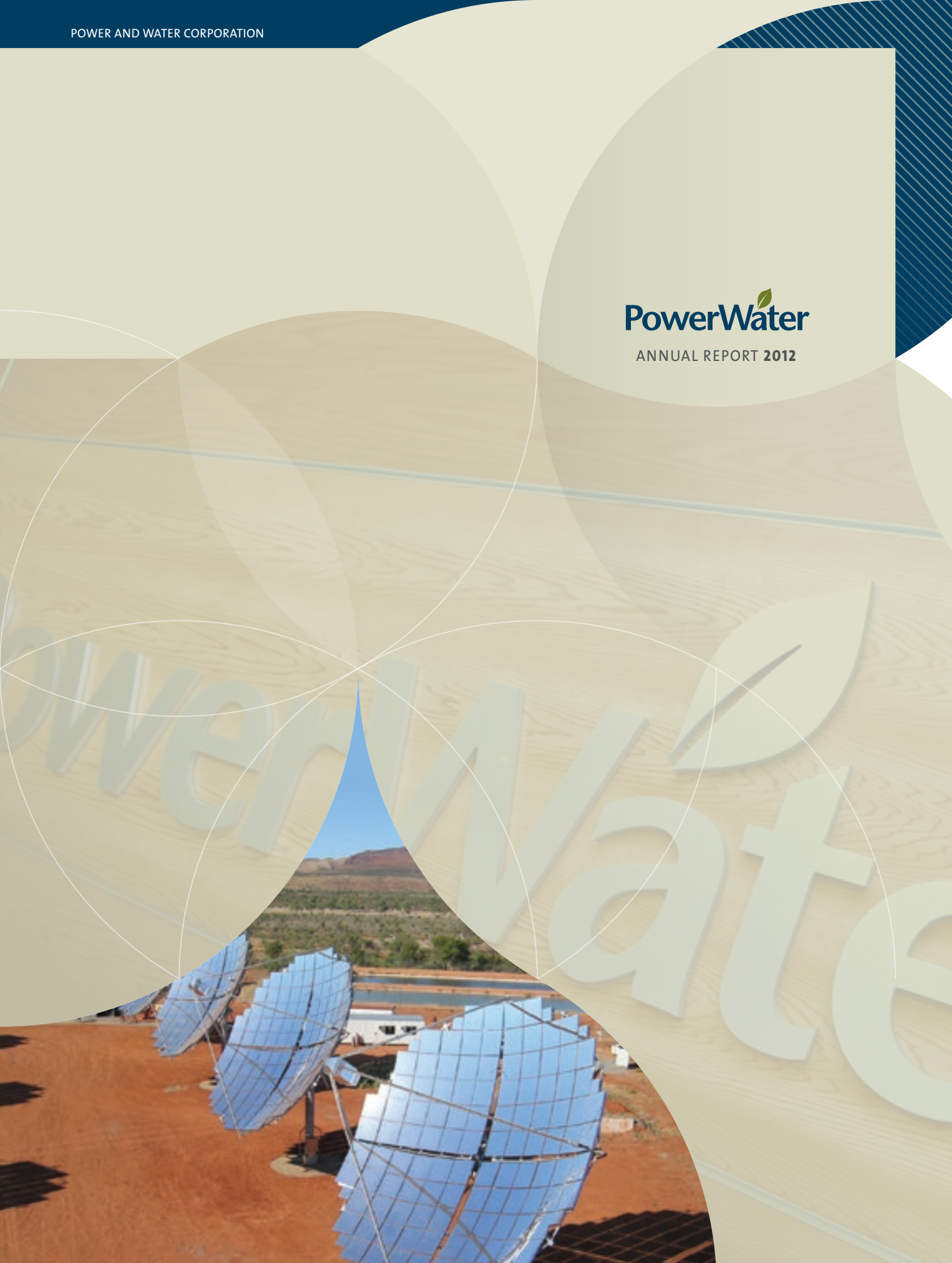


PowerWater

ANNUAL REPORT 2012



This Report

PURPOSE

THE POWER AND WATER CORPORATION'S ANNUAL REPORT 2011-12 PROVIDES A RECORD OF THE CORPORATION'S OPERATIONS AND ACHIEVEMENTS FOR THE FINANCIAL YEAR

Pursuant to section 44 of the *Government Owned Corporations Act*, the report informs the Northern Territory Parliament, Territorians and other stakeholders of:

- ▶ Power and Water's primary services and responsibilities
- ▶ significant activities of the year, highlighting major projects, key achievements and outcomes
- ▶ financial management and performance in compliance with the *Corporations Act 2001*.

