PowerWater

Annual Report

2021-2022

@powerwatercorp

Cover: Sakon Nadthayai in our Gas Services team.

Manton Dam.

Welcome

The purpose of this Annual Report is to meet the obligations of Power and Water Corporation as contained within the *Government Owned Corporations Act 2001*, namely:

- Section 41 whereby a government-owned corporation must give to its Shareholding Minister and Portfolio Minister, a report on the corporation's performance in relation to its Statement of Corporate Intent.
- Section 44 whereby a government-owned corporation must prepare an annual report of the operations of the corporation and of its subsidiaries during each financial year.

This report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 2001* and other relevant legislation, which governs the operations of Power and Water Corporation.

It informs the Northern Territory Government, as the owner and sole shareholder of Power and Water Corporation, regulators, stakeholders and customers of:

- Power and Water Corporation's primary services and responsibilities
- significant activities of 2021-22, highlighting major projects, key achievements and outcomes, as they relate to the strategic objectives of the Corporation contained in the 2021-22 Statement of Corporate Intent
- financial management and performance of the Corporation during 2021-22, pursuant to the *Corporations Act 2001 (Commonwealth).*

Acknowledgement of Country

Power and Water operates across all regions of the Northern Territory. We acknowledge the Traditional Custodians of Country throughout the Territory and their connections to land, sea and community. We pay our respect to their Elders past, present and future, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Letter to the shareholder

The Honourable Eva Lawler MLA, Treasurer of the Northern Territory

Dear Treasurer,

On behalf of Power and Water Corporation, we are pleased to present to you the Corporation's Annual Report for the year ending 30 June 2022, in accordance with the provisions of sections 41 and 44 of the *Government Owned Corporations Act 2001.*

Yours sincerely,

Peter Wilson AM
Chair, Power and Water Corporation
30 September 2022

Djuna Pollard

Chief Executive Officer, Power and Water Corporation
30 September 2022

PowerWater

Contents

Roe Creek Pumping Station in Alice Springs.

Steven Burnie and Ruben Brown in our Power Services team in Alice Springs.

Message from the Chair

I am very pleased and honoured to have been appointed as the new Chair of Power and Water Corporation in March 2022. Power and Water has a remarkable history and contemporary importance for the delivery of power, water, waste water and gas services to the people of the Northern Territory.

As I reflect on my time as Chair, I feel proud to be a part of the Power and Water Board and of the contribution our people right across the business are making every day for our customers and the community.

I would like to acknowledge John Langoulant AO for his time as Chair and Charles Burkitt as interim Chair prior to my appointment. I would like to thank them both for their service, and also all former Directors who retired from the Board during the past year.

I also thank our Chief Executive Officer, Djuna Pollard, and our Executive Leadership Team, for steering the organisation through a significant period of challenge and change, and through the challenges that lie ahead.

Since my appointment, there has been a concerted effort by the new Board and senior management team to bring the organisation closer together, through our refreshed purpose, vision and strategic direction. The challenge ahead is to continue the modernisation of all Power and Water functions to meet customer, community and government expectations, and strengthening our focus on delivering against our renewable energy targets and sustainable water solutions for the future.

There are many opportunities with a newly appointed board to re-energise the organisation and its governance, and to work with management to capture the opportunities that lie ahead of us.

I have a long history with the Territory on both business and family levels, and I very much look forward to working with the great people of Power and Water to make a difference for our customers and the Northern Territory community.

Peter Wilson AM
Chair, Power and Water Corporation
30 September 2022

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Message from the Chief Executive Officer

With more than our usual challenges, 2021-22 was a big year for the team at Power and Water.

The COVID-19 pandemic continued to have a significant impact on our people, customers and the community. Our response has been a sustained effort over a really long time and I am proud of the way we have worked together to maintain a high level of service to all Territorians.

Our Customer Experience and Operations team in particular has been working hard to monitor and adapt our customer management and billing processes to ensure our customers stay connected and feel supported throughout COVID-19. This includes negotiating flexible payment arrangements, and committing ongoing funding to a range of community agencies that provide support and assistance to help with bill payments.

In February 2022, we achieved a major milestone with the release of the detailed business case for the return to service of Manton Dam and the development of the Adelaide River Off-stream Water Storage (AROWS) projects.

We have been working on the development of the AROWS project for more than a decade and identified it as a water source option in our 2013 Darwin Region Water Supply Strategy. I acknowledge the expertise and passion of our team that has been crucial to reaching this milestone.

Delivering a long-term sustainable, secure water supply that meets the demands of the community today and into the future is essential in realising economic and population growth, and we look forward to working closely with the Northern Territory Government on the next stages of planning.

A personal highlight was my appointment to two national industry boards – the Water Services Association of Australia (WSAA) Board and Energy Networks Australia (ENA) Board. This is a privilege and honour for me and our organisation – to have a seat at the national table to debate and drive key policies for our industry and the advancement of the Northern Territory community.

In October 2021, we openly participated in a Coronial Inquest into the tragic death of an 11 year old boy who suffered an electric shock at a home in Gunbalanya.

Power and Water has been working hard to implement improvements since that event, including increasing our maintenance inspection program and improving our record keeping. We take the Coroner's findings very seriously and are continuing to work through them in comprehensive detail.

Health and safety is an absolute fundamental of the service we provide customers across the Northern Territory and we are committed to doing everything we can to ensure an incident like this does not happen again.

We are at a time of growth and opportunity for Power and Water, as we start to strengthen our focus on the future and develop as a modern multi-utility.

I would like to acknowledge John Langoulant AO, former Chair of the Power and Water Board, and Board Director Charles Burkitt for his time as Acting Chair during the 2021-22 period.

Both John and Charles provided strong support throughout the year, and I am grateful for their guidance.

Vehicle driving on dirt road outside of Alice Springs.

I am pleased to welcome Peter Wilson AM as the new Chair of the Power and Water Board.

Peter brings a great depth of knowledge and experience from a range of industries in the public and private sectors. His experience across a diverse range of boards will be of great value to our organisation as we continue to implement our operating model reforms within a changing regulatory and policy environment.

I hope that as you read our Annual Report, you will get a feel for some of the great outcomes we have achieved throughout the year and how our organisation and initiatives make a difference to the lives of every Territorian.

Djuna Pollard
Chief Executive Officer,
Power and Water Corporation
30 September 2022

We are at a time of growth and opportunity for Power and Water, as we start to strengthen our focus on the future and develop as a modern multi-utility.

Chief Financial Officer report

Fiscal targets

The Northern Territory Government Fiscal Strategy Panel developed a plan for Northern Territory Budget Repair over the medium term, implementing key fiscal targets that focused on ensuring the government operates within its means, including government owned corporations. The Northern Territory Government provided four specific objectives and fiscal targets, which collectively are designed to assist in supporting the government's initiative called 'A Plan to Fix the Budget'.

Power and Water Corporation's financial performance in the 2021-22 financial year ensured that the fiscal targets of 'revenue and operating expenditure growth', 'reduction of controllable costs' and the 'generation of dividends back to its shareholder' were successfully met.

The debt to equity ratio has increased compared to 2020-21 due to a return of equity to the shareholder and a decrease in the asset revaluation reserve. As a result, Power and Water Corporation did not meet its objective of maintaining or improving the debt to equity ratio.

Revenue

Revenue for the corporation was $6 million unfavourable to budget. Driving this variance were lower than expected revenue results in gas of $10 million. Lower than expected gas availability from the key supplier drove this outcome, however higher than expected prices received for East Coast spot sales helped to offset this. Revenues associated with the Electricity Network performed favourably to budget by $13 million, driven by increased consumption in both residential and business markets.

Operating expenditure

Operating expenditure exclusive of impairment and asset valuation adjustments was $74 million under budget. This result was driven by reduced gas purchases and lower operational expenses in the areas of personnel costs and professional fees. The majority of work on the Northern Territory electricity market reform has been deferred, which has seen ICT and consulting costs lower than the 2021-22 budget for this major project. The corporation has also revised how it estimates

Power and Water Corporation (unconsolidated) Results against SCI	Actual 2021-22 $M	SCI 2021-22 $M	Actual 2020 21 $M
Revenue	683.6	690.0	700.9
Operating expenditure	(450.6)	(524.6)	(517.5)
Impairment and asset valuation movements	46.6	0.0	(1.9)
EBITDA	**279.6**	**165.4**	**181.5**
Impairments	3.5	0.0	12.3
Asset valuation movements	(50.1)	0.0	(10.4)
Underlying EBITDA	**233.0**	**165.4**	**183.4**
Depreciation and amortisation	(135.0)	(132.0)	(132.5)
Underlying EBIT	**98.0**	**33.3**	**51.0**
Interest expense	(53.2)	(55.0)	(56.8)
Tax on underlying net profit/(loss) before tax	(18.1)	6.5	1.7
Underlying net profit/(loss) after tax	**26.7**	**(15.2)**	**(4.1)**

Aerial view of Palmerston water tank.

overhead recovery for capital projects and repairs and maintenance projects. This has led to $47 million of overhead operational expenses being capitalised in the current financial year. This recovery was not budgeted for in the 2021-22 Statement of Corporate Intent.

Non cash impairments and write downs

Fixed asset valuation movements

The fixed assets of Power and Water are carried at fair value in accordance with the fair value requirements of the Australian Accounting Standards. Core operational assets of the Power Services and Water Services business units are valued using the income approach. An overall revaluation decrease of $70 million representing a 3.46 per cent reduction of net book value of relevant assets was recorded in the current financial year. This has been driven mostly by lower Water Services cash flows due to a forecast higher cost of debt. Of the revaluation, $39 million was credited to profit and loss in relation to the reversal of impairments recognised in prior years.

Make-up gas

Active contracts relating to the purchase and sale of gas have resulted in Power and Water paying for gas in prior years that will be delivered in future years. These payments are classified as intangible assets and, as a result of changes that have positively influenced the net realisable value of this make-up gas in the current financial year, an impairment expense reversal of $1 million was recognised in the profit and loss in 2021-22 to adjust for the value of the make-up gas on the balance sheet.

Earnings before interest and taxation (EBIT)

The corporation recorded EBIT on a statutory basis of $145 million against the Statement of Corporate Intent projection of $33 million. Predominately driving this result was reduced operational expenses, favourable impairment reversals, asset revaluations, and higher overhead recovery to capital projects.

Interest

As a result of favourable cash flows by comparison to budget, actual borrowings in the year were $18 million lower than budgeted. This has delivered a resulting interest expense of $53 million for the year, favourable to budget by $2 million.

Tax

The tax expense for the year of $32 million was unfavourable compared to the Statement of Corporate Intent anticipated benefit of $7 million. This was as a result of the unbudgeted current year profit. Tax is paid by instalments in advance throughout the year based on the prior year's actuals.

Net Profit After Tax (NPAT)

The corporation recorded a statutory NPAT of $59 million compared to budgeted Net Loss After Tax of $15 million. Predominately driving this result was favourable impairment reversals, asset revaluations, higher overhead recovery and lower operating costs.

Balance sheet and cash flows

The corporation net asset position has declined by $49 million. Closing cash holdings are $5 million unfavourable to budget driven by the repayment of equity to the shareholder of $30 million, lower borrowings and timing of receivables.

The corporation spent $138 million on capital projects in the 2021-22 financial year, inclusive of $47 million of unbudgeted overhead recovery. This was $1 million more than budgeted in total, however $48 million below the original 2021-22 Statement of Corporate Intent capital program, which excluded the revised method of recovering overhead expenses. Power Services minor works programs, conditional asset replacements and a delay in the Trevor Horman Zone Substation project have contributed to the underspend. Delays in Water Services projects and ICT projects have also formed part of this shortfall.

Dividends

A dividend of $2.0 million was declared and paid during the year ended 30 June 2022 in relation to the prior year.

The Board has considered the level of NPAT for the 2021-22 financial year and its constituent elements, with a particular focus on cash-backed NPAT on an underlying basis (excluding revenue from gifted assets and the movement in impairments and fixed asset valuations) and have declared a dividend of $10 million subsequent to 30 June 2022 which will be paid by 30 November 2022. This has been disclosed as a subsequent event in both the Directors' Report and the notes to the accounts.

Our service delivery area

Our year at a glance

Customer overview

90,797
Electricity connections

50,251
Water connections

66,371
Waste water connections

2,308
New connections

- Solar **1,472**
- Water **245**
- Electricity **591**

Customer contact

72,616
Calls to customer service

1,722
Live chats

30,756
Customer emails

Successful implementation of after hours calls taken at System Control

Our people

812
Full time employees

74
Aboriginal and Torres Strait Islander employees

29.7%
Women

8%
Women in technical roles

27.1%
Women in executive roles

Erika Weisshaupt in our Darwin Customer Experience and Operations team.

Power and Water Board (left to right): Paul Italiano, Gaye McMath, Peter Wilson AM, Gregory Martin, Trevor Armstrong. Not pictured: John Langoulant AO, Charles Burkitt, David Bartholomew, Rowena McNally, Teresa Dyson, Mervyn Davies, Jodie Ryan.

Board Director attendance record

	Power and Water Board		Audit & Risk Management Committee		Safety, People & Remuneration Committee		Regulation & Market Operations Committee		Transformation Committee	
	Eligible to attend[2]	Attended[3]	Eligible to attend[2]	Attended[3]	Eligible to attend[2]	Attended[3]	Eligible to attend[2]	Attended[3]	Eligible to attend[2]	Attended[3]
Peter Wilson AM	7	7	1[7]	2	0	1[9]	0	1[9]	0	1[9]
Gaye McMath	25	25	5	5	0	3[9]	0	4[9]	4	4
Charles Burkitt	25	25	1[8]	5	4	4	0	4[9]	0	3[9]
John Langoulant AO[4]	10	10	0	2[9]	2	2	2	2	2	2
David Bartholomew[5]	21	21	0	4[9]	0	2[9]	4	4	4	4
Rowena McNally[5]	21	21	4	4	4	4	0	2[9]	0	0
Teresa Dyson[5]	21	21	4	4	0	3[9]	4	4	4	2
Mervyn Davies[6]	14	14	0	3[9]	3	3	3	3	0	3[9]

1. At its meeting on 04/05/2022, the Board retired this committee and assumed oversight of the subject matter previously referred to in the committee.
2. Number of meetings held while the director was a member of the Board/committee.
3. Number of meetings attended.
4. Mr Langoulant resigned as a director and Board Chair with effect from 15/10/2022.
5. Mr Bartholomew's, Ms McNally's and Ms Dyson's respective terms as directors expired on 07/04/2022.
6. Mr Davie's term as a director expired on 02/12/2021.
7. Mr Wilson was appointed a member of the committee with effect from 04/05/2022. Prior to his appointment as a member of the committee, Mr Wilson attended committee meetings as an invitee.
8. Mr Burkitt was appointed a member of the committee with effect from 04/05/2022. Prior to his appointment as a member of the committee, Mr Burkitt attended committee meetings as an invitee.
9. Notwithstanding that the individual was not a member of the committee, they attended the number of meetings indicated as an invitee.

Our Executive Leadership Team

Djuna Pollard
Chief Executive Officer

John Pease
General Counsel, Company Secretary and Executive General Manager Organisational Governance

Martha Stewart
Chief Financial Officer

Stephen Vlahovic
Executive General Manager Power Services (from August 2021)

Michael Besselink
Executive General Manager Core Operations

Steven Porter
Executive General Manager Water Services

Antoni Murphy
Executive General Manager Gas Services

Rosemarie Dentesano
Executive General Manager People, Culture and Safety

Jason Howe
Executive General Manager Customer, Strategy and Regulation (from May 2022)

David Bowen
Executive General Manager Information, Communication and Technology

Ross Musgrove
Executive General Manager Power Services
July 2021 to August 2021)

David Tovey
Executive General Manager Customer, Strategy and Regulation (January 2022 to May 2022)

Jodi Triggs
Executive General Manager Customer, Strategy and Regulation (July 2021 to January 2022)

2021-22 highlights

Zeny Heffernan in our Darwin Customer Experience and Operations team.

Supporting our customers through COVID-19

At Power and Water, we understand that our customers may encounter temporary or ongoing financial hardship for a range of reasons – and our Customer Experience and Operations team is here to help.

The COVID-19 pandemic has had a significant impact on our community, including through increased unemployment, a reduction in household income and ill health.

We noticed an increase in customers contacting us to request more time to pay their accounts. We acted quickly to review our customer management and billing processes to:

- Extend our delegations, allowing more team members to work with customers who need more time to pay their account.
- Help customers who are not able to pay their bills to reduce their water use by installing water restrictors.
- Stop credit and collections action, where appropriate.
- Connect our customers with participating community agencies that provide support and assistance in the form of electronic vouchers to help with bill payments.

Power and Water is committed to working with our customers through any difficulties they may have paying their bills, to negotiate payment arrangements whilst operating within commercial guidelines.

Our Major Partnerships and Community Grants Program

We are passionate about making a difference to the lives of Territorians and we are excited to create relationships with organisations and people in our community who are actively working towards the same goal.

This year we refreshed our Major Partnerships and Community Grants Program to focus on supporting projects and initiatives in our community that will help shape the future of the Territory, care for and support Territorians, and uplift and create opportunities for Territorians.

This year we have supported four major partnerships, including:

1. **Share the Dignity** – an Australian women's charity focused on making a difference in the lives of those experiencing homelessness, fleeing domestic violence or experiencing hardship.
2. **Melaleuca Australia** – a specialist organisation that supports humanitarian refugees, migrants and people from culturally and linguistically diverse backgrounds of all ages to settle in the Northern Territory.
3. **Darwin Festival** – an annual performing arts and cultural event that drives the local economy and enriches social engagement and liveability.
4. **Darwin Salties** – the Darwin Salties (men and women) is the first Northern Territory team to compete in the semi-professional NBL1 / WNBL1 North competition. The Darwin Salties offers a pathway for Territory players, particularly juniors and young adults, to get direct exposure to the game at the semi-professional level while remaining in the Northern Territory.

We are passionate about making a difference to the lives of Territorians and we are excited to create relationships with organisations and people in our community who are actively working toward the same goal.

Darwin Salties mens NBL1 team in action.

We also supported nine community organisations through our Community Grants Program to deliver initiatives that make a difference to the lives of Territorians, including:

1. **Variety the Children's Charity** – Special Children's Christmas Party.
2. **Aringkawa** - Anindilyakwa literacy initiative.
3. **Northern Territory Writers' Centre** – Writers' Festival.
4. **Top End Pride** – 2022 Pride March.
5. **Sunny Science** – Alice Springs school holiday STEAM workshop.
6. **Inspired NT** – 'Sew4Science' 1000 glow in the dark teddy bears remote marathon.
7. **Mataranka School** – expansion of the school's nutrition program vegetable garden.
8. **Yipirinya School** – Rhythm 2 Recovery program (fun and engaging rhythmic musical activities that support social and emotional development).
9. **Gurindji Aboriginal Corporation** – Gurindji Freedom Day Festival.

At Power and Water we put our community and our customers at the centre of our planning, thinking and service delivery. We are excited to be working with so many passionate Territorians to help make their initiatives a success.

Children from Mataranka School.

Mataranka School veggie garden

Mataranka School is one of nine recipients across the Territory to receive a Power and Water community grant this year.

The small, remote school is located on the Stuart Highway, about 90 kilometres south of Katherine, and has 35 students catering from birth to year 12.

Our community grant will help the students expand their vegetable garden, providing a sustainable, fresh supply of produce to support the school nutrition program and for students to take home to their families.

With students involved in growing and maintaining the vegetable garden, they will learn valuable skills that they can share with their families and support a generational shift towards eating a more balanced diet of fresh foods.

We look forward to seeing the vegetable garden grow with the planting of tropical fruit trees, introduction of a worm farm that doubles as seating in the vegetable garden (providing a means for composting as well as seating for class and community events), and a small chook pen to provide fresh eggs to the school and community.

Grant helped students expand their vegetable garden

8 new apprentices and trainees joined in 2022

Investing in our people for the future

Power and Water was pleased to welcome new graduates, apprentices and trainees to grow and develop our capability and expertise for the future.

Eight apprentices and trainees from across the Territory joined us in February 2022. The group is a diverse mix of school leavers and mature-age students, with two based in Darwin, one in Katherine, three in Alice Springs and two in Tennant Creek.

Through the nationally accredited apprenticeship program, our apprentices will learn specialised skills and training across work streams of electrical, mechanical, linework and water operations.

The apprentices are employed by Group Training Northern Territory and are hosted by Power and Water for the duration of their apprenticeship. Power and Water apprenticeships have a nominal term of four years, expected to finish by 2026.

We also have 13 graduates across the business: five electrical engineers and seven within corporate functions.

Graduates, apprentices and trainees bring a fresh perspective to the way we operate and we look forward to being a part of their journey, and working together to make a difference to the lives of Territorians.

Welcoming our 2022 apprentices.

Group Training Northern Territory Trainee of the Year, Sam Duke.

Group Training Northern Territory Trainee of the Year

Power and Water featured in the 2022 Group Training Northern Territory Awards, celebrating the achievements of supervisors, apprentices, trainees and host businesses across the Territory.

Sam Duke was named the Group Training Northern Territory Trainee of the Year. Sam is undertaking his Certificate III in Water Industry Operations with the Power and Water team in Alice Springs.

Nick Anictomatis was nominated for Outstanding Apprentice of the Year Stage 3. Nick is completing his Certificate III in Electricity Supply Industry (Power Systems Distribution – Overhead) with our Power Services team in Darwin.

Darren Wright was nominated for Supervisor of the Year. Darren is a Water and Sewer Technician and supervisor at Power and Water, based in Alice Springs.

These are outstanding achievements in a very competitive field and demonstrate the expertise and passion of our people in delivering essential services to our customers and the community.

Sam will go on to represent Power and Water at the Northern Territory Training Awards in September 2022.

Developing and strengthening relationships with Aboriginal and Torres Strait Islander peoples

Power and Water is committed to reconciliation in our workplace and our community.

We are in the process of developing our second Innovate Reconciliation Action Plan to guide our focus on developing and strengthening relationships with Aboriginal and Torres Strait Islander peoples and building meaningful partnerships.

To ensure we are living the values of our Reconciliation Action Plan, we engaged with Traditional Owners, Elders and our community to identify local stories that highlight the continued connection and importance of power and water, relevant to the land we live and operate on and where our infrastructure is located.

The stories were shared with local artists from each region to create artwork for Power and Water to be used in our Reconciliation Action Plan.

We are now looking at opportunities to share the stories and artworks through other mediums, including murals on our infrastructure.

This has been an exciting and collaborative process, building our understanding of the history of power and water as a resource in our community and helping us capture and share important stories from across the Territory.

People power shaping the future of electricity

We know our services are essential to Territorians and it's important that we listen to our customers so that their preferences and expectations can inform our future strategies and plans.

Power and Water has been working closely with customers and key stakeholders over the past 12 months on the future of our electricity network through our People's Panel workshops.

The Australian Energy Regulator ensures energy consumers receive secure, reliable and affordable energy by regulating the electricity networks across most of the country, including setting the revenue thresholds for service providers like Power and Water.

Our People's Panel is an important community consultation activity that helps inform our expenditure proposal to the Australian Energy Regulator about how our regulated electricity network will operate in the future.

The workshops were made up of approximately 50 residential customers across Alice Springs and Darwin who were randomly selected to broadly reflect the Northern Territory population.

The workshops included representation from young people, residential customers, Aboriginal Territorians, pensioners, solar/non-solar owners, across a range of socio-economic levels.

Participants were given guidance on critical thinking, group consensus decision-making, interrogation and generation of new information and competing views. They were empowered to share their own experiences and preferences to reach consensus on how our networks plans should be developed and shaped for the future.

The workshops covered a range of topics including roof top solar, community batteries, large scale solar, electric vehicles and expectations about Power and Water's role in supporting the Territory's transition to renewables, affordability, and reliability of our electricity network.

The aim of this engagement is to ensure that our plans for delivering essential electricity network services in our regulated network areas are directly influenced by the views, values, ideas and expectations of the community we serve.

Zubin Meher-Homji presenting at one of our People's Panel workshops in Darwin.

Channel Island Bridge in Darwin.

A renewable future

The move to reduce carbon emissions presents exciting opportunities for Power and Water. We are well positioned to support the transition to renewables by ensuring security of energy supply.

We have been incorporating renewable energy technology in remote sites for the past 20 years. Now, we're building on that experience to assist our big customers with hybrid renewable and thermal generation opportunities.

We have had success in assisting customers, such as Newmont operations in the Tanami, in reducing their carbon footprint and costs.

In collaboration with the Northern Territory Government and working closely with our customers we can provide innovative solutions to ensure smarter and greener operational practices for the future.

CO_2

Reducing carbon emissions

20 years

of renewable technology in remote sites

Bare-hand live line works in Darwin.

Power and Water trained in 'bare-hand' live line techniques – a first for the Territory

At Power and Water, we're always looking for innovative ways to improve the reliability of our services for our customers and the community.

With specialist bare-hand live line training and equipment, our team is able to undertake works on our power network while it remains live.

That means we don't have to disconnect the network for long periods of time, limiting disruptions for our customers.

