

ActewAGL Joint Venture
Special purpose financial report
for the year ended 30 June 2013

ActewAGL Joint Venture Special purpose financial report - 30 June 2013

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ActewAGL Joint Venture
Statement of comprehensive income
For the year ended 30 June 2013

	Notes	30 June 2013 \$'000	30 June 2012 \$'000
Revenue from continuing operations	4	829,384	729,551
Other income	5	5	-
Total income		829,389	729,551
Energy purchases		(436,137)	(362,001)
Employment costs		(104,111)	(102,594)
Depreciation and amortisation expense	6	(38,127)	(36,156)
Contract expenses		(33,016)	(28,799)
Lease expenses		(13,193)	(12,231)
Material costs		(4,555)	(4,711)
Finance costs		(1,987)	(1,799)
Impairment of investments		(2,000)	-
Project related expenses		(7,327)	(7,210)
Selling expenses		(6,963)	(5,801)
Debt collection expenses		(8,098)	(6,429)
Other expenses		(6,077)	(6,081)
Total expenses		(661,591)	(573,812)
Profit from continuing operations		167,798	155,739
Profit from discontinued operation	10(c)	26,685	6,867
Profit for the year		194,483	162,606
Other comprehensive income for the year		-	-
Total comprehensive income for the year		194,483	162,606
Profit is attributable to:			
Partners of the ActewAGL Joint Venture		194,483	162,606
		194,483	162,606
Total comprehensive income for the year is attributable to:			
Partners of the ActewAGL Joint Venture		194,483	162,606
		194,483	162,606
Total comprehensive income for the year attributable to partners of the ActewAGL Joint Venture arises from:			
Continuing operations		167,798	155,739
Discontinued operations		26,685	6,867
		194,483	162,606

The above statement of comprehensive income should be read in conjunction with the accompanying notes as set out on pages 6 to 36.

ActewAGL Joint Venture
Balance sheet
As at 30 June 2013

	Notes	30 June 2013 \$'000	30 June 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	57,538	63,897
Trade and other receivables	8	186,085	185,145
Inventories	9	10,038	10,538
Assets classified as held for sale	10(a)	-	6,576
Total current assets		253,661	266,156
Non-current assets			
Non-current receivables	11	761	603
Available-for-sale financial assets	12	-	2,000
Property, plant and equipment	13	1,030,247	952,048
Intangible assets	14	30,913	31,018
Total non-current assets		1,061,921	985,669
Total assets		1,315,582	1,251,825
LIABILITIES			
Current liabilities			
Trade and other payables	15	123,306	140,401
Provisions	16	27,589	20,705
Other current liabilities	17	23,143	35,722
Liabilities classified as held for sale	10(b)	-	16,867
Total current liabilities		174,038	213,695
Non-current liabilities			
Provisions	18	5,032	3,066
Other non-current liabilities	19	10,187	5,322
Total non-current liabilities		15,219	8,388
Total liabilities		189,257	222,083
Net assets		1,126,325	1,029,742
JOINT VENTURE FUNDS			
Joint venture funds		1,126,325	1,029,742
Total joint venture funds		1,126,325	1,029,742

The above balance sheet should be read in conjunction with the accompanying notes as set out on pages 6 to 36.

ActewAGL Joint Venture
Statement of changes in joint venture funds
For the year ended 30 June 2013

	Total equity \$'000
Balance at 1 July 2011	<u>954,536</u>
Profit for the year	162,606
Other comprehensive income	-
Total comprehensive income for the year	<u>162,606</u>
Transactions with partners in their capacity as partners:	
Distributions paid	<u>(87,400)</u>
Balance at 30 June 2012	<u>1,029,742</u>
	Total equity \$'000
Balance at 1 July 2012	<u>1,029,742</u>
Profit for the year	194,483
Other comprehensive income	-
Total comprehensive Income for the year	<u>194,483</u>
Transactions with partners in their capacity as partners:	
Distributions paid	<u>(97,900)</u>
Balance at 30 June 2013	<u>1,126,325</u>

The above statement of changes in joint venture funds should be read in conjunction with the accompanying notes as set out on pages 6 to 36.