Power and Water's Sustainability Report is included to provide a single source of information on the Corporation's financial, environmental, economic, workforce and community aspects. The annual report has been compiled according to the Energy Supply Association of Australia's Code of Sustainable Practice.

INTENDED AUDIENCE

The annual report is tabled in the Northern Territory Legislative Assembly as a reporting mechanism for Power and Water's shareholding minister and Northern Territory Parliament. It provides a statement of achievement, income and expenditure for the 2011-12 financial year.

The annual report also provides information for others, including the wider public, who have an interest in the provision of water, sewerage and electricity services in the Northern Territory.





2012

Contents

1 ABOUT US	4
Chairman's report	9
Managing Director's report	10
Year at a glance	11
2 OUTLOOK FOR 2012-2013	12
3 OUR PERFORMANCE	16
Servicing our customers	18
<i>Power</i>	19
<i>Water and sewerage</i>	25
<i>Communicating with our customers</i>	28
Supporting our community	30
Our people and our workplace	35
Our environmental commitment	40
Our performance at a glance	50
4 CORPORATE GOVERNANCE AND OUR OPERATING ENVIRONMENT	54
Corporate governance principles	56
Our operating environment	60
FINANCIAL STATEMENTS	67

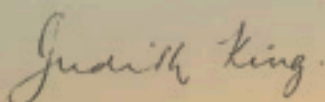
Letter to the Shareholder

The Hon Robyn Lambley MLA
Treasurer
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Treasurer,

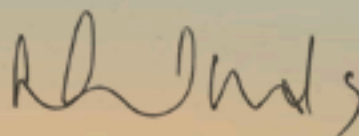
On behalf of Power and Water Corporation it gives us great pleasure to present the Corporation's tenth annual report for the year ended 30 June 2012, in accordance with the provisions of section 44 of the *Government Owned Corporations Act*.

