube documentaries (social media) Twitter updates (social media) Website 	ACT and Queanbeyan residents, visitors to the ACT, community groups, educational institutions and online users	13,523	Raise awareness of water supply, water security, sustainability, and conservation in Canberra
Source Water Protection program	<ul style="list-style-type: none"> Participation in committee meetings Participation at community events Support for community-based water quality and engagement roles Website 	ACT region residents, community groups, landholders	50+	Relationship building, information sharing, raising community awareness with regard to water quality protection issues
Cotter Dam school education program	<ul style="list-style-type: none"> Education kit Education water resources In school presentations Advertising School tours of Cotter Dam 	ACT and interstate primary and secondary schools	830	Raise awareness of water supply, sustainability, and conservation in Canberra via education of science, history, and environment learning outcomes
ACTEW Water community engagement and awareness program	<ul style="list-style-type: none"> Participation at local exhibitions Participation at local festivals Participation in conferences Community group talks Advertising Articles in publications Flyers and leaflets Twitter (social media) Website Media releases 	ACT residents and visitors. Interstate water industry operators and local trade community. Web users	1142	Relationship and awareness building. Knowledge of services available
Canberra Discovery Garden	<ul style="list-style-type: none"> Waterwise garden workshops Facebook (social media) Website Arboretum open day 	Stakeholders within ACT government, customers, contractors, and community groups	600+	Improve water efficiency in residential gardens
Murrumbidgee to Googong (M2G) Water Transfer Project	<ul style="list-style-type: none"> Environmental Reference Group meetings Field visit Newsletters/email updates On-ground response to concerns raised by stakeholders 	Burra landholders and stakeholder groups	50+	Relationship building, two-way information exchange on M2G operations, compliance with license requirements

The community engagement program allows ACTEW to actively engage with the Canberra community on a range of water and sewerage matters.

ACTEW has undertaken a broad range of engagement and education opportunities with a number of groups within the local community demonstrating the value of our products and infrastructure. These included highlighting the pristine quality of our drinking water, the protection of our natural environment, and the significant role ACTEW plays as an economic driver of growth and development across the territory.

In the second half of 2013, one of the region's largest and most significant infrastructure projects – the Enlarged Cotter Dam (ECD), was completed and celebrated by the Canberra community. The Cotterfest event in October 2013 attracted more than 5,000 people; giving locals the chance to walk through the inner workings of the ECD, hear talks from those who were involved in construction and learn more about the steps taken to ensure the preservation of heritage and environmental standards.

ACTEW continues to provide direct access and information of its network of infrastructure to local educational institutions and interested community groups. This has been performed largely through personalised guided tours, appearances and the sharing of knowledge and information face to face and through various mediums and channels (including website, Twitter, YouTube and Facebook).

To further ensure educational content is provided in an engaging and contemporary manner, ACTEW is looking at ways it can further enhance its presence and reach through the use of digital communications. It is envisaged that this will provide ACT residents with a better understanding of the importance and the role our water and sewerage networks play economically and environmentally across the ACT region.

Sponsorship and Donations

ACTEW is redeveloping its sponsorship and donation (community support) framework in order to maximise returns to the community and benefits to the organisation.

Work has commenced in the final quarter of 2013-14 to redevelop this framework. The framework will include key elements such as increasing engagement of ACTEW staff through providing information in internal communications, creating an 'annual staff charity' program and encouraging volunteering and participation in the activities of organisations it sponsors.

There are five categories within the Major Events Program: cultural, arts, sport, education and community. Commitments were made for a total of \$308,850 for 17 events through the Major Events Program during 2013-14 (see Table 1).

Table 1 – Major Events Program

No	Name	Purpose	Amount \$
1	Canberra Symphony Orchestra	Grand Gala Concert Llewellyn Concerts	44,100 22,050
2	Canberra Area Theatre (CAT) Awards	Annual Theatre Awards	30,000
3	Royal National Capital Agricultural Society	National Wine Show of Australia	11,000
4	Bell Shakespeare Theatre Company	“Hearts in a Row” theatre access program	10,000
5	Canberra Youth Music Inc	Sponsorship of youth music festival	10,000
6	Canberra International Music Festival	Sponsorship of annual music festival	35,000
7	National Arboretum Canberra	Voices in the Forest Concert	20,000
8	International Softball Skins Tournament	Sponsorship	7,000
9	Australian National Eisteddfod	Sponsorship	2,500
10	Royal Australian Chemical Institute Conference	Donation	500
11	Embassy of Italy	Sponsorship partnership: National Library of Australia exhibition “Mapping our World: Terra Incognita to Australia”	20,000
12	Canberra Cavalry Foundation	Sponsorship	5,000
13	Australian Water Association (AWA ACT)	ACT Water Leaders Gala Dinner	2,500
14	Australian Water Association (AWA ACT)	Sponsorship of AWA ACT Branch Undergraduate and Post Graduate Award	2,000
15	National Gallery of Australia	Toulouse Lautrec Exhibition	62,500
16	Boundless	National Children’s Playground project	10,000
17	City Art Program	App for Android and Smartphones	14,700
<i>GST inclusive where applicable</i>			Total \$308,850

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. In this category, sponsorships and donations were committed for \$207,310 to 59 groups, individuals and organisations during 2013–14 (see Table 2).

Table 2 – Community Support Program

No	Name	Purpose	Amount \$
1	Artists Society of Canberra	Sponsorship of <i>Along the Molonglo</i> annual art exhibition	2,700
2	Queanbeyan Art Society	Sponsorship of <i>Along the Molonglo</i> annual art exhibition	1,000
3	Barnardos Australia	Sponsorship of fundraising event	15,000
4	Australian Cancer Research Foundation	Donation to annual fundraising event	5,700
5	Australian Foundation for Mental Health Research	Donation	5,000
6	ACT Master Plumbers Association Apprentice Awards	Sponsorship of Awards Dinner	3,000
7	Lifeline	Donation	600
8	Vietnam Veterans Motorcycle Club	Sponsorship of fundraising event	3,000
9	Solid Young Fulla's Corporation	Donation	10,000
10	Cancer Council ACT	Sponsorship of fundraising event	6,000
11	Menslink	Sponsorship of fundraising event	5,000
12	National Breast Cancer Foundation	Sponsorship of fundraising event	10,000
13	Clare Holland House (Hospice)	Donation	2,000
14	Salvation Army	Sponsorship of display at Royal Canberra Show	1,000
15	ACT Eden Monaro Cancer Support Group	Sponsorship of fundraising event	3,500
16	Asthma Foundation	Donation	500
17	Canberra Cancerians	Sponsorship of fundraising event	1,500
18	Karinya House	Donation	2,000
19	Pegasus Riding for the Disabled	Donation	5,000
20	Autism Asperger ACT	Donation	1,280
21	Hands Across Canberra	Fundraising event	2,000

No	Name	Purpose	Amount \$
22	Communities@Work	Donation – Centenary Sleepout	2,000
23	Solid Young Fullas Aboriginal Corporation	Sponsorship of football team	9,000
24	Movember Foundation	Donations to fundraising event	1,000
25	Hartley Lifecare	Donation to fundraising event	1,000
26	Order of Australia Association ACT	Student Citizenship Awards	3,000
27	Canberra Amateur Swimming Club	“Christmas Meet” sponsorship	1,000
28	Craft ACT	Donation to publication of catalogue	2,000
29	Woden Valley Youth Choir	Donation to Carols by Candlelight event	2,500
30	Australian Red Cross	Donation	5,000
31	Salvation Army	Donation	4,000
32	Lifeline	Donation	4,400
33	The Smith Family	Donation	5,000
34	St Vincent de Paul	Donation	5,000
35	Lifeline	Donation	5,000
36	Communities@Work	Donation to The Yellow Van	2,000
37	CBD	Christmas Carnival in the City	330
38	YouthCARE Canberra	Donation	250
39	Yowani Country Club	Sponsorship of community event	5,000
40	OzHarvest	Donation to fundraising event	2,000
41	Canberra Museum and Gallery	Sponsorship of Early Childhood School Program exhibition	3,000
42	Arts Sound FM	Donation	5,000
43	Yass Race Club	Sponsorship of annual picnic races	3,000
44	Catholic Schools Soccer Carnival	Sponsorship of carnival	3,000
45	Legacy ANZAC Concert	Sponsorship of annual concert	5,000
46	Cancer Council ACT	World Conference on Lung Cancer Bowls Charity Day	480
47	SmartStart for Kids	Donation	5,000
48	Gungahlin Jets AFL Club	Sponsorship for club uniforms	5,000

No	Name	Purpose	Amount \$
49	Royal Canberra Golf Club	Sponsorship of fundraising event	4,000
50	Movember Foundation	Donation	2,420
51	Hands Across Canberra	Sponsorship of fundraising event	2,000
52	Everyday Hero	Donation	1,000
53	National Breast Cancer Foundation	Donation – research fundraising	1,000
54	CEO Sleep Out	Donation	500
55	CEO Sleep out	Donation	500
56	Australian Foundation for Mental Health Research	Sponsorship of fundraising event	950
57	Abundant Water Contribution	Donation – clean safe drinking water for developing countries	15,000
58	Salvation Army	Donation	5,000
59	World's Greatest Shave	Donation	200

GST inclusive where applicable

Total \$207,310

Ecologically Sustainable Development

ACTEW has continued to improve in the areas of environment and sustainability. It established a sustainability framework in 2013-14, including a set of sustainability indicators for the organisation and published its inaugural Sustainability Report in February 2014. A fully compliant Environmental Management System has been maintained to the international standard ISO:14001 and a range of environmental actions and programs have been implemented this financial year.

In July 2013, ACTEW's environmental teams were consolidated, enabling ACTEW to realise efficiencies and enhance delivery of professional environmental services. These include facilitating external project approvals with regulator/s and providing environmental advice for capital works projects. A sustainability scorecard tool was developed in-house and embedded into ACTEW's capital works planning process. To date, 19 sustainability assessments have been undertaken on ACTEW's capital projects using the tool to identify sustainable infrastructure outcomes.

ACTEW continued to roll out its major asset environmental management strategy through the development of asset specific Environmental Management Plans. The Uriarra Wastewater Treatment Facility Environmental Management Plan has been approved by the ACT Environment Protection Authority and implemented. Plans for the Lower Molonglo Water Quality Control Centre and the Cotter Effluent Absorption Facility are currently underway and close to completion.

ACTEW complied with all environmental licence requirements and authorisations in 2013-14, however, the Uriarra Environmental Authorisation reported one unauthorised discharge. This did not breach the licence conditions.

ACTEW has continued to implement carbon and energy reduction programs with a focus on energy avoidance and energy efficiency, demand management, renewable and low emission energy sources and carbon offsets. Initiatives this year have included the completion of energy performance studies, initiation of a project to upgrade the Stromlo mini-hydro system, switch to off-peak operation at pump stations and negotiation of a new retail electricity contract to achieve discounts in electricity and gas, and network tariffs. These and other projects will help ACTEW deliver cost savings and reach greenhouse gas emission targets set by the ACT Government of:

- 40% reduction of 1990 emission levels by 2020
- 80% reduction of 1990 emission levels by 2050
- carbon neutrality by 2060.

In addition, ACTEW's carbon offset forestry projects have continued to be managed. One of its carbon forests achieved certification under the Carbon Farming Initiative in 2013-14 and over 11,500 Australian carbon credit units were created which generated considerable revenue. The remaining carbon forest is expected to achieve accreditation during 2014-15.

ACTEW's energy and carbon strategy was independently audited. The audit identified a number of areas for improvement. The audit recommendations are currently being implemented and a finalised strategy is planned for release at the end of 2014. Overall, total greenhouse gas emissions decreased by approximately 3,695 tonnes of carbon dioxide equivalence (tonnes CO₂-e) in 2013-14 compared with the previous year excluding offsets.

Table 3 – Sustainable development performance

Indicator as at 30 June	Unit	2012–2013	2013–2014	Percentage change
Agency staff				
Office occupancy by fulltime equivalent staff (FTE)	FTE	391	389	-0.5%
Stationary energy usage				
Total electricity use	Kilowatt hrs	34,553,509	32,561,972	-5.8%
Renewable electricity use	Kilowatt hrs	2,267,000	0	-100.0%
Natural gas use	Megajoules	1,135,902	890,358	-21.6%
Transport energy usage				
Total number of vehicles	Number	143	159	11.2%
Total kilometres travelled	Kilometres	2,616,781	3,179,137	21.5%
Fuel use – Petrol	Kilolitres	39.0	26.5	-32.1%
Fuel use – Diesel	Kilolitres	329.8	360.5	9.3%
Fuel use – LPG	Kilolitres	8.3	8.1	-2.7%
Fuel use – CNG	Kilolitres	0	0	0.0%
Fuel use – Ethanol	Kilolitres	1.7	0.9	-47.2%
Water usage				
Water use	Kilolitres	45,837,454	44,811,436	-2.24%
Resource Efficiency and Waste				
Reams of paper purchased	Reams	3,557	752	-78.85%
Percentage of recycled paper purchased	Percentage	No data	1.2%	99% of paper purchased is classed as planet friendly
Waste to landfill (estimated weight in tonnes)	Tonnes	122.527	122.11	-0.34%
Co-mingled material recycled (estimated weight in tonnes)	Tonnes	7.56	7.012	-7.25%
Paper & Cardboard recycled including secure paper (estimated weight in tonnes)	Tonnes	39.58	38.82	-1.92%
Organic material recycled (estimated weight in tonnes)	Tonnes	0.97	1.044	7.63%
Greenhouse gas emissions (emissions)				
Emissions from stationary energy use (All scopes)	Tonnes CO ₂ -e	40,407	36,525	-9.6%
Emissions from transport energy use (All scopes)	Tonnes CO ₂ -e	1,068	1,125	5.4%
Fugitive nitrous oxide emissions from sewerage treatment (Scope 1)	Tonnes CO ₂ -e	10,713	10,842	1.2%
Total gross emissions	Tonnes CO ₂ -e	52,188	48,493	-7.1%
Total net emissions	Tonnes CO ₂ -e	50,170	48,493	-3.3%

Table 3 Notes:

- *2013-14 energy, fuel and greenhouse figures are estimated as not all invoicing has been received by the time of data collation.*
 - *Contractor diesel fuel usage associated with construction of the water security major projects is not included in this table as these projects were completed in 2012-13.*
 - *Waste material is recorded by weight.*
 - *Waste to landfill figures do not include alum sludge.*
 - *The organic material figures exclude all organic waste generated at ACTEW's Mitchell and Lower Molongolo sites as this is composted and used on site.*
 - *Reams of paper purchased in 2013-14 excludes letter head paper.*
-

ACTEW met major project compliance requirements through delivery of the Cotter Environmental Flow Plan, Cotter Dam Fish Management Plan and revised Murrumbidgee to Googong (M2G) Operational Environmental Management Plans.

Two biodiversity offset sites established to mitigate environmental impacts from the water security projects continued to be managed, rehabilitated and monitored. Work under the 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 and further revegetation have been completed. Results indicate that the weed control program has been successful, however, revegetation outcomes will take longer to measure and monitoring will continue over the coming years.

The M2G Offsets Program has continued to deliver actions to support ACTEW's commitment for in-perpetuity conservation. On-ground works have improved the conservation value of the property, through extensive weed control measures, fencing modifications, and management of emerging threats such as feral animals. Further plantings of the threatened *Swainsona recta* were undertaken in spring 2013, in collaboration with stakeholders, to enhance the successful propagation of this species in the area.

Monitoring of native fish species within the Enlarged Cotter Dam has continued as part of ACTEW's environmental management commitments with direct intervention applied to support fish spawning and mechanical destratification to enhance water quality. Research into successful translocation of Macquarie Perch has continued, in a conservation effort to increase numbers of this threatened fish species beyond the Cotter river system.

In 2013-14, ACTEW's Source Water Protection Program, aimed at protecting the drinking water catchments and advocating for works that improve and maintain water quality, won an ACT Landcare Award for its partnership work with community groups, as well as a commendation at the Keep Australia Beautiful Awards for a water education project with schools in the Tuggeranong area.

The internal *Be Green* campaign is being re-organised to incorporate other areas of sustainability and will encourage staff to reduce their environmental, social and financial impact, both at work and home.

SECTION 2

**GOVERNANCE AND
ACCOUNTABILITY**

Internal Accountability

ACTEW's corporate governance structures and practices provide the framework for the management and achievement of the Corporation's objectives.

The corporate governance framework includes Board and Committee charters, policies, procedures, delegations, corporate registers, a code of conduct and arrangements for risk management, internal audit and legislative compliance. Framework documents detail and promote the high standards of governance, accountability and compliance required of all personnel.

In the first half of the financial year a number of internal and external reviews of governance of ACTEW were completed. In response to these reviews, ACTEW commenced a Governance Improvement Initiative (GII) in March 2014. The objective of the GII is to implement improved corporate processes and arrangements that conform to best practice and are tailored to ACTEW's specific setting and environment. The initiatives being implemented relate to Board governance, Board operations, risk management and organisational performance management. It is expected that this project will be finalised early next financial year.

ACTEW has reporting and compliance obligations under Commonwealth and ACT legislation including *Corporations Act 2001*, *Privacy Act 1988*, *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 new legal compliance database – CMO Compliance was introduced in early 2014. CMO Compliance identifies the legislative obligations with which the business must comply. These obligations are mapped to relevant processes, procedures and responsible roles within ACTEW. ACTEW is continuing its efforts to fully implement CMO Compliance to ensure it is used effectively.

Details of licence and regulation compliance for 2013-14 are on page 11 and in the Financial Reports at pages 4 and 5.

Statement of Corporate Intent

ACTEW has agreed business objectives, activities and priorities with the voting shareholders. These are detailed in an annual Statement of Corporate Intent (SCI). The 2013-14 to 2016-17 SCI was tabled in the ACT Legislative Assembly on 6 August 2013 with a Modified SCI subsequently tabled by the Treasurer on 26 November 2013. 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

ACTEW has a suite of eleven overarching corporate policies (that cover accounting and finance, business activities, communications, environment and sustainability, governance, human resources, legal, management systems, risk and water and sewerage). Corporate procedures fall under the umbrella of these overarching corporate policies. Corporate policies and procedures are available to all ACTEW staff on the ACTEW intranet and are subject to regular review and improvement.

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.

Members of the ACTEW Board

At 30 June 2014, the Board comprised seven Directors: six Non-Executive Directors and one Executive Director. The Board met ten times during the financial year. In addition, the annual general meeting and two general meetings were also held. Details of attendance at Board and Committee meetings are on page 2 in the Financial Reports.

Directors' profiles are outlined below:

Dr Michael B Easson AM, BA (Hons), MSc, PhD, FAICD, FRICS – Chairman

Dr Michael Easson has served on the Board of ACTEW for many years. He has a Master of Science Degree from the University of Oxford and a PhD from the Australian Defence Force Academy of the University of NSW.

He has served on some of Australia's largest infrastructure and property boards and is presently Chair of EG Property Group with \$1.25b in funds under management and Chair of the building technology and documentation business, Ridley & Co.

Dr Easson has been a Director of ACTEW since July 1995 and Deputy Chairman since May 1996. Dr Easson was Acting Chairman of the ACTEW Board from 1 July 2013 and was appointed as Chairman in March 2014. He is also the Chairman of ACTEW Distribution Limited and ACTEW Retail Limited, Deputy Chairman of the ActewAGL Joint Venture Partnerships Board and Chair of ACTEW Board's Nomination and Remuneration Committees.

Dr Easson was appointed as a Member of the Order of Australia in 1998.

Wendy Caird MAICD – Deputy Chair

Ms Caird was first appointed to the ACTEW Board in December 2009. Ms Caird was Acting Deputy Chair of the ACTEW Board from 1 July 2013 and appointed as Deputy Chair in March 2014. Ms Caird is Deputy Chair of ACTEW Distribution Limited and ACTEW Retail Limited and a Member of the ActewAGL Joint Venture Partnerships Board. She is also the Chair of the ACTEW Safety and Environment Committee and Deputy Chair of ACTEW's Nomination Committee and Remuneration Committee.

Ms Caird 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.

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.

John Knox BFA, FCPA, MAICD - Managing Director

John Knox was appointed to the Board in March 2014. He is a director of the ACTEW Distribution and Retail Limited Boards and a member of the ActewAGL Joint Venture Partnership's Board, ACTEW's Safety and Environment, Nomination and Remuneration Committees, and the Water Services Association of Australia Board.

