ANNUAL REPORT 2013–14

ABN 86 069 381 960

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Information about ACTEW and an electronic version of this annual report can be found on the ACTEW website actew.com.au

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SECTION ONE

Company Profile

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 operates the water and sewerage business under the business name ACTEW Water.

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.

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.

Mission Statement

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

Vision Statement

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

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ABN: 86 069 381 960

Auditor
ACT Auditor-General's office

Solicitors
King & Wood Mallesons
Minter Ellison
Clayton Utz

Bankers
Commonwealth Bank of Australia
Reserve Bank of Australia
Westpac Banking Corporation

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%. Further investment is required to renew our infrastructure assets in the coming years and ACTEW 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 Enlarged Cotter Dam was officially opened to the public. Expanding the size of the dam increased the Cotter Reservoir's capacity from four gigalitres (GL) to 78 GL. 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 have reviewed 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 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 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.

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.

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.

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 build 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 proposed 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.

J Knox

John Knox
Managing Director

ABOUT ACTEW

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:

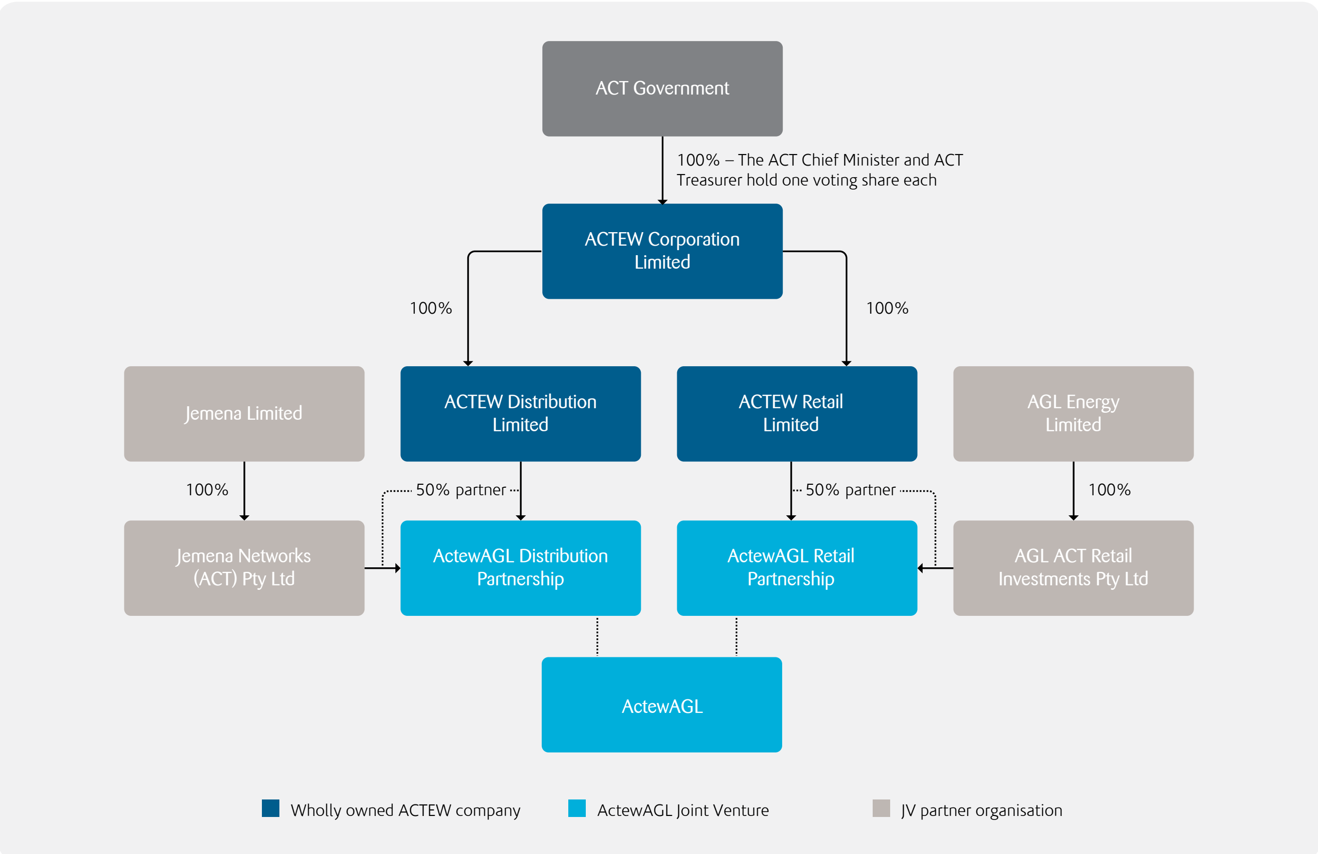
- ActewAGL Distribution (a partnership between ACTEW Distribution Limited and Jemena Networks (ACT) Pty Limited) – which owns and operates the electricity and gas distribution networks in the ACT and in certain adjacent regional centres.
- ActewAGL Retail (a partnership between ACTEW Retail Limited and 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:

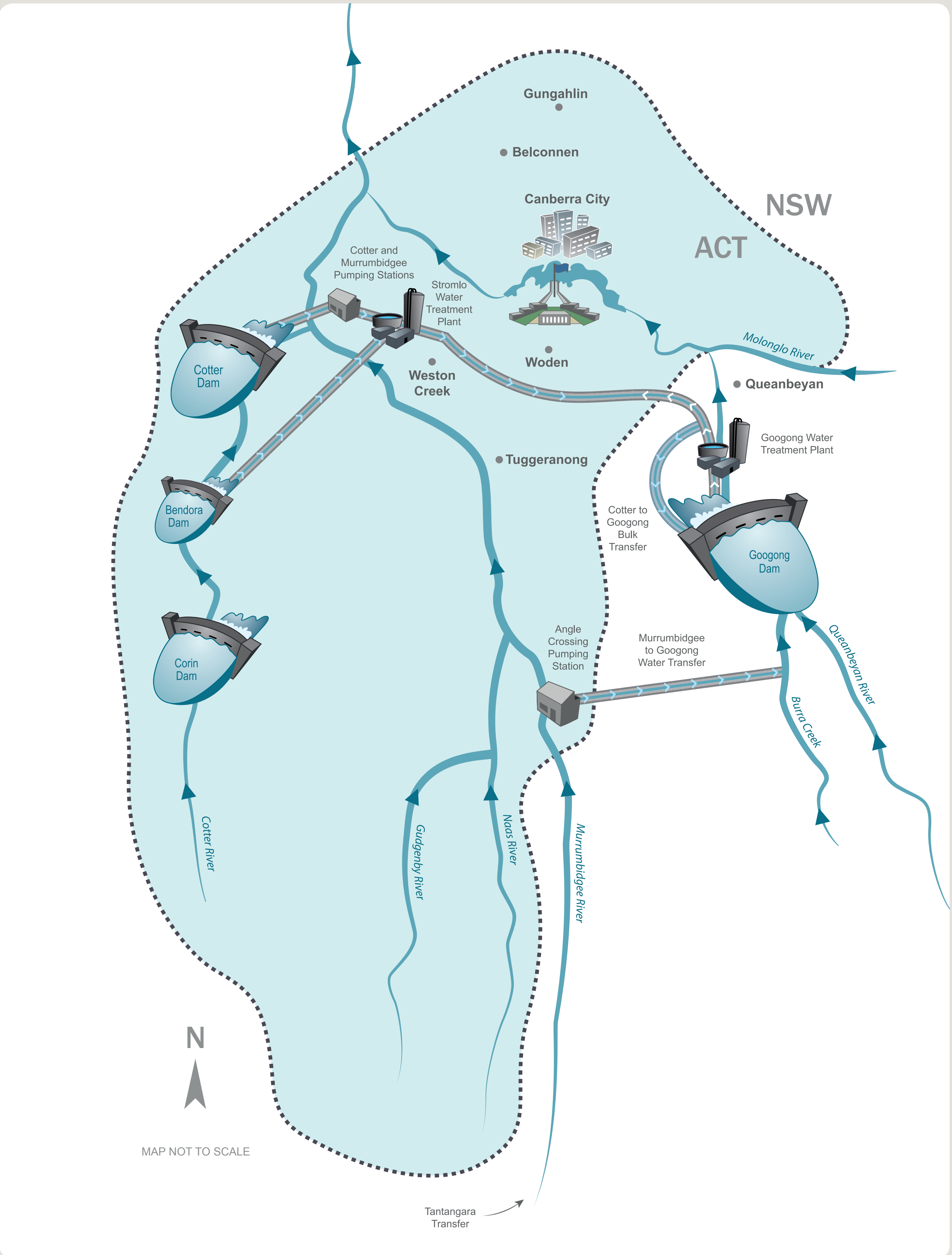
- Mr Paul Frazer (Chairman)
- Dr Michael Easson AM – (Deputy Chairman)
- Mr Paul Adams
- Mr Ruan Quiantu
- Ms Wendy Caird
- Mr John Knox

More information on ActewAGL can be found at 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



ACTEW's water supply network, including treatment plants and water storage reservoirs.

Organisational overview

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

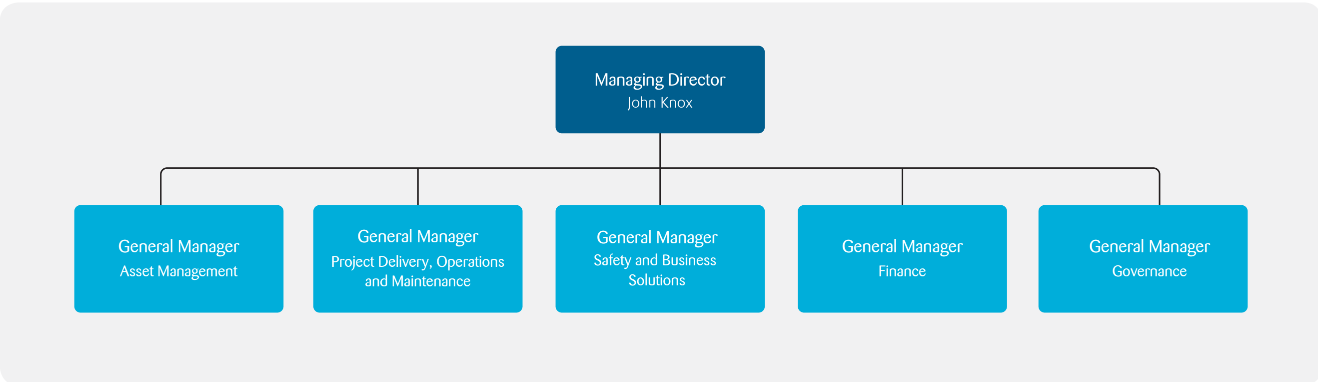
The departure of the DCEO in March 2014 resulted in the six group managers reporting directly to the new Managing Director as an interim measure.