Yours sincerely



Judith King
Chairman

30 September 2012



Andrew Macrides
Managing Director

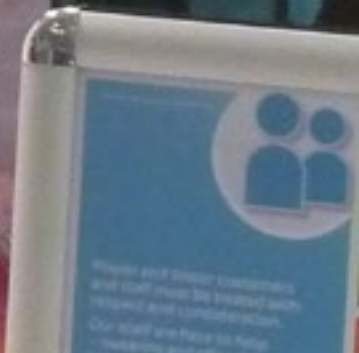
30 September 2012

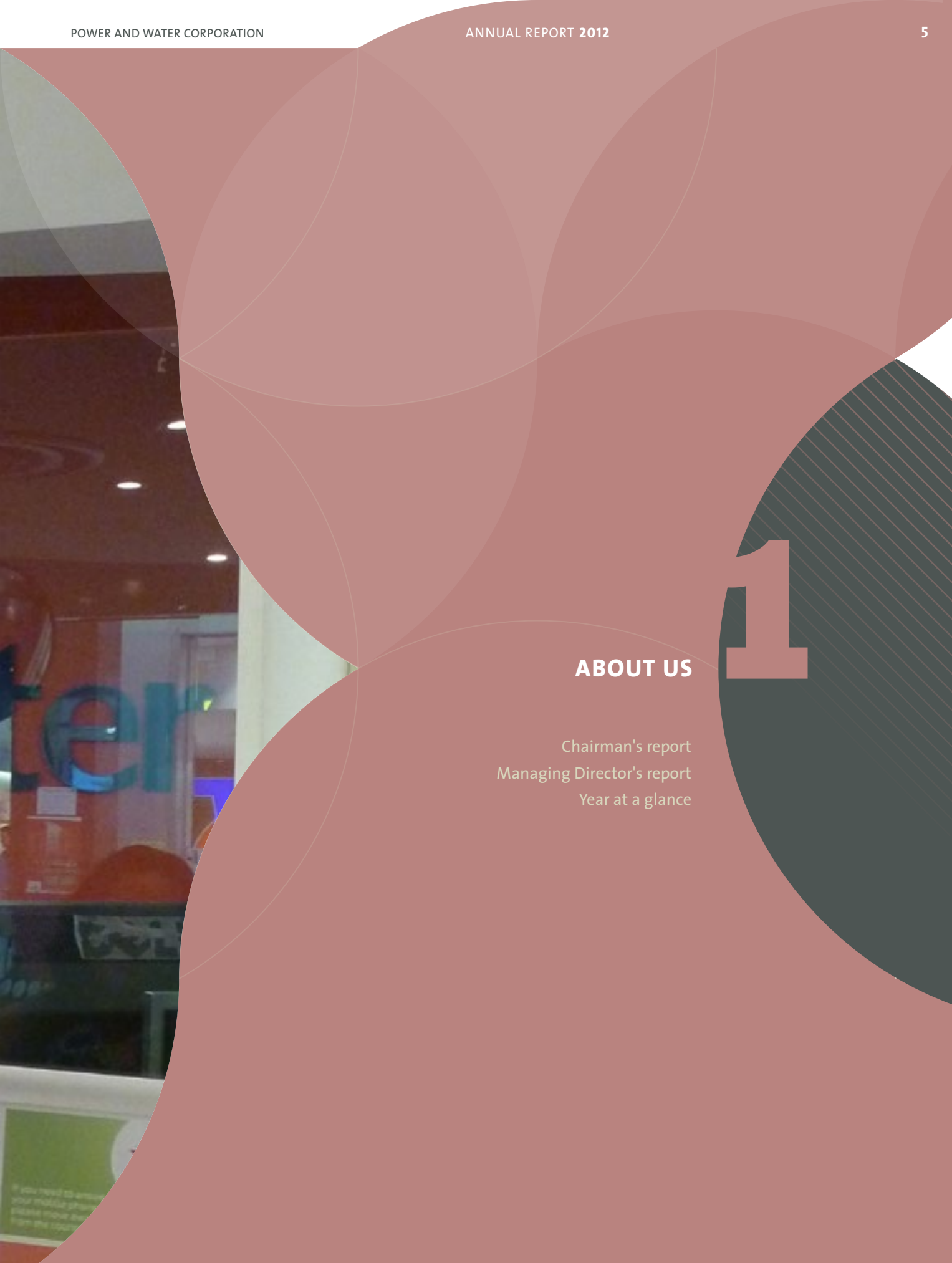




POWER AND WATER CORPORATION PROVIDES ELECTRICITY, WATER SUPPLY AND SEWERAGE SERVICES TO MORE THAN 85,000 CUSTOMERS ACROSS 1.3 MILLION SQUARE KILOMETRES, NEARLY ONE-SIXTH OF AUSTRALIA'S LAND MASS

PowerWa





ABOUT US

Chairman's report
Managing Director's report
Year at a glance

1

If you need to answer your mobile phone, please make sure you are in the company.

UNIQUE OPERATING ENVIRONMENT

The Northern Territory's vast landscape stretches from the tropical savannah in the north to the deserts of Central Australia. The north shares a monsoonal climate with its Asian neighbours and experiences torrential seasonal rains, floods and the threat of cyclones from October to May each year. The wet season is an inherently challenging time for our customers and staff.

In Central Australia, the desert summers bring scorching temperatures while in winter the mercury frequently dips below freezing, creating a demanding work environment.

The Corporation services four major regional areas, including the capital city of Darwin, 20 major Indigenous communities known as Territory Growth Towns, 52 remote communities and a range of outstations.

We have over 1000 staff living and working throughout the Northern Territory. We also employ 155 relief and full time Essential Services Operators who live in remote Indigenous communities and are supported by the Corporation's Darwin-based Remote Operations team.

POWER STATIONS ARE MAINLY GAS-FUELLED

The Northern Territory's major power stations are primarily gas-fuelled, supplied by gas fields off the north-west coast.