Mr Knox was Chief Finance Officer of ActewAGL (2007-2014), Ecowise Environmental (2007-2009), and TransACT (2007-2008). He has more than 20 years private sector commercial management experience across various business sectors including utilities, environmental, immigration and transport.

Mr Knox is a Fellow of CPA Australia.

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

Dr Allan Hawke was first appointed to the Board in December 2009 and is a Member of ACTEW's Audit and Risk Management, Nomination and Remuneration Committees. 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, Non-Executive Director of Lockheed Martin Australia, Council Member of the Australian War Memorial, Board Member of the Australian Strategic Policy Institute, Chairman of the Independent Committee on Government Advertising, Chairman of the Canberra Raiders Board, President Barnardos Canberra and Member of the CEDA Board of Governors.

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 first appointed to the ACTEW Board in May 2011 and is a member of the ACTEW Board's Safety and Environment, Nomination and Remuneration Committees.

She is Principal of peckvonhartel. Ms Peck is Deputy Chair for the Australian Tapestry Workshop and a Member of the Trinity College University of Melbourne Building and Grounds Committee. She is Chair of the Canberra Business Council Planning and Infrastructure Taskforce and was a former Divisional Council Member of the Property Council of Australia (ACT), and an Interim Board Member for the founding of the Canberra International Arboretum.

Ms Peck attended the Australia 2020 Summit and in 2010 completed a Master 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 ACTEW Board in November 2011 and is Deputy Chair of the ACTEW Board's Audit and Risk Management Committee and a Member of the Nomination and Remuneration Committees.

Ms Goddard is a non-Executive Director of the Grains Research and Development Corporation and Chair of the Corporation's Finance, Risk and Audit Committee. She was the inaugural Chair of the Australian Solar Institute Limited 2009-2013.

During her prior twenty-five year career in the Australian Public Service, Ms Goddard held a number of senior roles in the Department of the Prime Minister and Cabinet (PM&C) and prior to that as an economic policy adviser in the Department of the Treasury. As a Deputy Secretary in PM&C, Ms Goddard advised the Prime Minister on a wide range of macroeconomic, industry, infrastructure, energy, water and environment policy matters and carried oversight responsibility for Budget, COAG and Cabinet processes.

Carol Lilley BCom, FCA, CIA, CGAP, GAICD – Director

Carol Lilley was appointed to the Board in April 2013. She is Chair of ACTEW's Audit and Risk Committee and a Member of the Nomination and Remuneration Committees.

Ms Lilley was a Partner of PricewaterhouseCoopers Canberra (2004-2011) and was a financial statement and internal auditor from 1993 to 2011. Her experience is in financial statement audit, internal audit and project and risk management, with a particular focus on government. She retired as Partner three years ago.

Ms Lilley is currently Chair or Deputy Chair of several ACT Government Directorate Audit Committees (Education & Training, the former Commerce & Works and Environment and Planning), a member of the Department of Finance's assurance committee for the whole of government accounts, Chair of the Board of Instaclustr Pty Ltd and member of a governance committee for Diabetes Australia.

Ms Lilley is a Graduate of the Institute of Company Directors, Fellow of the Institute of Chartered Accountants, was a registered company auditor and is a certified internal auditor and government audit professional.

Executives

John Knox BFA, FCPA, MAICD - Managing Director

John Knox was appointed to the Board in March 2014. He is a director of the ACTEW Distribution and Retail Limited Boards and a member of the ActewAGL Joint Venture Partnerships Board, ACTEW's Safety and Environment, Nomination and Remuneration Committees, and the Water Services Association of Australia Board.

Mr Knox was Chief Finance Officer of ActewAGL (2007-2014), Ecowise Environmental (2007-2009), and TransACT (2007-2008). He has more than 20 years private sector commercial management experience across various business sectors including utilities, environmental, immigration and transport.

Mr Knox is a Fellow of CPA Australia.

Amanda Lewry B. Eng (Mech) Hons, MBT – General Manager Asset Management

Amanda Lewry is responsible for asset management and operational planning functions for water and sewerage services to the ACT and Capital Region. Ms Lewry joined ACTEW in 2007 and has 17 years' experience in maintenance, operations and the delivery of capital projects in the water, mining, military and energy sectors. Ms Lewry holds a Bachelor of Engineering (Mechanical) and a Master of Business and Technology.

Ray Hezkial B. Eng (Civil) – General Manager Project Delivery, Operations and Maintenance

Ray Hezkial is a Civil Engineer with over 18 years' experience in civil construction and road design, as well as water and sewerage operational management. Mr Hezkial joined ACTEW in 2003, and in his current role is responsible for managing ACTEW's capital works program, provision of network operations and all aspects of day to day maintenance relating to the ACT's water and sewer reticulation systems. Prior to this, Mr Hezkial was the Project Manager for the Enlarged Cotter Dam, a \$400m water security project for the ACT. Mr Hezkial holds a Bachelor of Engineering (Civil) and is currently completing his Master of Business Administration.

Chris Webb B. AppSc, Cert Public Policy - General Manager Safety and Business Solutions

Chris Webb is responsible for the organisation's safety, communication and marketing, environment, information and operational technology and customer strategies. Mr Webb joined ACTEW in 2004 and has significant experience in the land and development planning sector and extensive governance experience in major capital projects. Mr Webb holds a Bachelor of Applied Science and a Certificate in Public Policy.

Sam Sachse BAcc, GCB, CPA, MAppFin – Acting General Manager Finance

Sam Sachse is responsible for the overall financial management and advisory services of ACTEW and its investment in ActewAGL. Mr Sachse has 20 years accounting and commercial experience in the water and energy sectors and holds a Bachelor of Accountancy, Graduate Certificate in Business, Master of Applied Finance and is a Certified Practising Accountant.

Craig Richardson BA, MBA, MAICD - Acting General Manager Governance

Craig Richardson is responsible for the governance and company secretary functions of ACTEW Corporation, ACTEW Distribution Limited and ACTEW Retail Limited. Mr Richardson joined ACTEW in 1998, was previously the past president of the ACT's Australian Institute of Credit Management and the Governance & Operations Manager for ACTEW's water security - major projects. Mr Richardson has substantial governance and commercial experience in the water and retail energy sectors, holds a Bachelor of Arts, and a Master of Business Administration.

Remuneration

The voting shareholders determine the remuneration for Directors. The Board meets as the Remuneration Committee to discuss remuneration issues for the Managing Director. Members of the Board's Committees and Directors of ACTEW Distribution Limited and ACTEW Retail Limited are not remunerated.

Table 4 – Board/s and Executive Remuneration table

	\$ Short term employee benefits			\$ Post-employment benefits - superannuation	\$ Long-term employee benefits - long service leave	\$ Termination benefits	\$ Total
	cash salary, fees and short-term compensated absences	short-term cash profit-sharing and other bonuses	non-monetary benefits (note 3)				
2013-14							
Dr Michael Easson AM Non-Executive Chairman	68,539	-	-	8,225	-	-	76,764
Wendy Caird Non-Executive Deputy Chair	39,696	-	464	4,764	-	-	44,924
John Knox Managing Director of ACTEW, Director of ACTEW Distribution and ACTEW Retail	227,732	-	-	27,328	-	-	255,060
Dr Allan Hawke AC Non-Executive Director	34,640	-	5,048	4,157	-	-	43,845
Carol Lilley Non-Executive Director	34,751	-	6,145	-	-	-	40,896
Jennifer Goddard Non-Executive Director	34,640	-	464	4,157	-	-	39,261
Rachel Peck Non-Executive Director	34,640	-	539	4,157	-	-	39,336
Mark Sullivan AO Managing Director of ACTEW (former), Director of ACTEW Distribution and ACTEW Retail (until 10/2/14)	458,645	-	13,925	38,815	87,791	690,000	1,289,176
Ian Carmody Deputy Chief Executive Officer, Director of ACTEW Distribution and ACTEW Retail (until 21/2/14)	303,190	-	3,310	16,600	41,480	418,576	783,156
Simon Wallace Chief Financial Officer, Director of ACTEW Distribution and ACTEW Retail (note 1)	287,038	-	4,087	32,562	56,420	241,199	621,306
Michele Norris Company Secretary and Executive Manager Governance (note 2)	211,865	-	3,695	38,400	60,325	323,658	637,943
Chris Webb General Manager Safety & Business Solutions	259,742	57,200	12,865	50,248	-	-	380,055
Ray Hezkial General Manager Project Delivery, Operations & Maintenance	263,797	58,300	17,707	38,510	-	-	378,314
Simon Webber Group Manager Sewerage	223,919	49,610	1,784	47,863	-	-	323,176
Amanda Lewry General Manager Asset Management	223,484	49,610	-	32,723	-	-	305,817
TOTAL	2,706,318	214,720	70,033	348,509	246,016	1,673,433	5,259,029

Notes:

- 1) Simon Wallace (Chief Financial Officer) became an unattached employee on 23 May 2014; however his official last day of employment was 4 July 2014. The short-term and post-employment benefits only relate to his employment as key management personnel. The long-term and termination benefits disclosed were for the full amount received on the last day of employment.
- 2) Michele Norris (Company Secretary and Executive Manager Governance) became an unattached employee on 27 May 2014; however her official last day of employment was 15 July 2014. The short-term and post-employment benefits only relate to her employment as key management personnel. The long-term and termination benefits disclosed were for the full amount received on the last day of employment.
- 3) Non-monetary benefits are free or subsidised goods or services relating to services in the current period, such as car parking expenses, travel expenses, conference expenses and professional membership fees including fringe benefits tax, where applicable.

Risk Management and Internal Audit

Risk management is a fundamental component of ACTEW's business, applied at all levels of the organisation. Risk management supports corporate governance through the development, implementation and continuous improvement of ACTEW's risk management framework. ACTEW's risk management framework is consistent with *AS/NZS ISO 31000:2009 Risk management – Principles and guidelines*, and includes risk management governance, policy and procedures, training and support. The framework is subject to ongoing review and continuous improvement.

Risks are identified, managed and monitored across all business units, and recorded in risk registers in accordance with ACTEW's risk management framework. As required by established procedures, key and emerging risks are reported regularly to the ACTEW Board's Audit and Risk Management Committee (ARMC).

ACTEW's risk review process is strengthened through a comprehensive internal audit program. Internal audit services are provided by an external service provider.

The ARMC provides independent assurance and advice to the Board on the integrity of ACTEW's internal control and compliance framework. Responsibilities of the Committee are detailed in the ARMC Charter, and relate to risk management, internal control, internal and external audit, legislative compliance and financial management.

Details of ARMC meetings (including attendance) held in 2013-14 are provided in the Financial Reports on page 2.

Fraud Prevention

A plan is in place to prevent, detect and respond to incidents of fraud and corruption within ACTEW. Fraud risk assessments were conducted across all key areas of ACTEW during April and May 2014 by external fraud risk specialists. Subsequent to the risk assessments the plan was reviewed, with minimal changes being made to the overall fraud and corruption control strategy.

Fraud awareness training is conducted on a bi-annual basis, the last training being completed in late 2013. Supplementary awareness training has been conducted in the 2014 calendar year via the release to all ACTEW employees of a 'Fraud and Corruption Awareness' booklet.

Online Fraud and Corruption training is also currently being developed for use in 2015 during the next bi-annual training round. There were no Fraud and Corruption incident investigations conducted during 2013-14.

Legislative Assembly Committee Inquiries and Reports

On 8 August 2013, the ACT Government responded to the Public Accounts Committee Inquiry into the Auditor-General's Report No. 2 of 2013 "Executive Remuneration Disclosed in ACTEW Corporations Limited's (ACTEW) 2010-11 Financial Statements and Annual Report 2011". The Government noted and supported the Auditor-General's Recommendation 1, and agreed to Recommendation 2 listed below:

1. That ACTEW should be required to include information provided in remuneration tables in its annual report in its financial statements so that it is audited by the Auditor-General.
2. Communication processes between the Government and ACTEW should be documented.

On 27 February 2014, the Public Accounts Committee resolved to make no further inquiries into the Auditor-General's Report No. 2.

On 3 December 2013, ACTEW appeared before the Public Accounts Committee which was inquiring into annual and financial reports 2012-13.

On 17 June 2014, ACTEW appeared before the Select Committee on Estimates which was inquiring into the ACT Government's 2014-15 Appropriation Bill.

Auditor-General and Ombudsmen Reports

The ACTEW Board's Audit and Risk Management Committee reviews relevant reports of performance audits undertaken by the Auditor-General. During 2013-14, the Auditor-General issued nine audit reports. ACTEW was included in two of these audits.

Office	Report Title	Date tabled
ACT Auditor-General	2012-13 Financial Audits	16 December 2013
ACT Auditor-General	Performance Audit Report into the Water and Sewerage Pricing Process	2 April 2014

Auditor-General Report – 2012-13 Financial Audits

On 16 December 2013, the Auditor-General released Report No. 7 of 2013 "2012-13 Financial Audits" which contained 11 recommendations for all agencies and entities. A whole of government response was submitted in March 2014 to the ACT Legislative Assembly with all recommendations being agreed to, or agreed in part.

Chapter 6 of the audit report contained the audit results and findings on ACT Government agencies and other entities including ACTEW. There were five audit findings for ACTEW which included recommendations relating to future financial reporting. ACTEW agreed to address all audit findings by the end of 2013-14.

Auditor-General Report – Performance Audit Report into the Water and Sewerage Pricing Process

In April 2014, the Auditor-General released the Performance Audit Report into the Water and Sewerage Pricing Process. The audit had one overall recommendation and seven other recommendations. The overall recommendation was that the ACT Government should review the water and sewerage price setting framework including legislative, governance and administrative arrangements. This overall recommendation was agreed to by the ACT Government.

The remaining seven recommendations are matters for action either by the ACT Government or the Independent Competition and Regulatory Commission. All eight recommendations were noted by ACTEW.

SECTION 3
LEGISLATION BASED
REPORTING

Public Interest Disclosure

The *Public Interest Disclosure Act 2012* (the PID 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 finalised its Public Interest Disclosures procedure in October 2013 for making and investigating public interest disclosures to reflect its obligations under the PID Act. This procedure is under the umbrella of ACTEW's corporate legal and compliance policy and is available to all ACTEW Staff on the ACTEW intranet.

There were no public interest disclosures made during the year.

Freedom of Information

ACTEW is a company wholly owned by the ACT Government, 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 is governed by a seven member board with the eighth director position currently being vacant.

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 and web 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.

Documents in the possession of ACTEW relate to all business and operational activities and are categorised under the following schedules in line with the Territory Records Act:

- Business Development Records
- Community Relations Records
- Compensation Records
- Corporate Governance Records
- Equipment & Store Records
- Establishment Records
- Financial Management Records
- Fleet Management Records
- Government Relations Records
- Industrial Relations Records
- Information Management Records
- Legal Services Records
- Occupational Health & Safety (OH&S) Records
- Personnel Records
- Property Management Records
- Publication Records
- Sewerage Management Records
- Strategic Management Records
- Technology and Telecommunications Records
- Water Management Records.

Documents 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*
- *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. 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:

One application was made directly to ACTEW during 2013-14 to access documents. The documents that were requested did not exist and the applicant was advised of this determination. ACTEW was also asked to consult on release of documents through third party consultation, for an FOI application that was made to another government agency. 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
Freedom of Information Requests
ACTEW Corporation Limited
GPO Box 366,
Canberra ACT 2601

or, by contacting ACTEW on telephone number 6248 3111.

Human Rights Act

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 ACTEW's corporate legal and compliance policy. The procedure outlines the corporate behaviour standards as per the *Human Rights Act 2004* (the HR Act) as well as the framework to manage human rights complaints. The procedure was 'reinforced' with ACTEW staff providing direct customer services in June 2014.

One matter received in June 2014 is currently being reviewed before the Human Rights Commissioner, but there were no cases before courts or tribunals which involved contravention of the HR Act during the year.

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 align with the whole of government record keeping model. ACTEW has commenced a process of transitioning to a new electronic document records management system. This will provide for easier and more effective sentencing of water and sewerage management records in line with the TRO requirements.

Legal Services Directions

ACTEW is a separate legal entity from the Territory and complies with its obligations under the *Law Officers (General) Legal Services Directions 2012* as these apply to it. In relation to claims and litigation, ACTEW utilises the services of a number of commercial legal firms. 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).

Bushfire Risk Management

ACTEW commenced development of a Bushfire Operational Plan in consultation with the ACT Rural Fire Service. The Plan consolidates and builds on existing bushfire arrangements within a variety of ACTEW Emergency Plans and in doing so, better captures and coordinates all of ACTEW's bushfire prevention, preparedness, response and recovery measures.

An important component of the draft Bushfire Operational Plan is the management of vegetation that poses a potential risk to the integrity and operation of water and sewerage assets. An initial assessment of environmental works required for operational, security and bushfire purposes around all major ACTEW assets has been undertaken and scoping of work prepared. Much of this work has been approved and completed and commencement of the remaining works is planned, pending approval. The principal work is expected to be completed during the first quarter of the new financial year.

ACTEW is also taking steps to reach agreements with approval authorities with the aim of ACTEW maintaining asset protection zones in perpetuity.

In 2013-14, ACTEW had 164 of its employees attend Bushfire Awareness Training delivered by a commercial training provider. Discussions are currently underway between ACTEW and the ACT Rural Fire Service regarding a cooperative approach to the provision of more comprehensive Basic Wildfire Awareness training for ACTEW personnel.

Commissioner for the Environment

ACTEW continued to engage and assist with the preparation of the ACT's State of Environment Report and, in February 2014, relevant ACTEW staff attended a workshop held by the Commissioner for the Environment. There were no investigations carried out by the Commissioner with ACTEW.

SECTION 4
HUMAN RESOURCES
MANAGEMENT

Staffing Profile

Organisational structure

From 1 July 2013, a new business structure was implemented that separated the water and waste water business functions.

Under this business structure, three executive positions reported to the Managing Director; the Deputy Chief Executive Officer (DCEO), Chief Financial Officer (CFO), and the Company Secretary/Executive Manager Governance. Six group managers reported directly to the Deputy CEO. The CFO was responsible for finance, energy investments and risk and assurance. The Company Secretary/Executive Manager Governance was responsible for corporate governance, government relations and community support and sponsorship.

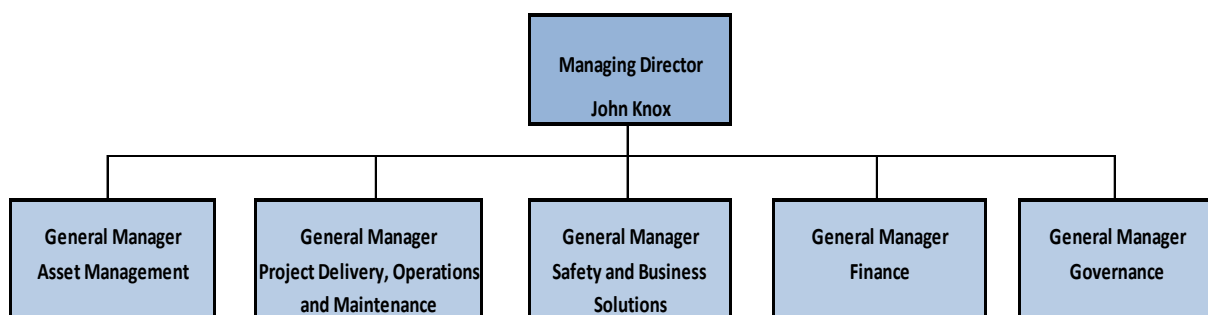
The departure of the DCEO in March 2014 led to the six group managers reporting directly to the new Managing Director as an interim measure.

Changes to the organisational structure were announced by the new Managing Director on 4 June 2014. These changes introduced a realignment of current business areas into the following five groups (as shown in the diagram below):

- Asset Management** (combining the water and sewerage groups)
- Project Delivery, Operations and Maintenance**
- Safety and Business Solutions**
- Finance
- Governance

**General Managers for these groups were appointed in June 2014. The remaining two general manager positions were advertised in June 2014.

ACTEW's current executive management structure chart is provided below.



The new organisational structure and executive team provides ACTEW with the ability to better respond to operational challenges, as well as having the capacity for improved long term asset management and business planning in 2014-15 and beyond.

Staffing profile

At 30 June 2014 staffing numbers totalled 389 (FTE).