Our lineworkers wear a conductive suit which acts as a Faraday Cage (blocking electromagnetic fields). As the lineworker approaches the wire, an arc will form between them as the worker is charged. This arc can be debilitating, and the worker must immediately bond themselves electrically to the line to prevent further arcing.

Once on the line, the worker is safe from shock as both the lineworker and the wire are at the same electric potential, and no current passes through their body.

This is the same principle that allows birds to safely land on power lines.

The health, safety and wellbeing of our people is our priority, and this includes having access to the right training, tools and equipment to work safely and confidently.

The health, safety and wellbeing of our people is our priority, and this includes having access to the right training, tools and equipment to work safely and confidently.

Darwin River Dam spillway.

Darwin River Dam reaches full capacity

Darwin River Dam reached full capacity in March this year and started to flow over the spillway for the first time since 2018.

The dam supplies more than 80 per cent of the water for the Greater Darwin region and filled gradually over a number of months thanks to wet-season run-off within the catchment and localised rain over the dam itself.

The dam is designed to flow over its spillway when it reaches capacity, guiding water flow downstream in a controlled way and preventing any structural damage.

It's important to know that even when the dam is full, there are a number of things that can impact how much water we can deliver to your tap, including evaporation and climate change. In fact, around 50 per cent of our annual drop in water levels at the dam is due to evaporation.

Darwin River Dam reached full capacity in March this year and started to flow over the spillway for the first time since 2018.

80%
of water for Greater Darwin

Darwin region's water future

Power and Water has been managing the Darwin region's water supply and demand for decades, providing water supply services to around 135,000 people across the region.

With demand for water in the Darwin region expected to more than double by 2050, we are supporting the Northern Territory Government to deliver the Darwin Region Water Supply Infrastructure Program to secure Darwin's water future for the next 30 years and beyond.

The Darwin Region Water Supply Infrastructure Program includes two major projects for Power and Water: Manton Dam Return to Service, and the Adelaide River Off-stream Water Storage (AROWS) projects.

Work is underway now to return Manton Dam to service, including additional treatment measures to ensure it meets drinking water quality standards while also remaining an important recreational resource for the Darwin community.

This project will take three to four years to deliver, with $190 million in new infrastructure to be built, including a refurbished intake tower, a new pumping station and pipeline, and a new water treatment plant.

Once returned to service, Manton Dam will provide an additional 7,300 megalitres a year of water into the Darwin region water supply system.

AROWS is an all-new water supply scheme, taking advantage of a natural geological basin in the Marrakai region about 50 kilometres south-east of Darwin that will be filled with water pumped from the Adelaide River during the wet season.

This large project will take seven to 10 years to develop, and will provide an additional 60,500 megalitres of water per year and underpin future economic and population growth in the Darwin region. At $1.5 billion, this is one of the largest infrastructure projects the Territory has seen since the construction of the Alice Springs to Darwin railway.

Darwin River Dam will also continue to play an important role in the region's water security into the future. Power and Water will continue to manage and maintain this strategic asset, including delivery of a major project to develop a new pumping station at the dam, due for completion within the next four years.

Our passionate experts are committed to providing safe and sustainable drinking water for all Territorians – every time you turn on your tap.


Manton Dam.

Steve Carter from our Gas Services team in Darwin.

Gas powering Territory homes, businesses and major projects

Power and Water has been delivering reliable natural gas services to power Territory homes, businesses and major projects for decades and we are a central part of the Territory's future.

We own and maintain gas pipeline assets and manage a large gas wholesale supply and transportation portfolio.

Through our long-term agreements, we supply gas to meet more than 90 per cent of the Northern Territory's domestic electricity needs.

The gas we supply to Territory Generation powers the generators that keep the lights on in our homes and businesses.

We also sell gas to a number of large scale mining and industrial developments that underpin growth in our population and economy.

In 2021-22 we worked to manage a reduction in gas supply.

Alongside the Northern Territory Government, we managed the reduction in supply to ensure it did not impact Territory homes or residents.

The reduction in supply did impact our ability to sell gas to other customers.

The gas we supply to Territory Generation powers the generators that keep the lights on in our homes and businesses.

Construction works underway at Jabiru Power Station and interim switchyard.

Jabiru Power Station and interim switchyard

Power and Water is a critical enabler of the Northern Territory Government's 50 per cent renewable energy by 2030 target.

With the impending closure of the Ranger Mine at Jabiru and the Northern Territory Government's commitment to the future development of Jabiru as a sustainable tourism destination, there was an opportunity to construct a modern hybrid renewable power station.

The new power station uses a combination of solar, battery storage and fuel efficient diesel generators to power the township.

Power and Water worked collaboratively with the Department of Chief Minister and Cabinet to negotiate an agreement with EDL Pty Ltd to design, construct and operate the new power station.

Our role was to safely integrate the new power station connection to our network, while maintaining network reliability and security for the Jabiru community.

Our existing substation connection point contained infrastructure at the end of serviceable life and full replacement exceeded the December timeframe for connection of the new power station.

Our team of experts came up with a simplified and innovative solution using modern distribution equipment with inbuilt protection, remote operation and basic data transfer capability.

This solution has also enabled remote monitoring capability and improved fault identification and analysis on the main feeders for Jabiru, providing more efficient services delivery by Power and Water and reducing network outage timeframes for customers.

Pole repairs in Alice Springs.

Innovative pole fixture device streamlining power pole repairs

Power and Water is committed to providing a safe and reliable power supply and finding innovative ways to deliver power services for our customers.

We have undertaken a program of power pole replacements in Alice Springs over several years.

After flooding of the Todd River in 2015, during which a power pole was washed out and collapsed, a comprehensive inspection of all power poles took place. Initial investigations found the pole had corroded below ground due to soil salinity, and a further 900 poles were at increased risk of failure.

Our team developed an innovative engineering solution known as a 'pole fixture'.

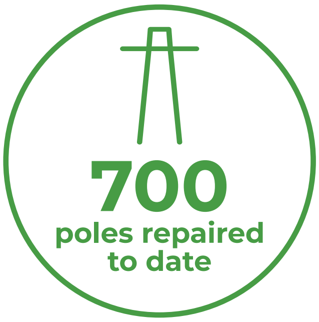
The pole fixture is made of steel and concrete and weighs more than 10 tonnes. It stands approximately 2.5m high, 2m wide and 5m long. The fixture holds the pole in place with a large mechanical jaw while the corroded base is replaced. It is then left in place until the concrete footing sets.

The pole fixture is the first of its kind in the utilities sector in Australia and has been patented by Power and Water.

Our pole fixture device has streamlined our pole base replacement process. Ultimately the work can be done faster and safer, and without the need to interrupt the power supply to surrounding customers.

We have repaired more than 700 poles using the pole fixture so far.

When complete, this project will have saved more than $6 million in works.



Australia’s largest PFAS water treatment plant another step closer

Before water reaches our customers in Katherine, it starts its journey in one of two places: the Katherine River or underground in aquifers (known as groundwater or bore water).

The Katherine River currently provides the majority of the water supply for the region, with treated groundwater blended in for the remainder.

We clean and filter Katherine’s drinking water in line with the Australian Drinking Water Guidelines to ensure any PFAS is removed.

As Katherine grows, we are investing in solutions that will support Katherine's water needs well into the future.

The new PFAS treatment plant will treat up to 10 million litres of water per day. This project is Australia’s largest PFAS treatment plant, using leading ion exchange technology.

After significant challenges to the project in 2021 due to both COVID-19 impacts and resources demands in Katherine, construction of the new PFAS treatment plant is nearing the final stages.

In May 2022, mechanical and electrical works were successfully undertaken to upgrade existing control systems and integrate the old water treatment system with the new PFAS treatment plant.

The final stage is commissioning, which is expected before the end of 2022.

We are committed to delivering this solution to the residents of Katherine, ensuring a safe and sustainable water supply for the community for the next 30 years and beyond.

The final stage is commissioning, which is expected before the end of 2022.

Craig Heinrich and Shawn Drewes at the PFAS water treatment plant in Katherine.

Ilparpa waste water treatment ponds.

Ilparpa ponds attracting tourists from across Australia and around the world

Power and Water is proud to support public bird watching at our Ilparpa ponds site in Alice Springs. A number of ornithology books reference this site, which attracts tourists from across Australia and around the world.

The Ilparpa waste water treatment ponds are home to a variety of birds and are an important staging point for migratory birds on their way across Australia and overseas. It is a protected area, and covers about 130 hectares of land.

More than 140 species of birds have been sighted at the waste water treatment ponds, particularly waterbirds, migratory waders (mostly October to April), resident waders, raptors and passerines.

Members of the public can access Ilparpa ponds for guided bird watching tours, coordinated through Tourism Central Australia.

Purpose-built bird nesting islands, as well as a bird screen and interpretive signs have also been constructed at this site.

140+
species of birds sighted

Power and Water refreshed

Power and Water is part of every large strategic project in the Territory. Without Power and Water's services, there would be no way to support new and diverse projects that underpin a growing population and stronger economic future.

Our projects and our electricity, gas, water and sewerage services are planned and delivered without fanfare or fireworks, but they all make a difference to the lives of every Territorian.

We have evolved a lot over the years and we want to make sure the importance and the impact of the work we do is showcased across our community.

Our 2022 major partnerships and community grants program focused on local events, organisations and initiatives that will deliver a real benefit to Territorians.

We were proud to showcase our refreshed Power and Water tent at major events across the Territory, including Bass in the Grass and the Supercars.

And we have been out in the community, consulting with local community groups across the Territory, to identity traditional water and energy stories that will be turned into artwork for our Reconciliation Action Plan and murals on our infrastructure.

We were proud to showcase our refreshed Power and Water tent at major events across the Territory, including Bass in the Grass and the Supercars.

Visitors to our refreshed tent at major events across the Territory.

2021-22 achievement against our Statement of Corporate Intent

Sunset at Owen Springs Substation in Alice Springs.

Our strategic direction

Power and Water is a complex multi-utility business with many competing priorities.

Our operations span the entire supply chain of the energy, water and waste water industries, plus a gas business.

We have ambitious targets for the future, based on delivering our purpose: **making a difference to the lives of Territorians.**

2021-22 Key Performance Indicators

One Power and Water

1. Employee engagement

- There has been a modest improvement in employee engagement, increasing from 38 per cent in May 2021 to 24 per cent in May 2022.
- Notably, engagement results across Australia's top quartile (of all Australian and New Zealand organisations that use this survey methodology) decreased from 73 per cent to 68 per cent in the same period, while our results increased.
- There was a strong response rate, with 77 per cent of our workforce participating in the survey.
- Some positive improvements are that we have been able to build our connection to our purpose and how our individual roles make a difference, we value our commitment to safety, and we believe in the impact of collaboration and shared success.

42% 2021-2022 actual

55% 2021-22 target

2. Aboriginal employment

- Our second Innovate Reconciliation Action Plan is guiding our focus on increasing our Aboriginal and Torres Strait Islander target and retention.
- Current performance reflects nine per cent of overall FTE and demonstrates progress against the revised target of 10 per cent for the 2022-23 SCI, working towards the Northern Territory Public Sector Aboriginal Employment and Career Development Strategy 2021-2024.

74 2021-2022 actual

105 2021-22 target

Always Safe

3. Total Recordable Injury Frequency Rate (TRIFR)

- We reported a favourable result due to an overall effort in improving health and safety performance.
- There has been a dedicated focus on injury management and improving rehabilitation and return to work outcomes for our people.

4.7 2021-2022 actual

≤6.5% 2021-22 target

4. Lost Time Injury (LTI)

- We reported a favourable result due to an overall effort in improving health and safety performance.
- There has been a dedicated focus on injury management and improving rehabilitation and return to work outcomes for our people.

2% 2021-2022 actual

≤2% 2021-22 target

Customer and Community at the Centre

5. Customer satisfaction index

- Overall satisfaction with Power and Water services remains quite high, with more than two-thirds (69 per cent) of respondents indicating they are either satisfied (43 per cent) or very satisfied (26 per cent).
- This is a slight improvement on the mid-year 2021 customer satisfaction rating, where 67 per cent of participants reported they were satisfied. Positively, only a very small proportion are dissatisfied.

69% 2021-2022 actual

80 2021-22 target

6. Complaints resolution

- Target achieved through a continued focus on timely and effective customer engagement and development of standardised processes to facilitate best practice complaints management.
- This has been supported by implementation of an enhanced customer contact flow to improve the quality of interactions; provision of the right tools to support employees in managing and tracking customer contacts; a focus on proactive internal engagement and capacity building within our customer facing workforce; and delivery of training to support employees in effectively managing vulnerable customer engagements.

8 2021-2022 actual

10 2021-22 target

7. System average interruption duration index (SAIDI)

- Reliability improved in FY22 across all categories of customers as the result of our ongoing focus on targeted reliability improvements and an average wet season compared to FY21.

117.8 2021-2022 actual

175.8 2021-22 target

8. System average interruption frequency index (SAIFI)

- Reliability improved in FY22 across all categories of customers as the result of our ongoing focus on targeted reliability improvements and an average wet season compared to FY21.

1.8 2021-2022 actual

2.6 2021-22 target

Customer and Community at the Centre (continued)

9. Water main breaks per 100km of pipe

- We have seen an improvement for water main breaks compared to the previous year's result of 22.
- We reported a favourable result and met our target for Darwin, however an elevated failure rate in Alice Springs was a contributing factor to overall water main breaks per 100km of pipe being higher than the target this year.

21 2021-2022 actual

17 2021-22 target

10. Sewerage chokes and blockages per 100km

- We reported a favourable result due to our targeted maintenance program.

9 2021-2022 actual

16 2021-22 target

11. Average duration of unplanned water supply interruptions

- We reported a favourable result due to new tools and equipment (crimp fittings) used to carry out unplanned water service breaks. This, along with improved (quicker) hydro excavation machinery, has assisted in the reduction in time taken for repairs of unplanned water supply interruptions.

102 2021-2022 actual

120 2021-22 target

12. Number of customers affected by unplanned water supply interruptions

- 2021-22 target not met due to one water main break in Cullen Bay, which impacted 303 customers in a row of high rise apartments in February 2022.
- Reliability in the Cullen Bay area will be improved with delivery of the Cullen Bay Main Replacement and Realignment and Pressure Reducing Valves Installation Project, expected to commence by August 2022.

425 2021-2022 actual

≤60 2021-22 target

Palmerston waste water treatment ponds.

Living Within Our Means

13. Profitable Operations (Underlying EBITDA)

- Favourable to target due to reduced operational expenses and higher overhead recovery to capital projects.

$233m 2021-2022 actual

$165.4m 2021-22 target

14. Free Cash Flow from Operations

- Favourable to target primarily due to reduced operating expenditure and under delivery of budgeted capital program.

$38.6 2021-2022 actual

-$18.3m 2021-22 target

15. Financials Within SCI Budget

- Unfavourable to target due to lower revenue than budgeted. The lower revenue was driven by lower gas sales volume as a result of supply constraints. There was also an offsetting reduction in expenditure due to lower gas purchase volume.
- Total operating expenditure was considerably less than SCI budget also due to lower personnel, ICT and professional fee costs.

No 2021-2022 actual

Yes 2021-22 target

16. Return on Capital Employed

- Favourable to annual target due to higher than budgeted EBIT, primarily driven by reduced operational expenses and higher overhead recovery to capital projects.

4.1% 2021-2022 actual

1.4% 2021-22 target

Living Within Our Means

17. Return on Assets

- Favourable to target due to higher net earnings driven by reduced operational expenses, favourable impairment reversals, asset revaluations and higher overhead recovery to capital projects.

1.9% 2021-2022 actual

-0.5% 2021-22 target

18. Return on Equity

- Favourable to target due to higher net earnings driven by reduced operational expenses, favourable impairment reversals, asset revaluations, and higher overhead recovery to capital projects.

5% 2021-2022 actual

-1.3% 2021-22 target

19. Debt to Equity Ratio

- In line with target.

1.0 2021-2022 actual

1.0 2021-22 target

20. Statutory Net Profit After Tax

- Favourable to target due to reduced operational expenses, favourable impairment reversals, asset revaluations, and higher overhead recovery to capital projects.

$59.4m 2021-2022 actual

-$15.2m 2021-22 target

21. EBIT

- Favourable to target due to reduced operational expenses, favourable impairment reversals, asset revaluations and higher overhead recovery to capital projects.

$144.7m 2021-2022 actual

$33.3m 2021-22 target

22. EBITDA

- Favourable to target due to reduced operational expenses, favourable impairment reversals, asset revaluations and higher overhead recovery to capital projects

$279.6m 2021-2022 actual

$165.4m 2021-22 target

23. Maintaining system security with renewables dispatch (no preventable load shedding)

- We reported a favourable result as there were no preventable load shedding events due to renewables dispatch recorded during the year.

100% 2021-2022 actual

100% 2021-22 target

24. Water demand Darwin (per household)

- We reported an unfavourable result by 1KL per household per year.
- Average residential water use for Darwin has been steadily decreasing 21 per cent over the last 11 years.

373kL 2021-2022 actual

372kL 2021-22 target

25. Number of significant environmental compliance issues

- We reported a favourable result as there were no significant environmental incidents recorded during the year.

0 2021-2022 actual

0 2021-22 target

Simon Nicol in our Water Services team in Alice Springs.

Aerial view of creek in Darwin-Palmerston.

Definitions – 2021-22 Key Performance Indicators	
1	Overall engagement score: The level of favourable engagement for employees based on survey respondents measured annually utilising the Kincentric methodology.
2	Aboriginal employment: Number of employees identifying as Aboriginal (permanent and fixed term, excluding contractors) as at 30 June each year.
3	Total Recordable Injury Frequency Rate: Calculated = Lost Time Incident x Medical Time Incident x Restricted work Injuries.
4	Lost Time Injury: Number of lost-time injuries incurred.
5	Customer satisfaction index: Percentage of customers that rate their overall satisfaction with the corporation's services as either good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population. Measurement reflects '7+ out of 10' scoring basis for improved insights.
6	Complaints resolution: Average number of business days taken to resolve customer complaints.
7 & 8	System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets. Rolling 12 month average for the Northern Territory system.
9	Water main breaks per 100km of pipe: Water main breaks per 100km of pipe (12 month rolling average of Darwin and Alice Springs).
10	Sewerage chokes and blockages per 100km: Number of chokes and blockages per 100km (12 month rolling average of Darwin and Alice Springs).
11	Average duration of unplanned water supply interruptions: Average duration of unplanned water supply interruptions in Darwin (12 month rolling average).
12	Number of customers affected by unplanned water supply Interruption: Number of customers affected by unplanned water supply interruption (monthly total).
13	Profitable operations (underlying earnings before interest, tax, depreciation and amortisation): Total revenue less total operating expenditure excluding accounting standards adjustments.
14	Free cash flow from operations: Operating cash flow less net capital expenditure.
15	Financials within SCI budget: Revenue and operating expenditure as per the SCI 2022-25 budget.
16	Return on Capital Employed (ROCE): EBIT/Capital Employed where EBIT = Taxed earnings before interest and tax adjusted for non-cash impairments and depreciation calculated using Fair Value for asset valuations; and Capital Employed = Equity adjusted for assets.
17	Return on Assets (ROA): (NPAT / Average total assets)*100.
18	Return on Equity (ROE): (NPAT / Total shareholder equity)*100.
19	Debt to Equity ratio: (Term debt + current debt)/equity.
20	Statutory net profit after tax (NPAT): In line with Statutory Accounts.
21	Earnings before interest and tax (EBIT): In line with Statutory Accounts.
22	Earnings before interest, tax, depreciation and amortisation (EBITDA): In line with Statutory Accounts.
23	Maintaining system security with renewables dispatch: Maintenance of system security through ensuring no load shedding that is preventable occurs (target measured at 100%).
24	Water demand Darwin: Rolling 12 month average for Darwin households.
25	# of significant environmental compliance issues: Occurrence of any significant environmental compliance issues.

2021-22 Strategic Programs

Strategic Pillar	Achievement
One Power and Water	**Big Rock: Embed Our Future Operating Model** ***Implement Wave 1 Operating Model*** **Meter to Cash Revenue Assurance Project completed:** • Improved processes to reduce unbilled/unpaid revenue for Power and Water, with annualised benefits of $1.2 million. **Accelerated Strategic Sourcing Program** • Completed a review of Power and Water goods and services sourcing requirements. • Developed specific market engagement strategies, with seven Requests for Tenders released to the market (six throughout October and November 2021 and one in February 2022). • Awarded new contracts for Project Management, General Engineering, ICT, and Bulk Fuel. • Commenced evaluation of new contracts for Water, Sewerage, and Mechanical Services, Laboratory Services, Electrical Meters and Electrical Parts and Consumables. • Overall, this project is projected to reduce expenditure by $4.5 million per annum over the next three financial years, slightly under the targeted savings of $4.8 million forecast in the business case. ***Organisational and Process Alignment*** • Implemented a People and Culture business partnering and service delivery model, including cross-skilling team members to build improved understanding of people and culture business and developing a draft service delivery catalogue for consultation. **Big Rock: Agile and Capable Workforce** ***Strengthen Leadership Capability*** • 93 people from across Power and Water participated in our Leadership Development Program throughout 2021-22. • Our Executive Leadership Team also participated in the Melbourne Business School Strategy Execution Program, with a broader roll out planned for 2022-23.

Strategic Pillar	Achievement
Always Safe	**Big Rock: Embed a Proactive Safety Culture** ***Implement Safety Management Systems and Processes*** • Successfully delivered an integrated ICT platform to support our health, environment, risk, compliance and safety management functions, including mobile capability. ***Proactive Safety Culture*** • Established a new Health, Safety and Environment Strategic Leadership Committee to improve communication and engagement across key issues and initiatives. • Health, Safety and Environment leadership training rolled out to ensure consistent behaviours, language, actions and anchors are in place that reinforce a proactive safety culture. **Big Rock: Improve Public Health and Safety** ***Comply with Safe Drinking Water Guidelines*** • Achieved 80 per cent delivery against year three of the Safe Water Plan. Key highlights included: > Developed the Power and Water Safe Water Plan for 2023-25, which provides strategic direction for the improvement of drinking water quality management and delivery over a three year period. > Reviewed our Drinking Water Quality Policy Statement. This is available on the Power and Water website. > Published our Annual Drinking Water Quality Report 2021. The drinking water quality report is in an updated format with a greater number of statistics, to improve transparency to customers. The information is now presented by parameter as well as by community. > Completed a number of Good Practice Guide Assessments for the Management of Microbial Risk across a range of schemes across the three regions (Northern, Katherine and Southern regions). > Completed 10 on ground Water Safety Assessments for our remote schemes. This means that a Health Based Target assessment, which provide a quantitative measure of the microbial safety of drinking water, has been completed on ground for all 91 schemes. > Urban Water Safety Plans were upgraded, in line with the remote plans, to streamline the generation of the plans, making them easier to update and manage. > Disinfection upgrades occurred at four remote sites (Rittarangu, Minyerri, Milikapiti and Pirlangimpi).

2021-22 Strategic Programs

Strategic Pillar	Achievement
Always Safe (Continued)	***External Audit for the Utilities Commission*** • Power and Water has been granted a licence to supply water and sewerage services by the Utilities Commission under the *Water Supply and Sewerage Services Act* (2000). A condition of this licence is that the licensee must commission an independent auditor to undertake an audit of all or part of the operations authorised by the licence each financial year. • In the 2021-22 financial year, Power and Water engaged an external auditor to review processes and controls in place to manage water supply and sewerage services to customers. • The report concluded that nothing had come to the auditor's attention, with the exception of some minor findings that caused the auditors to believe that the corporation was not in compliance with the requirements of the Water Supply Services Licence (Urban) or the Sewerage Supply Services Licence (Urban). • A number of minor non-compliances were noted by the auditor. Power and Water has committed to addressing all minor non-compliances in the 2022-23 financial year. ***Public Safety Asset Assurance*** • Projects related to public safety feature prominently in the Transmission and Distribution Planning Report highlighting this as a key focus. • Overhead service inspection program continues in the Darwin and Katherine Regions. • Service replacement program is ongoing in the Darwin Region. • The cable replacement program continues with $1.4 million of civil works issued to contractors on the accelerated program and 4.1 kilometres of cable replaced to the end of June 2022.