Proposed changes to the organisational structure and executive team 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.

Executive management structure chart



As at 30 June 2014, staff numbers totalled 395 (headcount) – 77% male and 23% female as shown in the table below.

Employment category and gender	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

HIGHLIGHTS 2013–14

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 sewage 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 will provide a framework for 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.

Our sewage is treated to stringent environmental requirements and reported to the EPA and the National Pollution Inventory. Extensive routine sampling is undertaken across our plants at multiple locations to ensure ACTEW complies with these requirements. 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.

3234
kilometres of sewerage pipes

26
pumping stations

29
gigalitres of sewage treated

Waste water from our sewage treatment plants produces very high quality effluent with very low concentrations of phosphorous, organic solids and nutrients. Approximately 15% of this effluent was recycled for non-potable uses within Canberra in 2013–14, with the remaining 85% released into the rivers to boost environmental flows with some used for irrigation.

Illegal discharges to sewers identified after a saftey incident in 2014 highlighted the need for more comprehensive controls of non-domestic wastes and monitoring for presence of such in sewers. Various risk mitigation programs are being developed to deal with these and it is expected that these programs will increase the cost of the operation of the sewerage network.

ACTEW's continued focus on safety initiatives resulted in an assessment of all high risk construction activities occurring within sewage 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 sewage treatment plants.

Water operations

ACTEW relies on four storage reservoirs in two catchment areas (Cotter and Queanbeyan River) and the Murrumbidgee River for its drinking water supply. Canberra's source water catchments consist of Corin, Bendora and Cotter storage reservoirs on the Cotter River; the Murrumbidgee River; and the Googong storage reservoir on the Queanbeyan River.

At the end of June 2014, Canberra's four storage reservoirs were holding 77% of their total accessible capacity (including the Enlarged Cotter Dam).

During 2013–14, Cotter River reservoirs and the Googong reservoir provided 81% and 19% of the water supplied to Canberra and Queanbeyan, respectively. The Googong reservoir on the Queanbeyan River is the largest of the four water supply reservoirs and at the end of June 2014 was at 100% capacity.

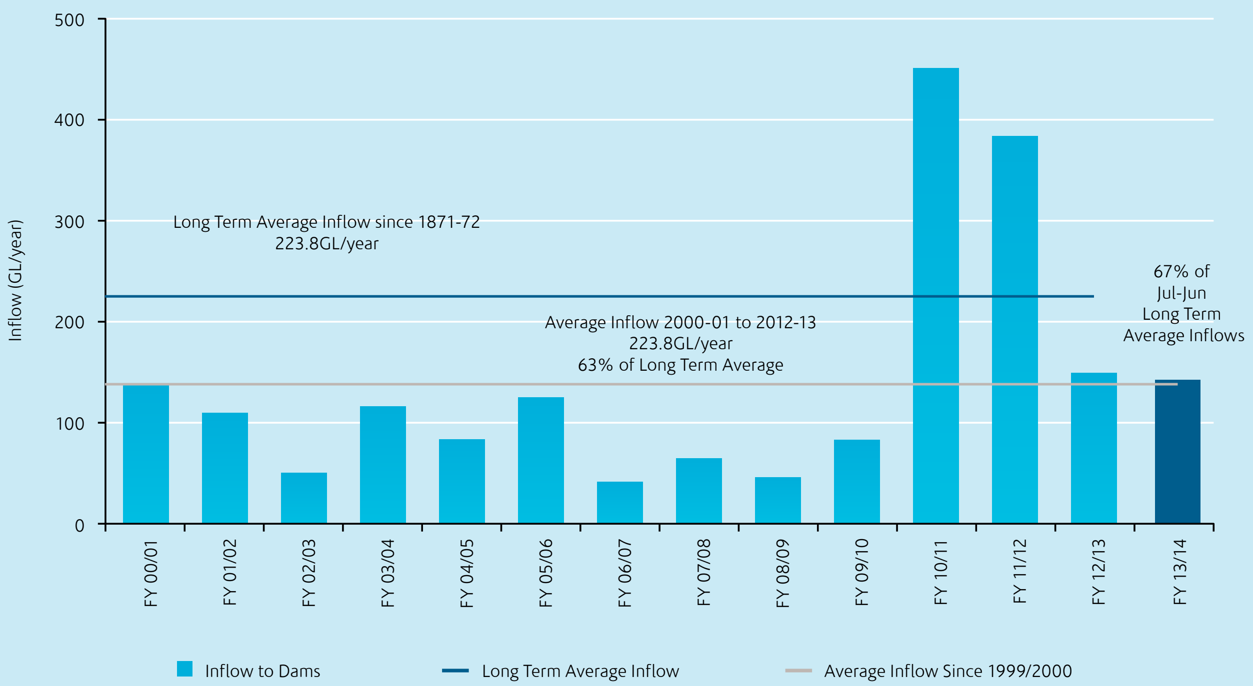
The 2013–14 year has seen a slightly higher rainfall (620.2mm – source: Bureau of Meteorology), than the long term average (615.7mm). There has been significant seasonal variability in the rainfall with a hot and relatively dry summer following high rainfall during November 2013, and above average rainfall 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 139 GL, but significantly lower than the long-term average annual inflow to the four reservoirs of approximately 234.7 GL.