Table 5: Staff profile by employment type and gender

	Female	Male	Total
Full Time Equivalent	87	302	389
Headcount	91	304	395
% of workforce (based on headcount)	23.04	76.96	100.00

Table 6: Staff profile by employment category and gender (Headcount)

Employment category	Female	Male	Total
Casual	1	1	2
Permanent Full-time	75	286	361
Permanent Part-time	10	4	14
Temporary Full-time	3	13	16
Temporary Part-time	2	-	2
TOTAL	91	304	395

Table 7: Staff profile by age groups and gender (Headcount)

Age Group	Female	Male	Total
<20	-	1	1
20-24	5	3	8
25-29	14	10	24
30-34	21	44	65
35-39	18	44	62
40-44	13	43	56
45-49	9	47	56
50-54	5	32	37
55-59	3	43	46
60-64	3	27	30
65-69	-	6	6
70 plus	-	4	4

Table 8 Staff profile by average years of service by gender (Headcount)

	Female	Male	Total
Average years of service	6.87	13.20	20.07

Table 9 Staff profile by equity and diversity groups (Headcount)

	Number	Percentage %
Aboriginal and Torres Strait Islander	2	0.51
Culturally & Linguistically Diverse	28	7.00
People with disability	5	1.27
Total	34	8.62

Work Health and Safety

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

In 2013-14, there were five workplace health and safety committees (representing various work groups) and 24 health and safety representatives across ACTEW. The committees meet either quarterly or monthly depending on the work group. All new staff are inducted to their usual work site on their first day and this process is included in ACTEW's key performance indicator targets in the Staff Incentive Scheme. During 2013-14, safety toolbox talks were held at all ACTEW sites on a monthly basis to discuss various safety matters. Attendance rates were above 80%.

The workplace health and safety program *Always Safe* is an integrated health, safety and environment 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.

A three year safety strategy was released across the business in February 2014. The strategy focuses on three themes: culture, risk and systems. Several key initiatives have been delivered in 2013-14:

- safety culture survey undertaken in February 2014
- safety toolbox talk sessions across ACTEW
- "Stop Work for Safety" sessions held across the business in September 2013
- "Working at Heights" program – review of ACTEW assets undertaken to ensure compliance with the WHS Act. Over 100 assets were identified through this process as presenting a high level of safety risk. Design changes are now being introduced for the majority of high priority sites
- development and trial of an asset risk assessment model on a number of water and sewer assets. A risk assessment model is also being developed for plant and equipment and work activities.

During 2013-14, three lost time injuries occurred, which was a significant reduction from 2012-13. There were 25 notifiable incidents to WorkSafe ACT during the financial year, of which a majority related to exposure to asbestos, unintentional release of energy (gas main hits) and exposure to hazardous chemicals.

The finalisation of the construction of the Enlarged Cotter Dam in August 2013 allowed ACTEW to measure the safety performance over the entirety of the project. Safety management was paramount on the project due to the size and scale of the project and the inherently dangerous and challenging environment. During abutment excavation including clean down, there were no single serious incidents or injuries and this commitment to safety continued throughout the project. Safety training was a high priority on the project with in excess of 11,700 hours of formal training being provided. In addition to formal training, there was a considerable investment in project-specific consultation, with all workers engaged in task specific risk management processes and more than 4,000 site inductions undertaken over the course of the project. The final lost time injury frequency rate of 2.76 for the project is better than the civil industry average of 10.28, and the commercial industry average of 3.28 being the traditional lag indicator for bench marking safety performance as published by the Office of the Federal Safety Commissioner for 2013. Out of the 2.5 million total hours worked on the project, there were no incidents that resulted in permanent injury and no Comcare or WorkSafe prosecutions being brought. Considering the extreme risk profile of the project, exceeding industry averages highlights the exceptional safety performance on the project.

SECTION 5

FINANCIAL MANAGEMENT

Financial Management Analysis

The following financial information is based on audited Financial Statements for 2013-14 and 2012-13.

Operating Result

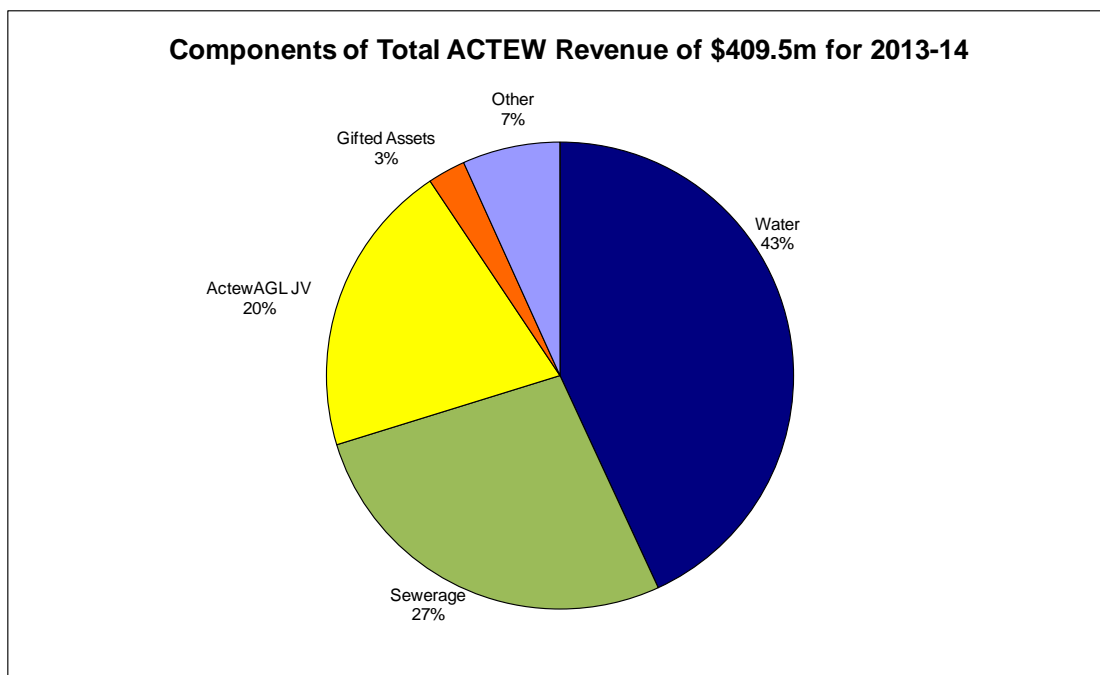
ACTEW recorded a net profit after tax for the year 2013-14 of \$80.8m (2012-13 \$79.6m).

Key factors that contributed to this performance:

- Water and sewerage revenue was \$12.3m lower than prior year, mainly attributable to reduced sewerage prices in the current year.
- ActewAGL joint venture income was \$14.2m lower than 2012-13, mainly due to the gain on sale of the water and sewerage business in the prior year.
- A decrease of \$27.3m to operational costs mainly due to recognition of a contract termination payment to integrate the water and sewerage business in the prior year.

Total Revenue

During 2013-14 ACTEW derived \$409.5m in revenue and distributions. The components of this are depicted in the following graph:



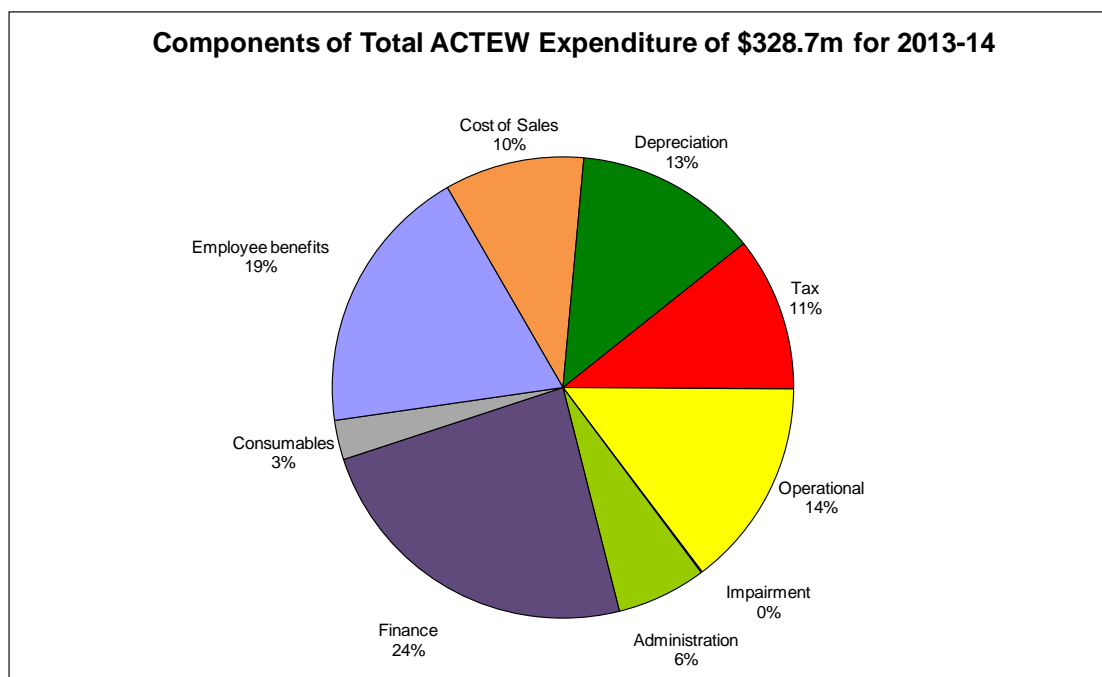
Comparison to 2012-13 Total Revenue

Total revenue of \$409.5m was \$21.2m lower than 2012-13. The main factors were:

- Water and sewerage revenue was \$12.3m lower than prior year, mainly attributable to reduced sewerage prices in the current year.
- ActewAGL joint venture income was \$14.2m lower than 2012-13, mainly due to the gain on sale of the water and sewerage business in the prior year.
- Gifted assets revenue was \$6.0m higher than 2012-13, mainly due to the Googong Estate project.

Total Expenditure

During 2013-14 ACTEW incurred \$328.7m in expenditure. The components of this are depicted in the following graph:



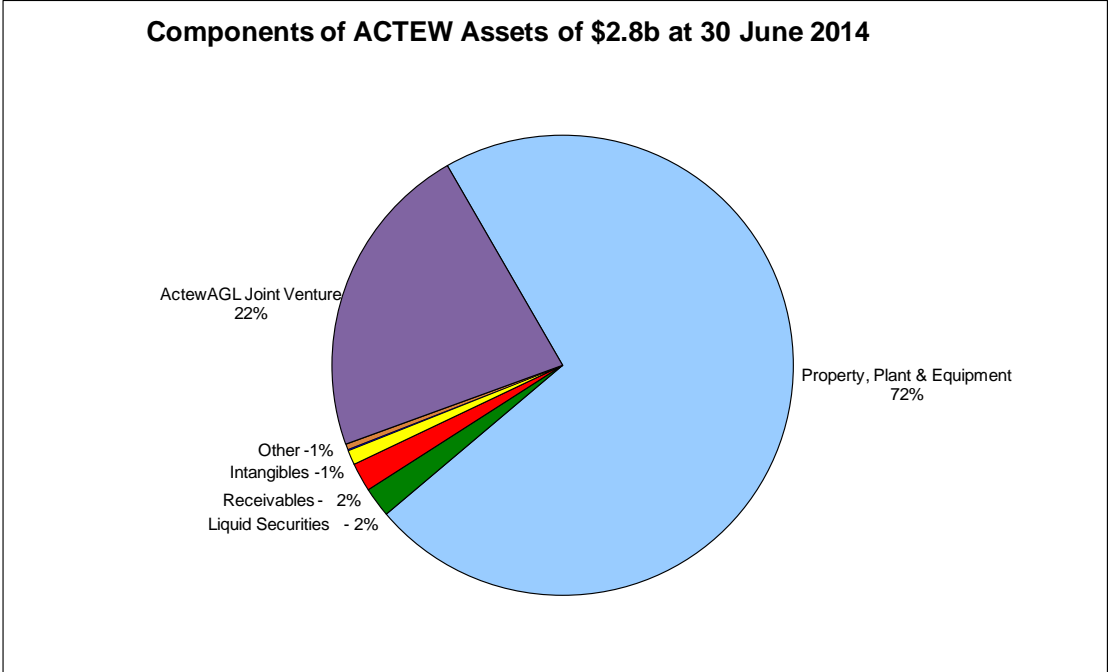
Comparison to 2012-13 Total Expenditure

Total expenditure was \$22.4m lower than 2012-13 mainly due to the following factors:

- A decrease of \$27.3m to operational costs due to purchasing the contract related to the water and sewerage business in the prior year.
- A \$6.0m decrease in income tax expense.
- An increase in finance costs of \$4.6m due to higher interest expense.
- Increase in depreciation expense of \$6.4m as a result of increases in the asset base from revaluation in 2012-13 and part capitalisation of the Enlarged Cotter Dam (ECD).

Assets

ACTEW has \$2.8b in assets at 30 June 2014. The components are as depicted in the following graph:

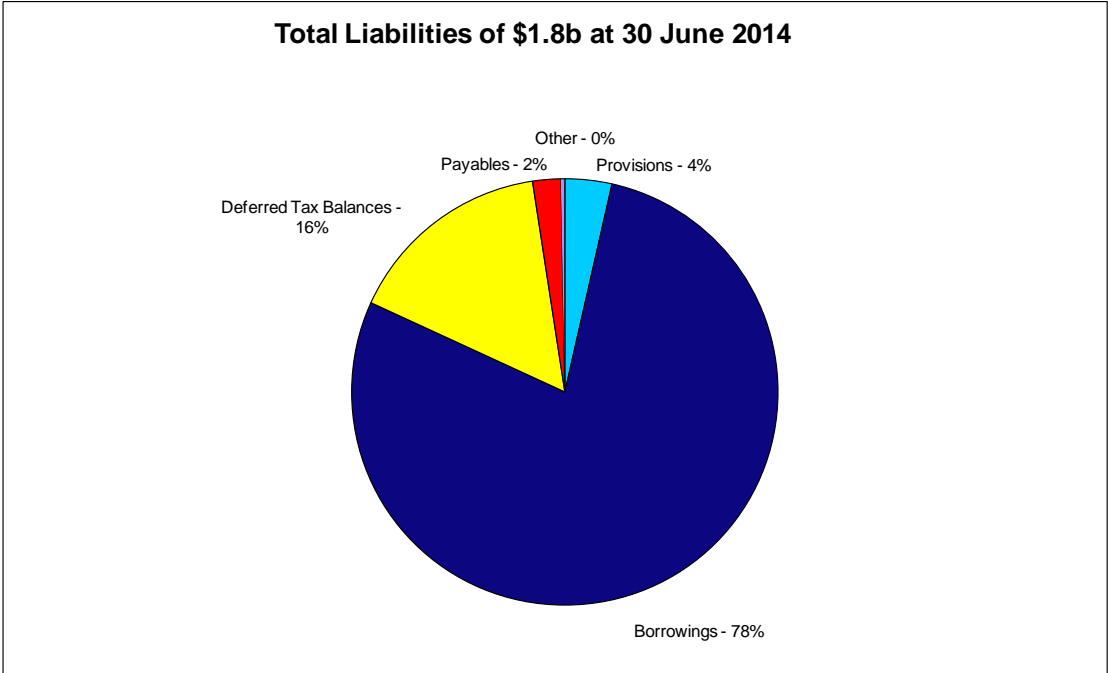


The major components are as follows:

- ACTEW has a book value investment of \$2.1b in property, plant and equipment. This mainly consists of ACTEW’s water and sewerage infrastructure assets;
- ACTEW has a carrying value investment of \$632.8m in the ActewAGL joint venture that operates in the energy sector. The energy business consists of two separate operations, energy retailing and distribution.

Total Liabilities

ACTEW has \$1.8b in liabilities. The components are as depicted in the following graph:



The major components are as follows:

- Outstanding borrowings at 30 June 2014 are \$1.4b. These borrowings have increased in recent years to fund large general and water security capital expenditure;
- Deferred tax net liability at 30 June 2014 of \$290.0m. This amount is mainly from 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 2013-14 were \$138.2m as dividends and \$37.8m as income tax equivalent payments.

Financial Reports

ACTEW Corporation Limited and Controlled Entities

ABN 86 069 381 960

**General Purpose
Financial Report**
for the year ended 30 June 2014

ACTEW Corporation Limited and Controlled Entities

ABN 86 069 381 960

Financial Report for the year ended 30 June 2014

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

The financial statements were authorised for issue by the Directors on 29 August 2014.

**ACTEW Corporation Limited and Controlled Entities
Corporate profile**

Principal registered office in Australia	Level 5, ActewAGL House 40 Bunda Street Canberra ACT 2600 (02) 6248 3871
Principal place of business	Level 5, ActewAGL House 40 Bunda Street CANBERRA ACT 2600 GPO Box 366 CANBERRA ACT 2601
Auditor	ACT Auditor-General
Solicitors	King & Wood Mallesons Minter Ellison Clayton Utz
Bankers	Westpac Banking Corporation Commonwealth Bank of Australia Reserve Bank of Australia
website	www.actew.com.au

Directors' report

The Directors present the financial report of ACTEW Corporation Limited (ACTEW) and its controlled entities (Group) at the end of, or during, the year ended 30 June 2014.

Directors

The following persons held office as Directors of ACTEW during the whole of the financial year and up to the date of this report unless otherwise indicated:

Dr Michael Bernard Easson AM, Chairman
Wendy Caird, Deputy Chair, Chair of the Safety and Environment Committee
John Knox, Managing Director (appointed 27 March 2014)
Dr Allan Douglas Hawke AC
Carol Jean Lilley, Chair - Audit and Risk Management Committee
Jennifer Lois Goddard
Rachel Sarah Hartel Peck
Mark Anthony Sullivan AO (until 10 February 2014)

Company Secretary

Michele Norris (until 15 July 2014)
Craig Richardson (appointed 29 May 2014)

Michele Norris commenced with ACTEW in 1999 and was appointed Company Secretary in December 2003. During the year, she was 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. 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.

Ms Norris was the Company Secretary of ACTEW Distribution Limited and ACTEW Retail Limited for the financial year, however at the date of the directors report, Craig Richardson is the appointed Company Secretary.

Refer to pages 28-31 of the Annual Report for information on experience and qualifications of the directors and the newly appointed Company Secretary (Craig Richardson).

Meetings of directors

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

	ACTEW Board meetings		Audit & Risk Management Committee Meetings		Remuneration Committee Meetings*		Nomination Committee Meetings		Safety and Environment Committee	
	A	B	A	B	A	B	A	B	A	B
Dr Michael Bernard Easson AM	11	12	-	-	-	-	1	1	-	-
Wendy Caird	12	12	-	-	-	-	1	1	3	3
John Knox	1	1	-	-	-	-	-	-	-	-
Dr Allan Douglas Hawke AC	11	12	2	5	-	-	1	1	-	-
Carol Jean Lilley	11	12	5	5	-	-	1	1	-	-
Jennifer Lois Goddard	11	12	5	5	-	-	1	1	-	-
Rachel Sarah Hartel Peck	7	12	-	-	-	-	1	1	2	3
Mark Anthony Sullivan AO	9	9	-	-	-	-	1	1	1	2

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the period

* = No remuneration committee meetings were held in the period ended 30 June 2014. The last meeting was held on 27 June 2013 and the next meeting was held on 2 July 2014.

Meetings of directors (continued)

Twelve directors' meetings were held during the financial year. The Board's Committees also met during the year. The Audit and Risk Management Committee met five times during the year. The Safety and Environment Committee met three times during the year. The Nomination Committee met once during the year.

Principal activities

ACTEW is an unlisted public company whose primary business is the delivery of water, sewerage and associated services. ACTEW owns and operates the ACT's network of dams, water treatment plant, sewerage treatment plants, reservoirs, water and sewerage pumping stations, mains and other related infrastructure. ACTEW, through its wholly owned subsidiaries, is also a 50% partner in ActewAGL.

ActewAGL consists of two partnerships:

- ActewAGL Distribution, which owns and operates the electricity network in the ACT and the gas network in the ACT, Shoalhaven and Queanbeyan regions.
- ActewAGL Retail, which sells electricity and gas to its retail and commercial customers in the ACT and surrounding regions (including Goulburn, Boorowa, Yass, Young and Shoalhaven).

ACTEW's interest in ActewAGL is held by its two wholly-owned subsidiaries, ACTEW Distribution Limited and ACTEW Retail Limited.

The principal activities of the subsidiary companies are as follows:

- ACTEW Retail Limited - a holding company for ACTEW's interest in the Retail Partnership of the ActewAGL Joint Venture. ACTEW Retail Limited also 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 Distribution Limited - a holding company for ACTEW's interest in the Distribution Partnership of the ActewAGL Joint Venture.