ActewAGL Joint Venture
Statement of cash flows
For the year ended 30 June 2013

	Notes	30 June 2013 \$'000	30 June 2012 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		926,676	958,217
Payments to suppliers and employees (inclusive of goods and services tax)		(725,830)	(766,795)
		200,846	191,422
Interest received		3,247	2,585
Interest and other costs of finance paid		(151)	(45)
Net cash inflow from operating activities	26	203,942	193,962
Cash flows from investing activities			
Payments for property, plant and equipment		(112,161)	(96,816)
Proceeds from sale of property, plant and equipment		17	46
Proceeds from sale of Water Division		400	15,695
Net cash (outflow) from investing activities		(111,744)	(81,075)
Cash flows from financing activities			
Distributions paid		(97,900)	(87,400)
Repayment of borrowings		(657)	(221)
Net cash (outflow) from financing activities		(98,557)	(87,621)
Net (decrease) increase in cash and cash equivalents		(6,359)	25,266
Cash and cash equivalents at the beginning of the financial year		63,897	38,635
Cash reclassified as held for sale		-	(4)
Cash and cash equivalents at end of year	7	57,538	63,897

The above statement of cash flows should be read in conjunction with the accompanying notes as set out on pages 6 to 36.

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1 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Special purpose financial report

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

(ii) Historical cost convention

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

(iii) Critical accounting estimates

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

(iv) Changes to presentation - classification of expenses

The Joint Venture decided in the current financial year to change the classification of some expenses in the statement of comprehensive income. The comparative information has been reclassified accordingly.

(b) Principal activities

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

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

(c) Revenue recognition

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

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

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Revenue is recognised for the major business activities as follows:

(i) Electricity and gas

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

(ii) Shared services management

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

(iii) Contributions for infrastructure

Contributions for infrastructure are recognised when the service is provided.

(iv) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Joint Venture and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Income tax

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

(e) Leases

Leases of property, plant and equipment where the Joint Venture, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Joint Venture will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Joint Venture as lessee are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Impairment of assets

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

1 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Joint Venture will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(i) Inventories

Inventories include system spares and stores. They have been valued at the lower of cost and net realisable value. Cost is determined on a weighted average purchase price basis. When evidence exists that inventory values have fallen below their cost an expense is recognised so that inventory is valued at net realisable value.

(j) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

1 Summary of significant accounting policies (continued)

(j) Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

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

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

(k) Investments and other financial assets

Classification

The Joint Venture classifies its financial assets in the following categories: loans and receivables 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.

(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 8) and receivables (note 11) in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, shall be measured at cost less impairment.

Recognition and derecognition

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

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

Measurement

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

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

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Impairment

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

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Joint Venture may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment 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 Joint Venture's funds and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Fair value estimation

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

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

(m) Property, plant and equipment

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

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

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

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

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

(n) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(f). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Joint Venture's investment in each operation.

(ii) Software

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

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

(o) Trade and other payables

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

Consumer deposits held as security over future energy usage by customers. Deposits are recognised on receipt.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Borrowing costs comprise finance lease charges.

1 Summary of significant accounting policies (continued)

(q) Provisions

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

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

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

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

(iii) Profit-sharing and bonus plans

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

(iv) Termination benefits

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

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(s) Goods and Services Tax (GST)

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

1 Summary of significant accounting policies (continued)

(s) Goods and Services Tax (GST) (continued)

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

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

(t) Rounding of amounts

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

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The Joint Venture's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013*)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013, but is available for early adoption. When adopted, the standard will affect in particular the Joint Venture accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Joint Venture did not recognise any such gains in other comprehensive income.

There will be no impact on the Joint Venture's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Joint Venture does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Joint Venture does not plan to early adopt AASB 9.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Joint Venture does not expect the new standard to have a significant impact on its composition.

1 Summary of significant accounting policies (continued)

(u) New accounting standards and interpretations (continued)

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The impact of this new standard is expected to be minimal as the Joint Venture does not hold any interests in joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Joint Venture will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Joint Venture's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Joint Venture expects the impact of these changes to be minimal.

The Joint Venture does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) Revised AASB 119 *Employee Benefits*, 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* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The Joint Venture does not hold defined benefit liabilities or assets and as such the impact of these changes are expected to be minimal.

The revised standard changes the definition of short-term employee benefits. The distinction between short- and long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. This will result in the reclassification of the Joint Venture's annual leave entitlements from short-term to long-term, which will impact the measurement of these entitlements. The impact of the reclassification is yet to be determined.