Water production for the year was 48.7 GL 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 abstraction[1] for the 12 month period is approximately 17.7 GL.

On average, daily consumption of water ranged from a minimum 100 megalitres (ML) in July 2013 to a maximum of 273 ML in January 2014. Per capita average consumption was 314 litres per person per day (compared to 312 litres per person per day in 2012–13).

Annual inflows into Corin, Bendora, Cotter and Googong reservoirs



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

Drinking water quality

ACTEW carries out an extensive drinking water quality monitoring program that includes the catchments and storage reservoirs, treatment plants, service reservoirs and customers' taps. The information generated within this monitoring program assists ACTEW in its operations and ensures that high quality water is delivered to Canberra and Queanbeyan.

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. ACTEW also published its Annual Drinking Water Quality Report 2012–13 in accordance with the Code in October 2013, with the 2013–14 report published in October 2014.*

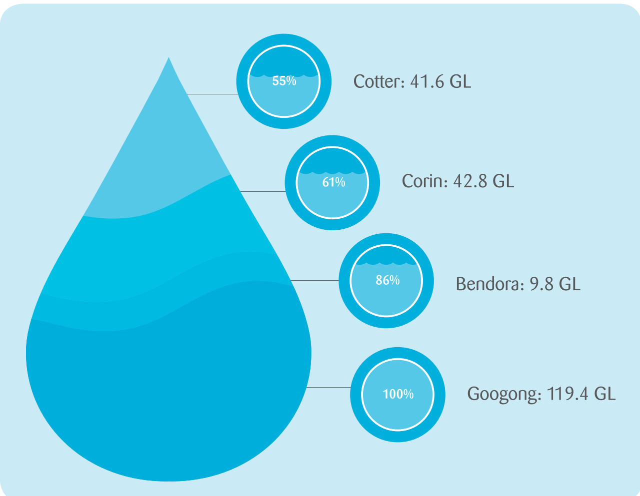
Treated water is delivered to customers through 47 service reservoirs, 25 pump stations and over 3,200 km of water mains.

47
reservoirs

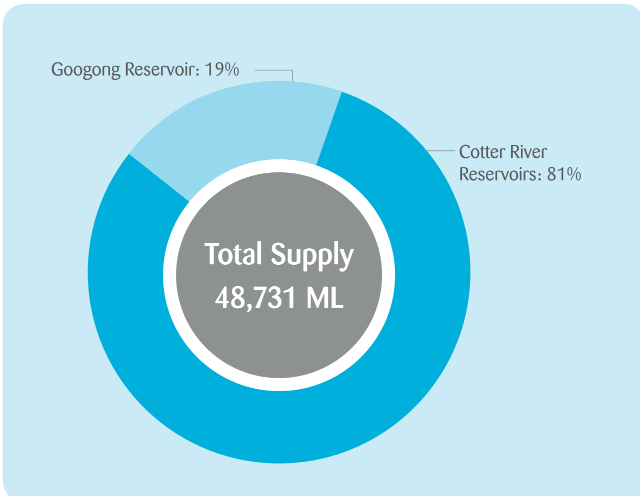
25
pumping stations

77%
full

Reservoir storage levels at 30 June 2014



Source of drinking water supply for 2013–14



* The Annual Drinking Water Quality Reports 2013–13 and 2013–14 are available under 'key publications' on ACTEW's website at www.actew.com.au.

Enlarged Cotter Dam – the journey

Before construction

Artist's impression

Construction

The March 2012 floods

Open day – October 2013

Completed

Aerial ECD

Aerial ECD

Capital works and major infrastructure

Enlarged Cotter Dam

During 2013–14, one of the region's largest and most significant infrastructure projects – the Enlarged Cotter Dam (ECD) was completed, safeguarding Canberra's water supply for future generations.

The ECD opening was celebrated by the Canberra community at the 'Cotterfest' event in October 2013. Cotterfest 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 values.

The success of the ECD project has been recognised by the receipt of several industry awards, including:

2013 International Environmental Excellence Award

from the International Erosion Control Association for the Enlarged Cotter Dam project

2013 Australian Water Association National Award

for Program Innovation for the Enlarged Cotter Dam Fish Management Program

The technical nature of the ECD's design and construction innovation resulted in nine papers being presented nationally and 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.

Safety management was paramount on the ECD 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 serious incidents or injuries. 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. There was also 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 benchmarking safety performance as published by the Office of the Federal Safety Commissioner for 2013). Considering the extreme risk profile of the project, exceeding industry averages highlighted the exceptional safety performance on the ECD project.