Review of operations

A summary of the revenue and results is set out below.

	2014	2013
	\$'000	\$'000
Revenue (from continuing operations and other income)	325,910	332,864
Share of net profit from joint venture partnerships	83,582	97,790
Total revenue and share of net profit from joint venture partnerships	409,492	430,654
Profit before income tax expense	116,308	121,078
Income Tax	(35,484)	(41,498)
Profit for the year	80,824	79,580
Payments to ACT Government:		
Interim dividend for current year profit	58,662	-

Review of operations (continued)

	2014 \$'000	2013 \$'000
Final dividend for previous year profit	79,580	18,359
	138,242	18,359
Tax equivalent payments	37,819	60,918
	176,061	79,277

Dividends

An interim dividend of \$58.7 million (2013 interim: \$0.0m) was paid in June 2014. The directors expect to declare a 2013-2014 final dividend of \$18.1 million (2013 final: \$79.6m).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of ACTEW during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

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.

Environmental Regulations

In accordance with the *Environment Protection Act 1997* (ACT), 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 discharge from the Googong Water Treatment Plant. ACTEW complied with all reporting requirements during 2013-14.

	Compliance 2013-14	Target
Googong pollution control licence compliance	100%	100%
Sewerage treatment discharge compliance	100%	100%
Sewerage treatment incinerator air emission compliance	99.5%	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.

Regulation and Licence Compliance (continued)

Licence to Take Water

Issued by the ACT Environment Protection Authority (EPA) under the *Water Resources Act 2007*, the '*Licence to Take Water*' provides for taking of water covered by water access entitlements and the protection of environmental flows. ACTEW provided its annual report to the EPA on 30 October 2013. ACTEW complied with the requirements of the licence throughout 2013-14. ACTEW provided monthly reports to the EPA detailing compliance with the environmental flow requirements.

Drinking Water Utility Licence

ACTEW has a '*Drinking Water Utility Licence*' issued by ACT Health, which authorises ACTEW to carry on the Operation of Drinking 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 2013-14.

Insurance of officers

During the year ACTEW paid a premium of \$162,689 (2013 - \$158,600) in respect of a contract insuring the directors and officers of ACTEW, its controlled entities and ActewAGL.

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.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Rounding of amounts

In accordance with Class Order 98/100 dated 10 July 1998, 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.



Dr Michael Bernard Easson AM
Chairman

Canberra
29 August 2014



John Knox
Managing Director

Canberra
29 August 2014



Carol Jean Lilley
Chair - Audit and Risk Management Committee

Canberra
29 August 2014

ACTEW Corporation Limited and Controlled Entities
Directors' declaration
30 June 2014

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 64 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards - Reduced Disclosure Requirements, 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 2014 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



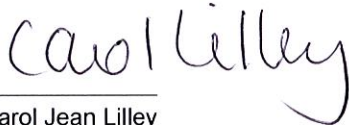
Dr Michael Bernard Easson AM
Chairman

Canberra
29 August 2014



John Knox
Managing Director

Canberra
29 August 2014



Carol Jean Lilley
Chair - Audit and Risk Management Committee

Canberra
29 August 2014

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 2014 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 2014 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
29 August 2014

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

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
FINANCIAL REPORT OF ACTEW CORPORATION LIMITED
FOR THE YEAR ENDED 30 JUNE 2014**

In relation to the audit of the financial report of ACTEW Corporation Limited and Controlled Entities for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely



Dr Maxine Cooper
Auditor-General
29 August 2014

ACTEW Corporation Limited and Controlled Entities
Consolidated income statement
For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations	5	289,633	305,484
Other income	6	36,277	27,380
		<u>325,910</u>	<u>332,864</u>
ACT Government charges		(32,128)	(30,930)
Employment and associated costs		(62,239)	(61,093)
Depreciation and amortisation expense	7	(42,284)	(35,917)
Finance costs	7	(78,487)	(73,888)
Operational costs		(47,939)	(75,281)
Consumables used		(9,157)	(10,002)
Impairment of assets	7	(308)	(4,927)
Other expenses arising from ordinary activities		(20,642)	(17,538)
Share of net profit of joint venture partnerships accounted for using the equity method		83,582	97,790
Profit before income tax		<u>116,308</u>	<u>121,078</u>
Income tax expense	8	(35,484)	(41,498)
Profit for the year		<u>80,824</u>	<u>79,580</u>
Profit is attributable to:			
Owners of ACTEW Corporation Limited and Controlled Entities		<u>80,824</u>	<u>79,580</u>

The above consolidated income statement should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities
Consolidated statement of comprehensive income
For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Profit for the year		80,824	79,580
Fixed asset revaluation increment	19	-	74,012
Intangibles revaluation increment	21	754	-
Income tax relating to components of other comprehensive income		<u>(227)</u>	<u>(22,204)</u>
Items that will not be reclassified subsequently to profit and loss	31	527	51,808
Other comprehensive income			
Total comprehensive income for the year		<u>81,351</u>	<u>131,388</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities
Consolidated balance sheet
As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	52,545	83,744
Held-to-maturity investments	11	6,961	-
Trade and other receivables	12	46,021	53,818
Inventories	13	3,468	3,690
Other current assets	14	11,445	11,286
Prepayments	15	3,112	740
Held for sale assets	16	10,770	-
Total current assets		<u>134,322</u>	<u>153,278</u>
Non-current assets			
Held-to-maturity investments	17	-	468
Investments accounted for using the equity method	18	632,869	601,287
Property, plant and equipment	19	2,054,596	2,025,593
Intangible assets	21	18,157	27,066
Other non-current assets	22	7,020	2,112
Total non-current assets		<u>2,712,642</u>	<u>2,656,526</u>
Total assets		<u>2,846,964</u>	<u>2,809,804</u>
LIABILITIES			
Current liabilities			
Trade and other payables	23	39,238	55,367
Borrowings	24	18,977	17,392
Provisions	25	48,389	105,964
Other current liabilities	26	4,810	3,496
Total current liabilities		<u>111,414</u>	<u>182,219</u>
Non-current liabilities			
Borrowings	27	1,427,362	1,335,105
Provisions	28	17,452	9,613
Other non-current liabilities	29	660	724
Deferred tax balances	20	290,344	287,315
Total non-current liabilities		<u>1,735,818</u>	<u>1,632,757</u>
Total liabilities		<u>1,847,232</u>	<u>1,814,976</u>
Net assets		<u>999,732</u>	<u>994,828</u>
EQUITY			
Contributed equity	30	758,871	758,871
Reserves	31	228,123	228,156
Retained profits	31	12,738	7,801
Total equity		<u>999,732</u>	<u>994,828</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

ACTEW Corporation Limited and Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		317,749	313,334
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(171,484)</u>	<u>(161,170)</u>
		146,265	152,164
Interest received		1,972	6,426
Income taxes paid		<u>(37,819)</u>	<u>(60,918)</u>
Interest paid		<u>(77,068)</u>	<u>(73,558)</u>
Net cash inflow from operating activities		<u>33,350</u>	<u>24,114</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(64,941)	(154,391)
Proceeds from sale of assets		258	(27)
Payments for intangibles		(311)	(540)
Joint venture partnership distributions received		52,000	48,950
Receipts from investment		468	114
Net cash (outflow) from investing activities		<u>(12,526)</u>	<u>(105,894)</u>
Cash flows from financing activities			
Proceeds from borrowings		147,865	-
Repayment of borrowings		(54,625)	(6,622)
Finance lease payments		(60)	-
Dividends paid	9	<u>(138,242)</u>	<u>(18,359)</u>
Net cash (outflow) from financing activities		<u>(45,062)</u>	<u>(24,981)</u>
Net (decrease) in cash and cash equivalents			
		(24,238)	(106,761)
Cash and cash equivalents at the beginning of the financial year		83,744	190,505
Cash and cash equivalents re-classified to held-to-maturity investments in the financial year	11	<u>(6,961)</u>	-
Cash and cash equivalents at end of the financial year	10	<u>52,545</u>	<u>83,744</u>

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

ACTEW Corporation Limited and Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2014

Notes	Capital \$'000	Retained earnings \$'000	General Reserve \$'000	Property, Plant and Equipment Revaluation Reserve \$'000	Total equity \$'000
Balance at 1 July 2012	758,871	7,801	9,820	166,528	943,020
Profit for the year as reported in the 2013 financial statements	-	79,580	-	-	79,580
Other comprehensive income	-	-	-	51,808	51,808
Total comprehensive income for the year	-	79,580	-	51,808	131,388
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	(79,580)	-	-	(79,580)
Balance at 30 June 2013	758,871	7,801	9,820	218,336	994,828
Balance at 1 July 2013	758,871	7,801	9,820	218,336	994,828
Adjustment on prior year	-	846	-	(560)	286
Restated total equity at the beginning of the financial year	758,871	8,647	9,820	217,776	995,114
Profit for the year as reported in the 2014 financial statements	-	80,824	-	-	80,824
Profit for the year	-	80,824	-	-	80,824
Other comprehensive income	-	-	-	527	527
Total comprehensive income for the year	-	80,824	-	527	81,351
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	(76,733)	-	-	(76,733)
Balance at 30 June 2014	758,871	12,738	9,820	218,303	999,732

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. ACTEW Group is a for-profit entity for the purpose of preparing the financial statements.

(i) *New and amended standards adopted by the group*

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

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards, AASB 2012-11 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments, AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements .
- AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13, AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements. The application of the AASB 13 and the amending standards do not have any material impact on the consolidated financial statements.
- AASB 119 Employee Benefits (September 2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements. The Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the consequential amendments for the first time. There is no retrospective restatement of the comparative amounts as the application of the revised standards does not have any material impact on the consolidated financial statements.
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. The application of these amendments does not have any material impact on the consolidated financial statements.
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.
- AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments'. The Group applied the amendments and updated the accounting policies accordingly.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) *New and amended standards adopted by the group (continued)*

The adoption of AASB 119 resulted in adjustments to the amounts recognised in the financial statements. This is explained and summarised below. The adoption of AASB 11 resulted in no changes to the treatment of ActewAGL (the joint arrangement). ACTEW Retail and ACTEW Distribution determined their investment in each of the ActewAGL Partnerships to be a 'joint venture' under AASB 11 and ACTEW continues to account for it using the equity accounting method. The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

The other standards only affected the disclosures in the notes to the financial statements.

The revised AASB 119 *Employee Benefits* standard has changed the accounting for the Group's annual leave obligations. Short-term employee benefits under the superseded AASB 119 were benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. Only benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service are classified as short-term employee benefits.

Annual leave benefits which are classified as long-term employee benefits under the revised AASB 119 (i.e. where they are not expected to be wholly settled within 12 months) will need to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

ACTEW assessed the impact of discounting annual leave benefits retrospectively, and found the prior period impact to be immaterial. The current year was also assessed and found not to have a material impact.

ACTEW also assessed long service leave benefit and found the prior period impact to be immaterial and no adjustments were made to the accounts. For the current period, an adjustment was made to long service leave benefits as a result of the assessment.

(ii) *Early adoption of standards*

The Group has elected not to early adopt any new or amended standards in the current year.

(iii) *Historical cost convention*

These financial statements have been prepared on a historical cost basis except those assets and liabilities recognised at fair value including property, plant and equipment.

(iv) *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of ACTEW and its controlled entities as at 30 June 2014 and the results for the period then ended. ACTEW and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

AASB 10 provides the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. ACTEW meets the core definition for its subsidiaries - ACTEW Retail Limited and ACTEW Distribution Limited. ACTEW maintains a 100% control of its subsidiaries.

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

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.

Property, plant and equipment (PPE) assets in the Distribution Partnership and Retail Partnership are re-valued to fair value (within ACTEW Distribution Limited's accounts, nil impact on ACTEW Retail) in order to align the investment with ACTEW's accounting policy on valuation of PPE using fair value. This is performed by applying a director's valuation based on future discounted cash flows. The PPE assets in the Distribution Partnership were last adjusted to fair value in 2007, after which commenced the economic regulation of electricity distribution networks with a pricing determination in place to 30 June 2014. ACTEW intends to review the PPE assets within the Distribution and Retail Partnerships at the beginning of every finalised pricing review period (as assumptions are not expected to change within the regulation period).

(ii) Joint ventures

Joint venture partnerships

Under AASB 11 Joint Arrangements, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form of the arrangements, contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

ACTEW has reviewed and assessed its joint arrangement partnerships (ActewAGL Retail Partnership and ActewAGL Distribution Partnership) in accordance with the requirements of AASB 11 and concluded them to be joint ventures. The interests in the joint venture partnerships are accounted for using the equity method.

Under the equity method, the share of the profit and losses of partnerships is recognised in the income statement, and the share of movements in reserves is recognised in other comprehensive income. Profits or losses on transactions establishing the joint venture partnerships and transactions with the joint ventures 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 Partnerships are set out in Note 37.

1 Summary of significant accounting policies (continued)

(c) Business activity

ACTEW is an unlisted public company with assets and investments in water, sewerage, electricity and gas. ACTEW is the supplier of water, sewerage and associated services in ACT and Queanbeyan, NSW. It owns and operates the ACT's network of dams, water treatment plants, sewerage treatment plants, reservoirs, water and sewerage pumping stations, mains and other related infrastructure. ACTEW is owned by the ACT Government and has two voting shareholders: the Chief Minister and Deputy Chief Minister of the ACT.

On 3 October 2000, wholly owned subsidiaries of ACTEW 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. Partnership changes occurred in August 2007 resulting in AGL Energy Ltd being 50% owner of the ActewAGL Retail Partnership and Jemena Networks (ACT) Pty Ltd being 50% owner of the ActewAGL Distribution Partnership.

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.

ActewAGL Distribution owns and operates the electricity and gas distribution networks in the ACT and in certain adjacent regional centres. ActewAGL Retail sells electricity and gas to its retail and commercial customers in the ACT and surrounding regions.

(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 wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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 Group. The specific recognition criteria must also be met before revenue is recognised.

Water and Sewerage 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) Acquisition 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 debts become uncollectible in a subsequent period. The amount of the impairment loss is recognised in the income statement within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(h) Property, plant and equipment

Valuation

Water and sewerage assets are shown at fair value. The valuation is prepared on an annual basis. The value is determined by applying a discounted cash flow analysis to the asset base.

Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are undertaken by external independent valuers every 3 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 are therefore valued using the depreciated replacement cost approach. Other non-specialised land and buildings are valued using capitalisation of income approach and market value approach.

1 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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 shareholder's 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 the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

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	33-100
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 asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

(i) Impairment of non-financial assets

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

(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

The Group classifies its financial assets 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 the end of each reporting date.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(i) Loans and receivables

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group 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 end of the reporting period, which are classified as current assets.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised and derecognised on a trade date basis i.e. the date on which the Group commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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 other comprehensive income are reclassified to profit or loss 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. 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 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.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Impairment of financial assets

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. Where there are no equity reserves in respect to the financial asset, the full impairment is recognised in the profit and loss.

ACTEW performs an annual impairment test when indicators of impairment in the ActewAGL investment exist. The impairment test compares the carrying value of the investment with the recoverable value (i.e. value in use or market value). ACTEW engages a value in use model to determine the recoverable value by way of a Discounted Cash Flow (DCF) model. When the recoverable value is less than the carrying value the investment is considered impaired. ACTEW is not able to revalue its equity accounted investments to market value.

(l) Leases

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.

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

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.

(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 initially recognised at cost and subsequently measured to fair value and are subject to an annual impairment test. Water licences have an indefinite useful life and are therefore 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 (Note 16 and 21).

Carbon Credits

ACTEW committed to offset the carbon production associated with the construction and operation of the Water Security Major Projects (WSMP). ACTEW has confirmed contracts with AusCarbon Pty Ltd and CO2 Australia Limited to supply 900,000 tonnes of carbon credits over 30 years. The legislation framework governing carbon credits remains uncertain at this stage. An impairment of the full amount of carbon credit units for the year has been recognised for the year ended 30 June 2014 of \$308,286 (2013: \$340,749).

1 Summary of significant accounting policies (continued)

(m) Intangible assets (continued)

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.

Amortisation is calculated using the straight-line method to allocate the assets' cost over the estimated useful life of 5 years.

(n) Trade and other payables

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

(o) Interest-bearing loans and borrowings

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

Indexed Annuity Loans are adjusted quarterly based on the Consumer Price Index (CPI). The adjustment increases the principal of the loan and an expense is recognised in the period of the adjustment depending on the terms of the loan. Refer to notes 24 and 27.

(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 and long service leave where employees have been employed by ACTEW for seven years or greater, is recognised as a current provision for employee benefits. Under the Amendments to AASB 119 *Employee Benefits*, leave entitlements that are not expected to be wholly settled in 12 months must be discounted to a present value.

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 is therefore classified as 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.

1 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(ii) Seconded employees

Some ACTEW staff are seconded to ActewAGL 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 ActewAGL.

ACTEW also has a number of staff seconded from ActewAGL, ACTEW is charged the employee related expenses relating to these staff. Employee related expenses are recognised in the income statement in respect of these staff. Employee entitlements associated with these employees are recognised as a liability in the Statement of Financial Position.

(r) Provisions

Provisions are recognised when the 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. Refer to Note 3 for details on key provisions.

(s) Dividends

The voting shareholders maintained a dividend policy of 100% distribution of net profit after tax for ACTEW. Dividends are paid as an interim payment of 80% of forecast net profit after tax in June with the balance paid in October upon finalisation of the financial statements. This policy is reviewed each financial year with the voting shareholders. Due to finalisation of the ICRC final price direction in June 2013, it was agreed with the ACT Treasurer that prior period dividends would be paid in full on finalisation of the 2012-13 financial statements, resulting in payment in the 2013-14 period. In the current year, the dividend paid to ACT Government is net of the Gifted Asset revenue derived from Googong Estate, in line with agreements with ACT Government.

(t) Government grants

ACTEW receives a Commonwealth subvention payment for location limitations 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.

(u) Inventories

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.

Regular stock takes are performed on a cyclical basis, where inventory is assessed for obsolescence and written off to profit and loss when required.

(v) 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.

1 Summary of significant accounting policies (continued)

(w) 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.

(x) Parent entity financial information

The financial information for the parent entity, ACTEW, disclosed in note 39 has been prepared on the same basis as the consolidated financial statements.

(y) Rounding of amounts

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

2 Financial risk management

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 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 estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value assessment

ACTEW's water and sewerage infrastructure assets are held at fair value in accordance with note 1(h) *Property, Plant and Equipment*.

In 2007, a Depreciated Replacement Cost valuation was performed and resulted in a valuation significantly above the carrying amount of the water and sewerage infrastructure assets. Since then, the fair value of infrastructure assets is determined annually by application of a value in use 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 based on the pricing determination for the specific regulatory period. The expected net cash flows are then discounted to their present value using a market determined risk adjusted discount rate. This fair value method is consistent with the approach taken by other Australian water and sewerage utilities.

The DCF valuation for the year ended 30 June 2014 reflects the Independent Competition Regulatory Commission's (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 6.10%. 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.

The key assumptions underlying valuation calculations for the current reporting period are:

- The cash flow forecasts are based on the ICRC's remaining five-year regulatory period and presume that the assumptions of the final report are maintained.
- Operating and capital expenditure for the first year is based on the ICRC decision, from years two to five expenditure is based on [ACTEW]'s assumptions.
- The market based nominal discount rate (post tax) used is 6.10%.
- The terminal growth rate used is 2.5%.

The DCF method 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 \$35 million for water infrastructure assets and \$24 million for sewerage infrastructure assets. ACTEW obtained independent advice over the discount rate adopted for the current financial year.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

Due to the highly sensitive market based nominal discount rate used in DCF models, ACTEW has implemented a materiality policy to assist in determining whether revaluation increments or decrements will be recognised in any one year for either water or sewerage assets.

ACTEW will apply the following quantitative thresholds for determination of materiality:

- (a) an amount that is equal to or greater than 10 per cent of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary;
- (b) an amount that is less than 10 per cent but greater than 5 per cent of the appropriate base amount may be presumed not to be material where the weighted average cost of capital (WACC) contributing to this amount is within a market-based range of acceptable WACC rates, unless there is evidence, or convincing argument, to the contrary; and
- (c) an amount that is equal to or less than 5 per cent of the appropriate base amount may be presumed not to be material unless there is evidence, or convincing argument, to the contrary.

ACTEW will make an assessment of materiality based on the total asset base of a cash generating unit (CGU). This includes all individual and collective transactions impacting a CGU.