The amendments will have to be implemented retrospectively. The Joint Venture does not plan to early adopt the revised AASB 119.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Financial risk management

The Joint Venture's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

2 Financial risk management (continued)

A central Treasury Unit is responsible for managing most of these risks within the guidelines contained in Board approved policies. Credit risk pertaining to customers' use of energy products is managed separately in accordance with appropriate policies and controls. Through regular risk assessments and ongoing Board reporting, all risks are prudently managed with any exposure considered immaterial.

The Joint Venture holds the following financial instruments:

	30 June 2013 \$'000	30 June 2012 \$'000
Financial assets		
Cash and cash equivalents	57,538	63,897
Trade and other receivables	186,085	185,145
Non-current receivables	761	603
Available-for-sale financial assets	-	2,000
	244,384	251,645
Financial liabilities		
Trade and other payables	123,306	140,401
Other current liabilities	23,143	35,722
Other non-current liabilities	10,187	5,322
	156,636	181,445

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

The Joint Venture's classifications are set out below:

Financial asset/liability	Classification	Valuation Basis	Accounting Policy
Receivables	Loans and receivables	Amortised cost	Refer to note 1(k)(i)
Trade and other payables	Financial liability at amortised cost	Amortised cost	Refer to note 1(k)(i)
Investments	Available-for-sale	Fair value	Refer to note 1(k)(ii)

(a) Credit risk

The maximum exposure to credit risk as at 30 June 2013 is the carrying amounts of financial assets recognised in the balance sheets of the Joint Venture. The Joint Venture holds no significant collateral as security and the credit quality of all financial assets that are neither past due nor impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

(i) Cash and cash equivalents

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

(ii) Trade and other receivables

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

2 Financial risk management (continued)

(b) Liquidity risk

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

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

The Treasury Unit operates to maintain sufficient cash and marketable securities to ensure that the Joint Venture operates in a cash positive position. Daily monitoring ensures prudent management of the cash position.

The Joint Venture is progressively seeking to finance its motor vehicles through finance leases.

(c) Market risk

(i) Interest rate risk

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

The Joint Venture has no significant interest bearing assets. As such, the Joint Venture's income and operating cash flows are substantially independent of changes in market interest rates.

The Joint Venture does not have significant borrowings. The Joint Venture's exposure to interest rate risk, categorised by maturity dates, is set out in note 19.

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

(ii) Price risk

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

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

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

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

(d) Fair value measurements

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

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

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

2 Financial risk management (continued)

(d) Fair value measurements (continued)

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

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) *Estimated impairment of goodwill*

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

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

(i) *Unread consumption*

The Joint Venture provides a fair estimate of consumption of electricity and gas which has not been read from the customers' meters as at 30 June 2013. The method used in measuring unbilled energy volumes is by adding the current sales to the closing unbilled energy volumes for the previous period and subtracting current billings. The closing unbilled energy volumes are then allocated across the tariff classes using actual throughput volumes for the month and multiplied by prevailing tariff rates to determine the unread consumption. As at 30 June 2013, \$100,000,000 (2012: \$96,000,000) was recognised as unread consumption.

ActewAGL Joint Venture
Notes to the financial statements
30 June 2013
(continued)

4 Revenue

	30 June 2013 \$'000	30 June 2012 \$'000
From continuing operations		
<i>Sales revenue</i>		
Sale and distribution of energy	771,387	683,073
Operations management	2,164	2,072
Other operating revenue	3,834	3,619
	<u>777,385</u>	<u>688,764</u>
<i>Other revenue</i>		
Interest	3,149	2,695
Contributions for infrastructure	15,679	9,529
Other non-operating revenue	33,171	28,563
	<u>51,999</u>	<u>40,787</u>
	<u>829,384</u>	<u>729,551</u>
From discontinued operation		
<i>Sales revenue</i>		
Income from services	1,097	160,757
<i>Other revenue</i>		
Other non-operating revenue	27	616
	<u>1,124</u>	<u>161,373</u>

5 Other income

	30 June 2013 \$'000	30 June 2012 \$'000
Net gain on disposal of property, plant and equipment	5	-
	<u>5</u>	<u>-</u>

6 Expenses

	30 June 2013 \$'000	30 June 2012 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Electricity System Assets	23,478	22,306
Gas System Assets	8,014	7,495
Land and Buildings	1,054	1,036
Leasehold improvements	932	880
Plant and Equipment excluding finance leases	3,231	3,377
Plant and Equipment under finance leases	391	210
Total depreciation	37,100	35,304
<i>Amortisation</i>		
Software	1,027	852
Total amortisation	1,027	852
Total depreciation and amortisation from continuing operations	38,127	36,156
Total depreciation and amortisation from discontinued operations	-	638
Loss on disposal of property, plant and equipment	-	722
Assets written off	640	869