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 2014, 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 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 14 ML Molonglo Valley (Oddie) Reservoir expected to be completed early in the new financial year. The project which provides bulk water to the extra low zone section of the Molonglo development will transition to construction next financial year. The installation of approximately 2650 metres 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 January 2014. Stage B, which includes a connection between the main supply and Googong development bulk main networks, is planned for late 2014.

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.

Molonglo Valley Reservoir (construction)

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.
- Research and development – a review of the research and development program has led to a more refined program with key initiatives better supporting the organisation's objectives and priorities.
- Procurement – an initial examination of the organisation's procurement process identified several opportunities for improvement. An improved procurement operating framework has been developed, along with 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 increase focus on its ICT capability, 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 culture survey was conducted in 2012 to establish a baseline in the areas of leadership, strategy, accountability, communication, 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 previous 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.

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 adjusted 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 sought a review of the ICRC's 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

Customer service

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.

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 minimise 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 ACTEW can add value to our customer interactions has led to a review of processes to increase customer satisfaction and create efficiencies. Training conducted across the business has increased commercial awareness of individuals and teams. Overall, the business is operating with greater accountability to the community.

Community engagement

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.

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

Sponsorships and donations

During 2013–14, ACTEW provided over $500,000 in sponsorships and donations to 59 groups, individuals and organisations under the Community Support Program and for 17 events through the Major Events Program.

The Community Support Program provides financial and in-kind assistance to organisations that provide valuable community support services and programs, and various community activities which provide and encourage community access and participation. The Major Events Program includes five categories: cultural, arts, sport, education and community.

163,000
water customers

159,000
sewerage customers

33,628
customer calls

Business opportunities

In 2013–14, ACTEW refined its approach in relation to the identification and consideration of new business opportunities. 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 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 their PhD in the third quarter of 2014. The PhD candidate will provide ACTEW with a better understanding of the contaminants that appear through the sewage treatment process at the Lower Molonglo Water Quality Control Centre.

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).

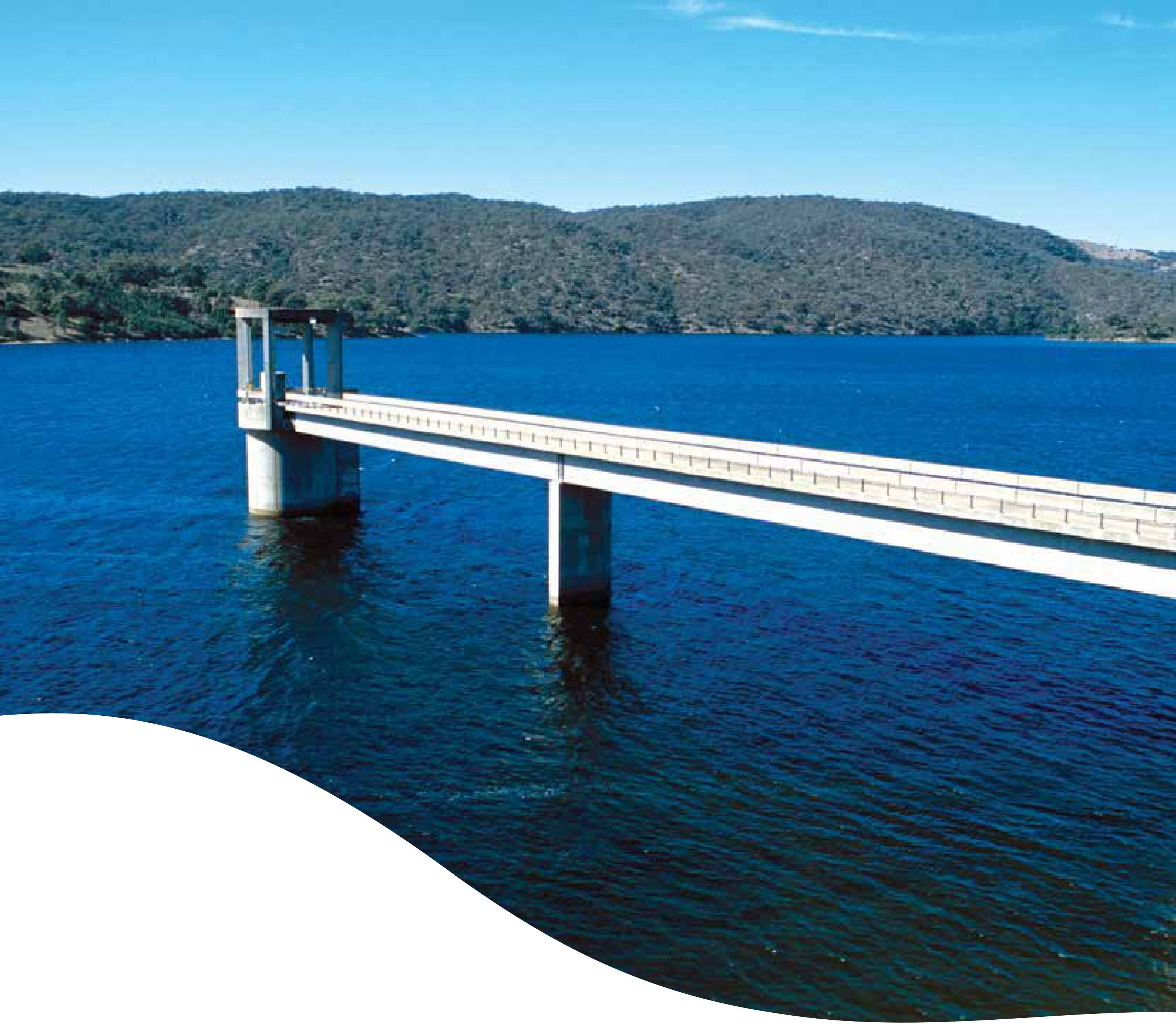
All new staff are inducted to their usual work site on their first day and this process was included in ACTEW's key performance indicator targets in the 2013–14 Staff Incentive Scheme. During 2013–14, safety toolbox talks were held at all ACTEW sites on a monthly basis to discuss various safety matters. 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 a web-based system, called Guardian, which captures incidents, actions, hazards, risks and injury management information and provides a framework for addressing and reporting on them.