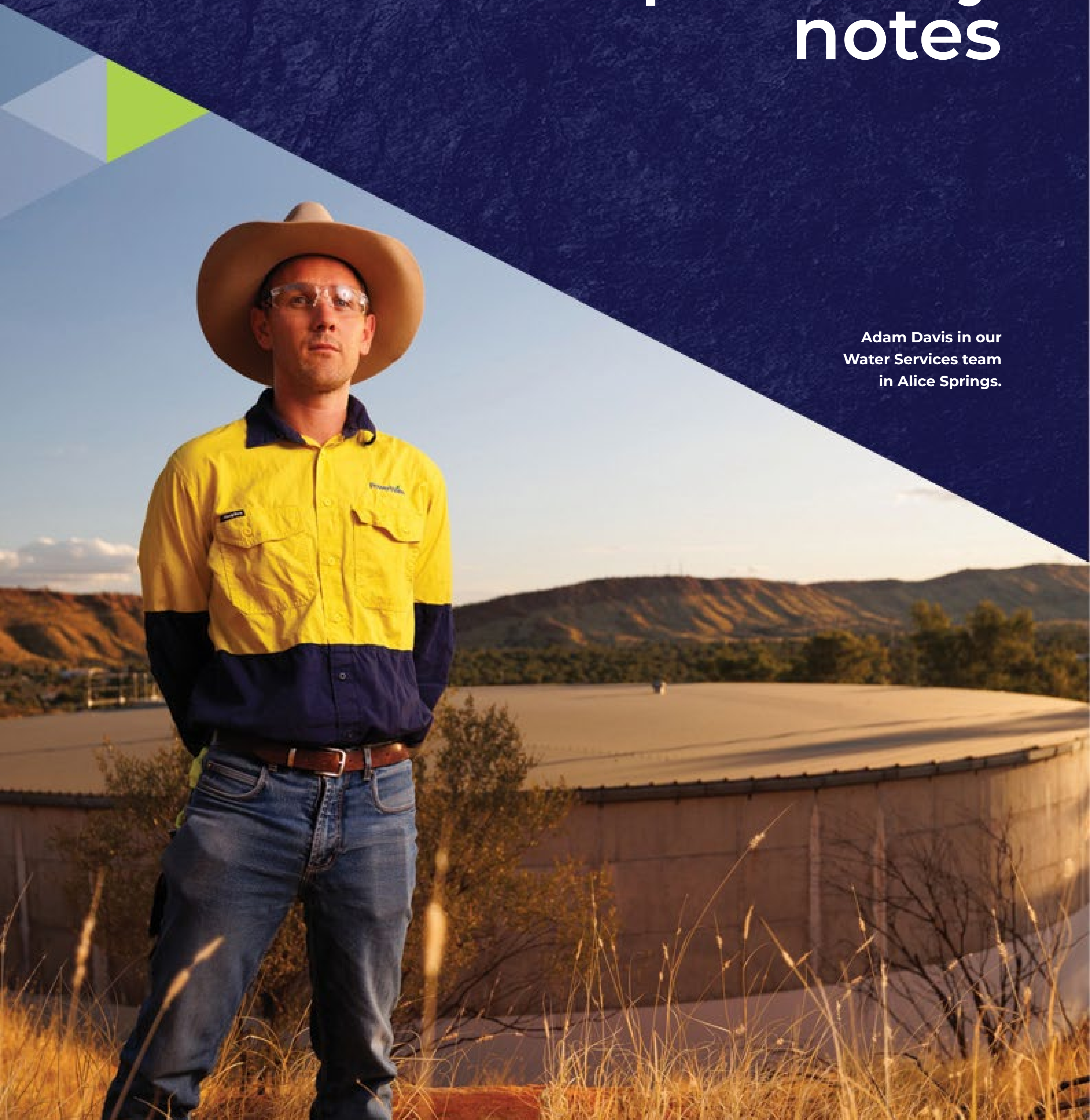
Strategic Pillar	Achievement
Customer and Community at the Centre	**Big Rock: Trusted Partner** ***Reconciliation Action Plan*** • Developed a targeted plan that supports Aboriginal and Torres Strait Islanders having the same opportunities in health, employment and education as other Territorians with the following deliverables: > Established a Reconciliation Action Plan Working Group. > Commenced consultation with the Executive Leadership Team on our Aboriginal Employment and Career Development Strategy. ***Support Market and Technical Regulation Reform*** **Regulatory Resilience** • On 30 May 2022, Power and Water submitted the second annual Ring-Fencing Compliance Report and Independent Assessment Report under the Australian Electricity Regulator Ring-Fencing Guidelines for Electricity Distribution for the regulatory period 1 July 2020 to 2 February 2022. • The Compliance Report recognised the significant work undertaken to establish and strength compliance measures to meet the obligations of the guideline across the organisation, with some breaches identified in the regulatory period. The independent assessment report confirmed that our statement of compliance with the Australian Electricity Regulator Ring-Fencing Guidelines for the regulatory period 1 July 2020 to 2 February 2022 is, in all material respects, fairly presented. **Australian Energy Regulator 2024-29 Regulatory Proposal** • As part of Power and Water's Customer Engagement activities supporting Australian Energy Regulator 2024-29 proposal development, to ensure that plans for delivering essential electricity network services in regulated network areas are directly influenced by the views, values, ideas and expectations of the community, a series of People's Panels were held in November 2021, March and April 2022. • Established the Australian Energy Regulator 2024-29 Reset Advisory Committee (RAC) comprising representative customers to support the co-design of the draft regulatory proposal (known as the 'Draft Plan'). • Submitted our Forecast Expenditure Methodology to the Australian Energy Regulator on 30 June 2022. The Expenditure Forecasting Methodology defines our method for forecasting expenditure for the regulatory proposal due by 31 January 2023. **Water and Sewerage Economic Regulatory Reform** • Provided preliminary feedback to the Northern Territory Government Department of Treasury and Finance on the draft *Consultation Paper for Economic Regulation of Water and Sewerage*. The final paper is pending release by the department.

2021-22 Strategic Programs

Strategic Pillar	Achievement
Living within our means	**Big Rock: Cost Prudency** ***Embed Project Prioritisation Framework and Project Governance*** • Developed an Enterprise Project Management Office Maturity Plan 2022-24. Implementation will commence in 2022-23. • Investment Prioritisation Procedure drafted and under consideration. ***Embed Financial Controls for Budget Repair Program*** • Finance business partnering model established. The model will be embedded and matured throughout 2022-23. ***Cost Control/Reduction Program*** • Capitalisation of overhead expenditure implemented in May 2022. • Revised Delegation of Authority process developed and approved in June 2022. • Apportionment of loans across business functions has been completed using capital expenditure as a driver for borrowings as the allocation method. • Developed clear guidelines for use of professional services. **Big Rock: Optimise Revenue** ***Indigenous Essential Services Reform*** • 2022-23 Asset Replacement Program approved, as well as certain elements of the Annual Purchasing Plan (energy, gas, repairs and maintenance). • Indigenous Essential Services Agreement extended by 12 months to formalise the 2022-23 opex and capex budgets and ensure continuity of service. ***Gas Book Optimisation*** • Worked with the Northern Territory Government to remove Australian Energy Regulator regulations that imposed constraints limiting the ability of large LNG producers to trade freely with local gas companies such as Power and Water. ***Uplift Core Service Revenue*** • Work commenced on a water and sewage funding submission to the Northern Territory Government Department of Treasury and Finance. The submission is critical to establishing industrial and agricultural tariffs ahead of the Manton Dam's return to service. • Transition to renewables and Northern Territory electricity market reform cost recovery project commenced and will build a preliminary set of actual and forecast expenditure for the Northern Territory Electricity System and Market Operator functions, which will form the basis of our 2024-29 Regulatory Proposal.

Strategic Pillar	Achievement
Sustainable Solutions for the Future	**Big Rock: Renewables Enablement** ***Renewables Enablement Strategy*** • Power and Water is participating in the Gateway Review to assist the Northern Territory Government ensure that the most effective and efficient market model is expedited to meet Northern Territory electricity market reform objectives. Design activities have continued concurrently with the review to minimise further delays. • Work is continuing on addressing barriers to further renewable energy penetration in the Alice Springs power system via the Alice Springs Future Grid Project. Power and Water is leading advanced forecasting and dynamic export / Dynamic Operating Envelopes trials and supporting the four other sub projects being led by other parties. ***Real Time Market and Network Operating System*** • Developed a suite of interim and prototype tools to support commissioning, scheduling and the real time dispatch decision making by System Control to integrate network connected renewable generators and increasing penetration of photovoltaic and distributed energy resources into the evolving Darwin-Katherine integrated power system. These tools, including the Capacity Forecast Dispatch System and the Forecast Compliance Tool, are designed to augment the dispatch capability of renewable generation sources while maintaining system security and reliability. They are essential elements that assist in achieving the Northern Territory Government's renewable energy target of 50 per cent by 2030. Evolving the sophistication of these tools to cater for greater array of operational requirements to safeguard power system security as system demand become more variable and low demand periods become more acute. • Continued to enhance demand forecasting functionality to further support the dispatch of renewable energy and sustain system security and reliability. • Continued as a consortium member of the Alice Springs Future Grid project that is a trial of a suite of technology and system process options to assist in the future readiness of increased level of renewables penetration, particularly during periods of low demand and higher levels of renewables penetration. The Alice Springs Future Grid has the potential to inform future developments in the Darwin Katherine Integrated System. • Continued to support the Northern Territory Government in the ongoing reform of the Northern Territory electricity market which embraces opportunities of the future whilst addressing associated challenges. **Big Rock: Sustainable Energy and Water Services** ***Secure Long-term Water Supply*** • The Australian and Northern Territory Governments announced the release of the detailed business case for the return to service of Manton Dam and the development of the Adelaide River Off-stream Water Storage (AROWS) projects. • The Darwin Region Water Supply Strategy is progressing with the AROWS project implementation logic mapping and Manton Dam return to service project provided to the Northern Territory Government CE Steering Committee on 24 June 2022. • Work continues on the strategic project management review for AROWS, and planning for the transition of the AROWS project to the Northern Territory Government Department of Industry, Tourism and Trade. • Completed five Water Supply Strategies for Urban centres (Daly Waters, Cox Peninsula, Gunn Point, Larrimah and Timber Creek).

Financial statements and explanatory notes



Adam Davis in our Water Services team in Alice Springs.

Index

Description

Notes to the financial statements

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

The Directors present their report together with the financial report of the Power and Water Corporation (the Corporation) and of the consolidated entity, being the Corporation and its controlled entities, for the year ended 30 June 2022 and the Auditor's report thereon.

Directors

The Directors of the Corporation at any time during or since the end of the financial year are:

Name	
Mr Peter Wilson AM (Board Chair) FAICD FCPA FCPHRLife	Appointed Chairman of the Power and Water Corporation Board in March 2022, Peter brings a great depth of private sector, government and Board knowledge and experience to the role. A former head of the Victorian Government's Department of Industry, Peter has also held senior executive roles in the Commonwealth and Victorian Treasuries, and group executive roles at Amcor Limited, and ANZ Bank where he was responsible for operations in 40 countries with 22,000 employees. He has held non-executive director appointments on the respective boards of Dalgety Farmers Ltd, Kimberly-Clark Australia, and the Commonwealth Safety Rehabilitation and Compensation Commission. Peter's previous roles include Commissioner on the former State Electricity Commission of Victoria, CEO and Managing Director of Energy 21, and four terms as Chairman of Yarra Valley Water. He was also Chairman and National President of CPA Australia, the world's fourth largest professional accounting organization, until his retirement from that Board in December 2021, and was also a non-voting board member on the International Federation of Accountants in New York from 2020-2021. Peter's other roles include Chairman of the Australian Network on Disability Board since May 2015. He was appointed a director of the National Alcohol and Drug Foundation in October 2021, and became its Chairman from 1 December. Peter also chairs the Audit and Risk Committee at the Office of the Auditor-General in Western Australia, is the independent member and chairman of the Australian Retail Credit Association and the Reciprocity and Data Exchange Administrator Limited which set respectively the credit reporting standards under National Privacy legislation, and also industry rules for data exchanges between financial institutions that are authorised by the ACCC. Peter was Chairman of the Australian HR Institute from 2006-2020. He is a non-executive director of Vision Super and the chairman of the Victorian Institute of Strategic Economic Studies at Victoria University. He is also a panel member at the Centre of Excellence into Population and Ageing Research at Sydney and Curtin Universities, and an advisor to the International Consortium for Research into Employment and Work at Monash University. Peter served as an Adjunct Professor in Management at the Monash Business School, Monash University, Melbourne from 2012-2020, and as an accredited PhD Supervisor at the Latrobe Business School, Latrobe University from 2015-2020. Peter was made a Member of the Order of Australia in 2005 for services to workplace relations and safety and community service and was awarded a Centenary Medal in 2004.
Ms Gaye McMath BCom MBA FCPA, FAICD	Ms McMath is a non-executive director with over 20 years' experience on listed companies, government trading enterprises, not-for-profit and national member organisations. Her executive career has spanned 23 years with BHP and 15 years in the higher education sector. At BHP she held senior strategic and operational roles involving major resource and infrastructure projects and operations, including being a BHP nominated director on both domestic and international mining and steel joint venture boards. Her roles in higher education included Chief Operating Officer at The University of Western Australia and the Executive Director Perth Education City. Ms McMath is currently on the boards of Southern Ports Authority, BG&E Group, Dementia Australia and the Edith Cowan University Council. Her past boards include the Western Australian Treasury Corporation, Verve Energy, Silver Chain Nursing Association, the Australian Institute of Company Directors WA Division, CPA Australia WA Division, the Committee for Perth, the State Government Major Stadia Taskforce, the Commonwealth Government Solar Flagship Council, Gold Corporation and the Chamber of Arts and Culture WA. Ms McMath holds a Bachelor of Commerce from Melbourne University, a Masters of Business Administration from Melbourne Business School and has completed the Advanced Management Program at the Harvard Business School. Ms McMath joined Power and Water Corporation Board in September 2018 and is also a director of its wholly owned subsidiary, Indigenous Essential Services Pty Ltd.
Mr Charles Burkitt	Mr Burkitt commenced his career in Darwin, where he was originally from, as an experienced investment adviser specialising in financial markets having worked in that industry for more than 15 years, before being involved in the commercial property sector for a number of years. He now actively works as a consultant still based in Darwin providing Corporate Advisory and Property Solutions for medium-to-large corporate entities. He has also obtained extensive Board experience as an active Board Member of several organisations for over 20 years, while also currently being a non-executive director and Deputy President of Australian Red Cross. Mr Burkitt enjoys an active lifestyle with an interest in most sports, leisure and local community activities. He has previously undertaken the Australian Institute of Company Directors course. Mr Burkitt joined the Power and Water Corporation Board in September 2018 and resigned in August 2022.

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

Directors (Cont'd)

Name	
Mr John Langoulant OAM (Chairman) B. Economics (Hons)	Mr Langoulant currently holds non-executive director positions across a diverse portfolio of public, private and not for profit businesses. These roles are predominantly in Western Australia but also in the Northern Territory and at the national level. In his executive years, Mr Langoulant held the position of Western Australian Under Treasurer, Chief Executive of Australian Capital Equity, the Chamber of Commerce and Industry of Western Australia and the Oakajee Port and Rail project. In 2018 Mr Langoulant led a Special Inquiry into the Western Australian Government's Programs and Projects across the period 2008-2017. In 2007 he chaired the Major Stadia Taskforce which gave rise to the development of Optus Stadium and he has undertaken other inquiries for the Western Australian and Northern Territory Governments. Mr Langoulant was recognised as an Officer of the Order of Australia in 2010 for distinguished service to business and commerce, particularly through his leadership and management roles and to the community of Western Australia. In 2011 he was recognised in the Citizen WA Awards for his services to business. Mr Langoulant joined the Power and Water Corporation Board in June 2017 and resigned in October 2021.
Mr Mervyn Davies BEng (Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)	Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has previously held senior management positions at Energy Australia (now Ausgrid), Australia's largest electricity distribution company. Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in the engineering and economics of the electricity distribution industry. He previously held directorships in electricity distribution businesses in Western Australia, Queensland and Tasmania. Mr Davies holds honours and masters degrees in engineering and a Bachelor of Commerce (Economics). Mr Davies joined the Power and Water Corporation Board in April 2014 and was re-appointed to the Board in April 2019. Mr Davies resigned from the Board in April 2022.
Ms Rowena McNally FRI, FAICD, LLB, FIML, MAWA	Ms McNally has been involved in the delivery of infrastructure projects and in the corporate governance of major water, energy and infrastructure entities at a board level for over 20 years. She has extensive previous board experience in key utilities organisations including as Chair of the Mount Isa Water Board and Board Director of Ergon Energy, Burnett Water, and Gladstone Area Water. Ms McNally previously Chaired the Queensland Ministerial Advisory Council on Flood Mitigation Manuals and the Sugar Authority and was the Sugar Industry Commissioner for many years and has extensive board experience across regional and remote Australia and not-for-profits. She is the Chair of Mercy Community Services SEQ Ltd, Mercy Health and Aged Care Central Queensland Limited, and Chair of Isa Rodeo Ltd. Ms McNally was previously Chair of National Employment Services Association, Catholic Health Australia and Cerebral Palsy Queensland, Deputy Chair of Cerebral Palsy Australia and a former Director of WorkCover Queensland, North West Hospital and Health Board, Open Minds Limited and several Boards in the St Vincent's Hospital group in Queensland. Ms McNally is a Member of Australian Water Association and the Risk Management Institute of Australasia. Ms McNally joined the Power and Water Corporation Board in April 2018 and resigned in April 2022.
Ms Teresa Dyson Masters Applied Finance, LLB, BA, Masters Taxation, GAICD	Ms Dyson has over 25 years of experience within the legal and professional services industry. Ms Dyson is a professional non-executive director with a broad portfolio of directorships across the listed, government and not-for-profit sectors. Ms Dyson is a director of Energy Queensland, Genex Power Ltd, Seven West Media Ltd, LGIAsuper and Shine Justice Ltd. She is also a member of the Gold Coast Hospital and Health Services Board. Ms Dyson is a member of the Foreign Investment Review Board, the Takeovers Panel and the National Housing Finance & Investment Corporation Board. She was the first woman to be appointed as Chair of the Board of Taxation and has held a number of Federal Treasury appointments. In 2011 Ms Dyson was named Woman Lawyer of the Year by the Women Lawyers Association of Queensland. Ms Dyson joined the Power and Water Corporation Board in April 2018 and resigned in April 2022.
Mr David Bartholomew BEc, MBA	Mr Bartholomew is the former Chief Executive of DUET Group, an energy company that at the time was listed on the Australian Stock Exchange. He now serves as a non-executive director on the boards of: Atlas Arteria (ASX: ALX) a developer and operator of toll roads in France, Germany and the USA; Endeavour Energy, an electricity distributor in NSW; and The Helmsman Project, a not-for-profit organisation providing coaching and development programs for year 9 students, primarily from western Sydney schools. He is chair elect of Iris Energy, which is a developer and operator of data centres mining Bitcoin furnished by renewable energy. He has previously served on the boards of Vector Limited (NZX: VCT), the Auckland-based electricity distributor, and Dussur, the Saudi Arabia Industrial Investment Company. As CEO of DUET Group he was a director on the boards of: United Energy Distribution and Multinet Gas in Victoria; DBP, the owner-operator of the Dampier to Bunbury Natural Gas Pipeline; Energy Developments Limited, specialising in remote, clean and renewable electricity generation; and DUET's minority-owned businesses, Duquesne Light (USA) and WA Gas Networks. Mr Bartholomew's previous employment experience includes Hastings Funds Management, Lend Lease, The Boston Consulting Group and BHP Minerals. He holds a Bachelor of Economics (Honours) from Adelaide University and an MBA from the AGSM. Mr Bartholomew joined the Power and Water Corporation Board in April 2018 and resigned in April 2022.

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

Directors (Cont'd)

Name	
Mr Trevor Armstrong	Mr Armstrong has had an outstanding career in the energy sector for more than 30 years. He has held senior executive roles with Energy Australia and Ausgrid, including as that organisation's interim CEO and Chief Operating Officer. Mr Armstrong is a former non-executive director of the Australian National Committee of CIGRE Limited, a non-executive director of Providence Investment Management Pty Ltd and has served as a member of the Reliability Panel of Australian Energy Market Commission. Mr Armstrong joined the Board in July 2022.
Mr Paul Italiano	Mr Italiano joins the Power and Water Board as a former Chief Executive Officer of TransGrid and Western Power, leading both organisations during periods of significant regulatory and market reform. Paul also held a senior executive role with Wesfarmers where he was accountable for a portfolio of corporate functions that included Internal Audit, Corporate Communications, ICT, Compliance and Project Management. Mr Italiano joined the Board in July 2022.
Mr Greg Martin	Mr Martin has more than 40 years' experience in the energy utilities, resources, financial services and infrastructure in Australia and internationally. He is the Deputy Chair of Western Power's Board of Directors and the Chair of the Boards of Mawson Infrastructure Group Inc., Provaris Energy Ltd, Hunter Water Corporation and 1Rail Australia. Mr Martin joined the Board in July 2022.
Ms Jodie Ryan	Ms Ryan commenced with the Power and Water Corporation Board in August 2022, following a 30-year career in the Northern Territory Public Sector, the last nine of these as the Chief Executive of the Department of the Chief Minister and Cabinet and the Department of Treasury and Finance. Ms Ryan has deep experience, knowledge and understanding of the Northern Territory Government, with a particular focus on improving the economic and financial growth of the Northern Territory. Her experience also encompasses working extensively with all tiers of Government, the private sector and non-government organisations. Ms Ryan is a former member of the Charles Darwin University Council, the Australia New Zealand School of Government and the Darwin Waterfront Corporation. She has a Bachelor of Business, Majoring in Accounting, and is a Certified Practising Accountant.

Company Secretary

Mr John Pease LLM (Dist.), FGIA FCG, MAICD	Mr Pease has substantial, executive-level, experience leading legal and governance teams covering all aspects of in-house legal services, risk management, compliance, internal audit and assurance, business continuity and crisis management. His prior roles include St John of God Health Care, Western Power, Murdoch University and BankWest. He also has substantial experience as a lawyer, including working as a barrister at Francis Burt Chambers, a solicitor in private practice, a Deputy Registrar of the Administrative Appeals Tribunal, as well as working in various roles with the former Commonwealth Crown Solicitor's Office, the Australian Taxation Office and the NSW Magistrates Courts Administration. His legal experience covers both commercial law and dispute resolution, including intellectual property, banking and finance, debt recovery, insolvency, trade practices, higher education, corporate governance and energy, building and construction and infrastructure. He also has substantial in-house legal practice management experience. Mr Pease is a former WA President of the Australian Corporate Lawyers Association (and served four years on its national board), is a fellow of the Governance Institute of Australia and has also served on the WA State Council of Chartered Secretaries Australia. Mr Pease obtained a Master of Laws (with distinction) from the University of WA in 1998. Mr Pease was appointed Company Secretary on 11 September 2020.

Principal activities

The principal activities of Power and Water Corporation and its wholly owned subsidiary, Indigenous Essential Services Pty Limited (IES Pty Ltd) are the distribution of electricity, the provision of water and sewerage services to the people of the Northern Territory and gas supply to third parties.

There were no significant changes in the nature of the activities during the financial year.

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

Review of Profitability and Equity

	Consolidated	
	June 2022 $ million	**June 2021 $ million**
Revenue	814.7	810.8
Total revenue	**814.7**	**810.8**
Expenditure	(525.6)	(593.8)
Impairment charge and revaluation of assets adjustments	39.6	5.1
Total expenditure	**(486.0)**	**(588.7)**
EBITDA	**328.7**	**222.1**
Depreciation and amortisation	(194.8)	(192.1)
EBIT	**133.9**	**30.0**
Interest expense	(54.2)	(58.8)
Net profit /(loss) before income tax	**79.7**	**(28.8)**
Income tax benefit/(expense)	(32.1)	0.6
Net profit /(loss) after income tax	**47.6**	**(28.3)**
EBITDA excluding significant items		
EBITDA	328.7	222.1
Impairment charge and revaluation of assets adjustments added back	(39.6)	(5.1)
Underlying EBITDA[1]	**289.1**	**217.0**
Depreciation and amortisation	(194.8)	(192.1)
Underlying EBIT	**94.3**	**24.9**
Interest expense	(54.2)	(58.8)
Underlying net profit /(loss) before income tax[1, 2]	**40.1**	**(33.9)**
Total assets	3,788.3	3,773.1
Total liabilities	(2,335.7)	(2,259.7)
Total equity	**1,452.6**	**1,513.4**

[1] EBITDA excluding significant items is non-IFRS (International Financial Reporting Standards) information. Management has provided an analysis of significant items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported (i.e. IFRS) information to assist readers to better understand the financial performance of the underlying operating business. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information, while not subject to audit or review, has been extracted from the financial report.

[2] Gifted asset revenue, although a non-cash item, is a recurring item in the normal course of business and therefore has not been excluded from underlying profits before tax.

Profit from operations

The consolidated entity reported a net profit after tax from continuing operations of $47.6 million for the year ended 30 June 2022 compared to a net loss after tax of $28.3 million for the prior year. The increase in the net profit after tax was primarily attributable to a reversal of impairment of $39.6 million Refer to Note 4 for more details. In addition, a revised method of capitalising indirect costs, adopted in the current financial period, resulted in a reduction in operating expenses by $62.7 million. Refer note 2.5(iii) for more details.

The consolidated entity recognised revenue of $814.7 million for the current year compared to $810.8 million for the prior year; an increase of $3.9 million. The increase in revenue recognised was primarily attributable to revenue from rendering of services and government grants which increased by $21.1 million this was offset by gas services revenue which decreased by $25.1 million from $273.7 million in the prior year to $248.6 million the current year due to reduced gas supply.