7 Current assets - Cash and cash equivalents

	30 June 2013 \$'000	30 June 2012 \$'000
Cash at bank	17,033	23,905
Cash on hand	5	8
Securities purchased	40,500	39,984
	57,538	63,897

(a) Risk exposure

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

(b) Cash at bank and on hand

The average interest earned on cash at bank for the year was 1.49% (2012: 1.36%).

7 Current assets - Cash and cash equivalents (continued)

(c) Securities purchased

The securities held are bearing fixed interest rates between 3.00% and 3.85% (2012: 3.65% and 5.90%). These deposits have an average maturity of 16 days (2012: 14 days).

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

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

	30 June 2013 \$'000	30 June 2012 \$'000
A1+	31,500	-
A1	-	30,000
A2	9,000	9,984
	<u>40,500</u>	<u>39,984</u>

8 Current assets - Trade and other receivables

	30 June 2013 \$'000	30 June 2012 \$'000
Trade receivables		
Trade receivables	179,002	176,580
Allowance for impairment of receivables (a)	(5,683)	(4,038)
	<u>173,319</u>	<u>172,542</u>
Other receivables		
Approved supplier scheme	2,891	2,038
Other receivables	7,524	8,806
Allowance for impairment of receivables (a)	(115)	(148)
	<u>10,300</u>	<u>10,696</u>
Prepayments		
Prepayments	2,466	1,907
	<u>2,466</u>	<u>1,907</u>
Total trade and other receivables	<u>186,085</u>	<u>185,145</u>

8 Current assets - Trade and other receivables (continued)

(a) Impaired receivables

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

	30 June 2013 \$'000	30 June 2012 \$'000
Balance at the beginning of the financial year	4,038	3,028
Allowance for impairment recognised during the year	6,208	3,273
Receivables written off during the year as uncollectable	(4,563)	(2,233)
Unused amounts reversed	-	(30)
Balance at the end of the financial year	5,683	4,038

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

	30 June 2013 \$'000	30 June 2012 \$'000
Balance at the beginning of the financial year	148	393
Allowance for impairment recognised during the year	84	25
Receivables written-off during the year	(117)	(185)
Unused amounts reversed	-	(85)
Balance at the end of the financial year	115	148

(b) Past due but not impaired

As at 30 June 2013, trade receivables of \$14,000,000 (2012: \$16,000,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

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

(c) Other receivables

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

(d) Fair value and credit risk

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

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

9 Current assets - Inventories

	30 June 2013 \$'000	30 June 2012 \$'000
Stores on hand - at cost	7,668	8,456
System spares - at cost	2,370	2,082
	<u>10,038</u>	<u>10,538</u>

(a) Inventory expense

Inventories recognised as an expense during the period ended 30 June 2013 amounted to \$4,505,000 (2012: \$4,656,000). The \$8,417,492 disclosed for 2012 in the prior year accounts included \$3,761,783 relating to inventory expense for discontinued operations.

10 Assets and liabilities classified as held for sale and discontinued operation

(a) Assets classified as held for sale

	30 June 2013 \$'000	30 June 2012 \$'000
Assets held for sale:		
Petty cash	-	4
Property, plant and equipment	-	3,113
Intangible assets	-	8
Inventories	-	3,451
Total assets held for sale	<u>-</u>	<u>6,576</u>

(b) Liabilities directly associated with assets classified as held for sale

	30 June 2013 \$'000	30 June 2012 \$'000
Liabilities directly associated with assets classified as held for sale		
Provision for employee benefits	-	14,107
Other liabilities	-	2,760
Total liabilities directly associated with assets classified as held for sale	<u>-</u>	<u>16,867</u>

(c) Discontinued operation

(i) Description

On 3 May 2012 the partners of the ActewAGL Distribution Partnership formally agreed to sell selected assets and liabilities of the Water Division to ACTEW Corporation Limited. As of this date, the selected assets and liabilities of the Water Division were reclassified as held-for-sale. The sale took place on 1 July 2012.

