ActewAGL Always.

ActewAGL House 40 Bunda Street Canberra ACT 2600 ▪ GPO Box 366 Canberra ACT 2601
Telephone 13 14 93 Facsimile 02 6249 7237 actewagl.com.au

26 October 2010

Mr Andrew Reeves
Chairman
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Reeves

ActewAGL 2009-2010 Annual Gas Compliance Report

In accordance with its requirements under the Annual Compliance Order issued by the Australian Energy Regulator (AER) on Service Providers of covered pipeline services provided by a distribution pipeline, ActewAGL Distribution submits its 2009-2010 Annual Compliance Report for the Australian Capital Territory (ACT) and Greater Queanbeyan gas distribution networks.

The Annual Compliance Order made by the AER under section 48(1)(b) of the *National Gas Law* applies to Service Providers of covered pipeline services. ACTEW Distribution Ltd and Jemena Networks (ACT) Pty Ltd are Service Providers for the covered ACT and Greater Queanbeyan gas distribution network under the meaning of section 8 of the *National Gas Law*. The Service Providers operate through a partnership - ActewAGL Distribution (ABN 76 670 568 688) - and jointly own, control and operate the network through the ActewAGL Distribution Partnership.

The accompanying Compliance Report relates to the 1 July 2009 - 30 June 2010 compliance period and satisfies the obligations of ACTEW Distribution Ltd and Jemena Networks (ACT) Pty Ltd in complying with the AER's Annual Compliance Order. It also contains the required Statement of Compliance.

ActewAGL Distribution notes that the AER's Annual Compliance Guideline provides an approach for dealing with confidential material. ActewAGL Distribution considers that the policies provided in Attachments D to H of the 2009-2010 Compliance Report are confidential, and has marked these documents in accordance with the Guideline.

Please contact Mr Janusz Worony, Manager Regulatory Affairs and Sustainability, on (02) 6293 5871 if you have any questions regarding the information provided in ActewAGL Distribution's 2009-2010 Gas Compliance Report.

Yours sincerely

Michael Costello
Chief Executive Officer

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26 October 2010

Statement of Compliance

ActewAGL Distribution 2009-2010 Gas Compliance Report

I verify that, to the best of my knowledge and belief, the information and documentation provided by ActewAGL Distribution in compliance with the Annual Compliance Order made by the Australian Energy Regulator under s.48(1) of the National Gas Law is:

(a) accurate and can be relied on to provide a true and fair representation of ActewAGL Distribution's operations or ownership of a pipeline that can be relied upon by the AER in the performance or exercise of its functions or powers under the NGL or the NGR;

(b) in reliance on information and documentation that is prepared, kept or maintained and is accurately represented;

(c) not false or misleading; and

(d) in accordance with the Order and is complete.

Signed

Michael Costello
Chief Executive Officer
ActewAGL

26 October 2010

Let's power ahead.

ActewAGL

ActewAGL Distribution 2009-10 Annual Gas Compliance Report

1. General duties for the provision of pipeline services of covered pipeline services by a service provider

1.1 Legal entity

(a) Nominate the type of legal entity the service provider is according to the specified kinds of legal entity in section 131 of the NGL.

ActewAGL Distribution response
ACTEW Distribution Ltd (ABN 83 073 025 224) and Jemena Networks (ACT) Pty Ltd (ABN 24 008 552 663) are both legal entities registered under the *Corporations Act 2001* of the Commonwealth. Together, they trade as the ActewAGL Distribution partnership (ABN 76 670 568 688).

(b) What is the registered business name and ABN of the service provider legal entity providing the covered pipeline service?

ActewAGL Distribution response
The registered business names for the legal entities forming the ActewAGL Distribution Partnership that are service providers for the covered ACT and Greater Queanbeyan gas network are: • ACTEW Distribution Ltd (ABN 83 073 025 224) • Jemena Networks (ACT) Pty Ltd (ABN 24 008 552 663)

(c) *Provide an outline of the group structure which is controlled by or which the service provider is a part (including identification of the head company, nature of investment or entity, relationship to the service provider and proportion of assets owned/share of investment within the group). This should include any assets (businesses) it owns or that own it. The group structure should include business that are beneficially controlled such as trustee companies, jointly owned or operated business such as partnerships or joint ventures, businesses that are significant investments or controlled. This can also be represented as an organisational chart.*

ActewAGL Distribution response
Organisational chart provided at Attachment A.