Liquidity and capital resources

The consolidated cash flow statement shows a decrease in cash and cash equivalents for the year ended 30 June 2022 of $1.4 million (2021: $25.1 million increase). Operating activities generated $235.6 million (2021: $139.7 million) of net cash flows. The revised method of capitalising indirect costs, mentioned above, is the primary driver of the increase in cash in flows from operating activities and corresponding cash out flows from investing activities.

Cash flows from operating activities have been offset by net cash used for investing activities of $193.6 million (2021: $99.4 million) and $43.4 million (2021: $15.1 million) from financing activities, largely due to payment of property plant and equipment of $189.9 million (2021: $111.9 million and repayment of lease liabilities of $29.4 million (2021: $29.1 million), and an equity withdrawal during the year of $30.0 million (2021: $20.0 million equity injection).

The net cash outflow of $1.4 million (2021: $25.1 million inflow) in the current year is primarily due to the equity withdrawal during the year.

Loans to subsidiaries

As at 30 June 2022, IES Pty Ltd owed the Corporation $36.4 million (2021: $33.9 million) which is made up of an inter-entity receivable of $11.4 million (2021: $9.0 million) in relation to services provided and $25.0 million (2021: $25.0 million) in loans provided in respect of the IES Solar SETuP program. The Corporation has reversed the estimated credit loss on the loans of $7.1 million as a result of the forecasted cash flows from the Solar SETuP program. Refer to Notes 8 and 12 for details.

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

Review of Operations (Cont'd)

Capital expenditure

Capital expenditure for the consolidated entity totalled $189.9 million for the year to 30 June 2022. Major project spending in the current year included:

Entity	Description	$ million
PWC	Katherine PFAS Water Treatment Plant	10.9
	Darwin Region Water Supply Source Augmentation	5.5
	Core Capabilities Program - Capability Uplift Meter2Cash	3.2
	Jabiru Power Station Connection and Interim Switchyard	3.0
	Customer Water Meter Replacement Program (all regions)	2.1
	Katherine 4.5ml Ground Level Tank Roof Replacement	1.9
	Darwin Zone Meter Replacement Program	1.7
	Support Hub Enhancement Program - HSE, Risk and Compliance Enhancements Project	1.6
	Pole Replacement Project Phase 2. Re-Butt Program Package 4	1.6
	Energy Management System - Hardware Replacement	1.5
IES	Angurugu Sewerage Reticulation Upgrade - Stage 2 - Headworks Program	2.8
	Weemol Sewerage System Interconnection to Bulman	2.5
	Yirrkala Sewer Pump Station 1 Expansion	2.2
	Wurrumiyanga New Ground Water Storage Tank	1.2
	Pirlangimpi Sewerage Pumping Station Upgrade	1.1

Property, plant and equipment

The fixed assets of Power and Water Corporation are stated at fair value, in accordance with the fair value requirements of the Australian Accounting Standards, with the core operational assets of the Power Services and Water and Sewerage business units using the income approach. Consistent with the accounting standards, the income approach has a 'purchaser of the business' perspective and is based on the net present value of the forecasted cash flows of these businesses applying anticipated market conditions. The infrastructure assets of IES Pty Ltd are valued on a current replacement cost basis.

The Directors' note to the readers of the financial statements that the income approach differs to a current replacement cost basis of valuation, which is based on the cost of replacing the service capacity of the assets.

The last current replacement cost valuation the Directors obtained for Power and Water Corporation was in 2013, which indicated that the current replacement cost of the core operational assets of the Power Services and Water and Sewerage business units at that date was substantially higher than the value determined using the income approach. In addition, the income approach is not the basis of valuation that would be used by an independent economic regulator for price determination or by analysts for other public policy purposes.

During the current year, the Corporation performed valuation exercises on its property, plant and equipment resulting in net assets being written down by $70.0 million, of which $108.5 million was recognised in Other Comprehensive Income, partially offset by $38.5 million recognised as reversal of prior impairment expense through profit or loss.

Gas contracts

The Corporation has in place long term contracts to procure gas and associated gas transport arrangements. The fixed price nature of the long term gas contracts, the volatility in the market price of gas, the pricing and volume risk from as yet unsecured contracts, increasing competition in the gas supply market and more recently the potential impact from the displacement of gas by renewables over time are risks to the Corporation's ability to sell the gas at a price higher than the cost of gas and transport.

Monitoring and assessing gas market conditions is important in determining potential future impacts on the Gas Services business. The Corporation engages external experts to perform independent assessments of future market conditions on a regular basis while also utilising data from a variety of credible sources to inform decision making.

Directors have considered the current gas market environment in both the Northern Territory and Australian East Coast gas market. Independent publications are predicting a shortage of gas in the East Coast market commencing as early as 2023/24.

As part of the development of the Integrated System Plan for electricity markets in Australia the Australian Energy Market Operator (AEMO) prepared forecasts for gas prices under three scenarios. AEMO price forecasts represent the closest that there is to an industry standard forecast of gas prices in eastern Australia, and therefore represent the best forecasts available.

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

Review of Operations (Cont'd)

Gas contracts (Cont'd)

The key risk to the outlook for higher prices is the emergence of new low cost gas supply. Given the uncertainty about where new gas in eastern Australia will be sourced from and at what prices, the likelihood of low-cost, domestic gas supply is considered.

Other recent developments in the gas market include the announcement of a possible pipeline link from Alice Springs to Moomba which would open more lucrative markets for the Corporation. It is believed this route to market could also reduce gas transport costs to these markets.

Having considered the probability of risks and opportunities that can be quantified and assessed for materiality as required under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', the Directors have concluded that, at the date of this report, an onerous contract does not exist.

The Directors will continue to monitor the gas sales strategy and associated financial outlook having regard to sources of estimation uncertainty discussed above and note that the key underlying assumption adopted by the Directors is that gas purchase volumes will be covered by sales in the market.

Impairment

Make-up Gas

The current gas contracts relating to the sale and purchase of gas have resulted in the Corporation paying for gas that will only be sold in future financial years. These payments are classified as intangible assets and disclosed under Make-up Gas in Note 16. Make-up Gas is determined to be an intangible asset defined in and within the scope of AASB 138 as it is an identifiable non-monetary asset without physical substance.

There have been no triggering events during the current financial year which would require further analysis for an impairment write-down of the consolidated entity's fixed assets.

Dividends

Subsequent to 30 June 2022 the Board resolved to declare an ordinary dividend of $10.0 million, which will be paid from retained earnings during the year ending 30 June 2022. A dividend of $2.0 million was declared and paid during the year ended 30 June 2022 in relation to the prior year.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The accounting standards require Directors to make disclosures about the existence and the nature of material uncertainties that lead to significant doubts about going concern. There are no material uncertainties that cast significant doubt about the Corporation's ability to continue as a going concern. For further details refer to note 2.1 basis of preparation.

The Corporation has carried out an assessment of the going concern assumption. This includes assessing:

(i) Forward cash flow projections

(ii) Funding sources

(iii) Compliance with debt covenants

(iv) The continuity of key customers and suppliers

(v) The impact of current economic conditions

(vi) Forward forecasts and budgets.

For the year ended 30 June 2022, the Corporation made a net profit after tax of $59.4 million (2021: loss after tax of $7.2 million). The Corporation is forecast to be profitable across the four year budget period as reported in the most recent Statement of Corporate Intent (SCI).

Although the Corporation's current liabilities for the current year exceed its current assets by $210.7 million (2021: $144.0 million), this is due to the debt maturity profile of the Corporation. All debt maturing in the next financial year, and in subsequent years of the SCI period is anticipated to the extent required, to be replaced by new long term debt.

Combined with the above improvement in the working capital ratio, the Corporation operating cash flows and underlying EBITDA remain positive, consistent with prior periods.

There has been no material changes to funding sources for the consolidated entity, and there continues to be a strong relationship with key customers and suppliers.

Power and Water Corporation

Directors' report
for the year ended 30 June 2022

Adoption of new and revised accounting standards

There have been no new or revised accounting standards or interpretations that are effective from the year beginning on or after 1 July 2021 which materially impact the financial results. Where applicable, comparative figures have been updated to reflect any changes in the current period.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has had a range of effects on the business. Most noticeably, travel restrictions to remote communities have led to delays in capital expenditure. The wellbeing and safety of employees, customers and contractors continues to be the highest priority.

In order to identify and manage financial risks arising from the pandemic, the Consolidated entity has:
- Conducted financial scenario modelling and developed options to defer costs and minimise revenue loss;
- Captured costs and sought cost recovery and grant opportunities; and
- Monitored, analysed and reported the financial position and financial forecasts to enable proactive financial management of the event.

Future developments

The consolidated entity will continue to pursue its vision of being a proud, trusted, modern multi-utility delivering value now and into the future and being respected in the community for making a difference to the lives of Territorians.

Environmental regulation

The consolidated entity's operations are subject to significant statutory responsibilities under both Commonwealth and Northern Territory legislation. The Corporation has been issued with a Show Cause Letter from the Department of Agriculture, Water and the Environment (DAWE) in relation to a potential breach of conditions associated with the East Point Effluent Rising Main - Environment Protection and Biodiversity Conservation Act Approval (2009/5113). A formal response was provided to DAWE as per required timeframes, however as yet no formal determination received by DAWE regarding potential fines/penalties. No known regulatory breaches have occurred in IES Pty Ltd. The consolidated entity continues to pursue compliance with its statutory obligations and improve processes to meet its responsibilities in this area.

Subsequent events

Subsequent to the year end the Director's declared a final dividend of $10.0 million, payable by 30 November 2022.

In the interval between the end of the financial year and the date of this report, the Corporation has commenced legal action against its principal gas supplier, Eni, in the Supreme Court of Western Australia. The action seeks a court declaration as to the Corporation's rights to inspect Eni records relating to a reduction in supply of gas from Eni's Blacktip field off the coast of northern Australia.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Corporation, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity, in future financial years.

Indemnification and insurance of directors and officers

Indemnification

The Northern Territory Government has indemnified the Directors of the Corporation from and against all liabilities incurred or arising out of conduct as a Director of the Corporation, acting in good faith in compliance with any direction or request made by the shareholding Minister or the portfolio Minister to the Corporation or the Board of the Corporation pursuant to the *Government Owned Corporations Act 2001.*

Insurance premiums

The following insurance policies were purchased to cover the Directors and Officers of the entities in the consolidated group. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.
(i) Group Personal Accident Insurance
(ii) Professional Indemnity Insurance
(iii) Directors' and Officers' Liability.

Rounding off

Amounts in the financial report have been rounded to the nearest thousand dollars ($'000), unless otherwise stated.

This report is made in accordance with a resolution of Directors pursuant to s.298(2) of the *Corporations Act 2001* .

Dated at Darwin this 29th day of September 2022

Peter Wilson.

Peter Wilson
Chair

Independent auditor's report

Auditor-General

Independent Auditor's Report to the Board of Directors of Power and Water Corporation

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Opinion

I have audited the financial report of Power and Water Corporation (the Corporation) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In my opinion, the accompanying financial report of the Corporation and the Consolidated Entity is in accordance with the *Government Owned Corporations Act 2001*, including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Corporation in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Notes 2.3(b), 2.3(l), 2.5 and 14 of the financial report, which describe the key sources of estimation uncertainty associated with measurement of the fair value of property, plant and equipment and the sensitivity associated with assumptions underlying the asset valuation approaches including the significance of the impacts on carrying values when assumptions are adjusted. My opinion is not modified in respect of these matters.

I also draw attention to Notes 2.5 *Capitalisation of expenses*, 4.2 and 4.4 in the financial report, which describe the revision of the estimation methodology to identify and capitalise costs, including support costs included in Corporate Services, Power Services and Water Services, which are directly attributable to the acquisition, preparation, or construction of property, plant and equipment. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Auditor-General
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Key Audit Matter	Audit scope response to the Key Audit Matter
Unbilled Revenue Revenue from the sale of goods, as disclosed in Note 3.1 to the financial statements, includes estimated values for unbilled revenue from Power Networks, System Control, Electricity and Water totalling $36.478 million as disclosed in Note 8 to the financial statements. The estimated values are based upon unbilled units supplied to customers between the date of the last meter reading and the year end. The relevant units comprise kilowatt hours for Power Networks, System Control and Electricity, and kilolitres for Water. The estimation of the unbilled revenue is a key audit matter as it requires significant management judgment to estimate customer consumption between the last invoice date and the end of the reporting period.	My procedures included but were not limited to: ▪ obtaining an understanding of the key controls management has in place to determine the accuracy of the estimate of supplied units (sent out data) and related revenue amounts; ▪ comparison of unbilled revenue to the actual subsequent billings; and ▪ analysing the trends in billed revenue throughout the year and the reasonableness of the estimate of unbilled revenue at year end, taking into consideration seasonal fluctuations affecting demand and supply.
Valuation of property, plant and equipment Property, plant and equipment, as disclosed in Note 14 to the Financial Statements, totals $2,307.467 million. The valuation of non-current assets is a key audit matter due to the complexity involved in estimating the recoverable amount of assets which requires significant judgement in determining key assumptions supporting the expected future cash flows of the Corporation and expected utilisation of the relevant assets.	My procedures included but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the Corporation's cash generating units; ▪ checking, on a sample basis, the mathematical accuracy of the cash flow forecast and impairment model and the appropriateness of the inclusion of the specific cash flows in accordance with the Australian Accounting Standards; ▪ assessing the consistency of forecast cash flow used in total to the Board approved Statement of Corporate Intent; and ▪ performing a sensitivity analysis to test the key assumptions used in the estimate pertaining to key drivers such as growth rates and discount rates.
Capital Work in Progress As disclosed in Note 14 to the financial statements, the Corporation has recorded Capital Work in Progress valued at $222.681 million. The valuation of Capital Work in Progress is a key audit matter due to the judgements and assumptions involved in the valuation of Capital Work in Progress accrued at year end and the degree of judgement involved in the classification between operational and capital expenditure.	My procedures included but were not limited to: ▪ obtaining an understanding of the key controls associated with the allocation and monitoring of actual project expenditure against the approved budget expenditure for the Corporation's major projects; ▪ obtaining an understanding of the key controls associated with the estimation of

Auditor-General
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Key Audit Matter	Audit scope response to the Key Audit Matter

	the stage of completion used to determine the value of costs accrued at year-end;
	▪ checking the review of capital work in progress performed by the Corporation at year-end; and
	▪ for a sample of capital project expenditure;
	  ○ tracing the recorded costs to the invoices and assessing whether the nature of the costs represent future benefits to the Corporation in accordance with Australian Accounting Standards;
	  ○ tracing accrued expenditure at year-end to any subsequent invoices received from contractors; and
	  ○ examining progress reports related to major projects at year-end.

Provision for Onerous Contracts As disclosed in Notes 2.3(o), 2.5 and 26(j) to the financial statements, the Corporation undertakes an annual assessment to determine the extent, if any, that the economic costs associated with gas-related contracts are determined to outweigh the net present value (benefits) expected to be received based on the circumstances that existed at that date. Changes to the circumstances and events affecting future opportunities in the gas market may result in the Corporation recognising, adjusting or derecognising a provision for onerous contracts at each reporting date. As at 30 June 2022, no provision for onerous contract has been determined or reported. The calculation of the net present value is a key audit matter as the calculation is complex and the estimates are affected by future performance and market conditions.	My procedures included but were not limited to: ▪ assessing and challenging the appropriateness of cash flow projections resulting from management's assumptions; ▪ verifying the inputs used in the model; ▪ recalculating the outputs of the model; ▪ assessing the integrity of the gas contract model used by management based on assumptions around the functionality of the model when compared to industry standards; ▪ evaluating the results of sensitivity testing; and ▪ assessing the appropriateness of classification and the adequacy of disclosures in the financial statements.
Overhead capitalisation As disclosed in note 2.5 to the financial statements, the Corporation has revised the estimation methodology to identify and capitalise support costs included in Corporate Services, Power Services and Water Services which are directly attributable to the acquisition, preparation or construction of capital assets. Management have determined this revision to constitute a change in estimation method and consequently, the impact has been presented prospectively in the financial statements.	My procedures included but were not limited to: ▪ obtaining an understanding of the revised methodology for capitalisation of expenditure including overheads; ▪ consideration of the revised methodology, including the application of advice received by the Corporation from their appointed experts and management's assessment of compliance with the Australian Accounting Standards;

Auditor-General
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Key Audit Matter	Audit scope response to the Key Audit Matter
The financial effect of this change in estimation methodology is that the Corporation has capitalised expenditure of $47.17 million during the year ended 30 June 2022. The calculation of the overheads eligible for capitalisation is a key audit matter as the calculation requires management's assessment and judgement.	▪ testing the application of the methodology which included: ○ confirming the inputs used in the calculation to the source data; and ○ recalculating the output using the inputs used by management. ▪ assessing the appropriateness of presentation, classification and adequacy of disclosures in the financial statements.

Other Information

The Directors are responsible for the Other Information. The Other Information obtained at the date of this auditor's report comprises the Annual Report and the Directors' Report included in the Corporation's financial report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the Other Information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the Other Information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Government Owned Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however future events or conditions may cause the Corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Consolidated Entity's audit. I remain solely responsible for my audit opinion.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
30 September 2022

Power and Water Corporation

Directors' Declaration
for the year ended 30 June 2022

In the directors' opinion:

(a) the attached financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act 2001*, including compliance with Accounting Standards in Australia and giving a true and fair view of the financial position and performance of the Corporation and the consolidated entity;

(b) there are reasonable grounds to believe that the Corporation and the consolidated entity will be able to pay its debts as and when they become due and payable; and

(c) the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Peter Wilson

Peter Wilson
Chair

Darwin
29th September 2022

Consolidated statement of profit or loss and other comprehensive income

Power and Water Corporation

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2022

		Consolidated		Corporation	
	Note	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Revenue from contracts with customers	3.1	688,738	703,209	643,207	659,625
Revenue from rendering of services and government grants	3.2	97,385	76,262	-	-
Finance revenue	3.3	418	1,703	1,394	2,100
Other income	3.4	28,200	29,611	28,200	29,611
Inter-Group sales		-	-	10,772	9,562
		814,741	**810,785**	**683,573**	**700,898**
Energy and materials		(292,443)	(304,680)	(259,710)	(280,588)
Repairs and maintenance expense	4.1	(71,361)	(74,063)	(54,006)	(58,361)
Employee benefits expense	4.2	(70,294)	(98,822)	(65,868)	(87,291)
External service agreements		(54,618)	(53,350)	(35,260)	(35,943)
Impairment of non-current assets and onerous contract provisions	4.3	39,561	5,139	46,640	(1,940)
Net loss on disposal of property, plant and equipment, inc gifted streetlights		(5,572)	(3,190)	(4,792)	(1,884)
Other expenses	4.4	(31,276)	(59,775)	(30,959)	(53,374)
		(486,003)	**(588,741)**	**(403,955)**	**(519,381)**
Earnings before interest, tax, depreciation and amortisation		**328,738**	**222,044**	**279,618**	**181,517**
Depreciation and amortisation expenses	4.5	(194,780)	(192,138)	(134,958)	(132,504)
Finance costs	4.6	(54,249)	(58,834)	(53,190)	(56,799)
Profit/(loss) before tax		**79,709**	**(28,928)**	**91,470**	**(7,786)**
Income tax equivalent expense	5 (a)	(32,097)	631	(32,097)	631
Profit/(loss) for the year		**47,612**	**(28,297)**	**59,373**	**(7,155)**
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation surplus	25	(76,493)	49,172	(76,493)	49,172
Other comprehensive income for the year, net of tax		**(76,493)**	**49,172**	**(76,493)**	**49,172**
Total comprehensive income for the year		**(28,881)**	**20,875**	**(17,120)**	**42,017**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

Power and Water Corporation

Consolidated statement of financial position
for the year ended 30 June 2022

		Consolidated		Corporation	
	Note	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Current assets					
Cash and cash equivalents	7 (a)	147,312	148,667	79,324	81,947
Trade and other receivables	8 (a)	118,875	117,867	128,075	120,294
Finance lease receivables	13	965	900	2,059	1,933
Current tax assets	5 (c)	2,133	13,305	2,133	13,305
Inventories	9	36,735	30,841	27,682	27,059
Intangible assets	16	1,687	841	665	590
Total current assets		**307,707**	**312,421**	**239,938**	**245,128**
Non-current assets					
Trade and other receivables	8 (b)	26,321	16,112	26,321	16,112
Loans to subsidiaries	12	-	-	25,000	17,921
Investments	10	3	3	3	3
Finance lease receivables	13	5,353	6,087	21,202	22,377
Property, plant and equipment	14	2,932,775	2,967,915	2,307,467	2,336,489
Right-of-use assets	15	426,538	382,443	388,307	343,748
Intangible assets	16	63,303	61,618	63,094	61,442
Deferred tax assets	5 (b)	26,264	26,562	26,264	26,562
Total non-current assets		**3,480,557**	**3,460,740**	**2,857,658**	**2,824,654**
Total assets		**3,788,264**	**3,773,161**	**3,097,596**	**3,069,782**
Current liabilities					
Trade and other payables	17	68,746	58,448	55,533	51,575
Unearned revenue	18	72,976	57,990	72,976	57,990
Borrowings	19	245,000	209,000	245,000	209,000
Lease liabilities	20	34,712	26,721	33,441	27,480
Provisions	21	43,656	43,084	43,656	43,085
Government grants	22	21,219	25,398	-	-
Total current liabilities		**486,309**	**420,641**	**450,606**	**389,130**
Non-current liabilities					
Deferred tax liabilities	5 (b)	109,460	121,571	109,460	121,571
Unearned revenue	18	22,054	18,381	22,054	18,381
Borrowings	19	930,000	948,000	930,000	948,000
Lease liabilities	20	415,157	374,116	391,770	348,995
Provisions	21	4,727	5,606	4,727	5,606
Government grants	22	368,011	371,419	-	-
Total non-current liabilities		**1,849,409**	**1,839,093**	**1,458,011**	**1,442,553**
Total liabilities		**2,335,718**	**2,259,734**	**1,908,617**	**1,831,683**
Net assets		**1,452,546**	**1,513,427**	**1,188,979**	**1,238,099**
Equity					
Contributed equity	23	44,336	74,336	44,336	74,336
Retained earnings	24	402,424	354,772	703,317	645,428
Asset Revaluation Reserve	25	1,005,786	1,084,319	441,326	518,335
Total equity		**1,452,546**	**1,513,427**	**1,188,979**	**1,238,099**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

Power and Water Corporation

Consolidated statement of changes in equity
for the year ended 30 June 2022

		Consolidated		Corporation	
	Note	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Contributed equity					
Balance at beginning of year		74,336	54,336	74,336	54,336
Equity (withdrawal)/contributions from shareholders		(30,000)	20,000	(30,000)	20,000
Balance at end of year	23	**44,336**	**74,336**	**44,336**	**74,336**
Retained earnings					
Balance at beginning of year		354,772	381,237	645,428	653,018
Effect of adoption of new accounting standards		-	-	-	-
Net profit/(loss) for the year		47,612	(28,297)	59,373	(7,155)
Retirements transferred from asset revaluation reserve		2,040	2,832	516	565
Dividends paid	6	(2,000)	(1,000)	(2,000)	(1,000)
Balance at end of year	24	**402,424**	**354,772**	**703,317**	**645,428**
Asset revaluation reserve					
Balance at beginning of year		1,084,319	1,037,979	518,335	469,728
Increase in asset valuation		(108,527)	69,497	(108,527)	69,497
Deferred tax effect recognised in deferred tax liabilities		32,034	(20,325)	32,034	(20,325)
Retirements transferred to retained earnings		(2,040)	(2,832)	(516)	(565)
Balance at end of year	25	**1,005,786**	**1,084,319**	**441,326**	**518,335**
Total equity		**1,452,546**	**1,513,427**	**1,188,979**	**1,238,099**
Total equity attributable to owners of the parent		**1,452,546**	**1,513,427**	**1,188,979**	**1,238,099**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Power and Water Corporation

Consolidated statement of cash flows
for the year ended 30 June 2022

		Consolidated		Corporation	
		June 2022	June 2021	June 2022	June 2021
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		767,992	750,708	715,425	708,720
Payments to suppliers and employees		(594,934)	(656,265)	(510,306)	(569,382)
Income tax paid	5 (c)	(703)	(15,761)	(703)	(15,761)
Community Service Obligations received		27,545	29,104	27,545	29,104
Receipt of Government grants		89,798	89,525	-	-
Interest received		344	1,725	1,355	2,116
Interest paid		(54,418)	(59,372)	(53,096)	(57,598)
Net cash generated by operating activities	7 (b)	**235,624**	**139,664**	**180,220**	**97,199**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		156	160	156	160
Payments for property, plant and equipment		(189,943)	(111,947)	(138,107)	(81,565)
Proceeds from sale of intangible assets	16	-	17,255	-	17,255
Payments for intangible assets	16	(3,801)	(4,893)	(3,705)	(4,885)
Net cash used in investing activities		**(193,588)**	**(99,425)**	**(141,656)**	**(69,035)**
Cash flows from financing activities					
(Payment of)/proceeds from equity (withdrawal)/injection	23	(30,000)	20,000	(30,000)	20,000
Repayment of borrowings	7(d)	-	(284,000)	-	(284,000)
Proceeds from borrowings	7(d)	18,000	279,000	18,000	279,000
Repayment of lease liabilities	7(d)	(29,391)	(29,144)	(27,187)	(27,463)
Dividends paid	6	(2,000)	(1,000)	(2,000)	(1,000)
Net cash used in financing activities		**(43,391)**	**(15,144)**	**(41,187)**	**(13,463)**
Net increase/(decrease) in cash and cash equivalents		**(1,355)**	**25,095**	**(2,623)**	**14,701**
Cash and cash equivalents at beginning of year		148,667	123,572	81,947	67,246
Cash and cash equivalents at end of year	7 (a)	**147,312**	**148,667**	**79,324**	**81,947**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Financial Statements for the year ended 30 June 2022

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

1 General information

Power and Water Corporation (the Corporation) is a government owned corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2022 comprises the Corporation and its subsidiary as disclosed in Note 11.