10 Assets and liabilities classified as held for sale and discontinued operation (continued)

(c) Discontinued operation (continued)

(ii) Financial performance and cash flow information

	30 June 2013 \$'000	30 June 2012 \$'000
Water Division revenue	1,129	161,373
Water Division expense	(1,779)	(154,506)
Gain on sale of Water Division	27,335	-
Profit/(loss) from discontinued operation	26,685	6,867
Profit/(loss) from discontinued operation	26,685	6,867
Profit attributable to owners of the parent entity relates to:		
Profit/(loss) from discontinued operation	26,685	6,867
	26,685	6,867
Net cash inflow (outflow) from operating activities	(3,801)	6,194
Net cash inflow (outflow) from investing activities	14	(548)
Net cash (outflow) from financing activities	-	(2,190)
Net increase (decrease) in cash generated by the discontinued operation	(3,787)	3,456

11 Non-current assets - Non-current receivables

	30 June 2013 \$'000	30 June 2012 \$'000
Lease recovery	641	517
Lease incentive recovery	120	86
Total receivables	761	603

12 Non-current assets - Available-for-sale financial assets

	30 June 2013 \$'000	30 June 2012 \$'000
Unlisted securities (a)		
Better Place (Australia) Pty Limited	-	2,000
Total available-for-sale financial assets	-	2,000

(a) Unlisted securities

Unlisted securities are shares in Better Place (Australia) Pty Limited, which are traded in an inactive market. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost. The maximum exposure to credit risk at the reporting date is the fair value of the unlisted securities. Refer to note 2 for further information about the methods used and assumptions applied in determining fair value.

12 Non-current assets - Available-for-sale financial assets (continued)

(a) Unlisted securities (continued)

During the year Better Place (Australia) Pty Limited announced that it would wind down its operations in Australia. The Joint Venture expects that the recoverability of its investment will be minimal and as such the asset has been fully impaired.

13 Non-current assets - Property, plant and equipment

	Electricity System Assets \$'000	Gas System Assets \$'000	Land and Buildings \$'000	Leasehold improvements \$'000	Plant and Equipment excluding finance lease \$'000	Plant and Equipment under finance lease \$'000	Construction in Progress \$'000	Total \$'000
At 1 July 2011								
Cost or fair value	766,741	297,488	33,218	12,464	36,550	931	68,392	1,215,784
Accumulated depreciation	(220,793)	(68,953)	(2,953)	(945)	(23,459)	(548)	-	(317,651)
Net book amount	545,948	228,535	30,265	11,519	13,091	383	68,392	898,133
Year ended 30 June 2012								
Opening net book amount	545,948	228,535	30,265	11,519	13,091	383	68,392	898,133
Additions	844	642	108	24	1,847	689	92,176	96,330
Construction capitalised	45,936	9,491	1,894	116	1,182	-	(58,619)	-
Reclassification	-	-	-	(45)	-	-	-	(45)
Reclassification to Intangibles	-	-	-	-	(269)	-	(1,509)	(1,778)
Disposals	(775)	(25)	-	-	(740)	-	-	(1,540)
Assets classified as held for sale	-	-	(470)	-	(1,369)	-	(1,274)	(3,113)
Depreciation charge - continuing operations	(22,306)	(7,495)	(1,036)	(880)	(3,377)	(210)	-	(35,304)
Depreciation charge - discontinued operations	-	-	(44)	-	(591)	-	-	(635)
Closing net book amount	569,647	231,148	30,717	10,734	9,774	862	99,166	952,048
At 30 June 2012								
Cost or fair value	812,073	307,594	34,583	12,559	30,021	1,620	99,166	1,297,616
Accumulated depreciation	(242,426)	(76,446)	(3,866)	(1,825)	(20,247)	(758)	-	(345,568)
Net book amount	569,647	231,148	30,717	10,734	9,774	862	99,166	952,048