1.2 Preventing or hindering access

(a) Is the service provider aware of any claims that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL?

ActewAGL Distribution response
ActewAGL Distribution is not aware of any claims that it has prevented or hindered access to services of the covered pipeline within the terms of section 133 of the NGL.

1.3 Supply and haulage of natural gas

(a) Does a producer supply natural gas through the covered pipeline at a place other than the exit flange of the producer's processing plant?

ActewAGL Distribution response
Not to ActewAGL Distribution's knowledge.

1.4 Queuing requirements

(a) Has the service provider complied with the queuing requirements of the applicable access arrangement during the year?

ActewAGL Distribution response
Yes. ActewAGL Distribution has not received any requests for services for which there is insufficient capacity in the network to satisfy those requests and therefore no queue has been formed for services.

1.5 Service provider providing light regulation services must not price discriminate

(a) Does the service provider provide light regulation services?

ActewAGL Distribution response
No.

(b) If so, are there any differences in the prices of the provision of those services? Please provide an explanation as to why these price differences exist.

ActewAGL Distribution response
Not applicable.

2. Structural and Operational Separation Requirements (Ring Fencing)

2.1 Carrying on of a related business

(a) Provide a list of associates of the service provider that take part in a related business and for each associate describe what the nature of the related business is.

ActewAGL Distribution response

AGL ACT Retail Investments Pty Limited (ABN 53 093 631 586) and ACTEW Retail Limited (ABN 23 074 371 207), trading as the ActewAGL Retail Partnership (ABN 46 221 314 841), are associates of the ActewAGL Distribution partners that take part in a related business. The ActewAGL Retail Partnership sells natural gas to customers.

(b) Provide a list of associates that are service providers and/or provide pipeline services.

ActewAGL Distribution response

To the extent that Jemena Asset Management (ACN 086 013 461) may be considered to be providing a pipeline service when it undertakes special meter reads, disconnections and reconnections, Jemena Asset Management is an associate that provides a pipeline service in respect of ActewAGL Distribution's covered ACT and Greater Queanbeyan gas network. ActewAGL's view on this issue is further set out in our letter to AER dated 6 January 2010, a copy of which is included as Attachment B.

2.2 Marketing staff and the taking part in related businesses

(a) Provide a list of associates of the service provider that are directly involved in the sale, marketing or advertising of pipeline services.

ActewAGL Distribution response

Jemena Asset Management Pty Limited (ACN 086 013 461) provides certain marketing services under agreement to ActewAGL Distribution for the covered ACT and Greater Queanbeyan gas network.

(b) Provide a statement as to whether or not any of the service provider's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.

ActewAGL Distribution response

ActewAGL Distribution has an agreement with ActewAGL Retail under which ActewAGL Retail provides ActewAGL Distribution with various corporate services. These services include corporate communications services such as network communication campaigns (eg. vegetation management), provision of media relations services (eg. media monitoring), corporate brand management (eg. graphic design services) and website maintenance. In receiving the services ActewAGL Distribution ensures compliance with applicable ring-fencing rules and guidelines. The services provided do not directly involve the sale, marketing or advertising of *pipeline services*. ActewAGL Distribution does not have *marketing staff* that are also employees of ActewAGL Retail.

(c) Provide a statement as to whether or not any of the service provider's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.

ActewAGL Distribution response
See response in relation to (b) above.

2.3 Separate accounts must be prepared, maintained and kept

(a) Provide a statement as to whether or not the service provider has prepared, maintained and kept a separate set of accounts in respect of the services provided by every covered pipeline owned or operated by the service provider.

ActewAGL Distribution response
Yes. The ACT and Greater Queanbeyan gas distribution network, which is the only covered pipeline within the structure, has a separate set of accounts.

(b) Name the legal entity or entities in which the separate accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?

ActewAGL Distribution response
Separate accounts are prepared, maintained and kept within the Distribution Partnership.

(c) Provide a statement as to whether or not the service provider has prepared, maintained and kept a consolidated set of accounts in respect of the whole of the business of the service provider.

ActewAGL Distribution response
Yes. ActewAGL has prepared, maintained and kept a consolidated set of accounts in respect of the whole of the business of the service provider.

(d) Name the legal entity in which the consolidated set of accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?

ActewAGL Distribution response
The consolidated set of accounts is reported under the ActewAGL Joint Venture.