The consolidated entity is principally engaged in the provision of electricity distribution, electricity retail and generation services, water and sewerage services to customers across the Northern Territory. The consolidated entity also sells gas to a number of customers across Australia. Further information of the nature of the operations and principal activities of the consolidated entity is provided in the Director's report. Information on other related parties are provided in Note 30.

The Financial Report was authorised for issue by the Directors on 29 September 2022.

2 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements for the consolidated entity consist of Power and Water Corporation and its subsidiaries.

2.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations and the *Government Owned Corporations Act 2001*. The *Government Owned Corporations Act 2001* requires the financial statements of the Corporation and the consolidated entity to comply with the requirements of the *Corporations Act 2001*. The Corporation is a for-profit entity for the purpose of preparing these general purpose financial statements, therefore any accounting policy differences arising from IES Pty Ltd (a not-for-profit entity) are adjusted on consolidation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain property, plant and equipment and financial instruments that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

The consolidated entity is of a kind referred to in the Australian Securities and Investment Commission (ASIC) instrument 2016/191 (for rounding in Financial/Directors' reports), issued by ASIC, in relation to "rounding off". Amounts in this report have been rounded off in accordance with that ASIC instrument to the nearest thousand dollars, or in certain cases the nearest dollar.

Compliance with IFRS
The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The accounting standards require Directors to make disclosures about the existence and the nature of material uncertainties that lead to significant doubts about going concern.

The Corporation has carried out an assessment of the going concern assumption. This includes assessing:

(i) Forward cash flow projections

(ii) Funding sources

(iii) Compliance with debt covenants

(iv) The continuity of key customers and suppliers

(v) The impact of current economic conditions

(vi) Forward forecasts and budgets.

For the year ended 30 June 2022, the Corporation made a net profit after tax of $59.4 million (2021: loss after tax of $7.2 million). The Corporation is forecast to be profitable across the four year budget period as reported in the most recent Statement of Corporate Intent (SCI).

Although the Corporation's current liabilities for the current year exceed its current assets by $210.7 million (2021: $144.0 million), this is due to the debt maturity profile of the Corporation. All debt maturing in the next financial year, and in subsequent years of the SCI period is anticipated to the extent required, to be replaced by new long term debt.

Combined with the above improvement in the working capital ratio, the Corporation operating cash flows and underlying EBITDA remain positive, consistent with prior periods.

There has been no material changes to funding sources for the consolidated entity, and there continues to be a strong relationship with key customers and suppliers.

Based on the above assessment performed, there are no material uncertainties that cast significant doubt about the Corporation's ability to continue as a going concern.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (cont'd)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and entities controlled by the Corporation (the Consolidated entity). A list of subsidiaries appears in Note 11 to the financial statements.

Specifically, the consolidated entity controls an investee if, and only if, the consolidated entity:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns.

When the Corporation has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including:

- The consolidated entity's voting rights and potential voting rights
- Rights arising from other contractual arrangements
- The contractual arrangement(s) with the other vote holders of the investee.

The consolidated entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the consolidated entity gains control until the date when the consolidated entity ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies into line with the consolidated entity's accounting policies. All intragroup balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated on consolidation.

The financial statements of the subsidiary, IES Pty Ltd, are prepared for the same reporting period as the Corporation, using consistent accounting policies with the exception of the treatment of government grant revenue received by IES Pty Ltd. IES Pty Ltd, as a not-for-profit entity, applies Accounting Standard AASB 1058 Income of Not-for-Profit Entities for recognition and measurement of government grants. This accounting treatment is adjusted on consolidation to align to Note 2.3 (d) Government grants.

If the consolidated entity loses control over a subsidiary, it derecognises the related assets, liabilities and components of equity, while any resultant gain or loss is recognised in profit or loss.

2.3 Summary of significant accounting policies

(a) Current versus non-current classification

The consolidated entity presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The consolidated entity classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Fair value measurements

Some of the consolidated entity's assets and liabilities are measured at fair value for financial reporting purposes. The consolidated entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The consolidated entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the consolidated entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as infrastructure assets. At the end of each reporting period the consolidated entity analyses the movements in property, plant and equipment that are required to be remeasured or re-assessed as per the consolidated entity's accounting policies. For this analysis the consolidated entity verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents. The consolidated entity in conjunction with the external valuers, also compares the change in the fair value of property, plant and equipment with relevant external sources to determine whether the change is reasonable.

The consolidated entity presents the results of the valuation to the Audit and Risk Management Committee. This includes a discussion of the major assumptions used in the valuations.

Fair value related disclosures for financial assets (i.e. borrowings) and property, plant and equipment that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Property, plant and equipment — Note 14
- Financial instruments — Note 27

(c) Revenue from contracts with customers

The consolidated entity recognises revenue from the following major sources: sale of gas, electricity distribution, water and sewerage services to customers across the Northern Territory.

In addition to the major sources of revenue discussed above, the consolidated entity also recognises revenue from a number of other minor sources such as electricity generation and retail services to some minor and remote centres across the Northern Territory, gifted assets and capital contributions towards the purchase or construction of infrastructure assets owned and controlled by the consolidated entity.

Revenue is measured based on the consideration to which the consolidated entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The consolidated entity recognises revenue when it transfers control of a product or service to a customer.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

Sale of gas

The consolidated entity has a number of long term contracts with customers for the sale of gas. The majority of these contracts have been established as take-or-pay arrangements, whereby the minimum amount specified is considered the contract as it is the only enforceable part of the agreement. Options in the contract to acquire additional volumes of gas are considered a separate contract at the time the customer exercises the option on the basis that the additional units are provided at a standalone selling price. The transaction price is subject to periodic price escalation throughout the course of each contract. Any future price adjustments are not reflected in the initial transaction price as they are unknown at the time of the initial contract.

The sale of gas represents a promise to transfer a series of distinct goods (i.e. each gigajoule of gas) to the customer and is therefore considered a single performance obligation satisfied over time. Revenue is recognised over time as the consolidated entity satisfies its performance obligations and transfers control of the gas to the customer who simultaneously receives and consumes that gas. The amount of revenue recognised is determined by measuring the progress toward the complete satisfaction of the performance obligation. A receivable is recognised by the consolidated entity as it transfers control of the gas to the customer. An invoice is raised once the consolidated entity is entitled to compensation. There is not considered to be a significant financing component in these types of contracts with customers as the period between the recognition of revenue and the payment is less than one year.

For those contracts established as take-or-pay arrangements, any gas paid for but not taken is recognised as a contract liability until such time as the customer takes delivery of that make-up gas. It is only when the customer takes delivery and control of that make-up gas that the consolidated entity satisfies its performance obligations under the contract and therefore recognises revenue.

At the end of each reporting period, the consolidated entity undertakes an assessment of its contract liabilities related to make-up gas for breakage i.e. the consolidated entity assesses the likelihood of the customer taking delivery of the full quantity of make-up gas assets that they are entitled to before the end of contract or other time as specified in the contract. Revenue is recognised where it has been assessed that it is highly probable that the customer will not take delivery of the full quantity of make-up gas on or before the end of the contract or other time as specified in the contract.

Electricity distribution services

The consolidated entity provides electricity distribution services under long term variable price contracts to a small number of customers (third party retailers). The electricity distribution services represents a promise to transfer a series of distinct services to the customer and is therefore considered a single performance obligation satisfied over time. The transaction price is subject to annual price adjustment or escalation throughout the course of each contract as determined by the Australian Energy Regulator through the Network Price Determination. Any future price adjustments are not reflected in the initial transaction price as they are unknown at the time of the initial contract.

The consolidated entity recognises revenue from electricity distribution services over time as the service is rendered, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the consolidated entity.

Sale of water, electricity and sewerage services

The consolidated entity sells water and sewerage services to a large number of customers as a bundled package and for those customers located in minor centres and remote communities, the bundled package may also include the supply of electricity. For some customers the contract may only be for the sale of electricity. Each contract entered into may consist of one, two or three separate performance obligations because the promises to transfer water, sewerage services and electricity are distinct and separately identifiable goods and services and are not dependent on each other for complete satisfaction of the performance obligations under the contract.

Each contract entered into with a customer is a variable contract because the volume of water and/or electricity to be transferred to the customer over the duration of the contract is not specified; however for the provision of sewerage services the transaction price is fixed. The transaction price for water, sewerage services and electricity is subject to an annual price adjustment or escalation as determined by the regulators.

Revenue from the sale of water and electricity is recognised over time as the consolidated entity transfers the electricity and water to the customer who simultaneously receives and consumes the benefits provided by the consolidated entity. The amount of revenue recognised is determined using an input method to measure progress towards complete satisfaction of each of the performance obligations. A contract asset is recognised when the consolidated entity has transferred the water and/or electricity to the customer until the consolidated entity has a right to invoice the customer for payment of consideration at which time the contract asset is transferred to trade receivables. Customers are billed quarterly and consideration is payable when invoiced.

Revenue from the provision of sewerage services is recognised over time based on the stage of completion of the contract, being the total number of days that has elapsed at the end of the reporting period. Customers are generally billed quarterly in advance based on the number of sanitary fittings and recognised as a contract liability until the service is rendered. Consideration is payable when invoiced.

Community Service Obligations

Revenue in the form of Community Service Obligation (CSO) is received from the Northern Territory Government where the Corporation is required to carry out activities on a non-commercial basis. CSO revenue is recognised when there is reasonable assurance that the revenue will be received and all attached conditions have been complied with.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the consolidated entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the consolidated entity's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the consolidated entity has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the consolidated entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the consolidated entity performs under the contract.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

(d) Government grants

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the consolidated entity has elected to present the grant in the statement of financial position by reducing the carrying amount of the asset. The grant is then recognised in the profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

When the consolidated entity receives grants of non-financial assets, the asset and the grant are recorded at cost and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which they become receivable.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and creditors are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

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

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time (greater than 24 months) to get ready for the qualifying asset's intended use are capitalised as part of the cost of the asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

To the extent that the funds are borrowed generally and used for the purpose of obtaining or constructing a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditure on that asset. The average carrying amount of the asset during the period, including borrowing costs previously capitalised, is used as the basis for determining expenditures to which the capitalisation rate is applied in that period.

All other borrowing costs are expensed in the period in which they are incurred.

(g) Income tax equivalents

Income tax equivalent payments are made pursuant to section 33(3) of the *Government Owned Corporations Act 2001* and are based on rulings set out in the National Tax Equivalent Regime's manual. The National Tax Equivalent Regime manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936* and *1997*.

The Corporation is required to make income tax equivalent payments to the Northern Territory Government based on taxable income. It is not liable to pay the Commonwealth tax that would be payable if it were not a Government Owned Corporation.

IES Pty Ltd is not subject to taxation as it is a not-for-profit entity and therefore exempt under section 24 of the *Income Tax Assessment Act 1936.*

Current tax

Current tax is calculated by reference to the amount of the income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax

The consolidated entity adopts the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities

Deferred tax liabilities are recognised for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When the taxable temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and is probable that the temporary difference will not reverse in the foreseeable future.

2.3 Summary of significant accounting policies (cont'd)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- When the deductible temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items recognised in other comprehensive income, in which case current and deferred tax are also recognised in other comprehensive income. Income taxes relating to these items are recognised directly in other comprehensive income.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions.

(i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the consolidated entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the consolidated entity has applied the practical expedient, the consolidated entity initially 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. Trade receivables that do not contain a significant financing component or for which the consolidated entity has applied the practical expedient are measured at the transaction price determined under AASB 15 Revenue from Contracts with Customers. Refer to the accounting policies in Note 2.3 (c): Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The consolidated entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flow. The business model determines whether the cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

Financial assets at amortised cost (debt instruments)

This category is most relevant to the consolidated entity. The consolidated entity measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The consolidated entity's financial assets at amortised cost includes trade receivables and a loan to a subsidiary included under non-current assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The consolidated entity did not have any financial assets at fair value through profit or loss as at and for the year ended 30 June 2021 (2020: Nil).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the consolidated entity's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The consolidated entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the consolidated entity has transferred substantially all the risks and rewards of the asset, or (b) the consolidated entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the consolidated entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the consolidated entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the consolidated entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the consolidated entity has retained.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

• Critical accounting judgements and key sources of estimation uncertainty	Note 2.5
• Trade receivables	Note 8

The consolidated entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the consolidated entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (as 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the consolidated entity applies a simplified approach in calculating ECLs. Therefore, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The consolidated entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the consolidated entity may consider a financial asset to be in default when internal or external information indicates that the consolidated entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the consolidated entity. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3 Summary of significant accounting policies (cont'd)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in case of loans and borrowings and payables, net of directly attributable transaction costs.

The consolidated entity's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the consolidated entity that are not designated as hedging instruments as defined by AASB 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The consolidated entity has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the consolidated entity. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms on an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis and settle the liabilities simultaneously.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to individual items of inventory based on the weighted-average purchase cost of bringing each item to its present location and condition. Net realisable value represents the amounts expected to be realised from the use of the inventory.

(k) Leases

The consolidated entity as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the consolidated entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the consolidated entity's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

(k) Leases (cont'd)

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any initial direct costs, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The consolidated entity applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

The consolidated entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and,
- an estimate of the costs incurred upon disassemling or restoring the underlying asset to the condition required by the terms of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The consolidated entity as lessor

Leases for which the consolidated entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the parent or consolidated entity is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

(l) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any.

Freehold land, buildings, plant and infrastructure assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Buildings, plant and infrastructure assets are originally stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes, for qualifying assets, borrowing costs capitalised in accordance with the consolidated entity's accounting policy. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the consolidated entity. Ongoing repairs and maintenance are expensed as incurred.

Any revaluation increase arising on the revaluation of such land, buildings, plant and infrastructure assets is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land, buildings, plant and infrastructure assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve (ARR) relating to a previous revaluation of that asset.

Subsequent to initial recognition, land, buildings and infrastructure assets are held at fair value and are revalued in accordance with AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximises relevant observable inputs and minimises unobservable inputs.

The market approach uses prices and other relevant information generated by market transactions involving identical or similar assets. The income approach is a technique that converts future cash flow amounts (or income and expenses) to a single current discounted amount.

The cost approach (i.e. depreciated replacement cost) reflects the amount that would be required currently to replace the service capacity of an asset, adjusted for obsolescence. The replacement cost is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of output and in operating costs.

Non-specialised assets with short useful lives (such as minor office equipment) are measured at depreciated historical cost, as a surrogate for fair value. Work in progress is measured at cost.

Each class of property, plant and equipment held at fair value is to be subject to revaluation at least every five years or with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement for that class of asset previously recognised as a loss in the operating result, the increment is recognised as a gain.

Revaluation decrements are recognised immediately as losses, except that they are debited directly to the revaluation surplus to the extent that a credit exists in the revaluation surplus in respect of the same class of asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to retained earnings.

Depreciation on revalued buildings, plant and infrastructure assets is recognised in profit or loss. On the subsequent disposal, sale or retirement of a revalued building, plant and infrastructure asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and capital works in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

(m) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised on disposal (i.e., at the date the recipient obtains control) or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit or loss.

Purchased software

All purchased software, excluding software as a service, have limited useful lives and are amortised using the straight-line method over their estimated useful lives. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Make-up gas

The consolidated entity has entered into a Take-or-Pay Gas Purchase Agreement that came into effect during the 2010-11 financial year. Make-up gas paid for under the terms of the contract but not physically taken is recorded as an intangible asset. The residual value of the make-up gas asset equals the asset's carrying amount.

Renewable Energy Certificates

The Renewable Energy Certificate Scheme operates under Federal Government legislation which requires energy retailers to source a target proportion of their electricity purchases from renewable sources. The consolidated entity generates and purchases Green Certificates in order to comply with the relevant legislation. Obligations to surrender certificates based on targets are of accrual nature and are disclosed in the statement of financial position as current liabilities. Rights held are of the nature of intangible assets and are disclosed in the statement of financial position as current assets. The assets and liabilities held under the scheme are acquitted throughout the year. Assets remaining after the acquittal process are expected to be realised within twelve months after the date of acquittal.

The amortisation of useful lives used for each class of intangibles are as follows:

	Purchased software	Make up gas	Renewable Energy Certificates
Internally generated or acquired	Acquired	Acquired	Acquired
Useful lives	Finite (1-21 years)	Finite (34 years)	Indefinite
Amortisation method	Amortised on a straight-line basis over the expected useful life	No amortisation	No amortisation

(n) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Wages and Salaries
A provision for wages and salaries, including non-monetary benefits 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. These liabilities are measured at the amounts expected to be paid when the liabilities are settled including related on-costs.

Annual Leave
The provision for annual leave is recognised in the provision for employee benefits and is measured at the amount expected to be paid when the liabilities are settled including any related on-costs.

Long-term employee benefits

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 Corporate Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. Any actuarial gains or losses are recognised in the statement of profit or loss and other comprehensive income.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.3 Summary of significant accounting policies (cont'd)

(n) Employee benefits (cont'd)

Superannuation plans

For employees who commenced employment with the Corporation prior to 10 August 1999, the Corporation contributes to the Northern Territory Government Public Authorities Superannuation Scheme (NTGPASS), the Northern Territory Supplementary Superannuation Scheme (NTSSS) and the Commonwealth Superannuation Scheme (CSS). Employee contributions to the NTGPASS and CSS funds are based on various percentages of the respective gross salaries. After serving a qualifying period, all employees are entitled to benefits on retirement, disability or death.

The funds provide defined benefits based on years of service, employee contributions and final average salary. The Corporation is under no legal obligation to make up any shortfall in the funds' assets to meet payments due to employees.

Employees who commenced employment with the Corporation on or after 10 August 1999 are provided with an option to either nominate a complying superannuation fund or to use the default superannuation fund.

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Termination benefits

Termination benefits are recognised as an expense when the Corporation is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made in relation to voluntary redundancy.

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimate to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Onerous contracts

If the consolidated entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the consolidated entity recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the consolidated entity cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arsing from failure to fulfil it.

(p) Dividends

A provision for dividends payable is recognised in the reporting period that it is declared. In determining a dividend, the Corporation considers net profit after tax after removing non-cash accounting adjustments such as asset revaluations and provision for onerous contracts. All requirements of the GOC Act and Corporation's Act are considered when declaring a dividend. See Note 6 for further information.

(q) Impairment of tangible and intangible assets

At the end of each reporting period the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.4 Adoption of new and revised Accounting Standards

(a) New accounting standards and amendments that are effective in the current financial year

The consolidated entity has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are mandatory for the current reporting period. No new, revised or amending accounting standard or Interpretation has been adopted earlier than the application date as stated in the standard.

(b) Standards and interpretations in issue not yet effective

Revised standards, amendments to standards and interpretations that are applicable to future periods have been issued by the AASB. None of these are expected to have a material impact on future reporting periods, either because the consolidated entity does not conduct the types of transactions addressed by the pronouncements or because of the extent to which they may impact the consolidated entity is not expected to be material.

2.5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer below for a discussion of critical accounting judgments and key sources of estimation uncertainty.

Critical judgements in applying the consolidated entity's policies

The following are the critical judgements, apart from those involving estimations (see below), that management have made in the process of applying the consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of borrowing costs on qualifying assets

Under AASB 123 'Borrowing Costs', borrowing costs associated with qualifying assets must be capitalised. The definition of a qualifying asset for this purpose is any asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The consolidated entity has determined that assets taking longer than 24 months to construct will be deemed qualifying assets and as such, borrowing costs associated with these assets will be capitalised.

Discount rate to be used in determining the provision for onerous contracts

Under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', for contracts that are onerous the present obligation under the contract shall be recognised and measured as a provision. The definition of an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs of a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Significant judgement is required when selecting the discount rate that shall be applied in determining the carrying amount of the provision. The consolidated entity has determined that any provision cash-flow workings shall be discounted using the long term bond yield rate of 3.77% (2021: 1.52%).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Fair value measurements and valuation processes

A number of the consolidated entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

In estimating the fair value of an asset or a liability, the consolidated entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the consolidated entity engages third party qualified consultants to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 14 and 27.

Impairment write-back

An entity must assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity must estimate the recoverable amount of that asset. The recoverable amount of an asset is the higher of fair value less cost to sell and the value in use of an asset. The consolidated entity has determined that the recoverable amount is represented by fair value less cost to sell.

Impairment write-off

Determining whether an asset is impaired requires analysis of internal and external indicators. If such indication exists, the asset's carrying amount is tested against the asset's recoverable amount. The recoverable amount of an asset is the higher of fair value less cost to sell and the value in use of an asset. The consolidated entity has determined that the recoverable amount is represented by fair value less cost to sell.

Unbilled revenue

As per accounting standard AASB 15 'Revenue from contracts with customers', revenue is recognised to the extent that performance obligations are satisfied, it is probable that the revenue will not be reversed and the revenue can be reliably measured. Therefore, the consolidated entity estimates the amount of electricity, standard control services and water consumed at reporting date but that is yet to be billed. For further information on revenue recognition, refer to Note 2.3 (c).

Useful lives of property, plant and equipment

As described in Note 2.3 (l), the consolidated entity reviews the estimated useful lives of buildings and property, plant and equipment at the end of each reporting period and updates the useful life if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

2.5 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Capitalisation of expenses

During the current year, the consolidated entity capitalised a number of expenses as follows:

(i) Borrowing costs

As described in Note 2.3 (f) and Note 2.5, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. To the extent that the funds are borrowed generally and used for the purpose of obtaining or constructing a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditure on that asset. The average carrying amount of the asset during the period, including borrowing costs previously capitalised, is used as the basis for determining expenditures to which the capitalisation rate is applied in that period. Therefore, the consolidated entity has estimated the amount of borrowing costs to be capitalised at the end of each reporting period.

(ii) Labour recovery costs

Each year the consolidated entity capitalises through timesheeting the portion of employee expenses that are attributable to the construction of an asset. The consolidated entity has determined the labour recovery attributable to the construction of assets each year with the impact of this being a reduction in the total employee expenses recognised in the statement of profit or loss.

(iii) Indirect costs supporting capital projects

The consolidated entity has revised the estimation methodology to identify support costs included in Corporate Services, Power Services and Water Services which are directly attributable to the acquisition, preparation or construction of capital assets for use by management. The financial effect of this change in estimate is a reduction in the expenses recognised in the statement of profit or loss and is noteworthy when compared with the comparative period. As this is a change in estimation method, the impact has been shown prospectively in the financial statements. However, to assist users of the financial statements in analysing year on year impact, the consolidated entity has voluntarily disclosed the estimated effect of the change in estimate had it been applied to the reporting period immediately prior (30 June 2021).

Subsequent to initial recognition, land, buildings and infrastructure assets are held at fair value and are revalued using the income approach in accordance with AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement. Therefore, the estimated impact to the Corporation's total comprehensive income for the comparative period is nil.

The subsidiary entity uses the current replacement cost approach to determine the fair value of infrastructure assets. If the change in estimate methodology described here had been applied to the subsidiary entity in the prior reporting period, there would have been an estimated impact on the consolidated entity's total comprehensive income for the comparative period of approximately $13 million. Whilst a change in estimate requires prospective reporting, this comparative impact has been voluntarily disclosed to assist users of the financial statements analyse year on year comparisons.