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

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

14 Non-current assets - Intangible assets

	Goodwill \$'000	Software \$'000	Total \$'000
Year ended 30 June 2012			
Opening net book amount	28,110	877	28,987
Additions	-	1,509	1,509
Reclassification from property, plant and equipment	-	1,778	1,778
Transfers to assets held-for-sale	-	(8)	(8)
Amortisation charge - continuing operations	-	(852)	(852)
Amortisation charge - discontinued operations	-	(3)	(3)
Disposals	-	(393)	(393)
Closing net book amount	28,110	2,908	31,018
 Cost	28,110	4,043	32,153
Accumulation amortisation and impairment	-	(1,135)	(1,135)
Net book amount	28,110	2,908	31,018
 Year ended 30 June 2013			
Opening net book amount	28,110	2,908	31,018
Additions	-	472	472
Reclassification from property, plant and equipment	-	450	450
Amortisation charge - continuing operations	-	(1,027)	(1,027)
Closing net book amount	28,110	2,803	30,913
 At 30 June 2013			
Cost	28,110	4,955	33,065
Accumulated amortisation	-	(2,152)	(2,152)
Net book amount	28,110	2,803	30,913

(a) Impairment tests for goodwill

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

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

	Electricity \$'000	Gas \$'000	Total \$'000
2013			
Goodwill	10,520	17,590	28,110
 2012			
Goodwill	10,520	17,590	28,110

14 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill (continued)

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

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

CGU	Post-tax discount rate*		Pre-tax discount rate*	
	2013 %	2012 %	2013 %	2012 %
Electricity - Retail	8.0	10.3	11.7	14.0
Gas - Retail	8.0	10.1	11.6	13.8

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

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

(c) Impact of possible changes in key assumptions

Management does not consider changes in any of the key assumptions to have a material impact on the value-in-use calculations.

15 Current liabilities - Trade and other payables

	30 June 2013 \$'000	30 June 2012 \$'000
Trade payables	102,158	114,432
Other payables	21,148	25,969
Total trade and other payables	123,306	140,401

16 Current liabilities - Provisions

	30 June 2013 \$'000	30 June 2012 \$'000
Employee entitlements	21,716	20,673
Public liability provision	40	32
TUoS refund	4,954	-
Redundancy provision	143	-
Workers compensation provision	736	-
Total provisions	27,589	20,705

16 Current liabilities - Provisions (continued)

(a) Movements in provisions

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

	Public liability provision \$'000	Redundancy provision \$'000	TUoS refund \$'000	Workers compensation provision \$'000	Total \$'000
2013					
Carrying amount at the beginning of the year	32	-	-	-	32
- additional provisions recognised	87	143	4,954	736	5,920
- unused amounts reversed	(79)	-	-	-	(79)
Carrying amount at the end of the year	40	143	4,954	736	5,873

(b) Public liability provision

Public liability provisions include public liability and legal claims.

(c) TUoS refund

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

(d) Workers compensation provision

The ACT Government and ACTEW have agreed to exit ACTEW's workers' compensation arrangement with Comcare. The exit arrangements include annual payments over the period to 30 June 2022 for incidents that occurred during the period of cover, where future additional expenditure is incurred by Comcare. As at 30 June 2013, these payments are estimated to have a net present value of \$2,202,000, \$736,000 of which is expected to be payable within twelve months.

17 Current liabilities - Other current liabilities

	30 June 2013 \$'000	30 June 2012 \$'000
Unearned revenue (see note 1(c)(ii))	22,389	35,132
Finance leases	638	273
Other current liabilities	116	317
Total other current liabilities	23,143	35,722

Unearned revenue as at 30 June 2012 included funds received in advance, being the \$15,695,264 received on 29 June 2012, for the sale of Water Division which took place on 1 July 2012. Refer to note 10 for more information.

17 Current liabilities - Other current liabilities (continued)

For information relating to interest rate risk, refer to note 19.

18 Non-current liabilities - Provisions

	30 June 2013 \$'000	30 June 2012 \$'000
Employee entitlements	2,617	2,203
Make good provision	949	863
Workers compensation provision	1,466	-
Total provisions	5,032	3,066

(a) Movements in provisions

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

	Make good provision \$'000	Workers compensation provision \$'000	Total \$'000
2013			
Carrying amount at the beginning of the year	863	-	863
- additional provision recognised	-	1,466	1,466
- unwinding of discount	86	-	86
Carrying amount at the end of the year	949	1,466	2,415

(b) Workers compensation provision

The ACT Government and ACTEW have agreed to exit ACTEW's workers' compensation arrangement with Comcare. The exit arrangements include annual payments over the period to 30 June 2022 for incidents that occurred during the period of cover, where future additional expenditure is incurred by Comcare. As at 30 June 2013, these payments are estimated to have a net present value of \$2,202,000, \$1,466,000 of which is expected to be payable beyond twelve months.