(e) Provide a copy of the most recently lodged annual financial reports with the Australian Securities and Investments Commission or if no such reports exists other similar audited financial reports prepared for or provided to a state or territory department, agency or body under relevant state or territory legislation. These financial reports may be the consolidated set of accounts in respect to the whole of the business of the service provider, and if also separately lodged with the Australian Securities and Investments Commission the most recently lodged annual separate set of accounts in respect of the services provided by the service provider.

ActewAGL Distribution response
Financial report provided at Attachment C.

2.4 Additional ring fencing requirements or exemptions

(a) Does the service provider have any additional ring fencing requirements?

ActewAGL Distribution response
No.

(b) What are these requirements?

ActewAGL Distribution response
Not applicable.

(c) Provide a statement that these additional ring fencing requirements have or have not been met.

ActewAGL Distribution response
Not applicable.

(d) Does the service provider have any exemptions for the minimum ring fencing requirements?

ActewAGL Distribution response
No.

(e) What are these exemptions?

ActewAGL Distribution response
Not applicable.

(f) By what jurisdictional regulator and when where these exemptions granted?

ActewAGL Distribution response
Not applicable.

2.5 Associate contracts

(a) Has the service provider entered into or given effect to any new associate contracts, or varied the terms and conditions of an existing associate contract?

ActewAGL Distribution response
ActewAGL Distribution has not entered into or given effect to any new associate contracts, or varied the terms and conditions of an existing associate contract.

(b) For each new or varied associate contract, please indicate the date the new or varied associate contract was entered into or given effect?

ActewAGL Distribution response
Not applicable.

(c) For each new or varied associate contract, please indicate if the contract or variation was approved by the AER and the date that it was approved?

ActewAGL Distribution response
Not applicable.

(d) If the associate contract was not approved by the AER, please indicate what date the new or varied associate contract was provided to the AER?

Note: An 'associate contract' is defined under the NGL to include arrangements or understandings and is not limited to written contracts.

ActewAGL Distribution response
Not applicable.

3. Other requirements

3.1 Making access arrangement or terms and conditions of access available

(i) Ensuring applicable access arrangement and other specified information is available on website

(a) Has the service provider published the approved access arrangement on its website?

ActewAGL Distribution response
Yes.

(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.

ActewAGL Distribution response
http://www.actewagl.com.au/gas/networks/access.aspx
ActewAGL's website is continuously revised to improve information provision to our customers. The access arrangement was posted on the ActewAGL website in its current location on 25 October 2006.

(c) Has the service provider received any requests from the AER to provide to prospective users generally other information specified as reasonably necessary to determine if access should be sought.

ActewAGL Distribution response
No.

(d) Please provide details of when and how this request was met.

ActewAGL Distribution response
Not applicable.

(ii) Publishing approved competitive tender process access arrangement

(a) Where there is an approved competitive tender process access arrangement in place for a covered pipeline, has the service provider published the approved access arrangement on its website?

ActewAGL Distribution response
There is no competitive tender process access arrangement in place for the ActewAGL Distribution covered pipeline.

(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.

ActewAGL Distribution response
Not applicable.

(iii) Publishing terms and conditions of access to light regulation services

(a) Where there is access to light regulation services on a covered pipeline, has the service provider published tariffs and other terms and conditions for these services on its website?

ActewAGL Distribution response
ActewAGL Distribution is not a service provider for a light regulation pipeline.

(b) Please provide the website address where this information can be accessed and the date that this information was first made available on the website.

ActewAGL Distribution response
Not applicable.

(c) Has the service provider had access negotiations regarding light regulation services? If so, the following will need to be reported, the name of the party requesting the service, the pipeline service requested, and the outcome of the access negotiations.

ActewAGL Distribution response
Not applicable.

3.2 Access determinations

(a) Has the service provider been party to an access determination?

ActewAGL Distribution response
No.

(b) When did the access determination become operative?

ActewAGL Distribution response
Not applicable.

(c) For what period is the access determination in place?

ActewAGL Distribution response
Not applicable.

3.3 Confidentiality

(a) Provide a statement that the confidentiality requirements under rule 137 of the National Gas Rules have or have not been met.

ActewAGL Distribution response
To the best of our knowledge and belief, the ActewAGL Distribution partnership has complied with the confidentiality requirements under rule 137 of the *National Gas Rules*.