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, equipment and work activities.

During 2013–14, three lost time injuries occurred which was a significant reduction (75%) from 2012–13.



OUTLOOK 2014–15

Outlook 2014–15

Objectives

ACTEW's objectives are derived from the T*erritory-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.

ENVIRONMENT AND SUSTAINABILITY

Environment and Sustainability

ACTEW has continued to improve in the areas of environment and sustainability. ACTEW 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.

Environmental management system and compliance

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 this 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.

Carbon and Energy Strategy

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 Mount Stromlo WTP 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 reduce greenhouse gas emission targets from operations.

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 5,353 tonnes of carbon dioxide equivalence (tonnes CO_2-e) in 2013–14 compared with the previous year, excluding offsets and inclusive of emissions created through the water security projects.

Natural environment

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.

Source Water Protection Program

In 2013–14, ACTEW's Source Water Protection Program (SWPP), 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.

Sustainability

Our definition

Our sustainability definition, based on the Brundtland Commission of the United Nations on Environment and Development in 1987, ensures that aspects of sustainability are considered equally when delivering our projects, services and operations.

Balancing **financial health, environmental sustainability, cultural vitality** and **social responsibility** to meet the needs of the present without compromising the ability for future generations to meet their own needs.

2013–14 Sustainability Snapshot

Sustainability indicators performance summary FY 2013–14	Target	Progress rating	
		12–13	13–14
Environmental Sustainability			
Water conservation and security: Major water security projects were completed. Water production was 48 GL, a 37% reduction on 1993–2002 levels (tracking to outperform ACT Government targets for 2023).	25% reduction in per capita demand for water by 2023 (relative to 1993–2002 level averages)	🟢	🟢
Drinking water quality: Delivered safe and clean drinking water to ACT region. All samples 100% compliant with Australian Drinking Water Guidelines. Canberra achieved the top score in national survey of drinking water quality across Australia.	100% compliance with routine monitoring against Australian Drinking Water health guidelines	🟢	🟢
Environmental compliance: ACTEW was 100% compliant with all environmental flow requirements, licence requirements and environmental authorisations with the exception of Uriarra which reported an unauthorised discharge but no breach of licence.	100% environmental compliance	🟠	🟢
Sewage treatment and reuse: High quality treated effluent was produced. Overall 99.7% of sewage volume treated was compliant. Bio-solids were reused as agri-ash with nominal sludge composted onsite. 15% of effluent was recycled and 85% released to the rivers.	100% of sewage volume treated complies with the compliance standard 100% of Lower Molonglo bio-solids are reused in the financial year	🟠	🟠
Accreditation: Accreditation was maintained for quality systems including ISO14001 environmental management system.	Integrated quality management system is improved and accredited	🟢	🟢
Carbon footprint: A 9% emission reduction was achieved since last year, equivalent to over 5,350 tonnes less CO_2-e generated in 2013–14.	Net greenhouse gas emissions are reduced by 40% of 1990 levels by 2020	🟢	🟢