19 Non-current liabilities - Other non-current liabilities

	30 June 2013 \$'000	30 June 2012 \$'000
Unearned revenue	2,242	1,825
Finance leases	4,163	611
Lease rental	3,000	2,305
Lease incentive	793	592
Consumer deposits	(11)	(11)
Total other non-current liabilities	10,187	5,322

Interest rate risk exposure

Finance leases	4.8 - 10.8%	6.2 - 14.1%
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19 Non-current liabilities - Other non-current liabilities (continued)

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

	Fixed interest rate			Total \$'000
	Less than one year	Between one and five years	More than five years	
	\$'000	\$'000	\$'000	
2012				
Principal	267	394	223	884
Interest	86	226	35	347
Minimum lease payments	353	620	258	1,231

20 Key management personnel disclosures

(a) Group board members

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

Name	Appointment	Comments
John Mackay	Chairman	Resigned 30 June 2013
Michael Fahey	Deputy Chairman	Resigned 31 August 2012
Michael Easson	Board member	Deputy Chairman from 1 July 2013
Lim Howe Run	Board member	Resigned 1 August 2012
Mark Sullivan	Board member	
Paul Adams	Board member	
Paul Frazer	Board member	Commenced 31 August 2012; Chairman from 1 July 2013
Law Chin Ho	Board member	Commenced 1 August 2012

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

20 Key management personnel disclosures (continued)

(a) Group board members (continued)

Name	Appointment	Meetings attended
Wendy Caird	Alternate to Mark Sullivan, Michael Easson and John Mackay	0
Allan Hawke	Alternate to Mark Sullivan, Michael Easson and John Mackay	1
Rachel Peck	Alternate to Mark Sullivan, Michael Easson and John Mackay	0
Shaun Reardon	Alternate to Lim Howe Run and Law Chin Ho	0
Joanne Pearson	Alternate to Paul Adams	0

(b) Transactions with Group board members

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

There were no other business transactions between AGL Energy Limited (AGL Energy), Jemena Limited (Jemena) or ACTEW Corporation Limited (ACTEW Corporation), ActewAGL Joint Venture and any of its directors/board members or any director of related entities apart from the fact that some board members are ActewAGL customers for electricity and gas services and the related party transactions detailed in note 24.

Retirement benefits

There were no retirement benefits paid to board members as at 30 June 2013.

Loans to board members

There were no loans to board members as at 30 June 2013.

21 Remuneration of auditors

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

	30 June 2013 \$	30 June 2012 \$
<i>Audit and other assurance services, provided by the ACT Auditor-General's Office *</i>		
Audit of the financial statements	270,900	262,500
Total remuneration for audit of the financial statements	270,900	262,500

The contract auditor (Deloitte Touche Tohmatsu) engaged by the ACT Auditor-General's Office to audit the financial statements, provided the following other services acting in its own capacity:

Secondment of Deloitte Client Manager to ActewAGL to assist with Core System Replacement Project	159,740	-
Electricity regulatory return	30,896	45,961
Review of unread accrual methodology	7,825	86,675
Occupational Health and Safety advisory services	-	78,728
Review of costing allocation methodology	15,750	-
Whistleblower services	11,836	10,705
Training	-	3,500
Total remuneration for other services	226,047	225,569

* The ACT Auditor-General's Office provided no other services.

22 Contingent liabilities

(a) Contingent liabilities

(i) Claims

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

(ii) Bank guarantees

The Joint Venture has given number of bank guarantees in respect of:

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

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

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

These have not been recognised in the balance sheet.

23 Commitments

(a) Capital commitments

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

	30 June 2013 \$'000	30 June 2012 \$'000
Within one year	43,748	62,843
Later than one year but not later than five years	3,972	13,820
Later than five years	29	-
Property, plant and equipment	<u>47,749</u>	<u>76,663</u>

(b) Lease commitments: group as lessee

(i) Non-cancellable operating leases

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

	30 June 2013 \$'000	30 June 2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	8,954	10,630
Later than one year but not later than five years	26,577	26,412
Later than five years	40,947	39,073
	<u>76,478</u>	<u>76,115</u>

24 Related party transactions

(a) Joint venture interests

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

(b) Transactions with related parties

Some operational arrangements exist between the Joint Venture and ACTEW Corporation. These include an arrangement for the Joint Venture to utilise staff employed by ACTEW on a secondment basis. These services are billed between the parties monthly on a cost basis.