(b) Has the service provider established an internal protocol or policy guideline or procedure manual for the handling of confidential information?

If so please provide the AER with the relevant policy document

ActewAGL Distribution response

The ActewAGL Distribution partnership has a significant number of established protocols, policy guidelines and procedures for the handling of confidential information. These include:

(a) all employee agreements include confidentiality obligations and employees are required to comply with ActewAGL Distribution's Code of Conduct (Corporate Policy 3.1);
(b) all employees are required to undergo a formal induction process, including confidentiality compliance;
(c) ActewAGL Distribution's Corporate Policy 7.14 (Ring-fencing) specifically addresses requirements under the NGL;
(d) A requirement that all non standard contracts be reviewed by ActewAGL's Legal Division to ensure that they include appropriate confidentiality obligations;
(e) All template contracts, including those relating to the retention of contractors, include appropriate confidentiality obligations and are regularly reviewed by ActewAGL's Legal Division;
(f) ActewAGL Distribution's confidentiality practices are also reflected in our records management (Corporate Policy 8.13 P1), IT security (Corporate Policy 7.12 P1) and physical security procedures (Corporate Policy 9.2 P1).

Relevant policies provided at Attachment D-H.

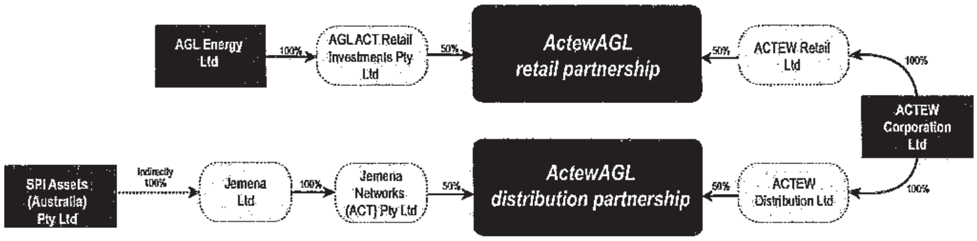
3.4 Bundling

(a) Has the service provider bundled any of its services when providing access or negotiating access with a prospective user?

ActewAGL Distribution response
No. Services provided as per the Access Arrangement

(b) If so, provide a description of the bundled services and related conditions of access.

ActewAGL Distribution response
Not applicable.


AGL Energy Ltd
100%
AGL ACT Retail Investments Pty Ltd
50%
ActewAGL retail partnership
50%
ACTEW Retail Ltd
100%
ACTEW Corporation Ltd
100%
SPI Assets (Australia) Pty Ltd
Indirectly 100%
Jemena Ltd
100%
Jemena Networks (ACT) Pty Ltd
50%
ActewAGL distribution partnership
50%
ACTEW Distribution Ltd

ActewAGL Distribution Partnership

Special Purpose Financial Report
for the year ended 30 June 2010

ActewAGL Distribution Partnership
Special Purpose Financial Report - 30 June 2010

ActewAGL Distribution Partnership
Statement of comprehensive income
For the year ended 30 June 2010

	2010 $'000	2009 $'000
Revenue from continuing operations	429,635	415,245
Other income	27,022	10,335
	456,657	425,580
Energy purchases	(37,858)	(30,981)
Employee costs	(140,141)	(122,522)
Depreciation and amortisation expense	(33,758)	(32,710)
Subcontractor expenses	(69,211)	(85,497)
Leases	(13,880)	(11,708)
Material costs	(14,906)	(14,795)
Finance costs	(189)	(175)
Project related expenses	(19,873)	(25,267)
Selling expenses	(1,561)	(1,467)
Other expenses	(2,259)	(194)
Profit before income tax	123,021	100,264
Income tax expense	-	-
Profit from continuing operations	123,021	100,264
Discontinued operations		
Profit from discontinued operations	2,059	1,985
Net profit for the year	125,080	102,249
Other comprehensive income		
Changes in the fair value of cash flow hedges	-	(6)
Other comprehensive income for the year, net of tax	-	(6)
Total comprehensive income for the year	125,080	102,243
Profit is attributable to:		
Owners of ActewAGL Distribution Partnership	125,080	102,249
	125,080	102,249
Total comprehensive income for the year is attributable to:		
Owners of ActewAGL Distribution Partnership	125,080	102,243
	125,080	102,243