The impact of this revised estimation process on the comparative period is stated below:

		Consolidated	
Financial statement line items	*FY21 $'000 as previously disclosed*	*Impact of updated methodology*	*FY21 $'000 adjusted*
Impairment expense	5,139	(19,865)	(14,726)
Other operational expenses	(583,602)	53,112	(530,490)
Net profit/(loss) before tax	(28,928)	33,247	4,319
Tax expense	(631)	(5,989)	(6,620)
Net profit/(loss) after tax	(28,297)	27,258	(1,039)
Other comprehensive income	49,172	(13,974)	35,198
Property, plant and equipment	2,967,915	13,284	2,981,199
Payments to suppliers and employees	(656,265)	53,112	(603,153)
Payments for property, plant and equipment	(111,947)	(53,112)	(165,059)
Total impact to statement of profit or loss and other comprehensive income	20,875	13,284	34,159
Total impact to statement of financial position	1,513,427	13,284	1,526,711
Total impact to net increase/(decrease) in cash and cash equivalents	25,095	-	25,095

		Corporation	
Financial statement line items	*FY21 $ 000 as previously disclosed*	*Impact of updated methodology*	*FY21 $ 000 adjusted*
Impairment expense	(1,940)	(19,865)	(21,805)
Other operational expenses	(517,441)	39,828	(477,613)
Net profit/(loss) before tax	(7,786)	19,963	12,177
Tax expense	(631)	(5,989)	(6,620)
Net profit/(loss) after tax	(7,155)	13,974	6,819
Other comprehensive income	49,172	(13,974)	35,198
Property, plant and equipment	2,336,489	-	2,336,489
Payments to suppliers and employees	(569,382)	39,828	(529,554)
Payments for property, plant and equipment	(81,565)	(39,828)	(121,393)
Total impact to statement of profit or loss and other comprehensive income	42,017	-	42,017
Total impact to statement of financial position	1,238,099	-	1,238,099
Total impact to net increase/(decrease) in cash and cash equivalents	14,701	-	14,701

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
3 Revenue				
3.1 Revenue from contracts with customers				
Revenue from contracts with customers	688,738	703,209	643,207	659,625
	688,738	**703,209**	**643,207**	**659,625**

(a) Disaggregation of revenue from contracts with customers

The consolidated entity derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Gas $'000	Electricity distribution $'000	System Control $'000	Water $'000	Sewerage $'000	Electricity $'000	Gifted assets & capital contributions $'000	Other $'000	Total $'000
					For the year ended 30 June 2022				
Consolidated entity									
Revenue from external customers	248,579	167,021	11,530	123,026	82,224	40,550	9,638	6,170	688,738
Timing of revenue recognition									
- Over time	248,579	167,021	11,530	123,026	82,224	40,550	-	2,222	675,152
- At a point in time	-	-	-	-	-	-	9,638	3,948	13,586
	248,579	167,021	11,530	123,026	82,224	40,550	9,638	6,170	688,738
Corporation									
Revenue from external customers	248,579	166,946	11,530	117,283	79,024	4,110	9,638	6,097	643,207
Timing of revenue recognition									
- Over time	248,579	166,946	11,530	117,283	79,024	4,110	-	2,222	629,694
- At a point in time	-	-	-	-	-	-	9,638	3,875	13,513
	248,579	166,946	11,530	117,283	79,024	4,110	9,638	6,097	643,207
					For the year ended 30 June 2021				
Consolidated entity									
Revenue from external customers	273,655	171,054	9,411	115,268	79,057	37,658	11,968	5,138	703,209
Timing of revenue recognition									
- Over time	273,655	171,054	9,411	115,268	79,057	37,658	-	6,405	692,508
- At a point in time	-	-	-	-	-	-	11,968	(1,267)	10,701
	273,655	171,054	9,411	115,268	79,057	37,658	11,968	5,138	703,209
Corporation									
Revenue from external customers	273,655	170,941	9,411	109,876	75,951	3,274	11,489	5,028	659,625
Timing of revenue recognition									
- Over time	273,655	170,941	9,411	109,876	75,951	3,274	-	222	643,330
- At a point in time	-	-	-	-	-	-	11,489	4,806	16,295
	273,655	170,941	9,411	109,876	75,951	3,274	11,489	5,028	659,625

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

3.1 Revenue from contracts with customers (Cont.)

(b) Assets and liabilities related to contracts with customers

The consolidated entity has recognised the following assets and liabilities related to contracts with customers:

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Receivables*	48,736	52,162	46,668	45,825
Contract assets (current)	36,478	34,465	36,478	34,465
Contract liabilities (current)	72,976	57,990	72,976	57,990
Contract liabilities (non-current)	22,054	18,381	22,054	18,381

** Receivables related to contracts with customers under AASB 15 which are included in 'Trade and other receivables'*

The contract assets primarily relate to the consolidated entity's rights to consideration for work completed but not billed at the reporting date on gas contracts, electricity and water contracts, power distribution and contracts. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities relate primarily to the advance consideration received from customers for:

- Waste removal (sewerage) contracts for which revenue is recognised over time as the consolidated entity satisfies its performance obligations
- Capital contributions for the purpose of constructing infrastructure assets that will be owned by the consolidated entity, for which the revenue will be recognised at a point in time on completion of the construction of the infrastructure asset and connected to the network system
- Capital contributions (recoverable works) for the purpose of constructing infrastructure assets that will be owned by the customer, for which revenue is recognised over time as the asset is being constructed (as the asset is constructed on the customers premises).

Significant changes in the contract assets and the contract liabilities balances during the period here as follows:

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	9,627	7,548	9,627	7,485
Increases due to cash received, excluding amounts recognised as revenue during the period	11,004	12,957	10,998	12,957

(c) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	1 to 2 years $'000	3 to 5 years $'000	6 to 10 years $'000	10 years + $'000
30 June 2022				
Gas sales	-	-	3,324	18,730
30 June 2021				
Gas sales	-	-	2,390	15,990

For sales of electricity distribution services, water, sewerage and other waste management services and electricity, the consolidated entity is unable to disclose information relating to unsatisfied (or partially unsatisfied) performance obligations at the reporting date because the contracts are for indefinite periods or the volumes of goods and/or services to be provided were unknown at the initial date of the contract.

The consolidated entity applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

		Consolidated		Corporation	
		June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
3.2	**Revenue from rendering of services and government grants**				
	IES capital government grants	29,280	27,685	-	-
	IES recurrent government grants	68,105	48,577	-	-
		97,385	**76,262**	**-**	**-**
3.3	**Finance revenue**				
	Interest income:				
	Financial instruments measured at fair value:				
	Finance leases	180	197	646	672
	Financial instruments measured at amortised cost:				
	Bank deposits	238	189	145	111
	Loans to related party	-	1,317	603	1,317
		418	**1,703**	**1,394**	**2,100**
3.4	**Other income**				
	Community Service Obligations:				
	Uniform tariffs	8,438	7,351	8,438	7,351
	Gas CSO	14,491	14,649	14,491	14,649
	Pensioner Concessions Scheme	4,357	4,400	4,357	4,400
	Business Relief for COVID-19	259	2,704	259	2,704
	Other revenue	655	507	655	507
		28,200	**29,611**	**28,200**	**29,611**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

		Consolidated		Corporation	
		June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
4	**Expenses**				
4.1	**Repairs and maintenance expense**				
	Materials	45,714	41,196	30,792	28,184
	Labour	25,647	32,867	23,214	30,177
		71,361	**74,063**	**54,006**	**58,361**
4.2	**Employee benefits expense**				
	Personnel	135,338	139,404	122,313	125,723
	Superannuation	14,298	14,126	12,912	12,778
		149,636	153,530	135,225	138,501
	Contract and apprentice labour	11,547	7,918	11,358	7,636
		161,183	161,448	146,583	146,137
	Less: capital and maintenance labour recovery	(90,889)	(62,626)	(80,715)	(58,846)
		70,294	**98,822**	**65,868**	**87,291**

During the year ended 30 June 2022, the Consolidated entity revised the estimation methodology for capital and maintenance labour recovery (see Note 2.5(iii)). The impact of the change for the current year is $34.5 million and $25.0 million for the Consolidated entity and the Corporation respectively and is the primary driver of the decrease in total employee benefits expense decreased from the prior year.

		Consolidated June 2022	Consolidated June 2021	Corporation June 2022	Corporation June 2021
4.3	**Impairment of non-current assets and onerous contract provisions**				
	Impairment/(reversal of impairment) of make up gas	(1,056)	3,542	(1,056)	3,542
	Impairment of property, plant and equipment	11,626	1,746	11,626	1,746
	Impairment of inter-company loan	-	-	(7,079)	7,079
	Reversal of impairment on infrastructure assets	(50,131)	(10,427)	(50,131)	(10,427)
		(39,561)	**(5,139)**	**(46,640)**	**1,940**

<u>30 June 2022</u>
As at 30 June 22, the Corporation revalued its infrastructure assets resulting in a net revaluation increase in assets of $38.5 million (2021: $8.7 million) reflected in the Consolidated statement of profit or loss.

A review of the expected credit loss on the inter-company loan resulted in reversal of impairment of $7.1 million (2021: $7.1 million impairment).

A review of the value of make-up gas resulted in reversal of impairment expense of $1.1 million (2021: $3.5 million impairment expense).

<u>30 June 2021</u>
As at 30 June 21, the Corporation revalued its infrastructure assets resulting in a net revaluation increase in assets of $8.7 million (2020: $55.4 million) reflected in the Consolidated statement of profit or loss.

A review of the expected credit loss on the inter-company loan resulted in an impairment of $7.1 million (2020: Nil).

A review of the value of make-up gas resulted in an impairment expense of $3.5 million (2020: $95.4 million reversal of impairment expense). The year on year movement $98.9 million is a result of a large reversal of impairment in the prior year in relation to the decrease in provision for onerous contract.

		Consolidated June 2022	Consolidated June 2021	Corporation June 2022	Corporation June 2021
4.4	**Other expenses**				
	(Reversal of impairment)/impairment of trade receivables	(737)	4,765	(737)	4,765
	Board approved write-offs	-	2,261	-	2,285
	Freight	1,601	1,373	361	378
	Grants and subsidies	1,101	1,942	1,101	1,942
	Information technology and communications expense	12,666	11,046	11,351	9,630
	Insurance costs	3,526	3,734	3,520	3,731
	Laboratory fees and environmental compliance	4,010	3,702	2,833	2,725
	Motor vehicle	4,671	1,947	3,847	1,123
	Other expenses	12,671	10,550	11,589	9,381
	Property costs	14,653	14,191	14,335	13,832
	Training	2,363	1,562	2,315	1,529
	Travel and accommodation	1,789	1,562	1,427	992
	Water Conservation Program	1,162	1,140	1,162	1,061
		59,476	59,775	53,104	53,374
	Less: capital recovery	(28,200)	-	(22,145)	-
		31,276	**59,775**	**30,959**	**53,374**

During the year ended 30 June 2022, the Consolidated entity revised the estimation methodology for capital recovery (see Note 2.5(iii)). The impact of this change resulted in a $28.2 million and $22.2 million decrease in other expenses compared to the prior year for the Condolidated entity and the Corporation respectively.

		Consolidated June 2022	Consolidated June 2021	Corporation June 2022	Corporation June 2021
4.5	**Depreciation and amortisation expense**				
	Depreciation				
	Buildings	1,661	1,855	1,661	1,855
	Plant and equipment	6,053	5,586	5,871	5,433
	Infrastructure	148,900	147,338	91,905	90,464
	Total depreciation	**156,614**	**154,779**	**99,437**	**97,752**
	Amortisation				
	Leased assets	34,996	33,329	32,414	30,771
	Intangible assets	3,170	4,030	3,107	3,981
	Total amortisation	**38,166**	**37,359**	**35,521**	**34,752**
	Total depreciation and amortisation expense	**194,780**	**192,138**	**134,958**	**132,504**
4.6	**Finance costs**				
	Interest Expense - Government	45,157	46,309	45,157	46,309
	Interest Expense - Leases	11,475	11,292	10,455	10,299
	Interest Expense - Other	171	3,186	132	2,144
	Total interest expense for financial liabilities not classified as at FVTPL	56,803	60,787	55,744	58,752
	Less: Capitalised finance costs	(2,554)	(1,953)	(2,554)	(1,953)
		54,249	**58,834**	**53,190**	**56,799**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowings pool and are calculated by applying a capitalisation rate of 3.95% per annum (2021: 3.83%) to expenditure on such assets.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
5 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
Current income tax				
Current income tax charge	6,317	1,360	6,317	1,360
Deferred income tax				
Under/(over) from prior years	4,785	(1)	4,785	(1)
Relating to origination and reversal of temporary differences	20,995	(1,990)	20,995	(1,990)
Income tax (refund) / expense reported in profit or loss	**32,097**	**(631)**	**32,097**	**(631)**
Numerical reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax	79,709	(28,928)	91,470	(7,786)
At the consolidated entities' statutory income tax rate of 30% (2021: 30%)	23,913	(8,678)	27,441	(2,336)
Under/(over) provision from prior years	4,785	(1)	4,785	(1)
Expenditure not allowable for income tax purposes	3,558	6,369	30	27
Tax effect on reversal of impairment of loan to subsidiary	(2,123)	-	(2,123)	-
Tax effect of transfer pricing adjustment	1,964	1,679	1,964	1,679
Income tax (refund) / expense on pre-tax profit	**32,097**	**(631)**	**32,097**	**(631)**
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities (DTL)				
Property, plant and equipment	109,406	121,517	109,406	121,517
Prepayments	54	54	54	54
Gross deferred income tax liabilities	**109,460**	**121,571**	**109,460**	**121,571**
Movements:				
Opening balance at 1 July	121,571	104,041	121,571	104,041
(Under) provision from prior years	(479)	-	(479)	-
Credited/(charged) to profit or loss	20,926	(2,795)	20,926	(2,795)
DTL on revaluation recognised directly against ARR	(32,558)	20,325	(32,558)	20,325
Closing balance at 30 June	**109,460**	**121,571**	**109,460**	**121,571**
Deferred tax assets (DTA)				
Employee provisions	14,580	15,440	14,580	15,440
Allowance for doubtful debts	2,599	2,989	2,599	2,989
Obsolete stock provision	645	620	645	620
Provision for contract costs	-	-	-	-
Renewable energy provision	5	3	5	3
Make up gas impairment	2,607	2,085	2,607	2,085
Accrued expenses	(82)	66	(82)	66
Board approved write-offs	1,810	3,362	1,810	3,362
Lease repayments	4,100	1,997	4,100	1,997
Gross deferred income tax assets	**26,264**	**26,562**	**26,264**	**26,562**
Movements:				
Opening balance at 1 July	26,562	26,837	26,562	26,837
(Over)/under provision from prior years	(228)	530	(228)	530
(Charged) to profit or loss	(70)	(805)	(70)	(805)
Closing balance at 30 June	**26,264**	**26,562**	**26,264**	**26,562**
Net deferred tax liabilities	**(83,196)**	**(95,009)**	**(83,196)**	**(95,009)**
Deferred tax expense	**20,996**	**(1,990)**	**20,996**	**(1,990)**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
5 Income tax equivalent expense (Cont'd)				
(c) Income tax (receivable)/payable				
Opening balance at 1 July	(13,305)	567	(13,305)	567
(Over)/under provision from prior years	5,558	529	5,558	529
Income tax paid	(703)	(15,761)	(703)	(15,761)
Current year income tax expense	6,317	1,360	6,317	1,360
Closing balance at 30 June	**(2,133)**	**(13,305)**	**(2,133)**	**(13,305)**
6 Dividends				
Dividends paid to its shareholder during the financial year were as follows:				
Dividend paid during the year on ordinary shares:	2,000	1,000	2,000	1,000
	2,000	**1,000**	**2,000**	**1,000**

7 Cash and cash equivalents

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

Cash assets	**147,312**	**148,667**	**79,324**	**81,947**

(b) Reconciliation of net profit after tax to net cash flows from operations

Net profit/(loss)	47,612	(28,297)	59,373	(7,155)
Adjustments for:				
Depreciation and amortisation	194,780	192,138	134,958	132,504
Impairment writedown (reversal)	(39,561)	(5,139)	(46,640)	1,940
Contributed assets provided free of charge	(7,280)	(9,576)	(7,280)	(9,138)
Write-off of WIP	-	2,260	-	2,285
Net loss on disposal of property, plant and equipment, inc gifted streetlights	5,572	3,190	4,792	1,884
Changes in assets and liabilities:				
(Increase)/decrease in inventories	(5,894)	(8,659)	(623)	(8,716)
(Increase)/decrease in trade and other receivables	(11,217)	(10,613)	(17,990)	(9,177)
(Increase)/decrease in current intangible assets	(846)	(47)	(75)	175
Decrease in net deferred tax payable	20,222	(2,521)	20,222	(2,520)
(Decrease)/increase in current tax liabilities	11,172	(13,872)	11,172	(13,872)
(Decrease)/increase in trade and other payables	10,298	(2,317)	3,958	(865)
Increase/(decrease) in government grants	(7,587)	13,264	-	-
(Decrease)/increase in provisions	(307)	1,862	(307)	1,862
Increase in unearned revenue	18,660	7,991	18,660	7,992
Net cash flows from operating activities	**235,624**	**139,664**	**180,220**	**97,199**

(c) Non-cash transactions

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of $7.3 million (2021: $2.7 million) by means of gifts. These acquisitions are not reflected in the statement of cash flows.

During the financial year the consolidated entity acquired right-of-use assets with an aggregate fair value of $61.6 million (2021: $4.4 million). Refer to Note 15 for further details. These acquisitions are not reflected in the statement of cash flows.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the consolidated entity's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated entity's statement of cash flows as cash flows from financing activities.

	Consolidated		Corporation	
Year ended 30 June 2022	Lease liabilities $'000	Borrowings $'000	Lease liabilities $'000	Borrowings $'000
Opening balance	400,837	1,157,000	376,475	1,157,000
Repayment of borrowings	-	-	-	-
Proceeds from borrowings	-	18,000	-	18,000
Repayment of lease liabilities	(29,391)	-	(27,187)	-
Non-cash changes				
New leases and remeasurements	79,092	-	76,973	-
Other non cash movements	(669)	-	(1,049)	-
Closing balance	**449,869**	**1,175,000**	**425,212**	**1,175,000**
Year ended 30 June 2021				
Opening balance	418,035	1,162,000	393,301	1,162,000
Repayment of borrowings	-	(284,000)	-	(284,000)
Proceeds from borrowings	-	279,000	-	279,000
Repayment of lease liabilities	(29,144)	-	(27,463)	-
Non-cash changes				
New leases and remeasurements	12,722	-	12,009	-
Other non cash movements	(776)	-	(1,373)	-
Closing balance	**400,837**	**1,157,000**	**376,474**	**1,157,000**

Financing cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

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Notes to the financial statements
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	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
8 Trade and other receivables				
(a) Current				
Service receivables				
Service receivables	46,500	47,819	44,432	41,482
Loss allowance	(8,662)	(9,965)	(8,662)	(9,965)
	37,838	37,854	35,770	31,517
Unbilled consumption	36,478	34,465	36,478	34,465
	74,316	**72,319**	**72,248**	**65,982**
Other receivables				
Prepayments	5,197	10,871	5,122	10,709
Receivables from controlled entities	-	-	11,437	8,984
	5,197	10,871	16,559	19,693
Other receivables	39,362	34,677	39,268	34,619
	44,559	**45,548**	**55,827**	**54,312**
	118,875	**117,867**	**128,075**	**120,294**

Risk profile of service receivables

The average age of these receivables is 40 days (2021: 39 days). No interest is charged and no collateral is held on outstanding service receivables.

The consolidated entity recognises a loss allowance for trade receivables at an amount equal to expected credit losses (ECL). The ECL on service receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The consolidated entity has undertaken a review of all receivables that are over 90 days past due and recognised a loss allowance against all receivables that are considered not recoverable based on historical experience.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of customer types with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The consolidated entity writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

As at 30 June 2022, trade receivables of $8.7 million (2021: $10.0 million) had lifetime ECL of the full value of the receivables.

Set out below is the information about the credit risk exposure on the consolidated entity's trade receivables using a provision matrix:

	Current $000	<30 days $000	30–60 days $000	61–90 days $000	>91 days $000	Total $000
30 June 2022						
Expected credit loss rate	0.7%	8.3%	37.2%	27.7%	57.1%	18.6%
Gross carrying amount	25,758	5,784	1,603	732	12,623	46,500
Expected credit loss	178	481	597	203	7,204	8,662
30 June 2021						
Expected credit loss rate	1.1%	2.7%	7.5%	1.7%	88.0%	20.8%
Gross carrying amount	17,387	9,943	2,856	7,212	10,421	47,819
Expected credit loss	187	271	214	120	9,174	9,965

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000

8 Trade and other receivables (Cont'd)

Movement in the allowance for doubtful debts:

The following table shows the movement in lifetime expected credit losses that has been recognised for trade receivables in accordance with the simplified approach set out in AASB 9.

Balance at beginning of year	(9,965)	(9,354)	(9,965)	(9,354)
Impairment losses recognised on receivables	737	(4,765)	737	(4,765)
Written off as uncollectible	616	4,238	616	4,238
Written off debts subsequently collected	(50)	(84)	(50)	(84)
Balance at end of year	**(8,662)**	**(9,965)**	**(8,662)**	**(9,965)**

Explanation of significant changes

The decrease in balances written off as uncollectible, resulted in a similar decrease in the estimated credit losses on the remaining receivables.

Risk profile of other receivables

The expected credit losses on the other trading receivables from controlled entities has been assessed at nil on the basis of historical default experience and the financial position of the controlled entity as at 30 June 2021. The balance was subsequently settled in July 2021. Refer Note 12 on write down of loans to same controlled entities.

(b) Non Current

Other receivables

Other receivables	13,979	16,112	13,979	16,112
Prepayments	12,342	-	12,342	-
	26,321	**16,112**	**26,321**	**16,112**

The amount recognised in non-current other receivables represents the cost of gas that has been delivered to a third party customer. This transfer does not meet the revenue recognition criteria under AASB 15 Revenue from Contracts with Customers on the basis that the Pay Out Option has not yet been exercised and future returns cannot be reliably estimated as the amount would depend on the gas drawn down by the consolidated entity. Therefore the gas has been recognised as an asset until the exercise of the Pay Out Option or the contract expires in 2024, whichever is the earlier.

The amount recognised in non-current prepayments represents costs paid in advance for periods beyond 12-months from the reporting date.

9 Inventories

Materials and stores	24,505	24,861	25,042	25,397
Fuel stocks	10,443	4,632	855	315
Gas stocks	1,680	1,285	1,679	1,284
Tokens	107	63	106	63
	36,735	**30,841**	**27,682**	**27,059**

The cost of inventories recognised as an expense during the year in respect of continuing operations for the Corporation and the consolidated entity respectively was $172.1 million and $199.7 million (2021: $194.4 million and $212.1 million respectively). The cost of inventories recognised as an expense for the Corporation and the consolidated entity includes $51.0 thousand (2021: $42.0 million) in respect of write-downs of inventory to net realisable value.

10 Investments

2,500 $1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation	**3**	**3**	**3**	**3**

The Corporation also holds 5 (2021: 5) ordinary shares of $1 each in NT Gas Pty Limited which remains dormant.

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11 Investment in subsidiaries

	Consolidated		Corporation	
	June 2022 $	June 2021 $	June 2022 $	June 2021 $
Indigenous Essential Services Pty Limited	-	-	10	10
	-	**-**	**10**	**10**

Details of the consolidated entity's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Equity Interest June 2022	Equity Interest June 2021
BGP Tenure Holdings Pty Limited	Australia	50%	50%
Indigenous Essential Services Pty Limited	Australia	100%	100%

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2022 owned 100% (2021: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

Principal activities of the subsidiaries

Indigenous Essential Services Pty Limited
The principal activities of Indigenous Essential Services Pty Limited as a not-for-profit entity are to provide electricity, water and sewerage services to remote Indigenous communities in the Northern Territory.

BGP Tenure Holdings Pty Limited
BGP Tenure Holdings Pty Limited was established in February 2008 to hold land tenure interests for the Corporation in the Bonaparte Gas Pipeline project in the Northern Territory. Its central office is based in Sydney.

Details of non-controlling interests in subsidiaries

The Corporation owns 50% of the shares in BGP Tenure Holdings Pty Limited with the remaining 50% held by non-controlling interests. The relevant activities of the BGP Tenure Holdings Pty Limited are determined by the Board of Directors of BGP Tenure Holdings Pty Limited. The Board of Directors of BGP Tenure Holdings Pty Limited consists of two members, of which one of the positions is held by an individual nominated by the Corporation.

BGP Tenure Holdings Pty Limited is a non-trading entity and as such did not make a profit for the year ended 30 June 2022 (2021: $Nil).

Summarised financial information in respect of BGP Tenure Holdings Pty Limited that have non-controlling interests is set out below.

	Corporation	
	June 2022 $	June 2021 $
Non-current assets	100	100
Equity	100	100
Equity attributable to the Corporation		
- Corporation	50	50
- Non-controlling interests	50	50

Change in the consolidated entity's ownership interest in a subsidiary

There have been no changes in the ownership interests held by the consolidated entity in any of its subsidiaries during the year ended 30 June 2022 (2021: Nil).

Power and Water Corporation

Notes to the financial statements
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11 Investment in subsidiaries (Cont'd)

Financial support

The financial statements for IES Pty Ltd have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. IES Pty Ltd has incurred a net loss of $0.7 million for the year ended 30 June 2022 and $23.5 million for the year ended 30 June 2021. IES Pty Ltd's net working capital was a surplus of $6.4 million at 30 June 2022 and a deficit of $1.4 million at 30 June 2021. Current liabilities, excluding unearned revenue and lease liabilities at 30 June 2022 and 2021 include $24.7 million and $19.9 million of trade and other payables respectively.

