

CONFIDENTIAL

Attachment B



## **ActewAGL Distribution Partnership**

**Special Purpose Financial Report  
for the year ended 30 June 2011**

# **ActewAGL Distribution Partnership Special Purpose Financial Report - 30 June 2011**

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**ActewAGL Distribution Partnership**  
**Statement of comprehensive income**  
**For the year ended 30 June 2011**

	2011 \$'000	2010 \$'000
Revenue from continuing operations	463,078	429,636
Other income	-	27,022
	<u>463,078</u>	<u>456,658</u>
Energy purchases	(48,984)	(37,858)
Employee costs	(138,109)	(129,184)
Depreciation and amortisation expenses	(34,657)	(33,758)
Subcontractor expenses	(67,748)	(69,211)
Lease expense	(15,187)	(13,880)
Material costs	(14,964)	(14,906)
Finance costs	(264)	(189)
Project related expenses	(20,769)	(19,873)
Selling expenses	(1,729)	(1,639)
Other expenses	(13,179)	(13,139)
<b>Profit before income tax</b>	<u>107,488</u>	<u>123,021</u>
<b>Discontinued operations</b>		
Profit from discontinued operations, net of income taxes	-	2,059
<b>Net profit for the year</b>	<u>107,488</u>	<u>125,080</u>
Profit is attributable to:		
Partners of the ActewAGL Distribution Partnership	<u>107,488</u>	<u>125,080</u>
	<u>107,488</u>	<u>125,080</u>
Total comprehensive income for the year is attributable to:		
Partners of the ActewAGL Distribution Partnership	<u>107,488</u>	<u>125,080</u>
	<u>107,488</u>	<u>125,080</u>

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

**ActewAGL Distribution Partnership**  
**Balance sheet**  
**As at 30 June 2011**

	2011 \$'000	2010 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	29,537	30,056
Trade and other receivables	75,343	68,305
Inventories	8,771	10,247
<b>Total current assets</b>	<u>113,651</u>	<u>108,608</u>
<b>Non-current assets</b>		
Receivables	959	340
Property, plant and equipment	894,420	828,471
Intangible assets	877	-
<b>Total non-current assets</b>	<u>896,256</u>	<u>828,811</u>
<b>Total assets</b>	<u>1,009,907</u>	<u>937,419</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	63,523	60,822
Provisions	32,413	29,507
Other liabilities	8,069	6,892
<b>Total current liabilities</b>	<u>104,005</u>	<u>97,221</u>
<b>Non-current liabilities</b>		
Provisions	3,310	2,837
Other liabilities	2,030	1,087
<b>Total non-current liabilities</b>	<u>5,340</u>	<u>3,924</u>
<b>Total liabilities</b>	<u>109,345</u>	<u>101,145</u>
<b>Net assets</b>	<u>900,562</u>	<u>836,274</u>
<b>PARTNERSHIP FUNDS</b>		
Partnership funds	900,562	836,274
<b>Total partnership funds</b>	<u>900,562</u>	<u>836,274</u>

*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 2011

	2011 \$'000	2010 \$'000
<b>Total partnership funds at the beginning of the financial year</b>	<b>836,274</b>	<b>807,204</b>
Total comprehensive income for the year	107,488	125,080
<i>Transactions with partners in their capacity as owners:</i>		
Distributions paid	(43,200)	(96,010)
<b>Total partnership funds at the end of the financial year</b>	<b><u>900,562</u></b>	<b><u>836,274</u></b>

*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 2011**

	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	496,888	482,195
Payments to suppliers and employees (inclusive of goods and services tax)	(353,192)	(345,986)
	143,696	136,209
Interest received	1,510	2,816
Interest and other costs of finance paid	(42)	(264)
Income taxes paid	-	(690)
<b>Net cash inflow from operating activities</b>	<b>145,164</b>	<b>138,071</b>
<b>Cash flows from investing activities</b>		
Proceeds from held-to-maturity investments	-	18,500
Payments for property, plant and equipment	(102,825)	(91,506)
Proceeds from sale of property, plant and equipment	35	699
Proceeds from sale of subsidiary	500	37,720
Repayment of loans	-	5,130
Return of capital from Woodlawn	-	631
<b>Net cash outflow from investing activities</b>	<b>(102,290)</b>	<b>(28,826)</b>
<b>Cash flows from financing activities</b>		
Distributions paid	(43,200)	(96,010)
Receipts from borrowings	-	1,007
Repayment of borrowings	(193)	(644)
<b>Net cash outflow from financing activities</b>	<b>(43,393)</b>	<b>(95,647)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(519)</b>	<b>13,598</b>
Cash and cash equivalents at the beginning of the financial year	30,056	10,958
Transfer from non-current assets held for sale	-	5,500
<b>Cash and cash equivalents at the end of the financial year</b>	<b>29,537</b>	<b>30,056</b>

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

**Notes to the financial statements**

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## 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 *ACTEWAGL 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.

#### *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 Ltd; 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 the ActewAGL Distribution Partnership as at 30 June 2011 and the results of all subsidiaries for the year then ended. The ActewAGL Distribution Partnership and its subsidiaries together are referred to in this financial statements as the Partnership.

Subsidiaries are all 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 acquisition method of accounting is used to account for business combination 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.

#### *(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 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 profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of aggregation (continued)

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 activity 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 after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the profit or loss, and the share of post-acquisition movements in Partnership funds is recognised in other comprehensive income.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Partnership's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

### (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 Partnership bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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. 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 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 is not subject to tax on its income. The income is subject to tax in the hands of the partners when distributions are received.



## 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 the 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, 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 asset or liability resulting from a 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 interests in the acquiree either at fair value or at the non-controlling interests's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interests 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 Partnership'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 the end of each reporting date.