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

ActewAGL Distribution Partnership
Balance sheet
As at 30 June 2010

	2010 $'000	2009 $'000
ASSETS		
Current assets		
Cash and cash equivalents	30,056	10,958
Held-to-maturity investments	-	18,500
Trade and other receivables	68,305	53,819
Inventories	10,247	9,078
Assets classified as held for sale	-	39,658
Total current assets	108,608	132,013
Non-current assets		
Investments accounted for using the equity method	-	631
Property, plant and equipment	828,471	773,956
Receivables	340	51
Total non-current assets	828,811	774,638
Total Assets	937,419	906,651
LIABILITIES		
Current liabilities		
Trade and other payables	60,822	46,913
Other current liabilities	6,892	5,081
Provisions	29,507	26,229
Liabilities held for sale	-	19,264
Total current liabilities	97,221	97,487
Non-current liabilities		
Provisions	2,837	1,350
Other non-current liabilities	1,087	610
Total non-current liabilities	3,924	1,960
Total Liabilities	101,145	99,447
NET ASSETS	836,274	807,204
PARTNERSHIP FUNDS		
Partnership funds	836,274	807,204
Total Partnership Funds	836,274	807,204

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

ActewAGL Distribution Partnership
Statement of changes in equity
For the year ended 30 June 2010

	Partnership funds $'000	Reserves $'000	Total partnership funds $'000
Balance at 1 July 2008	768,501	6	768,507
Total comprehensive income for the year	102,249	(6)	102,243
Transactions with owners in their capacity as owners:			
Distributions paid	(63,546)	-	(63,546)
Balance at 30 June 2009	807,204	-	807,204
Balance at 1 July 2009	807,204	-	807,204
Total comprehensive income for the year	125,080	-	125,080
Transactions with owners in their capacity as owners:			
Distribution paid	(96,010)	-	(96,010)
Balance at 30 June 2010	836,274	-	836,274

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

ActewAGL Distribution Partnership
Statement of cash flows
For the year ended 30 June 2010

	2010 $'000	2009 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	482,195	514,653
Payments to suppliers and employees (inclusive of goods and services tax)	(345,986)	(388,606)
	136,209	126,047
Interest received	2,816	1,086
Interest and other costs of finance paid	(264)	(688)
Income taxes paid	(690)	(613)
Net cash inflow from operating activities	138,071	125,832
Cash flows from investing activities		
Proceeds from held-to-maturity investments	18,500	-
Payments for held-to-maturity investments	-	(18,500)
Payments for property, plant and equipment	(91,506)	(60,595)
Proceeds from sale of property, plant and equipment	699	17,527
Proceeds from sale of subsidiary	37,720	-
Repayment of loans	5,130	-
Return of capital from Woodlawn	631	-
Net cash outflow from investing activities	(28,826)	(61,568)
Cash flows from financing activities		
Distributions paid to partners	(96,010)	(63,546)
Receipts from borrowings	1,007	890
Repayment of borrowings	(644)	(1,399)
Net cash outflow from financing activities	(95,647)	(64,055)
Net increase in cash and cash equivalents	13,598	209
Cash and cash equivalents at the beginning of the financial year	10,958	16,249
Transfer from/(to) non-current assets held for sale	5,500	(5,500)
Cash and cash equivalents at the end of the financial year	30,056	10,958

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

(a) Basis of preparation

ActewAGL Distribution Partnership 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 these 'special purpose financial statements' have been prepared to satisfy the board's reporting requirements under the *ACTEW/AGL Partnership Facilitation Act 2000.*

The financial statements have been prepared in accordance with generally accepted accounting standards and the recognition and measurement principles of the International Financial Reporting Standards.

Historical cost convention

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain financial assets and liabilites (including derivative instruments) at fair value through profit or loss.

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 Partnership'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 2.

(b) Principal activities

The principal activities of the ActewAGL Distribution Partnership during the financial year were to:

- own and operate the electricity network in the ACT;
- own and operate the gas network in the ACT and surrounding districts;
- operate the water and sewerage services in the ACT on behalf of ACTEW Corporation;
- operate a number of analytical laboratories and collect and analyse environmental data, providing engineering advice on water resources and flood assessments (business was held for sale as a discontinued operation and the sale was completed on 30 November 2009); and
- undertake other business related activities.

(c) Principles of aggregation

(i) Subsidiaries

The aggregated financial statements incorporate the assets and liabilities of all subsidiaries of ActewAGL Distribution Partnership as at 30 June 2010 and the results of all subsidiaries for the year then ended. ActewAGL Distribution Partnership and its subsidiaries together are referred to in this financial report as the Partnership.