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

The following transactions occurred with related parties:

	30 June 2013 \$'000	30 June 2012 \$'000
<i>Sales of goods and services</i>		
Partners - AGL Energy, ACTEW Corporation and Jemena	44,230	181,934
Other related parties	-	1,579
	<u>44,230</u>	<u>183,513</u>
<i>Purchases of goods</i>		
Partners - AGL Energy, ACTEW Corporation and Jemena	360,783	291,977
Other related parties	-	(194)
	<u>360,783</u>	<u>291,783</u>
<i>Other transactions</i>		
Distributions paid	97,900	87,400
Board members' fees	320	327
	<u>98,220</u>	<u>87,727</u>

During the year an error was identified in the sales of goods and services to partners disclosed in note 24 of the financial statements for the year ended 30 June 2012. An amount of \$42,300,000 relating to sales from ActewAGL Distribution to ActewAGL Retail was incorrectly included. This has been adjusted for in the current year's comparatives.

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

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

24 Related party transactions (continued)

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

	30 June 2013 \$'000	30 June 2012 \$'000
<i>Current payables (purchases of goods)</i>		
Partners - AGL Energy, ACTEW Corporation and Jemena	61,719	68,706
<i>Current receivables (sales of goods and services)</i>		
Partners - AGL Energy, ACTEW Corporation and Jemena	8,640	15,636

25 Events occurring after the reporting period

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

26 Reconciliation of profit to net cash inflow from operating activities

	30 June 2013 \$'000	30 June 2012 \$'000
Profit for the year	194,483	162,606
Depreciation and amortisation from continuing operations	38,127	36,156
Depreciation and amortisation from discontinued operations	-	638
Write off of assets	640	869
Net (gain)/loss on sale of non-current assets - continuing operations	(6)	722
Net (gain)/loss on sale of non-current assets - discontinued operations	(5)	6
(Gain) on sale of Water Division	(27,335)	-
Net (gain)/loss on sale of available-for-sale financial assets	2,000	-
Change in operating assets and liabilities:		
(Increase)/decrease in prepayments	(559)	970
(Increase)/decrease in receivables	(1,967)	(4,245)
(Increase)/decrease in inventories	500	(5,217)
(Decrease)/increase in payables	(14,600)	2,180
(Decrease)/increase in provisions	8,591	(891)
(Decrease)/increase in other liabilities	4,073	168
Net cash inflow from operating activities	203,942	193,962

**ActewAGL Joint Venture
Joint Venture Board's declaration
30 June 2013**

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

The board members further declare that:

- (a) the financial statements and notes of the ActewAGL Joint Venture set out on pages 1 to 36:
 - (i) comply with applicable Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Joint Venture's financial position as at 30 June 2013 and of its performance, as represented by the results of its operations and cashflows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Joint Venture will be able to pay its debts as and when they become due and payable.

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



Paul Frazer
Chairman
Canberra
28 August 2013



Mark Sullivan, AO
Board Member
Canberra
28 August 2013



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

To the Partners of the ActewAGL Joint Venture

Report on the special purpose financial report

The special purpose financial report (financial report) of the ActewAGL Joint Venture (the Joint Venture) for the year ended 30 June 2013 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of changes in joint venture funds, statement of cash flows, accompanying notes and Joint Venture Board's (the Board's) declaration.

Responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

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

Electronic presentation of the audited financial report

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

Independence

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

Audit opinion

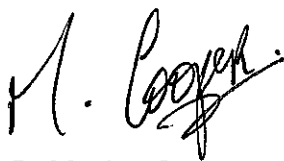
In my opinion, the financial report presents fairly, in all material respects, the financial position of the ActewAGL Joint Venture as at 30 June 2013 and its financial performance for the year then ended, in accordance with the financial reporting requirements of the *ACTEW/AGL Partnership Facilitation Act 2000* described in Note 1 (a) of the financial report.

Basis of accounting and restriction on distribution and use

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

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

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



Dr Maxine Cooper
Auditor-General
30 August 2013



ACT AUDITOR-GENERAL'S OFFICE



ACT
Government

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

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
ACTEWAGL JOINT VENTURE SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

In relation to the audit of the special purpose financial report of the ActewAGL Joint Venture for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the code of professional conduct.

Yours sincerely

Dr Maxine Cooper
Auditor-General
28 August 2013