Sustainability indicators performance summary FY 2013–14	Target	Progress rating 12–13	Progress rating 13–14
Natural environment: ACTEW's conservation offsets are managed and maintained effectively. Currently researching new waste opportunities for alum sludge reuse to reduce waste to landfill. ACTEW has reduced its water usage by 2% since last year. A waste strategy for excavated waste will be undertaken in the forthcoming year. Overall, there has been no material improvement in resource efficiency since last year.	Environmental offset obligations are met Operational resource consumption is reduced year on year	🟢	🟠
Cultural Vitality			
Safety first culture: ACTEW has achieved an impressive decrease in lost time injuries with only 3 recorded for 2013–14 (75% reduction on 2012–13 levels). The *Work Health and Safety Strategy* was launched and embedded bringing improved safety awareness across ACTEW.	50% plus reduction in LTI year on year (based on 2012–13 levels) Annual 5% increase in staff safety survey ratings Management reviews conducted onsite within 48 hours for serious incidents	🟠	🟢
Leadership and management: Cultural survey results indicated an increase in confidence in ACTEW's leadership for 2013–14. Initiatives to address gaps in people management capability will commence this coming year.	Incremental improvement in leadership and management elements in cultural survey year on year Training is implemented for all staff (business and financial awareness)	🟠	🟢
Staff motivation and satisfaction: Cultural survey results showed a slight decline in staff motivation from last year however staff satisfaction with working conditions, nature of the work and flexibility and benefits remained high. Targeted management development is proposed this year.	Incremental improvement in workplace satisfaction and experience in the cultural survey scores, year on year	🟠	🟠
Financial Health			
Financial performance: Total expenditure was within budget. Recorded a net profit of $80.8m compared with $79.6m in 2012–13.	Operational expenditure does not exceed budget Capital expenditure does not exceed budget	🟢	🟢
Service delivery measures: In 2013–14, ACTEW surpassed the industry average for 57% of its water and sewerage service measures. This indicates a 3% decline from last year. Improvements to the asset management system are underway.	A new asset management improvement system is implemented across the business Water and sewerage service levels surpass the industry average	🟢	🟠
Energy use: Achieved a 25% energy reduction on the previous year due to completion of water security major projects. Consumed approximately 164,000 gigajoules of energy at a cost of $6.7m (a price reduction of 7.3% on last year and on track to meet our 10% reduction target by 2015–16). A Carbon and Energy Strategy is under development.	10% overall reduction in business as usual energy costs by 2015/16 based on 2012/13 levels Active management of the carbon strategy	🟠	🟢
Sustainable design: A sustainability infrastructure scorecard has been used to rate 19 infrastructure options as part of ACTEW's capital works planning process in 2013–14. The tool will continue to be improved in the coming year.	Sustainability infrastructure scorecard is incorporated into all projects over $250,000	○	🟠
Social responsibility			
Customer satisfaction: Recorded high levels of customer service with 60% of service levels surpassing the industry average. Achieved a reduction in 'preventable' complaints by 14% from last year which is on track to meet target. Customer survey achieved 93% satisfaction score.	20% reduction in 'preventable' complaints by June 2015 based on 2012–13 numbers 80% of complaint case handling meets 7 days acknowledgement and 14 day response Year on year improvement in customer satisfaction score.	🟢	🟢
Stakeholder engagement: ACTEW won the ACT Landcare Award for Partnerships and a commendation at the Keep Australia Beautiful Awards for a water education project within Tuggeranong schools. A stakeholder relationship model is under development to improve stakeholder engagement and is due to be rolled out in the forthcoming year.	Establish stakeholder relationship management model and embed within business	🟠	🟠

🟢 Expectations on track, met or exceeded 🟠 Areas for improvement ○ No benchmark available or not applicable

GOVERNANCE

Corporate governance

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.

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 being 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.

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 *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 ACTEW 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.

Molongolo Valley Reservoir (construction)

Members of the ACTEW Board

At 30 June 2014, the ACTEW 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.

Dr Michael B Easson AM

BA (Hons), MSc, PhD, FAICD, FRICS

Chairman

Dr Michael 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 Chairman of ACTEW Board's Nomination and Remuneration Committees.

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 a Master of Science Degree from the University of Oxford and a PhD from the Australian Defence Force Academy of the University of NSW.

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 Limited and ACTEW 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 Management 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 Limited and ACTEW 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 Practicing 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

2013–14		$ 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)				
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

Table 4 – Board/s and Executive remuneration table (continued)

2013–14	$ Short term employee benefits: cash salary, fees and short-term compensated absences	short-term cash profit-sharing and other bonuses	non-monetary benefits (note 3)	$ Post-employment benefits - superannuation	$ Long-term employee benefits - long service leave	$ Termination benefits	$ Total
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.

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 Molonglo 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

SECTION TWO

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

Financial Statements

ACTEW Corporation Limited and Controlled Entities
For year ended 30 June 2014

Contents

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.

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 30-35 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 commerical 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 $'000	2013 $'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
Total payments to ACT Government	**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 Lilley

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 Lilley

Carol Jean Lilley
Chair - Audit and Risk Management Committee

Canberra
29 August 2014

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

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.

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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.

M. Cooper.

Dr Maxine Cooper
Auditor-General
29 August 2014

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

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

M. Cooper

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
		325,910	332,864
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		**116,308**	121,078
Income tax expense	8	**(35,484)**	(41,498)
Profit for the year		**80,824**	79,580
Profit is attributable to:			
Owners of ACTEW Corporation Limited and Controlled Entities		**80,824**	79,580

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		**(227)**	(22,204)
Items that will not be reclassified subsequently to profit and loss	31	**527**	51,808
Other comprehensive income			
Total comprehensive income for the year		**81,351**	131,388

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		**134,322**	153,278
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		**2,712,642**	2,656,526
Total assets		**2,846,964**	2,809,804
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		**111,414**	182,219
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		**1,735,818**	1,632,757
Total liabilities		**1,847,232**	1,814,976
Net assets		**999,732**	994,828
EQUITY			
Contributed equity	30	**758,871**	758,871
Reserves	31	**228,123**	228,156
Retained profits	31	**12,738**	7,801
Total equity		**999,732**	994,828

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)		**(171,484)**	(161,170)
		146,265	152,164
Interest received		**1,972**	6,426
Income taxes paid		**(37,819)**	(60,918)
Interest paid		**(77,068)**	(73,558)
Net cash inflow from operating activities		**33,350**	24,114
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		**(12,526)**	(105,894)
Cash flows from financing activities			
Proceeds from borrowings		**147,865**	-
Repayment of borrowings		**(54,625)**	(6,622)
Finance lease payments		**(60)**	-
Dividends paid	9	**(138,242)**	(18,359)
Net cash (outflow) from financing activities		**(45,062)**	(24,981)
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	**(6,961)**	-
Cash and cash equivalents at end of the financial year	10	**52,545**	83,744

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	9	-	(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	40(b), 40(c)	-	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	9	-	(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.