Subsidiaries are all those entities (including special purpose entities) over which the Partnership has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Partnership controls another entity.

Subsidiaries are fully aggregated from the date on which control is transferred to the Partnership. They are de-aggregated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Partnership (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Partnership entities 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 Partnership.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Partnership.

1 Summary of significant accounting policies (continued)

(b) Principles of aggregation (continued)

(ii) Associates

Associates are all entities over which the Partnership has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Partnership's financial statements using the equity method of accounting, after initially being recognised at cost. The Partnership's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Partnership's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduces the carrying amount of the investment.

When the Partnership's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Partnership does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Partnership and its associates are eliminated to the extent of the Partnership's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Partnership.

(iii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Joint venture entities

The interest in a joint venture partnership is accounted for using the equity method. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Partnership's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(d) 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 Partnership 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 Partnership's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Partnership 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)

(d) Revenue recognition (continued)

Revenue is recognised for the major business activities as follows:

(i) Electricity and gas

Electricity and gas disclosed as revenue from continuing operations are recognised when the service is provided. Unmetered revenue is measured in accordance with our unread consumption policy as per note 2(b). Monies received prior to services being provided are recognised as unearned revenue.

(ii) Operations management

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

(iii) Contributions for infrastructure

Contributions for infrastructure are recognised when the service is provided.

(iv) Interest revenue

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

(e) Income tax

ActewAGL Distribution Partnership is a partnership for tax purposes. Accordingly the Partnership, except for its controlled entity Ecowise Environmental Pty Ltd, is not subject to tax on its income. The income is subject to tax in the hands of the partners when distributions are received.

For Ecowise Environmental Pty Ltd, tax effect accounting procedures are followed whereby the income tax expense or revenue for the period is the tax payable on the current period's taxable income 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in Partnership funds are also recognised directly in Partnership funds.

The ActewAGL Distribution Partnership's wholly-owned and controlled Ecowise Environmental Pty Ltd and its subsidiaries, were disposed during the financial year.

1 Summary of significant accounting policies (continued)

(f) Leases

Leases of property, plant and equipment where the Partnership, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. 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 Partnership 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 Partnership as lessee are classified as operating leases. 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.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Partnership. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Partnership recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Partnership's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(h) 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 each reporting date.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, 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, and bank overdrafts.

1 Summary of significant accounting policies (continued)

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility 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 (provision for impairment of trade receivables) is used when there is objective evidence that the Partnership 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 other 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 other expenses in profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in profit or loss.

(k) 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.

(l) Investments and other financial assets

Classification

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

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

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

(ii) 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 date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

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

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Partnership commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Partnership 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 Partnership funds are included in 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. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in profit or loss as part of revenue from continuing operations when the Partnership's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in Partnership funds. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in Partnership funds.

Impairment
The Partnership assesses at each balance 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 joint venture funds and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Partnership's financial assets carried at amortised cost, 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. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Partnership designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

1 Summary of significant accounting policies (continued)

(m) Derivatives and hedging activities (continued)

The Partnership documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Partnership also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Partnership funds in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in Partnership funds are recycled in profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in Partnership funds are transferred from Partnership funds and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Partnership funds at that time remains in the Partnership funds and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Partnership funds is immediately transferred to the income statement.

(n) Fair value estimation

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 balance sheet date. The quoted market price used for financial assets held by the Partnership 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. The Partnership uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision 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 Partnership for similar financial instruments.

(o) 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.

1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

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 Partnership 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 the income statement during the reporting period in which they are incurred.

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

- Electricity system assets	5 to 60 years
- Gas system assets	15 to 80 years
- Land and buildings	10 to 60 years
- Plant and equipment	3 to 15 years
- Leasehold improvements	5 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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(h)).

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

(p) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Partnership's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill 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 Partnership's investment in each operation.

(q) Trade and other payables

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

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

(r) 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 include:

- interest on bank overdrafts and short-term and long-term borrowings; and

- finance lease charges.

1 Summary of significant accounting policies (continued)

(s) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Partnership 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 reporting date. The discount rate used to determine the present value 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.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave 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) Long service leave
The liability for long service leave 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 reporting date using the projected unit credit method. 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 reporting date on national 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 Partnership recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Partnership recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Termination benefits
Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(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.