In addition to assessing quantitative movements in the value of the CGU, ACTEW will conduct a qualitative evaluation of any movement to ensure that qualitative factors support the recognition or not, of the revaluation increment or decrement, in any year.

This policy will reduce fluctuations to the asset revaluation reserve due to the minor percentage changes within the range of acceptable WACC rates used.

The valuation exercise for the period ending 30 June 2014, in line with ACTEW's materiality policy, resulted in the difference in the valuation compared to the carrying values being under 5 percent for both water and sewerage infrastructure assets, and there was no other evidence to the contrary. Therefore no adjustment was necessary to the value of assets as at 30 June 2014.

(ii) 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 scheduled tiered prices for water consumption. The June 2014 amount totalled \$15.6 million (2013 - \$16.1 million).

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) 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 June 2014 quarter. Where insufficient transactions have occurred in the last quarter (insufficient being determined as when sales in the quarter are less than the average holding of water per licence class as at reporting date), then the observable transactions over the year are analysed to determine the fair value price for each asset class. The upper price value is used as the water licences held are of a larger volume, which are assumed to be higher priced in the market.

As at 30 June 2014, ACTEW's General Security class of water licenses are classified as 'held for sale' as its carrying amount will be recovered principally through a sale transaction rather than through continuing use and likely to be settled within the next 12 months. Quarter 4 upper price limits for General Security water licenses is assessed to be higher than the current carrying value. As such, the carrying amount of the licenses are lower than fair value less costs to sell, so no adjustment to the value has been made at 30 June 2014.

The High Security class of water licenses have been fair valued using the upper price limit of the observable prices in 2013-14, resulting in an increase of \$0.8 million to the asset base, \$0.2 million to deferred tax liability and \$0.6 million to asset revaluation reserve. The overall impact to the water licences balance is an increase of \$0.8 million to the asset base for the year ended 30 June 2014 (2013: \$4.6m). Refer to note 21.

(iv) 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 2014. Refer to note 21.

(v) Comcare provision

Since 2002, ACTEW 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'). 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 2014, ACTEW has reviewed and updated the ComCare provisioning model based on independent external advice. The expected net present value of the payments over nine years is estimated at \$9.5m (refer to note 25 and 28). A receivable has also been recognised for 35% of this amount due to an agreement with ActewAGL to reimburse a portion of the costs (refer to note 12 and 22). ActewAGL's obligation arises as a percentage of the staff under the ComCare scheme were seconded to ActewAGL prior to withdrawal of scheme. The estimate may vary as a result of changes in the case claims where applicable.

(vi) Employee Entitlements

A liability for annual, personal and long service leave seven years or greater is recognised as a current provision for employee benefits. Annual leave entitlements can be classified as current based on those expected to be wholly settled within 12 months and those not expected to be wholly settled in 12 months. Under the Amendments to AASB 119 *Employee Benefits*, leave entitlements that are not expected to be wholly settled in 12 months must be discounted to a present value.

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.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

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.

(vii) Insurance recovery

ACTEW incurred a loss of \$11.9m as a result of the 2010 and 2012 flooding events causing damage to the Enlarged Cotter Dam (ECD) construction works and consequential loss associated with down time of Bulk Water Alliance employees and contractors.

ACTEW has to date submitted a \$10.2m claim to Insurers to recover the losses associated with the rectifying the damage to the ECD construction works. As at 30 June 2014, \$4.9m has been received from the insurers. Of the remaining \$5.3m outstanding, only \$1.0m has been accrued as insurance receivable as at 30 June 2014, due to uncertainty regarding full acceptance of the claim.

(viii) Commonwealth Superannuation Scheme provision

A number of claims have been made against the Commonwealth and ACTEW in relation to allegedly inaccurate information purportedly given to former employees regarding their eligibility to originally join the Commonwealth Superannuation Scheme. To date, ACTEW has settled a number of these claims. Future claims fall into the categories of current claims in the process of pre-settlement, notified prospective claims and possible future claims.

As at 30 June 2014, a provision of \$8.7 million has been recognised for current and prospective claims based on calculations performed by an independent expert. Refer to note 25 and 28. At this point, the data available for each claimant on salary, service, age and initial claim is incomplete. The provision has been calculated on the basis that ACTEW's liability is influenced by the initial amount claimed, the payout rate and ACTEW's share of the final settlement payable amount. These components are either known or have been estimated based on available data. The estimate may vary as a result of changes in the components used to estimate the provision, and the provision will be assessed and updated annually.

No provision for possible future claims has been recognised as there is not sufficient evidence at present to believe that it is more likely than not that a present obligation exists in respect of these possible future claims. These have been disclosed as a contingent liability in note 35.

4 Segment information

Description of segments

Management has determined the operating segments that are used to make strategic decisions. The primary business is the operation of the water and sewerage business. The secondary segment is the maintenance of a 50% investment in ActewAGL, the largest electricity and gas provider in the ACT.

(a) Business Segments

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

Water

The supply of water services and the owner and operator of the ACT's network of dams, water treatment plants, reservoirs, water mains and other related infrastructure.

4 Segment information (continued)

(a) Business Segments (continued)

Sewerage

The provision of sewerage services and maintenance of sewerage treatment plants.

Investments

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

b) Geographical segments

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

Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and consolidated entity as disclosed in Note 1(a) 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.

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.

(ii) 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.

(iii) Equity accounted investments

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

ACTEW Distribution 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 entered into a 50:50 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.

(iv) Reclassification of segment note

ACTEW has reclassified retrospectively its segment note for 2012-13 period, to be in line with disclosures in the 2013-14 period. This includes showing interest expense, interest revenue, cash and cash equivalents, securities and debt to the 'unallocated' column. ACTEW considers these components to be 'unallocated' as they relate to a general debt program across the business and are not included in segment reporting to the chief operating decision maker, being the executive and ACTEW Board.

4 Segment information (continued)

(a) Business Segments (continued)

Primary reporting - business segments Year ended 30 June 2014

	Water \$'000	Sewerage \$'000	Investments \$'000	Unallocated \$'000	Consolidated \$'000
Income Statement					
Sales to external customers including share of net profit of joint venture partnerships	176,500	111,043	83,582	-	371,125
Other revenue	9,280	16,273	-	2,090	27,643
Gifted assets	7,019	3,705	-	-	10,724
Total segment revenue	192,798	131,022	83,582	2,090	409,492
Interest expense	-	-	-	78,487	78,487
Segment result before tax expense	74,804	35,581	82,320	(76,397)	116,308
Tax expense	13,775	6,552	15,157	-	35,484
Segment result for the year	61,029	29,029	67,163	(76,397)	80,824
Balance Sheet					
Segment assets	1,373,405	767,769	646,138	59,653	2,846,965
Segment liabilities	163,334	159,757	71,818	1,452,323	1,847,232
Investments in associates and joint venture partnerships	-	-	632,869	-	632,869
Other					
Acquisition of property, plant and equipment (including gifted assets)	49,060	20,017	-	-	69,077
Depreciation and amortisation	24,126	18,158	-	-	42,284
Impairment of assets	154	154	-	-	308

4 Segment information (continued)

(a) Business Segments (continued)

Primary reporting - business segments Year ended 30 June 2013

	Water \$'000	Sewerage \$'000	Investments \$'000	Unallocated \$'000	Consolidated \$'000
Income Statement					
Sales to external customers including share of net profit of joint venture partnerships	167,700	132,177	97,790	-	397,667
Other revenue	8,454	14,064	127	5,607	28,252
Gifted assets	1,998	2,738	-	-	4,736
Total segment revenue	178,152	148,979	97,917	5,607	430,655
Interest Expense	-	-	-	73,888	73,888
Segment result before tax expense	47,835	44,834	96,690	(68,281)	121,078
Tax expense	47	11,595	29,856	-	41,498
Segment result for the year	47,788	33,239	66,834	(68,281)	79,580
Balance Sheet					
Segment assets	1,347,315	763,882	614,366	84,241	2,809,804
Segment liabilities	154,066	189,739	113,326	1,357,845	1,814,976
Investments in associates and joint venture partnerships	-	-	601,287	-	601,287
Other					
Acquisition of property, plant and equipment (including gifted assets)	114,318	32,387	-	-	146,705
Depreciation and amortisation	20,649	15,268	-	-	35,917
Impairment of assets	4,756	171	-	-	4,927

4 Segment information (continued)

(a) Business Segments (continued)

ACTEW has reclassified retrospectively its segment note for 2012-13 period, to be in line with disclosures in the 2013-14 period. This includes showing interest expense, interest revenue, cash and cash equivalents, securities and debt to the 'unallocated' column. ACTEW considers these components to be 'unallocated' as they relate to a general debt program across the business and are not included in segment reporting to the chief operating decision maker, being the executive and ACTEW Board.

5 Revenue

	2014 \$'000	2013 \$'000
Sales revenue		
Water revenue	176,500	167,700
Sewerage revenue	111,043	132,177
	287,543	299,877
Other revenue		
Interest revenue	2,090	5,607
Total Revenue (a)	289,633	305,484

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

6 Other income

	2014 \$'000	2013 \$'000
Commonwealth subvention (a)	10,615	10,587
Contributed assets	10,724	4,736
Regulated income	3,208	2,026
Other income (b)	11,730	10,031
Total Other Income	36,277	27,380

(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 contestable income from the provision of stormwater services and lease income from Fyshwick premises.

7 Expenses

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

	2014 \$'000	2013 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Water system assets	23,293	20,089
Sewerage system assets	17,325	14,707
Infrastructure land and buildings	13	7
Non - infrastructure land and buildings	856	453
Plant and equipment	521	416
Finance lease	32	14
Total depreciation	42,040	35,686
Amortisation		
Computer software	244	231
Total depreciation and amortisation	42,284	35,917
Finance costs	78,487	73,888
Superannuation	6,563	6,060
Rental expense relating to operating leases	2,919	3,163
Impairment losses - assets	308	4,927
Impairment losses - financial assets - trades receivables	227	129

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:

(i) Income tax expense

	2014 \$'000	2013 \$'000
Current tax	31,561	42,653
Adjustment to prior year (a)	879	(4,896)
Adjustment for acquisition (b)	-	4,222
	32,440	41,979
Deferred tax		
Deferred tax expense recognised in the current year	3,480	(4,198)
Adjustments of deferred tax for prior periods (a)	(436)	3,717
	3,044	(481)
Income tax expense	35,484	41,498

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

	2014 \$'000	2013 \$'000
Profit from continuing operations before income tax expense	116,308	121,078
Tax at the Australian tax rate of 30% (2013 - 30%)	34,892	36,323
Other Items		
Inter-company dividends	(144)	(144)
Non-deductible expenses	308	2,365
Previously unrecognised temporary differences (b)	-	4,153
Share of Joint Venture profits and partner share of profits	(15)	(20)
Adjustments for income tax of prior periods (a)	443	(1,179)
Income tax expense	35,484	41,498

- (a) Adjustment to prior year relates to differences between the 2012-13 financial statements and the 2012-13 Income tax return. The net adjustment is \$0.4m.
- (b) Previously unrecognised temporary differences relates to employee entitlements from the integration of water and sewerage business from 1 July 2012.

ACTEW is established as a territory owned corporation hence ACTEW and its controlled entities are exempt from Federal income tax. However, ACTEW is required to pay income tax equivalents to the ACT Government.

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).

8 Income tax expense (continued)

(ii) Numerical reconciliation of income tax equivalents to prima facie tax payable (continued)

The subsidiaries have entered into a tax funding agreement under which the wholly-owned entities fully compensate 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

	2014 \$'000	2013 \$'000
At the beginning of the financial year	79,580	18,359
Amount appropriated from operating profit	76,733	79,580
	<u>156,313</u>	<u>97,939</u>
Amount paid during the year	(138,242)	(18,359)
At the end of the financial year	<u><u>18,071</u></u>	<u><u>79,580</u></u>

10 Current assets - Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash at bank and on hand	2,795	6,244
Short-term deposits	49,750	77,500
Cash and cash equivalents	<u><u>52,545</u></u>	<u><u>83,744</u></u>

Cash held under short term deposits have a maturity of 1 to 3 months from period end date.

11 Current assets - held-to-maturity investments

	2014 \$'000	2013 \$'000
Short-term securities	6,961	-
Total current held-to-maturity investments	<u><u>6,961</u></u>	<u><u>-</u></u>

All short term deposits with a maturity of less than 12 months and accessible at call, were previously recognised as cash and cash equivalents. Term deposits are no longer accessible at call with the terms and conditions now requiring a 31 day break notice. This is in response to the new Basel 3 prudential requirements dictated to the banks by the Australian Prudential Regulation Authority (APRA). Hence all short term deposits with a maturity of over 3 months but less than 12 months are now classified to 'held-to-maturity' investments.

12 Current assets - Trade and other receivables

	2014 \$'000	2013 \$'000
Water revenue receivables	30,367	32,105
Sewerage revenue receivables	9,697	12,700
Other trade receivables a)	1,857	4,346
Allowance for impairment of receivables b)	(1,135)	(908)
	<u>40,786</u>	<u>48,243</u>
Accrued revenue c)	5,235	5,575
Total trade receivables	<u><u>46,021</u></u>	<u><u>53,818</u></u>

a) Other trade receivables

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

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

	2014 \$'000	2013 \$'000
At the beginning of the financial year	908	779
Allowance for impairment recognised during the year	316	140
Receivables written off during the year as uncollectible	(89)	(11)
At the end of the financial year	<u><u>1,135</u></u>	<u><u>908</u></u>

Movements in the allowance for impaired receivables has been included in 'other expenses' in the income statement. Refer to Note 1(g).

c) Accrued revenue

Accrued revenue consists substantially of accrued community service obligations revenue for June quarter (\$1.1m) and ECD insurance claim recovery (\$1.0m). In addition, there is \$0.4m consisting of a receivable from ActewAGL Joint Venture in respect to the Comcare exit scheme. Refer to note 28.

13 Current assets - Inventories

	2014 \$'000	2013 \$'000
Finished goods for operational use	<u>3,468</u>	3,690
Total Inventories (a) (b)	<u><u>3,468</u></u>	<u><u>3,690</u></u>

- (a) Inventories consist of consumables such as spare system asset components, chemicals and fuel, and personal issue items for operational use.
- (b) The cost of consumables used and recognised as an expense during the year in respect of continuing operations was \$8.6m (2013: \$9.5m).

14 Current assets - Other

	2014 \$'000	2013 \$'000
Employee entitlement receivable - related parties	11,445	11,286
Total other assets	11,445	11,286

15 Current assets - Prepayments

	2014 \$'000	2013 \$'000
Prepayments	3,112	740
Total prepayments	3,112	740

16 Held for sale assets

(a) Assets classified as held for sale

	2014 \$'000	2013 \$'000
Non-current assets held for sale		
Water licences	10,770	-

ACTEW has determined that as at 30 June 2014, the General Security class of water licences are to be classified as 'held for sale' in that they will be recovered principally through a sale transaction rather than continuing use (refer to note 21) .

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

	2014 \$'000	2013 \$'000
Long - term securities	-	468
Total held-to-maturity investments	-	468

18 Non-current assets - Investments accounted for using the equity method

	2014 \$'000	2013 \$'000
Interest in joint venture partnerships	632,869	601,287
Total investments accounted for using equity method	632,869	601,287

19 Non-current assets - Property, plant and equipment

	Water \$'000	Sewerage \$'000	Infrastructure Buildings \$'000	Infrastructure land & buildings \$'000	Non-infrastructure land & buildings \$'000	Plant and under finance equipment \$'000	Equipment lease at cost \$'000	Total \$'000
At 1 July 2013								
Cost or 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	
Year ended 30 June 2014								
Opening net book amount	1,260,398	722,089	15,408	24,212	2,688	798	2,025,593	
Adjustment to opening balances	-	-	-	(806)	(1,024)	-	(1,830)	
Additions	40,832	15,104	-	1,939	477	-	58,352	
Writeback of depreciation - change to useful life	-	-	-	3,767	-	-	3,767	
Depreciation charge	(23,293)	(17,325)	(13)	(856)	(521)	(32)	(42,040)	
Gifted Assets	7,019	3,705	-	-	-	-	10,724	
Retirement	(9)	-	-	-	(10)	-	(19)	
Transfers/adjustments	110	255	31	(352)	5	-	49	
Closing net book amount	1,285,057	723,828	15,426	27,904	1,615	766	2,054,596	
At 30 June 2014								
Cost or fair value	1,405,066	741,153	15,439	29,226	2,997	812	2,194,693	
Accumulated depreciation	(120,009)	(17,325)	(13)	(1,322)	(1,382)	(46)	(140,097)	
Net book value	1,285,057	723,828	15,426	27,904	1,615	766	2,054,596	

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

	Water \$'000	Sewerage \$'000	Infrastructure land & buildings \$'000	Non-infrastructure land & buildings \$'000	Plant and under equipment \$'000	Equipment and under lease at cost \$'000	Total \$'000
At 1 July 2012							
Cost or fair value	1,245,171	731,309	7,774	22,453	1,819	-	2,008,526
Accumulated depreciation	(76,927)	(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
Year ended 30 June 2013							
Opening net book amount	1,168,544	645,694	7,447	17,511	1,374	-	1,840,570
Revaluation surplus	-	61,118	7,716	5,178	-	-	74,012
Additions	110,105	27,434	-	1,878	1,740	812	141,969
Depreciation charge	(20,089)	(14,707)	(7)	(453)	(416)	(14)	(35,686)
Gifted Assets	1,998	2,738	-	-	-	-	4,736
Retirement	-	-	-	-	(8)	-	(8)
Transfers/adjustments	(160)	(188)	252	98	(2)	-	-
Closing net book amount	1,260,398	722,089	15,408	24,212	2,688	798	2,025,593
At 30 June 2013							
Cost or 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

19 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 are included in note 34.

(c) Valuations

Water and Sewerage infrastructure assets

ACTEW water and sewerage infrastructure assets are held at fair value in accordance with Note 1(h) Property, Plant and Equipment. The fair value of infrastructure assets is determined annually by application of a value in use 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 five-year period that reflects the remaining period of 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 6.10%. The DCF model is highly sensitive to some key assumptions, including the discount rate adopted. (Refer note 3 for information on these key assumptions).

The valuation exercise for the period ending 30 June 2014, in line with ACTEW's materiality policy, resulted in the difference in the valuation compared to the carrying values being under 5 percent for both water and sewerage infrastructure assets, and there was no other evidence to the contrary. Therefore no adjustment to the value of assets as at 30 June 2014.

Land and buildings

An independent valuation of land and buildings was last undertaken as at 30 June 2013 by Colliers International Consultancy and Valuation Pty Limited, who are Certified Practising Valuers and financial members of the ACT Division of the Australian Property Institute. Land and buildings were assessed to fair value in accordance with Australian Accounting Standard AASB 13 Fair Value Measurement. 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. There is no evidence to suggest a material change in this valuation at the reporting date.