Contents of the notes to the consolidated financial statements

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:

	Years
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 exceutive 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 exceutive 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
	156,313	97,939
Amount paid during the year	**(138,242)**	(18,359)
At the end of the financial year	**18,071**	79,580

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	**52,545**	83,744

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	**6,961**	-

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)
	40,786	48,243
Accrued revenue c)	**5,235**	5,575
Total trade receivables	**46,021**	53,818

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	**1,135**	908

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	**3,468**	3,690
Total Inventories (a) (b)	**3,468**	3,690

(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 land & Buildings $'000	Non-infrastructure land & buildings $'000	Plant and equipment $'000	Equipment under finance 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 equipment $'000	Equipment under finance 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	(76,627)	(85,615)	(327)	(4,942)	(445)	-	(167,956)
Net book amount	1,168,544	645,694	7,447	17,511	1,374	-	1,840,570
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 Practicing 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
The balance comprises temporary differences attributable to:		
Distributions from ActewAGL Partnerships	**(26,860)**	(25,933)
Adjustment to prior year tax	**(3,282)**	(3,718)
Employee entitlements	**12,144**	10,480
Audit Fees	**8**	-
Depreciation	**(230,725)**	(227,759)
Joint Venture receivable - employee entitlements	**(3,433)**	(3,392)
Other	**1,018**	2,236
Asset Revaluation	**(39,214)**	(39,229)
	(290,344)	(287,315)

Movements	**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**
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)**

ACTEW Corporation Limited and Controlled Entities
Notes to the consolidated financial statements
30 June 2014
(continued)

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)									
- profit or loss	**(927)**	**436**	**1,664**	**-**	**(2,966)**	**(41)**	**(1,210)**	**-**	**(3,044)**
- directly to equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**15**
At 30 June 2014	**(26,860)**	**(3,282)**	**12,144**	**8**	**(230,725)**	**(3,433)**	**1,018**	**(39,214)**	**(290,344)**

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	540	-	26,526	27,066
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	1,647	-	16,510	18,157
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	1,647	-	16,510	18,157

~ 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	**18,977**	17,392

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	**48,389**	105,964

(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	1,869	146	2,509	1,078	2,856	8,458

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	2,707	185	166	1,766	4,824

26 Current liabilities - Other

	2014 $'000	2013 $'000
Unearned revenue	**4,810**	3,496
Total other	**4,810**	3,496

27 Non-current liabilities - Borrowings

	2014 $'000	2013 $'000
Unsecured		
Loans	**1,427,362**	1,335,105
Total non-current borrowings (a)	**1,427,362**	1,335,105

(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:

2014	**Comcare exit scheme $'000**	**Workers' compensation (pre 1989) $'000**	**Commonwealth super scheme $'000**	**Total $'000**
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

2013	**Comcare exit scheme $'000**	**Workers' compensation (pre 1989) $'000**	**Total $'000**
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
	660	724

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	**2**	2	**758,871**	758,871

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
		2,446,071	2,347,325
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 comparision.

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

	Notes	**2014 $'000**	2013 $'000
At the beginning of the financial year		**218,336**	166,528
Revaluation - net of tax			
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		**12,738**	7,801

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	**5,708,742**	3,902,972

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)

2013-14	$ Short term employee benefits: cash salary, fees and short-term compensated absences	$ Short term employee benefits: short-term cash profit-sharing and other bonuses	$ Short term employee benefits: non-monetary benefits (note 3)	$ Post-employment benefits - superannuation	$ Long-term employee benefits - long service leave	$ Termination benefits	$ Total
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 Easson 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
Michele Norris Company Secretary and Executive Manager Governance	163,796	58,020	5,495	35,978	2,268	-	265,557
Ross Knee Executive Manager Water Strategy (until 8 March 2013) (note 5)	220,624	-	5,570	37,114	186,822	337,699	787,829
Asoka Wijeratne 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 entitites 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
Capital expenditure commitments (a)	**36,546**	41,615
Other expenditure commitments (b)	**275,110**	316,105

Operating lease (c)

	2014 $'000	2013 $'000
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)

	2014 $'000	2013 $'000
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 reparation 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 commitmetns	**16,362**	23,875
	58,041	62,114

(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	**2,772,795**	2,753,256
Current liabilities	**109,591**	180,421
Total liabilities	**1,794,579**	1,779,465
Net assets	**978,216**	973,791

39 Parent entity financial information (continued)

(a) Summary financial information (continued)

	2014 $'000	2013 $'000
Shareholders' equity		
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	-	-	-
Profit for the year	-	-	-

(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.