(u) Goods and Services Tax (GST)

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

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

1 Summary of significant accounting policies (continued)

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

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.

(v) 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. 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.

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 on the face of the statement of comprehensive income.

(w) Rounding of amounts

The Partnership 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Partnership's assessment of the impact of these new standards and interpretations is set out below.

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

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Partnership's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Partnership is yet to assess its full impact. However, initial indications are that it may affect the Partnership's 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. The Partnership has not yet decided when to adopt AASB 9.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. There is not expected to be any changes arising from this Standard.

1 Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations (continued)

(iii) AASB 2009-5 ***Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters*** (effective from 1 January 2010)

AASB 2009-5 makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]. It is effective for accounting periods beginning on or after 1 January 2010. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified a finance leases and if so, the type of asset which is to be recorded needs to be determined. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.

2 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 entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Partnership 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.

Estimated impairment of goodwill
The Partnership tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash generating units have been determined based on the greater of value-in-use and fair-value less cost calculations.

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

Unread consumption
The Partnership provides a fair estimate of consumption of electricity and gas which has not been read from the customers' meters as at 30 June 2010. The methodology used in measuring unbilled energy volumes is by adding the current sales to the closing unbilled energy volumes for the previous period and subtract current billings. The closing unbilled energy volumes are then allocated across the tariff classes using the actual throughput volumes for the month and multiplied by the prevailing tariff rates to determine the unread consumption. As at 30 June 2010, $30,256,000 (2009: $19,396,000) was recognised as unread consumption.

3 Events occurring after balance sheet date

The board members are not aware of any matter or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations of the Partnership, the results of those operations of the state of affairs of the Partnership in subsequent financial years.

ActewAGL Distribution Partnership
Board's declaration
30 June 2010

As detailed in note 1(a) to the financial statements, ActewAGL Distribution Partnership is not a reporting entity because in the opinion of the board members there are unlikely to exist users of the financial statements who are unable to command the preparation of statements tailored so as to satisfy specifically all of their information needs. Accordingly, these 'special purpose financial statements' have 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 Distribution Partnership set out on pages 3 to 18:

  (i) comply with applicable Accounting Standards and other mandatory professional reporting requirement; and

  (ii) gives a true and fair view of the Partnership's financial position as at 30 June 2010 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 Partnership 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 Partnership board.

John Mackay, AM
Chairman
Canberra
25 August 2010

Mark Sullivan, AO
Board Member
Canberra
25 August 2010

Deloitte.

Deloitte Touche Tohmatsu
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ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT

To the Partners of the ActewAGL Distribution Partnership

We have audited the accompanying financial report, being a special purpose financial report, of the ActewAGL Distribution Partnership (the Partnership), which comprises the balance sheet as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Partnership's board declaration as set out on pages 3 to 19.

The Responsibility of Partnership's Board for the Financial Report

The board is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 1 to the financial report, are appropriate to meet the financial reporting requirements of the *ACTEW/AGL Partnership Facilitation Act 2000* and the needs of the Partners of the Partnership. The responsibility of the board also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Partners of the Partnership. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditors consider internal controls relevant to the Partnership's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board, as well as evaluating the overall presentation of the financial report.

ACT Auditor-General's Office
Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

The financial report has been prepared for distribution to the Partners of the Partnership for the purpose of fulfilling the board's financial reporting requirements under the *ACTEW/AGL Partnership Facilitation Act 2000.* We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the Partners, or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this audited 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 report.

If users of the 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, available from the Joint Venture, to confirm the accuracy of this electronically presented information.

Auditors' Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the ActewAGL Distribution Partnership as at 30 June 2010 and of its financial performance and changes in equity for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T. Pham

Tu Pham
Auditor-General

25 August 2010

J M Stanley
Partner
Chartered Accountants

25 August 2010

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
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ACT AUDITOR-GENERAL'S OFFICE

Board of Directors
ActewAGL Distribution Partnership
GPO Box 366
Canberra City ACT 2601

ActewAGL Distribution Partnership

As joint auditors for the audit of the financial report of the ActewAGL Distribution Partnership for the year ended 30 June 2010, we declare that to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T. Pham

Tu Pham
Auditor-General

25 August 2010

J M Stanley
Partner
Chartered Accountants

25 August 2010

ACT Auditor-General's Office
Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au