20 Non-current liabilities - Deferred tax balances

	2014 \$'000	2013 \$'000
(26,860)		(25,933)
(3,282)		(3,718)
12,144		10,480
8		-
(230,725)		(227,759)
(3,433)		(3,392)
1,018		2,236
(39,214)		(39,229)
<u>(290,344)</u>		<u>(287,315)</u>

The balance comprises temporary differences attributable to:

Distributions from ActewAGL Partnerships	
Adjustment to prior year tax	
Employee entitlements	
Audit Fees	
Depreciation	
Joint Venture receivable - employee entitlements	
Other	
Asset Revaluation	

	Distributions from ActewAGL Partnerships \$'000	Adjustment to prior year tax \$'000	Joint Venture receivable - employee entitlements \$'000	Audit fees \$'000	Depreciation \$'000	Employee entitlements \$'000	Other \$'000	Asset revaluation \$'000	Total \$'000
Movements									
At 1 July 2012	(22,373)	-	(5,894)	8	(228,294)	6,787	1,197	(17,025)	(265,594)
Charged/(credited)									
- profit or loss	(3,560)	(3,718)	2,502	-	535	3,693	1,031	-	483
- directly to equity	-	-	-	-	-	-	-	(22,204)	(22,204)
At 30 June 2013	(25,933)	(3,718)	(3,392)	8	(227,759)	10,480	2,228	(39,229)	(287,315)

20 Non-current liabilities - Deferred tax balances (continued)

Movements	Distributions from ActewAGL Partnerships \$'000	Adjustment to prior year tax \$'000	Employee entitlements \$'000	Audit fees \$'000	Depreciation \$'000	Joint Venture receivable - employee entitlements \$'000	Other \$'000	Asset revaluation \$'000	Total \$'000
At 1 July 2013	(25,933)	(3,718)	10,480	8	(227,759)	(3,392)	2,228	(39,229)	(287,315)
Charged/(credited)	(927)	436	1,664	-	(2,966)	(41)	(1,210)	-	(3,044)
- profit or loss	-	-	-	-	-	-	-	15	15
- directly to equity	(26,860)	(3,282)	12,144	8	(230,725)	(3,433)	1,018	(39,214)	(290,344)
At 30 June 2014									

21 Non-current assets - Intangible assets

	Computer software ~ \$'000	Carbon credits ^ \$'000	Licences * \$'000	Total \$'000
At 1 July 2013				
Cost	764	1,306	32,718	34,788
Accumulation amortisation and impairment	(224)	(1,306)	(6,192)	(7,722)
Net book amount	<u>540</u>	<u>-</u>	<u>26,526</u>	<u>27,066</u>
Year ended 30 June 2014				
Opening net book amount	540	-	26,526	27,066
Additions - acquisition	439	308	-	747
Amortisation charge	(244)	-	-	(244)
Impairment charge (a)	-	(308)	-	(308)
Reclassification from PPE to intangibles	912	-	-	912
Revaluation to fair value	-	-	754	754
Reclassification to 'held-for-sale'	-	-	(10,770)	(10,770)
Closing net book amount	<u>1,647</u>	<u>-</u>	<u>16,510</u>	<u>18,157</u>
At 30 June 2014				
Cost	2,115	1,614	22,702	26,431
Accumulation amortisation and impairment	(468)	(1,614)	(6,192)	(8,274)
Net book amount	<u>1,647</u>	<u>-</u>	<u>16,510</u>	<u>18,157</u>

~ 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 2014.

b) 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 June 2014 quarter. Where insufficient transactions have occurred in the last quarter (insufficient being determined as when sales in the quarter are less than the average holding of water per licence class as at reporting date), then the observable transactions over the year are analysed to determine the fair value price for each asset class. The upper price value is used as the water licences held are of a larger volume, which are assumed to be higher priced in the market.

21 Non-current assets - Intangible assets (continued)

As at 30 June 2014, ACTEW's General Security class of water licenses are classified as 'held for sale' as its carrying amount will be recovered principally through a sale transaction rather than through continuing use and likely to be settled within the next 12 months. Quarter 4 upper price limits for General Security water licenses is assessed to be higher than the current carrying value. As such, the carrying amount of the licenses are lower than fair value less costs to sell, so no adjustment to the value has been made at 30 June 2014.

The High Security class of water licenses have been fair valued using the upper price limit of the observable prices in 2013-14, resulting in an increase of \$0.8 million to the asset base, \$0.2 million to deferred tax liability and \$0.6 million to asset revaluation reserve. The overall impact to the water licences balance is an increase of \$0.8 million to the asset base for the year ended 30 June 2014 (2013: \$4.6m).

22 Non-current assets - Other

	2014 \$'000	2013 \$'000
Other (a)	7,020	2,112
Total other non-current assets	7,020	2,112

a) Included in 'Non-current assets - Other' is the non-current portion of the prepayment relating to the Core System Replacement Program (\$4.0m) and a receivable of \$3.0m from ActewAGL Joint Venture in respect to the Comcare exit scheme. Refer to note 28.

23 Current liabilities - Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	2,357	4,682
Other payables and accruals	34,420	42,845
Income tax payable	2,461	7,840
Total trade and other payables	39,238	55,367

24 Current liabilities - Borrowings

	2014 \$'000	2013 \$'000
Unsecured		
Loans	18,977	17,392
Total unsecured current borrowings	<u>18,977</u>	<u>17,392</u>

25 Current liabilities - Provisions

	2014 \$'000	2013 \$'000
Employee entitlements	10,415	10,274
Employee entitlements - seconded employees	11,445	11,286
Provision for dividend	18,071	79,580
Redundancy provision	1,869	2,707
Workers Compensation (Pre 89)	146	185
Provision for make good restoration	2,509	166
Comcare exit scheme provision	1,078	1,766
Commonwealth superannuation scheme provision	2,856	-
Total provisions	<u>48,389</u>	<u>105,964</u>

(a) Movements in provisions

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

2014	Redundancy provision \$'000	Workers' Compensation (Pre 1989) \$'000	Make good restoration \$'000	Comcare exit scheme \$'000	Commonwealth super scheme \$'000	Total \$'000
Carrying amount at the start of the year	2,707	185	166	1,766	-	4,824
- additional provisions recognised	1,543	86	2,343	-	2,856	6,828
- unused amounts reversed	(89)	-	-	(106)	-	(195)
Amounts used during the year	(2,292)	(125)	-	(582)	-	(2,999)
Carrying amount at the end of the year	<u>1,869</u>	<u>146</u>	<u>2,509</u>	<u>1,078</u>	<u>2,856</u>	<u>8,458</u>

25 Current liabilities - Provisions (continued)

(a) Movements in provisions (continued)

2013	Redundancy Provision \$'000	Workers' Compensation (Pre 1989) \$'000	Make good restoration \$'000	Comcare exit scheme \$'000	Total \$'000
Carrying amount at the start of the year	-	130	150	-	280
- additional provisions recognised	2,707	55	16	1,766	4,544
Carrying amount at the end of the year	<u>2,707</u>	<u>185</u>	<u>166</u>	<u>1,766</u>	<u>4,824</u>

26 Current liabilities - Other

	2014 \$'000	2013 \$'000
Unearned revenue	4,810	3,496
Total other	<u>4,810</u>	<u>3,496</u>

27 Non-current liabilities - Borrowings

	2014 \$'000	2013 \$'000
Unsecured		
Loans	1,427,362	1,335,105
Total non-current borrowings (a)	<u>1,427,362</u>	<u>1,335,105</u>

(a) As at 30 June 2014 the total principal outstanding was \$1,446 million (2013 - \$1,352 million) consisting of a \$19 million current liability (note 24) and a \$1,427 million non-current liability (note 27). ACTEW maintains a balanced portfolio consisting of two CPI linked indexed annuity bonds (IABs), a capital indexed bond (CIB) and three 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. On 22 May 2014, a \$100 million ten year Medium Term Note at a fixed interest rate of 4.22% was acquired. Interest payments are made semi-annually.

28 Non-current liabilities - Provisions

	2014 \$'000	2013 \$'000
Employee entitlements	1,680	1,587
Employee entitlements - seconded employees	-	19
Comcare exit scheme provision b)	8,430	5,697
Workers Compensation (Pre 89)	1,471	2,310
Commonwealth superannuation scheme provision c)	5,871	-
Total provisions	17,452	9,613

Movements in consolidated non-current provisions

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

	Comcare exit scheme \$'000	Workers' compensation (pre 1989) \$'000	Commonwealth super scheme \$'000	Total \$'000
2014				
At the beginning of the financial year	5,697	2,310	-	8,007
- additional provisions recognised	2,733	-	5,871	8,604
- unused amounts reversed	-	(839)	-	(839)
At the end of the financial year	8,430	1,471	5,871	15,772

	Comcare exit scheme \$'000	Workers' compensation (pre 1989) \$'000	Total \$'000
2013			
At the beginning of the financial year	-	1,173	1,173
- additional provisions recognised	5,697	1,137	6,834
At the end of the financial year	5,697	2,310	8,007

b) At 30 June 2014, ACTEW has reviewed and updated the Comcare provisioning model based on independent external advice. The expected net present value of the payments over nine years is estimated at \$9.5m (refer to note 25 and 28). A receivable has also been recognised for 35% of this amount due to an agreement with ActewAGL to reimburse a portion of the costs (refer to note 12 and 22). The estimate may vary as a result of changes in the case claims where applicable.

c) A provision exists arising from claims that have been made against the Commonwealth and ACTEW in relation to allegedly inaccurate information purportedly given to former employees regarding their eligibility to originally join the Commonwealth Superannuation Scheme. The claims provision is based on actuarial advice received from PricewaterhouseCoopers. The total current claims amounted to \$2.9m (note 25) and prospective claims to \$5.9m. Refer to note 3 for further details.

29 Non-current liabilities - Other liabilities

	2014 \$'000	2013 \$'000
Finance Lease (a)	660	724
	<u>660</u>	<u>724</u>

a) Finance Lease commitments are detailed in note 34.

30 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares - fully paid	2	2	758,871	758,871
Total contributed equity	<u>2</u>	<u>2</u>	<u>758,871</u>	<u>758,871</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 Group does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in ordinary share capital

There has been no movement in share capital during the year.

(c) Capital risk management

The Group's and the parent entity's objectives when managing capital is to safeguard their ability to continue as a going concern so they 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 Group's strategy is to maintain financial flexibility to accommodate future investments.

The gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	Notes	2014 \$'000	2013 \$'000
Total debt	24, 27	1,446,339	1,352,497
Total equity		999,732	994,828
		<u>2,446,071</u>	<u>2,347,325</u>
Gearing ratio		59.1%	57.6%

ACTEW has used the gearing ratio of debt (total borrowings) over capital (total equity plus total debt) to monitor its capital position. The 2013 period has been re-stated to this ratio for ease of comparison.

31 Reserves and retained earnings

Reserves

	Notes	2014 \$'000	2013 \$'000
Asset revaluation reserve		218,303	218,336
General insurance reserve		9,820	9,820
Total reserves		228,123	228,156

a) Movements in reserves:

Asset revaluation

At the beginning of the financial year		218,336	166,528
<i>Revaluation - net of tax</i>			
Water		-	-
Sewerage		-	42,783
Land and Buildings		-	9,025
Intangibles		527	-
		527	51,808
Adjustment on prior year	40(b)	(560)	-
At the end of the financial year		218,303	218,336

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 increases in excesses, 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.

31 Reserves and retained earnings (continued)

Retained earnings

Movements in retained earnings were as follows:

	Notes	2014 \$'000	2013 \$'000
At the beginning of the financial year		7,801	7,801
Net profit for the year		80,824	79,580
Dividends	9	(76,733)	(79,580)
Write-back of prior period depreciation	40(c)	846	-
At the end of the financial year		<u>12,738</u>	<u>7,801</u>

32 Key management personnel disclosures

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

(a) Key management personnel compensation

	2014 \$	2013 \$
Short-term employee benefits	3,389,818	2,418,981
Post-employment benefits	399,475	270,072
Other long-term benefits	246,016	189,090
Termination benefits	1,673,433	1,024,829
Total benefits	<u>5,708,742</u>	<u>3,902,972</u>

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

Prior year figures have been adjusted as follows:

- By the net amount of \$2,521 to account for post-employment benefits relating to bonuses on an accrual basis.
- To include non-monetary benefits of \$49,460.

32 Key management personnel disclosures (continued)

	\$ Short term employee benefits				\$ Post-employment benefits - superannuation	\$ Long-term employee benefits - long service leave	\$ Termination benefits	\$ Total
	cash salary, fees and short-term compensated absences	short-term cash profit-sharing and other bonuses	non-monetary benefits (note 3)					
2013-14								
Dr Michael Easson AM Non-Executive Chairman	68,539	-	-	8,225	-	-	76,764	
Wendy Caird Non-Executive Deputy Chair	39,696	-	464	4,764	-	-	44,924	
John Knox Managing Director of ACTEW, Director of ACTEW Distribution and ACTEW Retail	227,732	-	-	27,328	-	-	255,060	
Dr Allan Hawke AC Non-Executive Director	34,640	-	5,048	4,157	-	-	43,845	
Carol Lilley Non-Executive Director	34,751	-	6,145	-	-	-	40,896	
Jennifer Goddard Non-Executive Director	34,640	-	464	4,157	-	-	39,261	
Rachel Peck Non-Executive Director	34,640	-	539	4,157	-	-	39,336	
Mark Sullivan AO Managing Director of ACTEW (former), Director of ACTEW Distribution and ACTEW Retail (until 10/2/14)	458,645	-	13,925	38,815	87,791	690,000	1,289,176	
Ian Carmody Deputy Chief Executive Officer, Director of ACTEW Distribution and ACTEW Retail (until 21/2/14)	303,190	-	3,310	16,600	41,480	418,576	783,156	
Simon Wallace Chief Financial Officer, Director of ACTEW Distribution and ACTEW Retail (note 1)	287,038	-	4,087	32,562	56,420	241,199	621,306	
Michele Norris Company Secretary and Executive Manager Governance (note 2)	211,865	-	3,695	38,400	60,325	323,658	637,943	
Chris Webb General Manager Safety & Business Solutions	259,742	57,200	12,865	50,248	-	-	380,055	
Ray Hezkial General Manager Project Delivery, Operations & Maintenance	263,797	58,300	17,707	38,510	-	-	378,314	
Simon Webber Group Manager Sewerage	223,919	49,610	1,784	47,863	-	-	323,176	
Amanda Lewry General Manager Asset Management	223,484	49,610	-	32,723	-	-	305,817	
Sub-Total as per Annual Report	2,706,318	214,720	70,033	348,509	246,016	1,673,433	5,259,029	
Other Key Management Personnel for period (note 4)	331,009	65,797	1,941	50,966	-	-	449,713	
TOTAL	3,037,327	280,517	71,974	399,475	246,016	1,673,433	5,708,742	

32 Key management personnel disclosures (continued)

	2012-13	\$ Short term employee benefits			\$ Post-employment benefits - superannuation	\$ Long-term employee benefits - long service leave	\$ Termination benefits	\$ Total
		cash salary, fees and short-term compensated absences	short-term cash profit-sharing and other bonuses	non-monetary benefits (note 3)				
John Mackay AM Non-Executive Chairman	69,127	-	3,157	5,291	-	-	77,575	
Dr Michael Esson AM Non-Executive Deputy Chair	38,361	-	-	4,219	-	-	42,580	
Dr Allan Hawke AC Non-Executive Director	33,358	-	11,611	3,669	-	-	48,638	
Jennifer Goddard Non-Executive Director	33,358	-	881	3,669	-	-	37,908	
Wendy Caird Non-Executive Director	33,358	-	454	3,669	-	-	37,481	
Carol Lilley Non-Executive Director (from 1 April 2013)	8,688	-	-	-	-	-	8,688	
Rachel Peck Non-Executive Director	33,358	-	427	3,669	-	-	37,454	
Mark Sullivan AO Managing Director of ACTEW, Director of ACTEW Distribution and ACTEW Retail	511,494	178,973	6,649	79,096	-	-	776,212	
Simon Wallace Chief Financial Officer, Director of ACTEW Distribution and ACTEW Retail	213,334	50,000	5,957	29,467	-	-	298,758	
Ian Carmody Executive Manager Commercial (until 24 February 2013) Deputy Chief Executive Officer (from 25 February 2013), Director of ACTEW Distribution and ACTEW Retail	392,300	70,000	346	21,979	-	-	484,625	
Michelle Norris Company Secretary and Executive Manager Governance	163,796	58,020	5,495	35,978	2,268	-	265,557	
Ross Kneeb Executive Manager Water Strategy (until 8 March 2013) (note 6)	220,624	-	5,570	37,114	186,822	337,699	787,829	
Asoka Wjieratne Executive Manager Water Operations (until 25 February 2013) (note 6)	261,372	-	8,913	42,252	-	687,130	999,667	
TOTAL	2,012,528	356,993	49,460	270,072	189,090	1,024,829	3,902,972	

32 Key management personnel disclosures (continued)

Note references 2013-14:

- 1) Simon Wallace (Chief Financial Officer) became an unattached employee on 23 May 2014; however his official last day of employment was 4 July 2014. The short-term and post-employment benefits only relate to his employment as key management personnel. The long-term and termination benefits disclosed were for the full amount received on the last day of employment.
- 2) Michele Norris (Company Secretary and Executive Manager of Governance) became an unattached employee on 27 May 2014; however her official last day of employment was 15 July 2014. The short-term and post-employment benefits only relate to her employment as key management personnel. The long-term and termination benefits disclosed were for the full amount received on the last day of employment.
- 3) Non-monetary benefits are free or subsidised goods or services relating to services in the current period, such as car parking expenses, travel expenses, conference expenses and professional membership fees including fringe benefits tax, where applicable.
- 4) KMP disclosure within the Financial Statements includes the remuneration of all persons who are identified as being a KMP in the financial period, for the time they held a KMP position. In 2013-14, there were 18 KMP for ACTEW, 10 of these KMP's were Directors of ACTEW or it's subsidiaries. The top 5 KMP other than Directors, are disclosed individually to reflect the requirements of the *Territory-owned Corporations Act 1990*. Other KMP for the 2013-14 financial period, consists of 3 personnel.

Note references 2012-13:

- 5) Ross Knee ceased employment on 8th March 2013 and was paid out termination benefits in 2012-13.
- 6) 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.

33 Related party transactions

Parent entities

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

The following transactions occurred with related parties:

	30 June 2014 \$'000	30 June 2013 \$'000
Wholly owned controlled entities		
Dividend revenue	57,234	67,452
Aggregate amounts receivable from and payable to entities in the wholly-owned groups at balance date were as follows:		
Current receivables (tax funding agreement)	24,096	18,832
Current receivables (other)	57,290	74,639
Current payables and other	18,071	79,580
Non-interest bearing loans	477,737	434,937

Parent entity

The parent entity in the wholly owned group is ACTEW Corporation Limited and Controlled Entities.

The ultimate parent entity is the ACT Government, which owns 100% (2013 - 100%) of the issued ordinary shares of ACTEW Corporation Limited and Controlled Entities.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes: Controlled Entities - Note 36.

Other related parties

The following transactions occurred with ActewAGL Joint Venture:

33 Related party transactions (continued)

	2014 \$'000	2013 \$'000
Aggregate amounts included in the determination of operating profit before income tax equivalents that resulted from transactions with other related parties:		
Operating expenses	36,966	58,924
Aggregate amounts receivable from and payable to joint venture partnerships at balance date:		
Current receivables	19,864	13,175
Current accounts payable and other	14,846	14,729
Non-current receivables	2,951	1,994

34 Commitments for expenditure

	2014 \$'000	2013 \$'000
<i>Capital expenditure commitments (a)</i>	36,546	41,615
<i>Other expenditure commitments (b)</i>	275,110	316,105
<i>Operating lease (c)</i>		
Commitments in relation to operating leases contracted at balance date but not provided for in accounts payable:		
Within one year	2,640	2,765
Later than one year but not later than five years	5,915	5,812
Later than five years	4,899	5,653
Minimum lease payments	13,454	14,230

Finance lease (d)

Commitments in relation to finance leases contracted for at balance date, but not provided for in accounts payable		
Within one year	101	101
Later than one year but not later than five years	379	404
Later than five years	382	458
Minimum lease payments	862	963

a) Capital commitments includes the open blanket purchase agreements for capital expenditure of \$22.8m (2013: \$27.5m) and amounts for purchase of carbon credits through contracts with CO2 and AusCarbon for \$13.7m (2013: \$14.1m).

34 Commitments for expenditure (continued)

(continued)

b) On 27 June 2012 ACTEW entered into a 'Corporate Services Agreement' (CSA) with ActewAGL Distribution Partnership to provide corporate services to ACTEW, and a 'Customer Services and Community Support Agreement' (CSCSA) with ActewAGL Retail Partnership to provide retail services. 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 for ACTEW. It also includes the property lease with ActewAGL for the offices in Bunda Street in Canberra.

d) 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.

35 Contingencies

(a) Contingent liabilities

i) Commonwealth Superannuation Scheme

A number of claims have been made against the Commonwealth and ACTEW in relation to allegedly inaccurate information purportedly given to former employees regarding their eligibility to originally join the Commonwealth Superannuation Scheme. To date, ACTEW has settled a number of these claims. Future claims fall into the categories of current claims in the process of pre-settlement, notified prospective claims (refer to notes 25 and 28) and possible future claims. Possible future claims have not been provided for and are included as a contingent liability.

These individuals may make a claim for settlement at a future date that, if successful, creates a liability for ACTEW. Any liability in relation to this group is uncertain as the individuals have not been identified and have not yet advised of any intention to bring a claim now or in the future. Insufficient evidence exists to estimate the financial effect of this contingent liability. Depending on the circumstances of each claim, costs arising from settlement of these claims may be shared between ACTEW and the Commonwealth. No other reimbursement of ACTEW's costs is likely. ACTEW are not able to quantify claims at this point in time.

ii) Claims

Entities within ACTEW are involved in disputes in the normal course of operations. The directors believe, based on legal advice, that material losses (including for costs) are not anticipated in resolving those claims.

iii) Bank Guarantees

ACTEW has given bank guarantees in respect to performance guarantees in relation to its service contracts amounting to \$0 (2013: \$100,000).