### (i) 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, 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 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 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 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.

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

#### *(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 if they are expected to be settled within 12 months; otherwise they are classified as non-current.

#### *(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 end of the reporting date, which are classified as current assets.

#### *(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 the investment matures or management intends to dispose of the investment within 12 months of the end 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.

## 1 Summary of significant accounting policies (continued)

### (I) Investments and other financial assets (continued)

#### *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. 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 other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### *Measurement*

At initial recognition, the Partnership measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or 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 profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Partnership's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

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 other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

#### *Impairment*

The Partnership assesses at the end of each reporting date whether there is objective evidence that a financial asset or 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 the statement of comprehensive income. If a loan or held-to-maturity investment 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 Partnership 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 the statement of comprehensive income.

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

#### *(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 Partnership funds and recognised in profit or loss.



## 1 Summary of significant accounting policies (continued)

### (l) Investments and other financial assets (continued)

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.

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

### (n) 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 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 profit or loss 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 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(h)).

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

## 1 Summary of significant accounting policies (continued)

### (o) Intangible assets

#### *Licences*

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives, which vary from 2.5 to 5 years.

### (p) 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. 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 are recognised on receipt of refundable deposits held as security over future energy usage by customers.

### (q) 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.

### (r) 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 end of each reporting date. 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.

### (s) 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 each reporting date in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting date 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 reporting date 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 date. 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 date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## 1 Summary of significant accounting policies (continued)

### (s) Employee benefits (continued)

#### (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 Partnership's owners 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.

### (t) 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.

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.

### (u) 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.

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.



## 1 Summary of significant accounting policies (continued)

### (v) 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.

### (w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial statements. 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 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 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. When adopted, the standard will affect in particular 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.

There will be no impact on the Partnership'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 Partnership 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 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 clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the amendments are applied, the Partnership will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

#### **(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)**

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The AASB is still considering the effect of the framework for special purpose financial statements as part of the differential reporting project.

#### **(iv) AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)**

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Partnership's disclosures.

## 1 Summary of significant accounting policies (continued)

### (w) New accounting standards and interpretations (continued)

#### (v) **AASB 1054 Australian Additional Disclosures** (effective for annual reporting periods beginning on or after 1 July 2011)

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- a) Compliance with Australian Accounting Standards;
- b) The statutory basis or reporting framework for financial statements;
- c) Whether the financial statements are general purpose or special purpose;
- d) Audit fees; and
- e) Imputation credits

This standard is not expected to have any significant impact on the Partnership's disclosures.

#### (vi) **AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]** (effective for annual reporting periods beginning on or after 1 January 2011)

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. It provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. They are not expected to have any significant impact on the Partnership's disclosures.

#### (vii) **AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]** (effective for annual reporting periods beginning on or after 1 January 2011)

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. They are not expected to have any significant impact on the Partnership's disclosures.

#### (viii) **AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]** (effective for annual reporting periods beginning on or after 1 July 2011)

This Standard made amendments to many Australian Accounting Standards, removing disclosures which have been relocated to AASB 1054. They are not expected to have any significant impact on the Partnership's disclosures.

#### (ix) **AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project - Reduced disclosure regime [AASB 101 & 1054]** (effective for annual reporting periods beginning on or after 1 July 2013)

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053. They are not expected to have any significant impact on the Partnership's disclosures.

## 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.

### 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 2011. 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 2011, \$46,223,000 (2010: \$30,256,000) was recognised as unread consumption.

## 3 Events occurring after balance sheet date

ActewAGL Distribution has executed an Asset Sale Agreement to sell the Asset Information Request System (AIRS) to PelicanCorp Pty Ltd on 6 June 2011 for \$522,811 (excluding GST). The completion of the sale is expected to be completed in August 2011.

Other than the above, the board members are not aware of any matters 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 or the state of affairs of the Partnership in subsequent financial years.

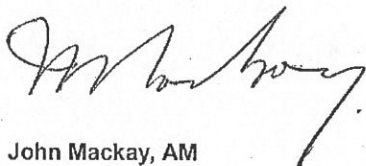
**ActewAGL Distribution Partnership  
Partnerships Board's declaration  
30 June 2011**

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 requirements; and
  - (ii) give a true and fair view of the Partnership's financial position as at 30 June 2011 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 Partnerships board.

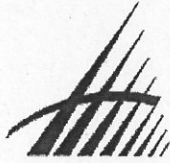


**John Mackay, AM**  
Chairman  
Canberra  
31 August 2011



**Mark Sullivan, AO**  
Board member  
Canberra  
31 August 2011





## ACT AUDITOR-GENERAL'S OFFICE



# INDEPENDENT AUDIT REPORT

## To the Partners of the ActewAGL Distribution Partnership

### Report on the financial report

The special purpose financial report of the ActewAGL Distribution Partnership (the Partnership) for the year ended 30 June 2011 has been audited. The financial report comprises the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes and the Partnership's Board (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 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 Partnership.

### **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 Distribution Partnership as at 30 June 2011 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 of the financial report.

### **Basis of accounting and restriction on distribution and use**

Without modifying the audit opinion, I draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared to assist the ActewAGL Distribution Partnership 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 Partnership and should not be distributed to or used by parties other than the Partners of the Partnership.

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



Dr Maxine Cooper  
Auditor-General  
6 September 2011



**ACT AUDITOR-GENERAL'S OFFICE**



Board of Directors  
ActewAGL Distribution Partnership  
GPO Box 366  
CANBERRA CITY ACT 2601

**ActewAGL Distribution Partnership**

In relation to the audit of the financial report of the ActewAGL Distribution Partnership for the year ended 30 June 2011, 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.

Dr Maxine Cooper  
Auditor-General  
31 August 2011