Assets are fundamental to the essential services provided by IES Pty Ltd. Accordingly, IES Pty Ltd is economically dependent on the Northern Territory Government (NTG) to fund its future capital expenditure as well as a significant portion of its operating expenses. IES Pty Ltd's cash balances as at 30 June 2022 increased by $1.3 million from $66.7 million to $68.0 million due to cash outflows for grants received in the prior year to construct property, plant and equipment. The funding agreement with NTG has been extended to 30 June 2023, a continuation of a series of agreements over an extended period of time.

The Corporation will provide financial support to IES Pty Ltd to ensure that it has sufficient funds to meet its financial obligations to pay its debts as and when they become due and payable. The Corporation has also undertaken that it will not take any action which may result in IES Pty Ltd being unable to perform those financial obligations, including the Corporation not calling upon any loans owed by IES Pty Ltd unless there are sufficient excess funds available to do so.

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
12 Loans to subsidiaries				
Financial assets measured at amortised cost:				
Non-current	-	-	25,000	25,000
Expected Credit Loss				(7,079)
	-	**-**	**25,000**	**17,921**

The loans were provided to IES Pty Ltd as capital assistance towards the Arena Solar Project where IES Pty Ltd built a solar farm to reduce the cost of electricity production in the communities it services. The total loans provided to IES Pty Ltd remains at $25.0 million as at 30 June 2022.

The two loans provided are interest only fixed term loans for five years ending 17 March 2024 and 29 June 2026. Interest is charged on the outstanding balances at 3.88% on the loan provided during 2018-19 and 2.88% for the loan provided in 2020-21.

The expected credit losses on the loans to subsidiaries have been assessed as nil as at 30 June 2022 (2021: $7.1 million) on the basis of the long-term cash surplus, from the third party funding provider, of the subsidiary from distillate cost savings arising from the solar project.

The subsidiary expects that a reduced risk profile on the principal repayments would be the result of these negotiations. The Corporation will reassess the expected credit losses on the loans to subsidiaries at the completion of any such negotiations.

In determining the expected credit losses for the loans to subsidiaries, the consolidated entity has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries, as appropriate, in estimating the probability of default of the loans to subsidiaries occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the loans to subsidiaries.

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Notes to the financial statements
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13 Finance lease receivables

	Minimum lease payments			
	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Amounts receivable under finance leases:				
Year 1	1,057	1,027	2,651	2,555
Year 2	1,058	1,027	2,651	2,554
Year 3	1,058	1,027	2,651	2,554
Year 4	1,058	1,027	2,651	2,554
Year 5	1,058	1,027	2,651	2,554
Onwards	1,587	2,568	13,534	15,550
Undiscounted lease payments	6,876	7,703	26,789	28,321
Less: unearned finance income	(558)	(716)	(3,528)	(4,011)
Present value of lease payments receivable	6,318	6,987	23,261	24,310
Impairment loss allowance	-	-	-	-
Net investment in the lease	6,318	6,987	23,261	24,310
Discounted lease payments analysed as:				
Recoverable within 12 months	965	900	2,059	1,933
Recoverable after 12 months	5,353	6,087	21,202	22,377
	6,318	6,987	23,261	24,310

The consolidated entity has entered into finance leasing arrangements as a lessor for certain gas pipelines. The term of the lease depends on the needs of the customer. Generally, these lease contracts do not include extension or early termination options except in exceptional circumstances outside the control of the consolidated entity.

The consolidated entity is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in Australian Dollars. Residual value risk is not significant, because of the existence of insurance indemnity in place. The finance lease arrangements do not include variable payments.

Amounts included in profit or loss are disclosed in Note 3.3.

The estimated loss allowance on finance lease receivables at the end of the reporting period is an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period are past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, no finance lease receivable is considered to be impaired.

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	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000

14 Property, plant and equipment

Carrying amounts of:	Consolidated June 2022 $'000	Consolidated June 2021 $'000	Corporation June 2022 $'000	Corporation June 2021 $'000
Land at fair value	80,640	80,160	80,640	80,160
Buildings at fair value	22,146	23,419	22,146	23,419
Infrastructure at fair value	2,489,627	2,623,011	1,957,354	2,064,240
Plant and Equipment at fair value	25,733	24,268	24,646	23,364
Capital Work in Progress at cost	314,629	217,057	222,681	145,306
	2,932,775	**2,967,915**	**2,307,467**	**2,336,489**

Movement in carrying amounts	Land at fair value $'000	Buildings at fair value $'000	Infrastructure at fair value $'000	Plant and Equipment at fair value $'000	Work in Progress at cost $'000	Total Property, Plant and Equipment $'000
Year ended 30 June 2022						
Consolidated						
Opening Balance	80,160	23,419	2,623,011	24,268	217,057	2,967,915
Additions	480	19	7,955	580	188,667	197,701
Depreciation	-	(1,661)	(148,898)	(6,055)	-	(156,614)
Transfers from WIP	-	369	82,271	6,941	(91,095)	(1,514)
Disposals	-	-	(4,690)	(1)	-	(4,691)
Board approved write-offs	-	-	-	-	-	-
Revaluation	-	-	(70,022)	-	-	(70,022)
Closing balance	**80,640**	**22,146**	**2,489,627**	**25,733**	**314,629**	**2,932,775**
Corporation						
Opening Balance	80,160	23,419	2,064,240	23,364	145,306	2,336,489
Additions	480	19	7,956	579	136,785	145,819
Depreciation	-	(1,661)	(91,905)	(5,871)	-	(99,437)
Transfers from WIP	-	369	51,043	6,575	(59,409)	(1,422)
Disposals	-	-	(3,958)	(1)	-	(3,959)
Board approved write-offs	-	-	-	-	-	-
Revaluation	-	-	(70,022)	-	-	(70,022)
Closing balance	**80,640**	**22,146**	**1,957,354**	**24,646**	**222,681**	**2,307,467**
Year ended 30 June 2021						
Consolidated						
Opening Balance	80,108	24,308	2,590,710	24,344	209,132	2,928,602
Additions	52	5	9,727	175	113,131	123,090
Depreciation	-	(1,855)	(147,336)	(5,588)	-	(154,779)
Transfers from WIP	-	961	94,848	5,337	(102,945)	(1,799)
Disposals	-	-	(3,116)	-	-	(3,116)
Board approved write-offs	-	-	-	-	(2,261)	(2,261)
Revaluation	-	-	78,178	-	-	78,178
Closing balance	**80,160**	**23,419**	**2,623,011**	**24,268**	**217,057**	**2,967,915**
Corporation						
Opening Balance	80,108	24,308	1,997,988	23,557	143,727	2,269,688
Additions	52	5	9,289	175	82,981	92,502
Depreciation	-	(1,855)	(90,464)	(5,433)	-	(97,752)
Transfers from WIP	-	961	71,297	5,065	(79,117)	(1,794)
Disposals	-	-	(2,048)	-	-	(2,048)
Board approved write-offs	-	-	-	-	(2,285)	(2,285)
Revaluation	-	-	78,178	-	-	78,178
Closing balance	**80,160**	**23,419**	**2,064,240**	**23,364**	**145,306**	**2,336,489**

Note: Depreciation and Transfers from WIP do not include the amounts in relation to intangible assets. For depreciation and transfer from WIP relating to intangible assets refer to Note 16.

Historical Cost Basis
If the consolidated entity's freehold land, buildings and infrastructure had been measured on a historical cost basis, the carrying amount would have been as follows:

	Consolidated June 2022 $'000	Consolidated June 2021 $'000	Corporation June 2022 $'000	Corporation June 2021 $'000
Land	18,078	17,598	18,078	17,598
Buildings	34,920	37,299	34,920	37,299
Infrastructure	1,974,203	1,995,582	1,646,111	1,666,327
	2,027,201	**2,050,479**	**1,699,109**	**1,721,224**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

14 Property, plant and equipment (Cont'd)

Depreciation has been calculated based on the estimated useful lives used for each class of asset as follows:

Property Plant and Equipment	June 2022	June 2021
Plant and equipment	2 to 50 years	2 to 50 years
Buildings	5 to 53 years	5 to 53 years
Infrastructure	4 to 100 years	4 to 100 years

As at 30 June 2022

During 2021-22, the consolidated entity undertook a review of property, plant and equipment and their remaining useful lives for both the Corporation and its subsidiary, IES Pty Ltd.

For existing assets, the useful lives applied to all Infrastructure classifications were reviewed against the standard useful lives approved by each business unit in June 2022. No significant variances were identified.

As at 30 June 2021

During 2020-21, the consolidated entity undertook a review of property, plant and equipment and their remaining useful lives for both the Corporation and its subsidiary, IES Pty Ltd.

For existing assets, the useful lives applied to all Infrastructure classifications were reviewed against the standard useful lives approved by each business unit in June 2021. No significant variances were identified.

Property, Plant and Equipment	June 2021	June 2020
Plant and equipment	2 to 50 years	2 to 50 years
Buildings	5 to 53 years	5 to 53 years
Infrastructure	4 to 100 years	4 to 100 years

Fair value measurement of property, plant and equipment (excluding right-of-use assets and capital works in progress)

The following valuation techniques are used for the Corporation (1):

Asset class		Valuation policy
Land and buildings	Specialised land	Market approach
	Non-specialised land	Market approach
	Office buildings	Market approach
Infrastructure systems	Water and sewerage	Income approach
	Electricity generation	Income approach
	Electricity distribution and transmission	Income approach
	Gas supply (2)	Income approach
Plant and equipment (3)	Non-specialised plant and equipment	Historical cost

(1) Excludes the assets of IES Pty Ltd in which assets are measured using the Current Replacement Cost approach for infrastructure systems assets.

(2) Gas supply assets are comprised of the McArthur River Gas Pipeline and the Palm Valley Interconnect Pipeline.

(3) Non-specialised assets such as minor items of office equipment are held at historic cost.

The fair value of the freehold land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of infrastructure system assets was determined using the Income approach. This reflects the cost a market participant would be willing to pay if buying an asset. The Income approach converts future amounts (e.g.. Cashflows or income and expenses) to a single current (ie. discounted) amount. When the Income approach is used, the fair value measurement reflects current market expectations about those future amounts. The significant factors include the transportation factor, foreign exchange rates, CPI Index, Reserve Bank cash rates and the construction cost factor.

The fair value of non-specialised plant and equipment were determined using historical cost as these are minor asset items such as operating and office equipment.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

14 Property, plant and equipment (Cont'd)

Revaluation of property, plant and equipment

As at 30 June 2022

The consolidated entity values infrastructure assets using the income approach method in accordance with AASB 13 Fair Value. The review resulted in a decrease in the consolidated entity's infrastructure assets of $70.0 million. This has been primarily driven by an increase in the Water Services WACC from 6.25% to 7.0% partially offset by an increase in Power Services Terminal RAB value due to higher capital expenditure. This increase in WACC is reflective of an increase in the cost of debt from June 2021 to June 2022.

As at 30 June 2021

Following AASB 13 Fair Value, the consolidated entity values infrastructure assets using the income approach method. Under this model, there is a requirement to review the carrying value of these assets each year. The review resulted in an increase in the consolidated entity's infrastructure assets of $69.5 million. This has been primarily driven by a reduction in the forecast capital expenditure of the Water and Sewerage CGU, partially offset by an increase in this CGUs weighted average cost of capital (WACC) from 5.75% to 6.25%. This increase in WACC is reflective of the incremental risk premium of 1.5% associated with a change to assumptions regarding the financing source of large scale water head works assets. The estimated impact of this increase in risk premium is the reduction of the value of Water and Sewerage infrastructure assets by approximately $185 million. The overall increase in infrastructure asset value is also a result of a reduction in the incremental risk premium associated with the coronavirus pandemic from 0.25% to 0.0%, transformation initiatives flowing through to profitability, updated capital expenditure assumptions and operational cash flow expectations over the medium to longer term.

There have been no changes to the valuation techniques during the year ended 30 June 2022.

Details of the consolidated entity's land, buildings, infrastructure and plant and equipment and information about their fair value hierarchy as at the end of the reporting are as follows:

Consolidated entity	Level 2 $'000	Level 3 $'000	Fair value $'000
Fair value as at 30 June 2022			
Freehold land	80,640	-	80,640
Buildings	-	22,146	22,146
Infrastructure	-	2,489,627	2,489,627
Plant and equipment	-	25,733	25,733
Work in progress	-	314,629	314,629
Total	**80,640**	**2,852,135**	**2,932,775**
Fair value as at 30 June 2021			
Freehold land	80,160	-	80,160
Buildings	-	23,419	23,419
Infrastructure	-	2,623,011	2,623,011
Plant and equipment	-	24,268	24,268
Work in progress	-	217,057	217,057
Total	**80,160**	**2,887,755**	**2,967,915**

Corporation	Level 2 $'000	Level 3 $'000	Fair value $'000
Fair value as at 30 June 2022			
Freehold land	80,640	-	80,640
Buildings	-	22,146	22,146
Infrastructure	-	1,957,354	1,957,354
Plant and equipment	-	24,646	24,646
Work in progress	-	222,681	222,681
Total	**80,640**	**2,226,827**	**2,307,467**
Fair value as at 30 June 2021			
Freehold land	80,160	-	80,160
Buildings	-	23,419	23,419
Infrastructure	-	2,064,240	2,064,240
Plant and equipment	-	23,364	23,364
Work in progress	-	145,306	145,306
Total	**80,160**	**2,256,329**	**2,336,489**

There were no transfers of assets between Level 1 and Level 2 during the year.

Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability either directly or indirectly. Valuation techniques are described above.

Level 3 inputs are unobservable inputs for the asset or liability. Valuation techniques are described above.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

14 Property, plant and equipment (Cont'd)

Core operational assets of Power Services and Water and Sewerage business units are valued using the income approach. Consistent with the accounting standards, the income approach has a 'purchaser of the business' perspective and is based on the net present value of the forecasted cash flows of these businesses applying anticipated market conditions. Significant unobservable inputs in the model and sensitivity analysis are outlined below.

	Valuation Techniques	Significant unobservable inputs	Sensitivity
Power Services - Infrastructure Assets	Income Approach	Weighted average cost of capital (WACC) rate, taking into account the long term view of the market cost of capital, of 7.00% (2021: 5.75%) supportable by key assumptions in the beta range being based on analysis of observed 5-year asset betas of listed companies and gearing range being based on industry research of 5-year average debt to enterprise value ratio of the guideline listed companies.	A 50 basis points decrease in the WACC or discount rate while holding other variables constant would increase the carrying amount of the infrastructure assets t by $80.6 million, and vice versa.
		Regulated Asset Base (RAB) Multiple to the terminal value assumption of 1.0 (2021: 1.0).	A 0.1 increase in the RAB multiple while holding other variables constant would increase the carrying value of the the carrying amount of the infrastructure assets by $72.7 million, and vice versa.
Water Services - Infrastructure assets	Income Approach	WACC rate, taking into account the long term view of the market cost of capital, of 7.00% (2021: 6.25%) supportable by key assumptions in the beta range being based on analysis of observed 5-year asset betas of listed companies and gearing range being based on industry research of 5-year average debt to enterprise value ratio of the guideline listed companies.	A 50 basis points decrease in the WACC or discount rate while holding other variables constant would increase the carrying amount of the carrying amount of the infrastructure assets by $158.4 million, and vice versa.
		Gordon Growth Method to the terminal value assumption of 2.50% (2021: 2.06%) perpetuity growth rate, supportable for long-life, critical infrastructure assets not subject to regulatory limitations on rates of return.	A 50 basis points increase in the growth rate while holding other variables constant would increase the carrying amount of the infrastructure assets by $90.4 million, and vice versa.

Impairment losses recognised in the year

There were no triggering events to require further analysis for an impairment write-down of property, plant and equipment for year ended 30 June 2022.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

		Consolidated		Corporation	
		June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
15	**Right-of-use assets**				
	Carrying amounts of:				
	Land	17,074	16,470	224	231
	Buildings	12,249	3,238	12,249	3,238
	Motor vehicles	11,917	12,550	11,917	12,550
	Gas transport pipelines	328,613	341,823	312,341	324,962
	Solar power	56,685	8,362	51,576	2,767
		426,538	**382,443**	**388,307**	**343,748**

Movement in carrying amounts	Land $'000	Buildings $'000	Motor vehicles $'000	Gas transport pipelines $'000	Solar power $'000	Right-of-use assets $'000
Year ended 30 June 2022						
Consolidated						
Opening Balance	16,470	3,238	12,550	341,823	8,362	382,443
Additions / (disposals)	127	12,055	(493)	-	49,866	61,554
Remeasurement	1,280	11	3,193	13,054	-	17,537
Depreciation	(803)	(3,055)	(3,332)	(26,264)	(1,543)	(34,996)
Closing balance	**17,074**	**12,249**	**11,917**	**328,613**	**56,685**	**426,538**
Corporation						
Opening Balance	231	3,238	12,550	324,962	2,767	343,748
Additions / (disposals)	-	12,055	(493)	-	49,866	61,428
Remeasurement	-	11	3,193	12,342	-	15,545
Depreciation	(7)	(3,055)	(3,332)	(24,963)	(1,057)	(32,414)
Closing balance	**224**	**12,249**	**11,917**	**312,341**	**51,576**	**388,307**
Year ended 30 June 2021						
Consolidated						
Opening Balance	17,034	3,914	12,989	360,034	9,079	403,050
Additions / (disposals)	-	1,968	(522)	2,909	-	4,354
Remeasurement	268	-	3,678	4,413	9	8,367
Depreciation	(832)	(2,644)	(3,595)	(25,532)	(726)	(33,329)
Closing balance	**16,470**	**3,238**	**12,550**	**341,823**	**8,362**	**382,443**
Corporation						
Opening Balance	239	3,914	12,989	342,360	3,007	362,509
Additions / (disposals)	-	1,968	(522)	2,909	-	4,354
Remeasurement	-	-	3,678	3,978	-	7,655
Depreciation	(8)	(2,644)	(3,595)	(24,284)	(240)	(30,771)
Closing balance	**231**	**3,238**	**12,550**	**324,962**	**2,767**	**343,748**

The consolidated entity leases assets including land, buildings, motor vehicles, gas transport pipelines and the output of three solar power plants. The most common lease term is 40 years for land assets, 6 years for motor vehicles and 20 years for other assets.

The consolidated entity does not have the options to purchase any of these assets at the end of the lease term. The consolidated entity's obligations are secured by the lessors' title to the leased assets for such leases.

Power and Water Corporation

Notes to the financial statements
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16 Intangible assets

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Current				
Renewable energy certificates				
At cost	1,687	841	665	590
Total current - written down value	**1,687**	**841**	**665**	**590**
Non-current				
Make up gas				
At cost	67,661	62,596	67,661	62,596
Accumulated impairment	(8,691)	(6,950)	(8,691)	(6,950)
Written down value	**58,970**	**55,646**	**58,970**	**55,646**
Other intangible assets				
At cost	102,505	100,974	101,318	99,883
Accumulated amortisation	(98,172)	(95,002)	(97,194)	(94,087)
Written down value	**4,333**	**5,972**	**4,124**	**5,796**
Total non-current - written down value	**63,303**	**61,618**	**63,094**	**61,442**
Total				
At cost	171,853	164,411	169,644	163,069
Accumulated amortisation	(98,172)	(95,002)	(97,194)	(94,087)
Accumulated impairment	(8,691)	(6,950)	(8,691)	(6,950)
Written down value	**64,990**	**62,459**	**63,759**	**62,032**
Movement in carrying amounts				
Make up gas				
Opening balance	55,646	73,385	55,646	73,385
Additions	2,268	3,058	2,268	3,058
Disposals	-	(17,255)	-	(17,255)
Impairment reversal/(impairment)	1,056	(3,542)	1,056	(3,542)
Closing balance	**58,970**	**55,646**	**58,970**	**55,646**
Other intangible assets				
Opening balance	5,972	8,168	5,796	7,950
Transfer/Adjustments	-	7	-	-
Amortisation	(3,170)	(4,030)	(3,107)	(3,981)
Transfer from WIP	1,531	1,827	1,435	1,827
Closing balance	**4,333**	**5,972**	**4,124**	**5,796**

Impairment losses reversed and recognised during the year
The current gas contracts relating to the sale and purchase of gas result in the Corporation having to pay for gas that will only be delivered in future financial years. These payments are classified as intangible assets and disclosed under 'Make up Gas'.

The Corporation has recognised the written down value of Make up gas as at 30 June 2022 to the value of $59.0 million (2021: $55.6 million), determined by reference to contracted sales less costs of disposal.

There remains accumulated impairment totalling $8.7 million (2021: $7.0 million) recognised against the cost of the intangible asset, on the basis that the net realisable value is the lower amount.

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	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
17 Trade and other payables				
Service creditors	29,888	24,099	21,561	18,528
Other creditors and accruals	38,858	34,349	33,972	33,047
	68,746	**58,448**	**55,533**	**51,575**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is less than 30 days. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. Thereafter, interest may be charged on the outstanding balances at the Northern Territory Government bank rate. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The consolidated entity considers that the carrying amount of trade payables approximates their fair value.

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
18 Unearned revenue				
Capital contributions - government (i)	54,142	41,592	54,142	41,592
Capital contributions - non-government (i)	5,445	5,077	5,445	5,077
Contract liabilities arising from contracts with customers				
Banked gas arising from sales to third parties (ii)	22,054	18,381	22,054	18,381
Customer payments received in advance for water, electricity and sewerage services (iii)	7,534	8,023	7,534	8,023
Recoverable works (iv)	985	309	985	309
Other	4,870	2,989	4,870	2,989
	95,030	**76,371**	**95,030**	**76,371**
Provided for in the financial statements as:				
Current	72,976	57,990	72,976	57,990
Non-current	22,054	18,381	22,054	18,381
	95,030	**76,371**	**95,030**	**76,371**

(i) Capital contributions are contributions provided by customers towards the construction of new or upgrades to existing infrastructure assets for the purpose of being connected to the network system. The consolidated entity retains control and ownership of these assets. Capital contributions are billed and paid for upfront prior to any work commencing and are recognised as a contract liability until construction of the asset is completed and the customer is connected to the network system, at which time the capital contribution is transferred from contract liabilities to revenue.

(ii) A contract liability arises in respect of take-or-pay contracts with customers for the sale of gas with the amount recognised as a contract liability representing the volume of gas paid for but not taken.

(iii) For sales of electricity and water (and in some instances sewerage services) revenue is recognised when control of the goods and/or services passes to the customer. Payments received in advance are recognised as a contract liability until the goods and/or services have been transferred to the customer.

(iv) Contract liabilities relating to recoverable works are balances due to customers under construction contracts. As with capital contributions customers are billed in advance with payment expected prior to any construction work commencing and is recognised as a contract liability until the consolidated entity achieves particular milestones.

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
19 Interest bearing borrowings				
Unsecured borrowings at amortised cost				
Government loans - current	245,000	209,000	245,000	209,000
	245,000	**209,000**	**245,000**	**209,000**
Government loans - non-current	930,000	948,000	930,000	948,000
	930,000	**948,000**	**930,000**	**948,000**
	1,175,000	**1,157,000**	**1,175,000**	**1,157,000**

The consolidated entity has 17 unsecured government loans. All loans were provided by its parent entity, the Northern Territory Government with loan terms of 5 years or less. The consolidated entity obtained four of these loans in the current year totalling $227.0 million, $209 million of this was used to refinance existing loans, and an additional $18 million to fund capital projects.

The portion recognised as current liabilities represents borrowings payable within one year, being $245.0 million (2021: $209.0 million). The non-current balance of interest-bearing liabilities represents the portion of the consolidated entity's borrowings not due within one year. The weighted average effective interest rate on the loans is 3.95% (2021: 3.83%).

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	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000

20 Leases

Refer to note 3.3 for details of the income from sub-leasing, note 4.6 for details of the interest expense on lease liabilities, note 13 for details of the lease receivable and note 15 for details of the associated right-of-use assets.

The consolidated entity leases assets including land, buildings, motor vehicles, gas transport pipelines and the output of three solar power plants. The most common lease term is 40 years for land assets, 6 years for motor vehicles and 20 years for other assets.

Lease additions have been calculated using the Corporation's incremental borrowing rate at the commencement date of the lease. The present value discount factor used for the minimum lease payments is between 1.5% and 2.0%.