(b) Contingent assets

In 2010 and 2012 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 assessment of estimated costs up to \$11.9 million.

ACTEW has submitted \$10.2 million of claims to insurers to date, to recover losses associated with rectifying damage to the Enlarged Cotter Dam and has received \$4.9 million to date. A further \$1.0 million has been accrued as a receivable as at 30 June 2014. The remaining \$4.3 million is considered to be a contingent asset as at 30 June 2014, due to uncertainty regarding the full acceptance of the claim.

36 Investment in controlled entities

(a) Significant investments in subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2014 %	2013 %
ACTEW Distribution Ltd	Australia	Ordinary	100	100
ACTEW Retail Ltd	Australia	Ordinary	100	100

37 Interests in joint ventures

(a) Joint venture partnerships - ActewAGL Partnership

ACTEW Retail Ltd entered into a joint venture partnership with AGL ACT Retail Investments Pty 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.

Principal place of business:

ActewAGL House
40 Bunda Street
CANBERRA ACT 2600

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:

	2014 \$'000	2013 \$'000
Share of partnership's commitments		
Lease commitments	41,679	38,239
Capital and other commitments	16,362	23,875
	<u>58,041</u>	<u>62,114</u>

(b) Joint venture arrangements - ActewAGL Generation

In April 2012, ACTEW Retail 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 Retail has a 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2014, there have been no transactions, apart from ASIC fees, within ActewAGL Generation Pty Ltd.

37 Interests in joint ventures (continued)

(a) Joint venture partnerships - ActewAGL Partnership (continued)

(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. The Group's share of the partnerships contingent liability is estimated to be \$1,877 as at 30 June 2014 (2013: \$16,298).

(ii) Bank guarantees

The ActewAGL partnerships have given a number of bank guarantees in respect to:

Security deposits in relation to its leases, Group's share amounting to \$2,429,898 (2013: \$2,367,993)

Security deposits in relation to its service contracts, Group's share amounting to \$0 (2013: \$0)

Performance guarantees in relation to its service contracts, Group's share amounting to \$0 (2013: \$0)

These have not been recognised in the balance sheet. Amounts have been disclosed using the Group's share of the contingent liability, whereas in the prior year the full amount attributable to the partnership as a whole was disclosed. Prior year comparatives have been re-stated to reflect new method of disclosure.

38 Events occurring after the reporting period

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

39 Parent entity financial information

(a) Summary financial information

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

	2014 \$'000	2013 \$'000
Balance sheet		
Current assets	203,115	244,977
Total assets	<u>2,772,795</u>	<u>2,753,256</u>
Current liabilities	109,591	180,421
Total liabilities	<u>1,794,579</u>	<u>1,779,465</u>
Net assets	978,216	973,791

39 Parent entity financial information (continued)

(a) Summary financial information (continued)

	2014	2013
	\$'000	\$'000
<i>Shareholders' equity</i>		
Contributed equity	758,872	758,872
Reserves		
Asset revaluation	178,578	178,612
General Insurance	9,820	9,820
Retained earnings	30,946	26,487
	978,216	973,791
Profit or loss for the year	69,729	79,102
Total comprehensive income	70,257	130,910

b) Guarantees entered into by the parent entity

The parent entity bank guarantees as at 30 June 2014 are referred to in Note 35.

c) Contingent liabilities of the parent entity

The parent entity contingent liabilities as at 30 June 2013 are referred to in Note 35.

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 2014 are referred to in note 34.

40 Correction of prior period

(a) Restatement of prior period comparatives

During the period ended 30 June 2014, a detailed review of the classification of the expenses within the Consolidated Income Statement was performed. The result of the review was a number of reclassification of accounts in order to provide the most relevant and reliable information about financial performance. In order to provide consistent information, the comparatives (2013) have been re-classified to match the grouping in the current year, the movements of which have been provided below.

40 Correction of prior period (continued)

(a) Restatement of prior period comparatives (continued)

	2013 \$'000	Profit Increase/ (Decrease) \$'000	2013 (Restated) \$'000
Consolidated income statement (extract)			
Employment and associated costs	60,986	107	61,093
Finance costs	73,863	25	73,888
Operational costs	82,941	(7,661)	75,280
Consumables used	9,461	541	10,002
Other expenses arising from ordinary activities	10,551	6,988	17,539
Profit before income tax	<u>-</u>	<u>-</u>	<u>-</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>

(b) Correction to reserves

The adjustment to the Asset Revaluation Reserve (ARR) was due to incorrect revaluation in the prior year for land and buildings. The revaluation has been decreased by \$0.8m, being a \$0.6m reduction in the ARR account and a corresponding \$0.2m to the deferred tax liability account. This amount is immaterial and the prior period comparatives have not been re-stated.

(c) Correction to retained earnings

A \$0.8m positive impact to retained earnings was due to an increase in the useful life of a building. The assessment was performed in April 2013, however booked in the 2013-14 period. The total write-back amounted to \$3.7m, of which \$0.8m related to the period between the time the assessment was made (April 2013) and the end of the prior financial year (June 2013). The remainder (\$2.9m) has gone to depreciation expense in the current period.

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 2014

ACTEW Distribution Limited ABN 83 073 025 224
Financial Report for the year ended 30 June 2014

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The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors on 29 August 2014.

**ACTEW Distribution Limited
Company Profile**

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

Principal registered office in Australia	Level 5, ActewAGL House 40 Bunda Street Canberra ACT 2600 Australia Phone: (02) 6248 3871 Fax: (02) 6248 3567
Principal place of business	Level 5, ActewAGL House 40 Bunda Street CANBERRA ACT 2600 GPO Box 366 CANBERRA ACT 2601
Auditor	ACT Auditor-General's Office
Solicitors	Clayton Utz King & Wood Mallesons Minter Ellison
Bankers	Westpac Banking Corporation Commonwealth Bank of Australia Reserve Bank of Australia
ACN	073 025 224
ABN	83 073 025 224
Website	www.actew.com.au

Directors' report

The Directors present their report on the financial report of ACTEW Distribution Limited (ACTEW Distribution) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of ACTEW Distribution during or since the end of the financial year:

Dr Michael Easson AM, Chairman (appointed 13 June 2014)
 John Knox, (appointed 27 March 2014)
 Wendy Caird (appointed 27 March 2014)
 Mark Anthony Sullivan (until 10 February 2014)
 Ian Peter Carmody (until 21 February 2014)
 Simon Peter Wallace (until 4 July 2014)

Company secretary

Michele Norris (until 15 July 2014)
 Craig Richardson (appointed 28 May 2014)

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

Director	No. of meetings attended	No. of meetings eligible to attend
Dr Michael Easson AM, Chairman	-	-
John Knox	-	-
Wendy Caird	-	-
Mark Anthony Sullivan AO	1	1
Ian Peter Carmody	1	1
Simon Peter Wallace	1	1

Principal activities

Since 3 October 2000, ACTEW Distribution has held a 50% interest in the ActewAGL Distribution Partnership. Therefore its operations and the expected results of those operations are dependent on that of the ActewAGL Distribution partnership.

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

A dividend of \$39,484,807 (2013: \$49,616,346) has been declared by the directors to be paid, which is 100% of 30 June 2014 after tax net profit.

Review of operations

Since 3 October 2000, ACTEW Distribution has held a 50% interest in the ActewAGL Distribution Partnership. Therefore its operations and the expected results of those operations are dependent on that of the ActewAGL Distribution partnership.

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

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

Environmental Regulations

ACTEW Distribution has 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 that occur during their service in ACTEW.

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 under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

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

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



Dr Michael Easson AM
Chairman

Canberra
29 August 2014



John Knox
Director

Canberra
29 August 2014

**ACTEW Distribution Limited
Directors' declaration
30 June 2014**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii) giving a true and fair view of ACTEW Distribution's financial position as at 30 June 2014 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



Dr Michael Easson AM
Chairman

Canberra
29 August 2014



John Knox
Director

Canberra
29 August 2014

**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 2014 has been audited. The financial report comprises the statement of profit or loss and other 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 2014 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
29 August 2014

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

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
FINANCIAL REPORT OF ACTEW DISTRIBUTION LIMITED
FOR THE YEAR ENDED 30 JUNE 2014**

In relation to the audit of the financial report of ACTEW Distribution Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely



Dr Maxine Cooper
Auditor-General
29 August 2014

ACTEW Distribution Limited
Statement of profit and loss and other comprehensive income
For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Share of net profit of the ActewAGL Distribution partnership accounted for using the equity method	2	57,701	71,145
Other expenses arising from ordinary activities		12	1
Profit before income tax equivalents expense		57,689	71,144
Income tax equivalents expense	4	18,204	21,528
Profit for the year		39,485	49,616
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will may be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		39,485	49,616
Profit is attributable to:			
Owners of ACTEW Distribution Limited		39,485	49,616

The above Statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

ACTEW Distribution Limited
Balance sheet
As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Non-current assets			
Investments accounted for using the equity method	6	<u>610,138</u>	579,937
Total non-current assets		<u>610,138</u>	<u>579,937</u>
Total assets		<u>610,138</u>	<u>579,937</u>
LIABILITIES			
Current liabilities			
Trade and other payables	7	13	14
Provisions	8	<u>39,485</u>	49,616
Total current liabilities		<u>39,498</u>	<u>49,630</u>
Non-current liabilities			
Deferred tax balances	9	52,745	52,114
Other liabilities	10	<u>477,770</u>	438,068
Total non-current liabilities		<u>530,515</u>	<u>490,182</u>
Total liabilities		<u>570,013</u>	<u>539,812</u>
Net assets		<u>40,125</u>	<u>40,125</u>
EQUITY			
Contributed equity	11	400	400
Reserves	12	<u>39,725</u>	39,725
Total equity		<u>40,125</u>	<u>40,125</u>

The above Balance sheet should be read in conjunction with the accompanying notes.

ACTEW Distribution Limited
Statement of cash flows
For the year ended 30 June 2014

	2014	2013
Notes	\$'000	\$'000
Cash flows from operating activities		
Distributions received from the ActewAGL Distribution Partnership	27,500	24,450
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(25)</u>	<u>(11)</u>
Net cash inflow from operating activities	<u>27,475</u>	<u>24,439</u>
Net cash inflow from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Transfer of income tax equivalents paid to ACTEW	(17,560)	(16,038)
Dividend paid to ACTEW	<u>(49,616)</u>	<u>(36,461)</u>
Net cash (outflow) from financing activities	<u>(67,176)</u>	<u>(52,499)</u>
Net (decrease) in cash and cash equivalents	<u>(39,701)</u>	<u>(28,060)</u>
Financed by:		
Parent Company intercompany loan account movements		
Balance at the beginning of the financial year	(438,069)	(410,009)
Balance at the end of the financial year	10 <u>(477,770)</u>	<u>(438,069)</u>
Total movement	<u>(39,701)</u>	<u>(28,060)</u>

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

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

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

ACTEW Distribution Limited
Statement of changes in equity
For the year ended 30 June 2014

Notes	Capital \$'000	Retained earnings \$'000	Reserves \$'000	Total equity \$'000
Balance at 1 July 2012	400	-	39,725	40,125
Profit for the year as reported in the 2013 financial statements	-	49,616	-	49,616
Total comprehensive income for the year	-	49,616	-	49,616
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	(49,616)	-	(49,616)
Balance at 30 June 2013	400	-	39,725	40,125
Balance at 1 July 2013	400	-	39,725	40,125
Profit for the year as reported in the 2014 financial statements	-	39,485	-	39,485
Total comprehensive income for the year	-	39,485	-	39,485
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	(39,485)	-	(39,485)
Balance at 30 June 2014	400	-	39,725	40,125

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

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1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and other requirements of the law. ACTEW Distribution is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the group

ACTEW Distribution Limited has applied the following standards and amendments for the first time for the financial year beginning 1 July 2013:

- AASB 11 '*Joint Arrangements*'
- Amendments to AASB 101 '*Presentation of Financial Statements*'

AASB 11 '*Joint Arrangements*' requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The directors of ACTEW Distribution have assessed its joint arrangement with ActewAGL Distribution Partnership and have concluded the arrangement to be in the form of a joint venture. The interests in the joint venture partnership are accounted for using the equity method.

AASB 101 '*Presentation of Financial Statements*', now require the statement of comprehensive income to show the items of comprehensive income grouped into those that will not be reclassified subsequently to profit or loss and those that may be reclassified to profit or loss in a future period.

Other new standards effective in the current year were deemed to have nil impact.

(iv) 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

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

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.

1 Summary of significant accounting policies (continued)

(b) Income tax equivalents (continued)

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 substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

A tax sharing agreement (including a tax contribution agreement) has been executed by the Head Company, ACTEW with its wholly-owned subsidiaries (including ACTEW Distribution) 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 Chief Minister, Treasury and Economic Development 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 Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office) on behalf of its subsidiaries is considered to be remote.

Tax consolidation legislation

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

(e) 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.

1 Summary of significant accounting policies (continued)

(f) Joint venture partnership

ACTEW Distribution has assessed its joint arrangement and concluded the arrangement to be a joint venture. 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 of movement in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in note 16. ACTEW Distribution's share in the property, plant and equipment (PPE) assets of the ActewAGL Distribution partnership has been adjusted to fair value to align to ACTEW's accounting policy on PPE accounted for at fair value. The valuation of these assets is confined by application of cash generating unit test based on expected net cash flow of ActewAGL Distribution partnership discounted to present value.

(g) Dividends

ACTEW Distribution pays 100% of profits to ACTEW.

(h) 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.

(i) Going concern

The financial report has been prepared on a going concern basis. ACTEW Distribution is a holding company of ACTEW 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.

2 Revenue from continuing operations

	2014 \$'000	2013 \$'000
Revenue		
Share of net profit or loss of the ActewAGL Distribution Partnership accounted for using the equity method	57,701	71,145
Total revenue	57,701	71,145

ACTEW Distribution derives all its revenue from the ActewAGL Distribution partnership.

3 Expenses

	2014 \$'000	2013 \$'000
Expenses		
Operating expenses	12	1
Total expenses	12	1

4 Income tax equivalents

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

(i) Income tax expense

	2014 \$'000	2013 \$'000
Current tax	16,983	17,888
Adjustment to prior year (a)	590	(1,854)
	17,573	16,034
Deferred tax		
Deferred tax expense recognised in the current year	426	3,494
Deferred tax reclassified from equity to profit and loss (a)	205	2,000
	631	5,494
Total income tax equivalents recognised in current year	18,204	21,528

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

4 Income tax equivalents (continued)

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

	2014	2013
	\$'000	\$'000
Profit from continuing operations before income tax expense	57,689	71,144
Tax at the Australian tax rate of 30% (2013 - 30%)	17,307	21,343
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-deductible items	100	138
Previously unrecognised temporary differences	-	(100)
Adjustment to prior year income tax expense	797	147
Income tax equivalents expense	18,204	21,528

Tax consolidation legislation

ACTEW and its wholly-owned subsidiaries (including ACTEW Distribution) 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 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 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, 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.

ACTEW Distribution Limited
Notes to the financial statements
30 June 2014
(continued)

5 Dividends

(a) Ordinary shares

	2014 \$'000	2013 \$'000
Balance at the beginning of the financial year	49,616	36,461
Amount appropriated from operating profit	39,485	49,616
	89,101	86,077
Amount paid during the year	(49,616)	(36,461)
Balance at the end of the financial year	39,485	49,616

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

	2014 \$'000	2013 \$'000
Investments in the ActewAGL Distribution Partnership	610,138	579,937
Total investments	610,138	579,937

7 Current liabilities - Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	13	14
Total trade and other payables	13	14

8 Current liabilities - Provisions

	2014 \$'000	2013 \$'000
Dividend payable to ACTEW	39,485	49,616
Total dividends payable	39,485	49,616

9 Non-current liabilities - Deferred tax balances

	2014 \$'000	2013 \$'000
Movements:		
Opening balance	(52,114)	(46,623)
Charged/(credited):		
- profit or loss	(631)	(5,491)
	(52,745)	(52,114)

Movements	Distributions from ActewAGL Distribution Partnership \$'000	Adjustment to prior year deferred tax (a) \$'000	Accruals \$'000	Asset Revaluation \$'000	Other \$'000	Total \$'000
At 1 July 2012	(29,600)	-	2	(17,025)	-	(46,623)
(Credited)						
- profit or loss	(3,491)	(2,000)	2	-	(2)	(5,491)
At 30 June 2013	(33,091)	(2,000)	4	(17,025)	(2)	(52,114)
At 1 July 2013	(33,091)	(2,000)	4	(17,025)	(2)	(52,114)
(Credited)						
- profit or loss	(426)	(205)	-	-	-	(631)
At 30 June 2014	(33,517)	(2,205)	4	(17,025)	(2)	(52,745)

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

10 Non-current liabilities - Other non-current liabilities

	2014 \$'000	2013 \$'000
Intercompany loan liability - ACTEW	477,770	438,068
Total other liabilities	477,770	438,068

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

11 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares - fully paid	400,000	400,000	400	400
Total contributed equity	400,000	400,000	400	400

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 Group does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in ordinary share capital

There has been no movement in share capital.

12 Reserves and retained earnings

(a) Reserves

	2014 \$'000	2013 \$'000
Asset revaluation reserve	39,725	39,725
Total reserves	39,725	39,725

a) Movements in the asset revaluation reserve:

Asset revaluation

Opening balance	39,725	39,725
At the end of the financial year	39,725	39,725

b) Nature and purpose of reserves

Asset Revaluation Reserve

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

12 Reserves and retained earnings (continued)

Retained earnings

Movements in retained earnings were as follows:

	2014 \$'000	2013 \$'000
At the beginning of the financial year	-	1
Net profit for the year	39,485	49,616
Dividends provided for	(39,485)	(49,617)
Retained profits at the end of the financial year	-	-

13 Contingencies

Contingent liabilities

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

14 Commitments

As at 30 June 2014, the Company had not committed to any future expenditure (2013 - Nil).

15 Related party transactions

Parent entities

Director disclosures

(a) Directors

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

Dr Michael Easson AM, Chairman (appointed 13 June 2014)
 John Knox, (appointed 27 March 2014)
 Wendy Caird (appointed 27 March 2014)
 Mark Anthony Sullivan (until 10 February 2014)
 Ian Peter Carmody (until 21 February 2014)
 Simon Peter Wallace (until 4 July 2014)

Any transactions 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.

15 Related party transactions (continued)

(b) Remuneration of directors

(i) Directors' fees

No director has been remunerated in respect of ACTEW Distribution (2013 - Nil).

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2014 (2013 - Nil).

(iii) Loans to directors

There were no loans to any directors as at 30 June 2014 (2013 - 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.

(d) Parent entity

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

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

The principal activity of ACTEW Distribution is to hold a 50% interest in the ActewAGL Distribution Partnership, on behalf of ACTEW.

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

15 Related party transactions (continued)

The following transactions occurred with related parties:

	2014	2013
	\$	\$
Revenue from the ActewAGL Distribution Partnership	57,700,890	71,145,385

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

Dividend payable to ACTEW	39,484,807	49,616,346
Intercompany loan liability - ACTEW	477,769,677	438,068,697

16 Interests in joint ventures

ACTEW Distribution has entered into a partnership with Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and the gas network in the ACT, Queanbeyan and Shoalhaven regions.

ACTEW Distribution 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(f) is set out below:

	2014	2013
	\$'000	\$'000
Share of ActewAGL Distribution partnership's commitments		
Lease commitments	34,500	37,835
Capital and other commitments	16,362	23,416
Total expenditure commitments	50,862	61,251

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 2014.

(a) Contingent liabilities

Claims

There are a number of public liability insurance claims against the ActewAGL Distribution Partnership at year end. Should the partnerships be proved liable, the partnerships must pay the first \$25,000 of each claim. ACTEW Distribution's share of this contingent liability is estimated to be \$1,877 as at 30 June 2014 (2013: \$16,298).

17 Events occurring after the reporting period

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 2014

ACTEW Retail Limited ABN 23 074 371 207
Financial Report for the year end 30 June 2014

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The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 29 August 2014.

**ACTEW Retail Limited
Corporate Profile**

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

Principal registered office in Australia	Level 5, ActewAGL House 40 Bunda Street CANBERRA ACT 2600 Phone: (02) 6248 3871 Fax: (02) 6248 3567
Principal place of business	Level 5, ActewAGL House 40 Bunda Street CANBERRA ACT 2600 GPO Box 366 CANBERRA ACT 2601
Auditor	ACT Auditor-General's Office
Solicitors	Clayton Utz King & Wood Mallesons Minter Ellison
Bankers	Westpac Banking Corporation Commonwealth Bank of Australia Reserve Bank of Australia
ACN	074 371 207
ABN	23 074 371 207
Website	www.actew.com.au

Directors' report

The Directors present their report on the financial report of ACTEW Retail and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of ACTEW Retail during or since the end of the financial year:

Dr Michael Easson AM, Chairman (appointed 13 June 2014)
 John Knox, (appointed 27 March 2014)
 Wendy Caird (appointed 27 March 2014)
 Mark Anthony Sullivan (until 10 February 2014)
 Ian Peter Carmody (until 21 February 2014)
 Simon Peter Wallace (until 4 July 2014)

Company secretary

Michele Norris (until 15 July 2014)
 Craig Richardson (appointed 28 May 2014)

Meetings of directors

The number of Director's 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
Dr Michael Easson AM, Chairman	-	-
John Knox	-	-
Wendy Caird	-	-
Mark Anthony Sullivan AO	1	1
Ian Peter Carmody	1	1
Simon Peter Wallace	1	1

Principal activities / likely developments and expected results of operations

Since 3 October 2000, ACTEW Retail has held a 50% interest in the ActewAGL Retail partnership. Therefore its operations and the expected results of those operations are dependent on that of the ActewAGL Retail partnership.

On 5 April 2012, ACTEW Retail 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, however, the ActewAGL Generation Pty Ltd entity remains non-operating as at 30 June 2014. ACTEW Retail holds a 50% interest in the total equity of ActewAGL Generation Pty Ltd.

Significant changes in the state of affairs

There was no significant change in the nature of the activity of ACTEW Retail during the year.

Trading results and dividends

A dividend of \$17,748,969 (2013: \$17,835,469) has been declared by the directors to be paid, which is 100% of 30 June 2014 after tax net profit.

Review of operations

Since 3 October 2000, ACTEW Retail has held ACTEW's 50% interest in the ActewAGL Retail partnership. Therefore its operations and the expected results of those operations are dependent on that of the ActewAGL Retail partnership.

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

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

Environmental Regulations

ACTEW Retail 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 that occur during their service at ACTEW.

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.

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 under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

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

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

Dr Michael Easson AM
Chairman

Canberra
29 August 2014

John Knox
Director

Canberra
29 August 2014

**ACTEW Retail Limited
Directors' declaration
30 June 2014**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii) giving a true and fair view of ACTEW Retail's financial position as at 30 June 2014 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



Dr Michael Easson AM
Chairman

Canberra
29 August 2014



John Knox
Director

Canberra
29 August 2014

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 2014 has been audited. The financial report comprises the statement of profit or loss and other 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 2014 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
29 August 2014

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

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
FINANCIAL REPORT OF ACTEW RETAIL LIMITED
FOR THE YEAR ENDED 30 JUNE 2014**

In relation to the audit of the financial report of ACTEW Retail Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Yours sincerely



Dr Maxine Cooper
Auditor-General
29 August 2014

ACTEW Retail Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Share of net profit of the joint venture partnership accounted for using the equity method		25,332	26,096
Other revenue from ActewAGL Retail Partnership		69	69
Total revenue	2	25,401	26,165
Expenses	3	18	1
Profit before income tax equivalents expense		25,383	26,164
Income tax equivalents expense	4	7,634	8,329
Profit for the year		17,749	17,835
Other comprehensive income, net of income tax			
Items that will not be classified subsequently to profit or loss		-	-
Items that may be classified subsequently to profit or loss		-	-
		-	-
Total comprehensive income for the year		17,749	17,835
Profit is attributable to:			
Owners of ACTEW Retail Limited		17,749	17,835

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

ACTEW Retail Limited
Balance Sheet
As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Non-current assets			
Receivables	6	6,737	6,726
Investments accounted for using the equity method	7	39,630	38,726
Deferred tax assets	8	1,915	1,698
Total non-current assets		<u>48,282</u>	<u>47,150</u>
Total assets		<u>48,282</u>	<u>47,150</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	19	-
Dividend payable	10	17,749	17,835
Total current liabilities		<u>17,768</u>	<u>17,835</u>
Non-current liabilities			
Other	11	29,514	28,315
Total non-current liabilities		<u>29,514</u>	<u>28,315</u>
Total liabilities		<u>47,282</u>	<u>46,150</u>
Net assets		<u>1,000</u>	<u>1,000</u>
EQUITY			
Contributed equity	12	1,000	1,000
Total equity		<u>1,000</u>	<u>1,000</u>

The above Balance Sheet should be read in conjunction with the accompanying notes.

ACTEW Retail Limited
Statement of cash flows
For the year ended 30 June 2014

	2014	2013
Notes	\$'000	\$'000
Cash flows from operating activities		
Distributions received from the ActewAGL Retail Partnership	24,500	24,500
Payments to suppliers and employees (inclusive of goods and services tax)	(31)	(11)
Net cash inflow from operating activities	<u>24,469</u>	<u>24,489</u>
Cash flows from financing activities		
Transfer income tax equivalents paid to ACTEW	(7,333)	(2,798)
Payment of dividends to ACTEW	5 (18,335)	(20,473)
Net cash (outflow) from financing activities	<u>(25,668)</u>	<u>(23,271)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(1,199)</u>	1,218
Financed by:		
Parent Company intercompany loan account movements		
Balance at the beginning of the financial year	(28,315)	(29,533)
Balance at the end of the financial year	11 (29,514)	(28,315)
Total movement	<u>(1,199)</u>	<u>1,218</u>

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

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

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

ACTEW Retail Limited
Statement of changes in equity
For the year ended 30 June 2014

Notes	Capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2012	1,000	-	1,000
Profit for the year as reported in the 2013 financial statements	-	17,835	17,835
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	-	(17,835)	(17,835)
Balance at 30 June 2013	1,000	-	1,000
Balance at 1 July 2013	1,000	-	1,000
Profit for the year as reported in the 2014 financial statements	-	17,749	17,749
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	-	(17,749)	(17,749)
Balance at 30 June 2014	1,000	-	1,000

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

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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. The ACTEW Retail is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

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

(ii) Historical cost convention

These financial statements have been prepared on a historical cost convention.

(iii) New and amended standards adopted by the group

ACTEW Retail has applied the following standards and amendments for the first time for the financial year commencing 1 July 2013:

- AASB 11, 'Joint arrangements' and
- Amendments to AASB 101, 'Presentation of Financial Statements'.

AASB 11 'Joint arrangements' requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The directors of ACTEW Retail have assessed its joint arrangements with ActewAGL Retail Partnership and ActewAGL Generation Pty Ltd and have concluded the arrangements to be joint ventures. The interests in the joint venture partnerships are accounted for using the equity method.

AASB 101 'Presentation of Financial Statements', now require the statement of comprehensive income to show the items of comprehensive income grouped into those that will not be reclassified subsequently to profit or loss and those that may be reclassified to profit or loss in a future period.

Other new standards effective in the current year were deemed to have nil impact.

(iv) Rounding of amounts

ACTEW Retail 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

ACTEW Retail is exempt from Federal income tax. ACTEW and its controlled entities is required to make an equivalent payment to the ACT Government as required by the *Territory-owned Corporations Act 1990*.

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.

1 Summary of significant accounting policies (continued)

(b) Income tax equivalents (continued)

(continued)

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

A tax sharing agreement (including a tax contribution agreement) has been executed by the Head Company, ACTEW with its wholly-owned subsidiaries (including ACTEW Retail) 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 Chief Minister, Treasury and Economic Development 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 Chief Minister, Treasury and Economic Development Directorate (ACT Revenue Office) on behalf of its subsidiaries is considered to be remote.

Tax consolidation legislation

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

(c) Acquisition 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.

(d) Revenue recognition

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

(e) 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.

1 Summary of significant accounting policies (continued)

(f) Joint venture partnership

ACTEW Retail has assessed its joint arrangements with ActewAGL Retail partnership and ActewAGL Generation Pty Ltd and concluded the arrangements to be joint ventures. The interests in the joint ventures are accounted for using the equity method. Under this method, the share of profit or losses of the partnership or company is recognised as revenue in the statement of comprehensive income, and the share of movement in reserves is recognised in reserves in the balance sheet. Details relating to the partnership and company are set out in note 17 'Interests in joint ventures'.

(g) Dividends

ACTEW Retail pays 100% of its profits to ACTEW.

(h) 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.

(i) Going concern

The financial report has been prepared on a going concern basis. ACTEW Retail is a holding company of ACTEW 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.

2 Revenue

	2014 \$'000	2013 \$'000
Revenue		
Share of net profit of the ActewAGL Retail Partnership accounted for using the equity method	25,332	26,096
Other revenue from ActewAGL Retail Partnership	69	69
Total revenue	25,401	26,165

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

3 Expenses

	2014 \$'000	2013 \$'000
Expenses		
Other expenses arising from ordinary activities	18	1
Total expenses	18	1

4 Income tax equivalents

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

(i) Income tax equivalents expense

	2014 \$'000	2013 \$'000
Current tax	7,112	8,106
Adjustment to prior year income tax expense (a)	739	(5,307)
	7,851	2,799
Deferred tax		
Deferred tax expense recognised in the current year	501	69
Deferred tax adjustment for prior periods (a)	(719)	5,461
	(218)	5,530
Total income tax equivalents recognised in the current year	7,634	8,329

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

4 Income tax equivalents (continued)

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

	2014	2013
	\$'000	\$'000
Profit from continuing operations before income tax equivalents expense	25,383	26,164
Tax at the Australian tax rate of 30% (2013 - 30%)	7,615	7,849
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Other non-deductible items	14	346
Share of Joint Venture profits and partner share of profits	(15)	(20)
Adjustment to the prior year income tax expense	20	154
Income tax equivalents expense	7,634	8,329

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(b) 'income tax equivalents'.

The subsidiaries have entered into a tax funding agreement under which the wholly-owned entities fully compensate 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 companies' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from ACTEW, which is issued as soon as practicable at the end of the financial year. ACTEW 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.

5 Dividends

	2014	2013
	\$'000	\$'000
Balance at the beginning of the financial year	17,835	20,473
Amount appropriated from operating profit for the year	17,749	17,835
	35,584	38,308
Amount paid during the year	(17,835)	(20,473)
Balance at the end of the financial year	17,749	17,835

6 Non-current assets - Receivables

	2014 \$'000	2013 \$'000
Receivables from ACTEW Corporation Limited for tax losses	6,737	6,726
Total receivables	6,737	6,726

7 Non-current assets - Investments accounted for using the equity method

	2014 \$'000	2013 \$'000
Investments in the ActewAGL Retail Partnership and ActewAGL Generation Pty Ltd	39,630	38,726
Total investment	39,630	38,726

8 Deferred tax balances

Movements:

Opening balance	1,698	7,229
Charged/credited:		
- to profit or loss	217	(5,531)
	1,915	1,698

	Distributions from ActewAGL Retail Partnership \$'000	Adjustment to prior year deferred tax (a) \$'000	Accrual \$'000	Other \$'000	Total \$'000
Temporary Differences					
At 1 July 2012	7,228	-	6	(5)	7,229
Charged/(credited) - to profit or loss	(69)	(5,461)	(3)	2	(5,531)
At 30 June 2013	7,159	(5,461)	3	(3)	1,698

	Distributions from ActewAGL Retail Partnership \$'000	Adjustment to prior year deferred tax \$'000	Accrual \$'000	Other \$'000	Total \$'000
At 1 July 2013	7,159	(5,461)	3	(3)	1,698
Charged/(credited) - to profit or loss	(502)	719	-	-	217
At 30 June 2014	6,657	(4,742)	3	(3)	1,915

8 Deferred tax balances (continued)

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

9 Current liabilities - payables

	2014	2013
	\$'000	\$'000
Other creditors and accruals	<u>19</u>	-
Total accounts payable	<u>19</u>	-

10 Current liabilities - dividends payable

	2014	2013
	\$'000	\$'000
Dividend payable to ACTEW	<u>17,749</u>	17,835
Total dividends payable	<u>17,749</u>	17,835

11 Non-current liabilities - Other

	2014	2013
	\$'000	\$'000
Intercompany loan liability - ACTEW (a)	<u>29,514</u>	28,315
Total Other	<u>29,514</u>	28,315

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

12 Contributed equity

(a) Share capital

	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>1,005</u>	1,005	<u>1,000</u>	1,000
Total contributed equity	<u>1,005</u>	1,005	<u>1,000</u>	1,000

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 Group does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in ordinary share capital

There has been no movement in share capital.

13 Retained profits

	2014	2013
	\$'000	\$'000
Net profit for the year	17,749	17,385
Dividends paid or provided for	(17,749)	(17,385)
Retained profit at the end of the year	<u>-</u>	<u>-</u>

14 Contingencies

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

15 Commitments for expenditure

As at 30 June 2014, ACTEW Retail Limited had not commit to any future expenditure (2013 - Nil).

16 Related party transactions

Directors and Director Related Entities

The following persons were directors of ACTEW Retail during or since the end of the financial year:

Dr Michael Easson AM, Chairman (appointed 13 June 2014)
John Knox (appointed 27 March 2014)
Wendy Caird (appointed 27 March 2014)
Mark Anthony Sullivan (until 10 February 2014)
Ian Peter Carmody (until 21 February 2014)
Simon Peter Wallace (until 4 July 2014)

(b) Remuneration of directors

(i) Directors' remuneration

No director has been remunerated in respect of ACTEW Retail (2013 - Nil).

(ii) Retirement benefits

There were no retirement benefits paid to directors as at 30 June 2014 (2013 - Nil).

(iii) Loans to directors

There were no loans to any directors as at 30 June 2014 (2013 - 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.

(d) Parent entity

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

16 Related party transactions (continued)

The ultimate parent entity is the ACT Government who owns 100% of the shares of ACTEW.

The principal activity of ACTEW Retail is to hold a 50% interest in the ActewAGL Retail partnership, on behalf of ACTEW.

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

On 5 April 2012, ACTEW Retail 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, however, the ActewAGL Generation Pty Ltd entity remains non-operating as at 30 June 2014. ACTEW Retail holds a 50% interest in the total equity of ActewAGL Generation Pty Ltd.

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

The following transaction occurred with related parties:

	Notes	2014 \$	2013 \$
Revenue from the ACTEW Retail Partnership	2	25,332,000	26,096,268
		-	-

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

Receivables from ACTEW	6	8,457,990	6,725,814
Dividend payable to ACTEW		17,748,969	17,835,469
Intercompany loan Liability - ACTEW		29,513,595	28,314,871

17 Interests in joint ventures

ACTEW Retail has entered into a partnership with AGL ACT Retail Investments Pty Ltd to sell electricity and gas to its retail and commercial customers in the ACT and surrounding regions (including Goulburn, Boorowa, Yass, Young and Shoalhaven).

ACTEW Retail 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	2014	2013
	\$'000	\$'000
Lease commitments	7,179	6,965
Capital and other commitments	-	458
Total expenditure commitments	7,179	7,423

In April 2012, ACTEW Retail 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 Retail has 50% ownership in ActewAGL Generation Pty Ltd. As at 30 June 2014, there have been no transactions within ActewAGL Generation Pty Ltd. (2013: nil)

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 2014.

18 Events occurring after the reporting period

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

ActewAGL Joint Venture
Summary financial report
for the year ended 30 June 2014

ActewAGL Joint Venture Summary financial report - 30 June 2014

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Introduction to the summary financial report

Profit

Profit for the year ended 30 June 2014 was \$166 million, compared to the prior year's profit of \$195 million.

Total operating revenue from continuing operations for the year ended 30 June 2014 was \$837 million compared to \$829 million in the prior year. The increase in revenue is primarily due to a favourable operating tariff mix on volumes for the year, 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 2014 was \$671 million compared to \$662 million in the prior year. This increase 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 contributions to the increase in expense was due to the upgrade of ActewAGL's operational and information technologies and associated projects.

Profit from discontinued operations for the year ended 30 June 2014 was \$0.1m compared to \$27m in the prior year. The decrease is due to the majority of the gain on sale of Water Division being recognised on the sale date of 1 July 2012.

Cash flow

The Joint Venture generated \$219 million from its operating activities for the year ended 30 June 2014 compared to \$204 million in the prior year.

Net cash outflows from investing activities were \$135 million for the current year, compared to \$112 million for the prior year. The increase in cash outflows is mainly driven by additional expenditure on capital projects.

Cash surplus to the Joint Venture's operational and capital requirements are returned to the Partners in the form of cash distributions. In the current financial year, \$104 million was distributed to ActewAGL's Partners; \$6 million higher than the \$98 million in the prior year.

Financial position

As at 30 June 2014, the Joint Venture had net assets of \$1,188 million compared to \$1,126 million in the prior year. The increase is mainly due to the increase in working capital and capital investment in the energy network business. Cash available as at 30 June 2014 was \$37 million, \$21 million lower than prior year. Current assets were \$235 million compared to \$254 million in the prior year. Current liabilities were \$184 million compared to \$175 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 \$1,122 million, compared to \$1,030 million as at 30 June 2013, is primarily due to increased capital expenditure in the energy network business.

Partners' return

The return on funds employed for the current financial year on the net profit before income tax was 14% compared to 17% in the prior year.

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

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

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

**ActewAGL Joint Venture
Balance sheet
As at 30 June 2014**

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

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

	Total joint venture funds \$'000
Balance at 1 July 2012	<u>1,028,784</u>
Profit for the year	195,019
Other comprehensive income	-
Total comprehensive income for the year	<u>195,019</u>
Transactions with Partners in their capacity as Partners:	
Distributions paid	<u>(97,900)</u>
Balance at 30 June 2013	<u>1,125,903</u>
	Total joint venture funds \$'000
Balance at 1 July 2013	<u>1,125,903</u>
Profit for the year	166,065
Other comprehensive income	-
Total comprehensive income for the year	<u>166,065</u>
Transactions with Partners in their capacity as Partners:	
Distributions paid	<u>(104,000)</u>
Balance at 30 June 2014	<u>1,187,968</u>

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

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

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

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 2014 and of its performance, as represented by the results of its operations and cashflows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Joint Venture will be able to pay its debts as and when they become due and payable.

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

Paul Frazer
Chairman
Canberra
27 August 2014



Michael Easson
Deputy Chairman
Canberra
27 August 2014



INDEPENDENT AUDIT REPORT

To the Partners of the 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 2014.

On 3 September 2014, I issued an unmodified audit report on the special purpose financial report of the Joint Venture for the year ended 30 June 2014.

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

Under the *ACTEW/AGL Partnership Facilitation Act 2000*, I am responsible for expressing an audit opinion on the financial report. I formed the audit opinion following the use of audit procedures conducted in accordance with Australian 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 the ActewAGL Joint Venture for the year ended 30 June 2014, is materially consistent with the special purpose financial report.



Dr Maxine Cooper
Auditor-General
3 September 2014

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

Dear Board Members

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

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

Yours sincerely



Dr Maxine Cooper
Auditor-General
27 August 2014

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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
D.6 Notices of Noncompliance	Government policy - not applicable to ACTEW.
E.1 Human Resources Management	Government policy - not applicable to ACTEW.
E.2 Learning and Development	Government policy - not applicable to ACTEW.
E.4 Workplace Relations	Government policy - not applicable to ACTEW.
F.3 Capital Works	Government policy - not applicable to ACTEW. Details of ACTEW's capital works program are at page 12.
F.4 Asset Management	Government policy - not applicable to ACTEW. ACTEW manages its assets and infrastructure through its capital works program. Refer to Highlights on page 12.
F.5 Government Contracting	Government policy - not applicable to ACTEW.
F.6 Statement of Performance	Not applicable. ACTEW is not subject to Part 8 of the <i>Financial Management Act 1996</i> .

Abbreviations List

ARMC	Audit and Risk Management Committee
ASX	Australian Stock Exchange
ECD	Enlarged Cotter Dam
EMP	Environmental Management Plan
EPA	Environment Protection Authority
FTE	Full Time Equivalent
GII	Government Improvement Initiative
GL	Gigalitres
ICRC	Independent Competition and Regulatory Commission
ICT	Information and Communication Technology
M2G	Murrumbidgee to Googong
ML	Megalitres
LMWQCC	Lower Molongolo Water Quality Control Centre
NCWRS	North Canberra Water Reuse Scheme
R&D	Research and Development
SCI	Statement of Corporate Intent
SEC	Safety and Environment Committee
SWPP	Source Water Protection Program
TOC	Territory-owned Corporation
TRO	Territory Records Office