Consolidated

	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Not later than one year	45,828	37,288	34,711	26,721
1 to 5 years	170,232	145,065	133,887	110,115
Later than 5 years	320,249	303,182	281,270	264,001
	536,309	485,535	449,868	400,837
less: future finance charges	(86,440)	(84,698)	-	-
Total present value of minimum lease payments	**449,869**	**400,837**	**449,868**	**400,837**

Corporation

	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Not later than one year	43,633	37,089	33,441	27,480
1 to 5 years	162,929	137,951	130,269	106,493
Later than 5 years	289,234	270,558	261,501	242,502
	495,796	445,598	425,211	376,475
less: future finance charges	(70,585)	(69,123)	-	-
Total present value of minimum lease payments	**425,211**	**376,475**	**425,211**	**376,475**

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000
Provided for in the financial statements as:				
Current	34,712	26,721	33,441	27,480
Non-current	415,157	374,116	391,770	348,995
	449,869	**400,837**	**425,211**	**376,475**
Total cash outflows for leases				
Principal repayments on leases	29,391	29,144	27,187	27,463
Interest income on leases	(180)	(197)	(646)	(672)
Interest repayments on leases	11,475	11,292	10,455	10,299
	40,686	**40,239**	**36,996**	**37,090**

Future cash outflows to which the consolidated entity is potentially exposed may arise from variable lease payments that are linked to a consumer price index (CPI). Should CPI increase by 1.0%, lease payments would increase by $5.1 million. This potential cash outflow is not reflected in the measurement of lease liabilities.

The consolidated entity is committed to renewing the land leases for which long term infrastructure assets have been constructed, as and when the legislative requirements are met.

Fair value
The fair value of the lease liabilities is approximately equal to their carrying amount.

21 Provisions

	June 2022	June 2021	June 2022	June 2021
Current				
Employee benefits (i)	42,981	42,381	42,981	42,382
Other provisions:				
Employee related provisions (ii)	662	693	662	693
Renewable Energy Certificates (iii)	13	10	13	10
	43,656	**43,084**	**43,656**	**43,085**
Non-current				
Employee benefits (i)	4,727	5,606	4,727	5,606
	4,727	**5,606**	**4,727**	**5,606**

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees (if any).

(ii) The employee related provisions represents accrued fringe benefits tax and payroll taxes.

(iii) The provision for Renewable Energy Certificates represents the consolidated entity's obligation to meet the Clean Energy Renewable (CER) targets by surrendering renewable energy certificates equivalent to the calculated liability on the consumption sold to customers.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

	Consolidated		Corporation	
	June 2022 $'000	June 2021 $'000	June 2022 $'000	June 2021 $'000

22 Government grants

The Corporation's subsidiary, IES Pty Ltd receives both operational and capital grant funding, with the majority received from the Northern Territory's Department of Territory Families, Housing and Communities (TFHC) as follows:

(a) Operational grants - for the provision of power, water and sewerage services to remote Indigenous communities
(b) Capital grants - for the development of power, water and sewerage infrastructure in remote Indigenous communities.

The following represents grant amounts received and deferred until the revenue recognition criteria is met.

Operational grants	21,219	25,398	-	-
Capital grants	368,011	371,419	-	-
	389,230	**396,817**	**-**	**-**
Provided for in the financial statements as:				
Current	21,219	25,398	-	-
Non-current	368,011	371,419	-	-
	389,230	**396,817**	**-**	**-**

23 Contributed equity

Share capital				
1 Share (2021: 1 Share)	-	-	-	-
Equity contribution	50,000	80,000	50,000	80,000
Debt to equity swap	322,582	322,582	322,582	322,582
Transfer of assets and liabilities to new entities	(328,246)	(328,246)	(328,246)	(328,246)
Total contributed equity	**44,336**	**74,336**	**44,336**	**74,336**
Contributed equity at beginning of year	74,336	54,336	74,336	54,336
Equity (withdrawal)/contributions from the Northern Territory Government	(30,000)	20,000	(30,000)	20,000
Total contributed equity	**44,336**	**74,336**	**44,336**	**74,336**

The *Government Owned Corporations Act 2001* requires the Corporation to have share capital to be held by one shareholder only, being the Shareholding Minister, who holds the share on behalf of the Northern Territory Government. The Corporation's constitution specifies the share capital to be one share. No value is assigned to this share.

During the year ended 30 June 2022, the Northern Territory Government withdrew $30 million of equity previously contributed to fund the Undergrounding infrastructure project. The project will be funded in the future through a conditional government grant.

24 Retained earnings

Retained earnings at beginning of year	354,772	381,237	645,428	653,018
Net profit/(loss) for the year	47,612	(28,297)	59,373	(7,155)
Retirements moved from asset revaluation reserve	2,040	2,832	516	565
Dividends provided for or paid	(2,000)	(1,000)	(2,000)	(1,000)
Retained earnings at end of the year	**402,424**	**354,772**	**703,317**	**645,428**

25 Asset revaluation reserve

Balance at beginning of year	1,084,319	1,037,979	518,335	469,728
(Decrease)/increase in asset valuation	(108,527)	69,497	(108,527)	69,497
Less deferred tax effect recognised in deferred tax liabilities	32,034	(20,325)	32,034	(20,325)
Revaluation surplus	(76,493)	49,172	(76,493)	49,172
Retirements transferred to retained earnings	(2,040)	(2,832)	(516)	(565)
Asset revaluation reserve at end of the year	**1,005,786**	**1,084,319**	**441,326**	**518,335**

The asset revaluation reserve arises on the revaluation of property, plant and equipment (assets). When revalued assets are sold, the portion of the asset's revaluation reserve that relates to those assets is transferred directly to retained earnings.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

26 Risk management objectives

(a) Financial risk management objectives

The consolidated entity's principal financial instruments are government loans and cash. The main purpose of these financial instruments is to raise finance for the consolidated entity's operations. The consolidated entity has various other financial instruments such as trade receivables and trade payables. It is the consolidated entity's policy not to trade in financial instruments. The Board of Directors reviews and agrees policies for managing the consolidated entity's financial risks and these are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 2 to the financial statements.

The consolidated entity's overall strategy remains unchanged from the prior year.

The main risks arising from the consolidated entity's financial instruments are:

Market risk	The risk that changes in the market will adversely impact the operations and returns of the Corporation and the consolidated entity.
Interest rate risk	The risk that financing costs will increase and impact prices to customers and returns to the shareholder.
Credit risk	The risk of financial loss if a counterparty to a transaction does not fulfil its financial obligations.
Liquidity risk	The risk of insufficient funds to fulfil the cash flow obligations on a timely basis.
Foreign currency risk	The risk that contract prices will move as a result of adverse movements in foreign exchange rates.
Commodity price risk	The risk that contract prices will move as a result of adverse movements in the market.
Capital risk	The risk of the consolidated entity structuring its balance sheet inefficiently resulting in suboptimal returns to shareholders.
Operational risk	The inherent risk resulting from internal processes and systems or from external events.

(b) Market risk

The Corporation was established under the *Power and Water Corporation Act 2002* and is a Northern Territory Government Owned Corporation under the *Government Owned Corporations Act 2001 (GOC Act)*.

In accordance with the GOC Act the Corporation's objectives are to:
(i) Operate at least as efficiently as a comparable business; and
(ii) To maximise the sustainable return to the Northern Territory Government on its investment in the consolidated entity.

The Corporation and the consolidated entity provides safe and reliable power, water and sewerage services to the people of the Northern Territory and meets its mandated environmental obligations.

There has been no change during the current financial year to the consolidated entity's exposure to market risks or the manner in which these risks are managed and measured.

(c) Interest rate risk management

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's long-term debt obligations to the Northern Territory Government. The loans are based on fixed interest rates, with one or more interest rate resets over the life of the loans.

The consolidated entity's policy is to manage its interest cost using fixed rate debt. The following table shows the consolidated entity's debt and interest obligations to the Northern Territory Government and the impact of a change in interest rates:

	Consolidated		Corporation	
Loan term	Fixed Rate Loans $'000	Average Interest Rate %	Fixed Rate Loans $'000	Average Interest Rate %
2022				
<1 to 2 years	527,000	4.51%	527,000	4.51%
2 to 5 years	648,000	3.39%	648,000	3.39%
	1,175,000		**1,175,000**	
2021				
<1 to 2 years	454,000	4.96%	454,000	4.96%
2 to 5 years	703,000	4.02%	703,000	4.02%
	1,157,000		**1,157,000**	

(d) Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on receivables of the consolidated entity that has been recognised in the statement of financial position is the carrying amount net of any allowance for doubtful debts. The consolidated entity has a minimal concentration of credit risk as it undertakes transactions with a large number of customers and counterparties. The consolidated entity is not materially exposed to any individual customer. There are no major concentrations of credit risk on service debtors due from customers within particular industries.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the consolidated entity's maximum exposure to credit risk.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

26 Risk management objectives (Cont'd)

(e) Liquidity risk management

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of government loans and finance leases. Each year the consolidated entity prepares an SCI which is tabled with the Shareholding Minister for approval. The SCI is a detailed four year projection of the consolidated entity's financial position. The current year actual results are reported against the SCI budget. The consolidated entity seeks approval from the Shareholding Minister for funding requirements for the forthcoming year on an annual basis based on the SCI. If the consolidated entity is unable to meet SCI targets it is able to apply to the Northern Territory Government for additional loan funding.

(f) Foreign currency risk management

The consolidated entity has transactional currency exposures. Such exposure arises from purchases in currencies other than the functional currency. The consolidated entity is exposed to foreign currency risk in the normal course of its operations through its procurement contracts. Large contracts are reviewed to determine if any mitigation strategies should be applied to reduce this risk. Material exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and a foreign currency bank account from time to time. The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was $nil (2021: $nil).

(g) Commodity price risk

The consolidated entity is exposed to changes in the price of gas that is sold to customers, however this has been mitigated through the negotiation and signing of a long-term fixed price gas purchase agreement that limits the exposure of the consolidated entity to CPI price increases in gas until the agreement expires in 2034. In the gas sales modelling assumptions, any excess gas that is not supplied under long term contracts is assumed to be sold at spot market prices. Sensitivity analysis to this are shown in note 26(j).

The price for long term gas agreements in the Australian East Coast market continues to remain high. This is supported by reports from the ACCC and AEMO which also continue to forecast significant shortages in the East Coast market from 2024 onwards which is likely to exacerbate the pricing situation.

The consolidated entity is exposed to changes in the price of distillate which is used to power electricity generators. Each year, grant funding received by the subsidiary from the Northern Territory Government is based on an operational budget that includes an estimated cost of distillate consumption. In the event the distillate price varies upwards and the subsidiary does not have sufficient grant funds to continue operating, the subsidiary can apply to the Northern Territory Government for additional grant funds.

(h) Capital risk management

The consolidated entity's and the Corporation's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure in line with Shareholding Minister expectations.

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital and retained earnings as disclosed in Notes 23 and 24 respectively. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to the shareholder, return capital to the shareholder or sell assets to reduce debt.

Operating cash flows are used to maintain and expand the consolidated entity's assets, as well as to make routine outflows of tax, dividends and servicing of debt. The consolidated entity's policy is to borrow centrally using facilities provided by Northern Territory Treasury Corporation to meet anticipated funding requirements. The consolidated entity is not subject to any externally imposed capital requirements.

The consolidated entity's overall strategy remains unchanged from prior years.

(i) Operational risk

Operational risk refers to the extent that process, system, compliance or fraud matters could impact the financial risk profile. This includes the integrity of information used to make decisions, maintain assets, protect staff and provide business continuity. The Corporation manages operational risk through deployment of a Risk Management system, a rigorous Internal Audit programme based on risk and controls and continuous development and improvement in its guidelines, standards, methodologies and systems.

(j) Gas contracts sensitivity analysis

The consolidated entity has in place long term contracts to procure gas and gas transport arrangements. The procurement contracts have provisions that require payment in full for gas up to a prescribed volume, and any gas that is procured but not consumed can be utilised, at no charge, in the future after the annual consumption of other prescribed volumes. The value of this "make-up gas", is included in intangible assets, and is calculated as the lower of cost or net realisable value.

The Directors consider these risks as part of their ongoing monitoring of the gas sales strategy and having considered both the risks and opportunities that they consider as more probable than not and which can therefore be quantified and assessed for materiality.

The sources of estimation uncertainty in the contracts have a significant risk of resulting in a material adjustment to the value of this asset and include the underlying assumption that all gas purchased is on sold, the outcome of current contract negotiations with customers, renewables penetration, the east coast gas market outlook, the forward spot gas price outlook and the outlook for other key economic factors such as CPI and the wages index.

The Directors will continue to monitor the gas sales strategy and associated financial outlook having regard to sources of estimation uncertainty discussed above and note that the quantum of the provision is sensitive to price assumptions and volume consumption assumptions of the gas customers.

Sensitivity analysis — NPV change as a result of:

	Wallumbilla hub average price			*CPI and Average weekly earnings*	
% movement	*increase*	*decrease*	% movement	*increase*	*decrease*
5%	16.3m	(16.3m)	0.25%	(3.3m)	3.1m
10%	32.6m	(32.6m)	0.50%	(6.7m)	6.0m
20%	65.2m	(65.2m)	1.00%	(14.0m)	11.4m

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

27 Financial instruments

Fair values

Net fair values of financial assets and liabilities approximate carrying values except for government loans, which have a fair value of $1,120.8 million (2021: $1,171.0 million).

Consolidated entity	Level 2 $'000	Fair value as at 30 June 2022 $'000	Level 2 $'000	Fair value as at 30 June 2021 $'000
Financial Liabilities				
Borrowings	1,120,848	1,120,848	1,171,000	1,171,000

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

Liquidity risk management
The following table sets out the carrying amount, by maturity, of the financial instruments for the consolidated entity:

					Fixed and floating interest maturing in:			
Consolidated	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non interest bearing $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
2022								
Financial Assets								
Cash assets	0.19%	147,312	-	-	147,312	-	-	147,312
Receivables		-	-	127,657	113,678	13,979	-	127,657
Investments		-	-	3	-	-	3	3
		147,312	**-**	**127,660**	**260,990**	**13,979**	**3**	**274,972**
Financial Liabilities								
Payables		-	-	68,746	68,746	-	-	68,746
Government loans	3.95%	-	1,221,468	-	254,689	966,779	-	1,221,468
Lease liability	2.70%	-	462,004	-	35,647	137,499	288,858	462,004
		-	**1,683,472**	**68,746**	**359,082**	**1,104,278**	**288,858**	**1,752,218**
2021								
Financial Assets								
Cash assets	0.17%	148,667	-	-	148,667	-	-	148,667
Receivables		-	-	123,108	106,996	16,112	-	123,108
Investments		-	-	3	-	-	3	3
		148,667	**-**	**123,111**	**255,663**	**16,112**	**3**	**271,778**
Financial Liabilities								
Payables		-	-	58,448	58,448	-	-	58,448
Government loans	3.83%	-	1,201,342	-	217,010	984,332	-	1,201,342
Lease liability	2.79%	-	412,034	-	27,467	113,191	271,376	412,034
		-	**1,613,376**	**58,448**	**302,925**	**1,097,523**	**271,376**	**1,671,824**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

27 Financial instruments (Cont'd)

Liquidity risk management
The following table sets out the carrying amount, by maturity, of the financial instruments for the Corporation:

Corporation	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non interest bearing $'000	Fixed and floating interest maturing in: 1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
2022								
Financial Assets								
Cash assets	0.19%	79,324	-	-	79,324	-	-	79,324
Receivables		-	-	136,932	122,953	13,979	-	136,932
Loans to subsidiaries	3.44%	-	25,860	-	-	25,860	-	25,860
Investments		-	-	3	-	-	3	3
		79,324	**25,860**	**136,935**	**202,277**	**39,839**	**3**	**242,119**
Financial Liabilities								
Payables		-	-	55,533	55,533	-	-	55,533
Government loans	3.95%	-	1,221,468	-	254,689	966,779	-	1,221,468
Lease liability	1.30%	-	430,756	-	33,877	131,968	264,911	430,756
		-	**1,652,224**	**55,533**	**344,099**	**1,098,747**	**264,911**	**1,707,757**
2021								
Financial Assets								
Cash assets	0.17%	81,947	-	-	81,947	-	-	81,947
Receivables		-	-	125,697	109,585	16,112	-	125,697
Loans to subsidiaries	3.44%	-	18,537	-	-	18,537	-	18,537
Investments		-	-	3	-	-	3	3
		81,947	**18,537**	**125,700**	**191,532**	**34,649**	**3**	**226,184**
Financial Liabilities								
Payables		-	-	51,575	51,575	-	-	51,575
Government loans	3.83%	-	1,201,342	-	217,010	984,332	-	1,201,342
Lease liability	2.43%	-	385,612	-	28,147	109,078	248,388	385,612
		-	**1,586,954**	**51,575**	**296,732**	**1,093,410**	**248,388**	**1,638,529**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2022

	Consolidated		Corporation	
	June 2022 $'000	**June 2021 $'000**	**June 2022 $'000**	**June 2021 $'000**
28 Commitments				
(i) Capital expenditure commitments				
Contracted but not provided for and payable within one year:	**62,380**	**41,240**	**33,231**	**20,474**
(i) Purchase expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Repairs and maintenance	**12,881**	**2,755**	**6,989**	**1,645**
(ii) Purchase expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Gas purchase	2,760,191	2,764,814	2,760,191	2,764,814
Gas transportation	680,400	720,328	680,400	720,328
	3,440,591	**3,485,142**	**3,440,591**	**3,485,142**
Payable:				
Within one year	338,478	282,867	303,437	260,992
One year or later and no later than five years	1,332,617	1,248,889	1,332,617	1,248,889
Later than five years	1,844,757	1,997,381	1,844,757	1,997,381
	3,515,852	**3,529,137**	**3,480,811**	**3,507,262**

(i) The consolidated entity has non-cancellable purchase and hire expenditure contracts expiring between 1 to 25 years from the date of the contract. These contracts generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

(ii) Gas purchase commitments include take-or-pay obligations under a 25-year gas purchase agreement with Eni Australia B.V., the first supply of which commenced in the 2009-10 financial year.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

Within one year	29,098	35,692	29,098	35,692
After one year but not more than five years	23,266	21,333	23,266	21,333
	52,364	**57,025**	**52,364**	**57,025**

29 Contingent liabilities and contingent assets

Depending on notification from a third party, the Corporation may be responsible for decommissioning and removal of a gas pipeline and Tie-In on the expiration of a Gas Sales Agreement. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability for this reporting period.

As reported in the previous financial year, the Corporation has identified serveral sites where the risk of existing contamination is high. These sites are being assessed to determine the existence and extent of contamination. The assessment provides the extent of work and the related costs necessary to remediate the sites. The extent of contamination and cost of remediation of the sites cannot yet be reliably estimated.

The Corporation received one Show Cause Letter during the financial year. A formal response was provided, however no formal determination has been received. The possibility is remote but depending on the determination, the Corporation may be responsible for further rectification and remediation works in relation to this event. However, the ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.

There are no other contingent liabilities or assets for the year ended 30 June 2022.

Power and Water Corporation

Notes to the Financial Statements
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30 Related party transactions

The immediate parent within the group is Power and Water Corporation. The ultimate controlling party is the Northern Territory Government which owns 100% of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

The consolidated entity has a related party relationship with its ultimate controlling party (includes other agencies and departments of the Northern Territory Government), director related entities and associates. All financial transactions between the consolidated entity and related parties are at arm's length terms.

Trading transactions

Balances and transactions between the Corporation and its controlled entity, which is a related party of the Corporation, have been eliminated on consolidation and are not disclosed in this note.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. Due to the large number of transactions it is not practical to list separately related party transactions that occurred between the Corporation and these entities, and therefore, these transactions have been aggregated as shown in the following table:

Related Party		Revenue from related parties (1)	Purchases from related parties (2)	Amounts owed by related parties (3)	Amounts owed to related parties (4)
		$'000	$'000	$'000	$'000
The ultimate parent entity, the Northern Territory Government, including all entities that are associated with the parent entity including Territory Generation and Jacana Energy	June 2022	357,026	85,851	46,945	1,179,111
	June 2021	353,746	96,446	67,868	1,159,913

(1) The consolidated entity receives grants from the Northern Territory Government in the form of Community Service Obligations and other miscellaneous grants. See Notes 2.3 (d), 3.2, 3.4 and 22 for further details.

(2) For the year ended 30 June 2022, purchases from the Northern Territory Government includes interest paid on borrowings of $45.2 million (2021: $46.3 million) refer to Note 4.6.

(3) As at 30 June 2022, the amounts owed by related parties relate to amounts outstanding for the provision of electricity retail and generation services, water and standard control services, as well as accrued revenue for the supply of gas.

(4) For the year ended 30 June 2022, the amount owed to the Northern Territory Government includes borrowings of $1,175.0 million (2021: $1,157.0 million) refer to Note 19.

Loans to related parties

As disclosed in Note 12 Loans to subsidiaries, the Corporation has provided two interest only fixed loans to its subsidiary, IES Pty Ltd. The first loan for $14.0 million was provided in 2018-19 for a loan term of 5 years ending in 2023-24. Interest is charged at 3.88% per annum on the outstanding balance. The second loan of $11.0 million was provided in 2020-21 for a loan term of 5 years ending in 2025-26 with interest charged at 2.88% per annum.

The Corporation provides electricity, water and sewerage services to its subsidiary, IES Pty Ltd in the normal course of business and on normal terms and conditions.

To ensure that IES Pty Ltd is able to pay its debts as and when they fall due, a letter of financial support has been provided by the Corporation to the subsidiary which guarantees support should IES Pty Ltd not be able to pay its debts as and when they fall due. This letter is valid to such time as IES Pty Ltd ceases to be a wholly owned subsidiary of the Corporation or until revoked.

From time to time, Directors and their Director-related entities may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by consolidated entity employees or customers and are trivial or domestic in nature.

Remuneration of key management personnel

Compensation levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages are usually a fixed remuneration.

The profit for the year includes the following items of expenses that resulted from transactions, other than compensation with key management personnel or their related entities:

	Consolidated		Corporation	
	June 2022 $	June 2021 $	June 2022 $	June 2021 $
Expense transactions with key management personnel	9,283	5,759	9,283	5,759

For the year ended 30 June 2022, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of $nil (2021: $7.1 million).

Power and Water Corporation

Notes to the Financial Statements
for the year ended 30 June 2022

30 Related party transactions (Cont'd)

The following table provides the details of all non-executive directors of the Corporation and the nature and amount of the elements of their remuneration:

		Short-term employee benefits	Post employment benefits (superannuation)	Total
		$	$	$
Non-executive directors				
Mr John Langoulant (Chairperson)	June 2022	49,320	4,830	54,150
(Term commenced June 2017, ended October 2021)	June 2021	139,190	12,076	151,266
Mr Mervyn Davies	June 2022	24,959	2,496	27,455
(Term recommenced April 2019, ended April 2022)	June 2021	45,041	3,908	48,949
Ms Rowena McNally	June 2022	46,894	4,690	51,584
(Term commenced April 2018, ended April 2022)	June 2021	56,847	4,932	61,779
Mr David Bartholomew	June 2022	48,641	4,864	53,505
(Term commenced April 2018, ended April 2022)	June 2021	56,847	4,932	61,779
Ms Teresa Dyson	June 2022	48,641	4,864	53,505
(Term commenced April 2018, ended April 2022)	June 2021	56,847	4,932	61,779
Mr Peter Wilson AM (Chairperson)	June 2022	57,450	13,689	71,139
(Term commenced March 2022)	June 2021	-	-	-
Ms Gaye McMath	June 2022	67,105	6,711	73,816
(Term commenced September 2018)	June 2021	56,847	4,932	61,779
Charles Burkitt	June 2022	105,096	10,510	115,606
(Term commenced September 2018)	June 2021	56,847	4,932	61,779
Total non-executive directors	**June 2022**	**448,106**	**52,654**	**500,760**
	June 2021	**468,466**	**40,644**	**509,110**

No termination benefits were paid to non-executive directors during the year.

The table below shows the benefits paid to executive directors and officers of the Corporation and of the controlled entity, whose benefits from the Corporation and from the controlled entity, fall within the following types:

	Consolidated		Corporation	
	June 2022	June 2021	June 2022	June 2021
	$	$	$	$
Short-term employee benefits	3,325,172	3,323,963	3,325,172	3,323,963
Other long-term benefits	516,407	443,112	516,407	443,112
Termination benefits	337,371	-	337,371	-
Total compensation of key management personnel (excluding non-executive directors)	**4,178,950**	**3,767,075**	**4,178,950**	**3,767,075**

Executive officers are those officers who are involved in the strategic direction, general management or control of business at corporation or business division level.

Other transactions with key management personnel

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Corporation or the consolidated entity since the end of the previous financial year and there were no material contracts involving their interests existing at year end.

From time to time key management personnel of the Corporation or its controlled entity or their related parties, may purchase goods and services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by the other consolidated entity's employees or customers and are trivial or domestic in nature.

31 Auditor's remuneration

Audit of the financial statements	318,000	280,000	256,000	220,000
	318,000	**280,000**	**256,000**	**220,000**

The auditor of the Corporation and the consolidated entity is the Auditor-General for the Northern Territory.

32 Events after the reporting period

Subsequent to the year end the Director's declared a final dividend of $10.0 million, payable by 30 November 2022.

In the interval between the end of the financial year and the date of this report, the Corporation has commenced legal action against its principal gas supplier, Eni, in the Supreme Court of Western Australia. The action seeks a court declaration as to the Corporation's rights to inspect Eni records relating to a reduction in supply of gas from Eni's Blacktip field off the coast of northern Australia.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Corporation, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity, in future financial years.

Power and Water Corporation

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