WATER SUPPLY SOURCES

Drinking water supplies range from surface water catchments in the tropics to groundwater sources in Central Australia that are up to 10,000 years old.

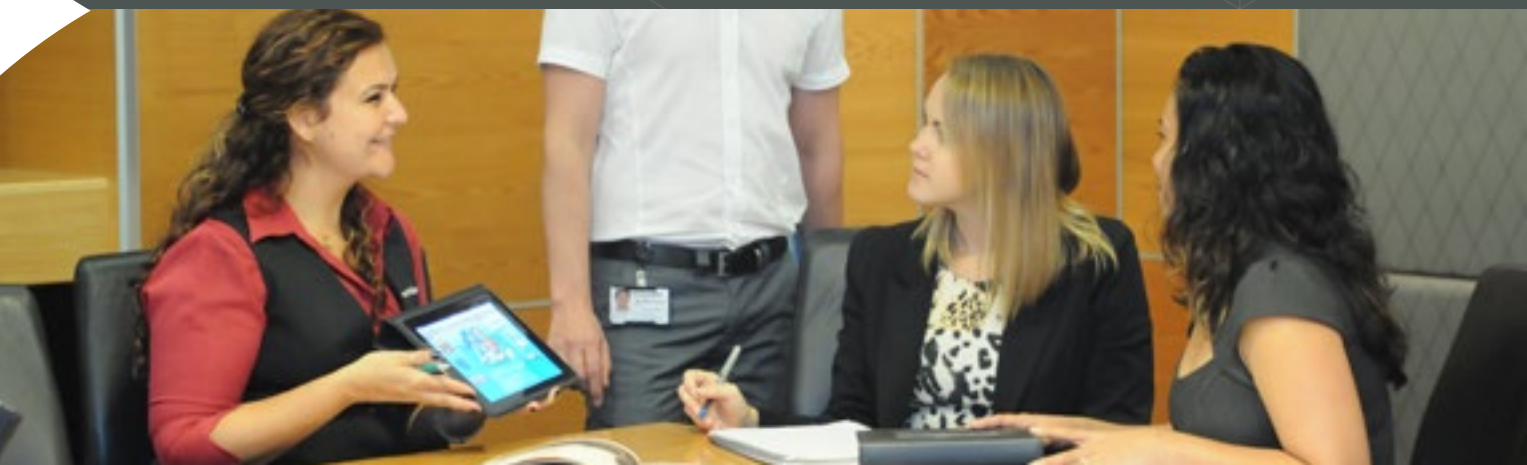
POWER AND WATER IS A GOVERNMENT-OWNED CORPORATION

The Power and Water Corporation meets the needs of its customers while acknowledging the expectations of its shareholder, the NT Government.

The Corporation plays an integral part in the Northern Territory's counter-disaster structure and response because it is the sole provider of the Territory's essential services. It is also a key partner in government-wide programs as part of the Energy Infrastructure Assurance and Water Infrastructure advisory groups.

A COMPETITIVE MARKET

The Corporation recognises it is part of an increasingly competitive utilities landscape. We have worked hard to retain our customers by working with them to understand their needs and develop enduring customer relationships.



Framework for success

OUR VISION

We aspire to be a leading utility business valued and respected in the community

OUR PURPOSE

We will focus on meeting the power, water and sewerage needs of our customers, whilst acknowledging the expectations of our shareholders

OUR STRATEGIES



OUR VALUES

Safety

Protecting the health and well-being of ourselves, contractors and the general public to achieve zero harm.

Integrity

Engendering trust through open, honest and ethical behaviours.

Communication

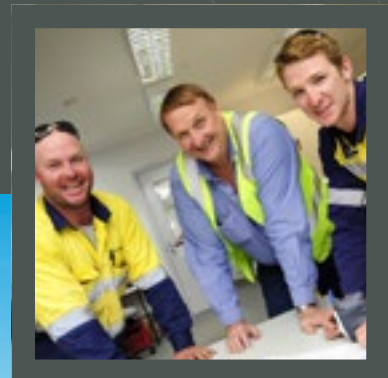
Engaging in an open, positive and constructive way to obtain better individual and business outcomes.

Teamwork

Working together for a common purpose, achieving our goals in a supportive, respectful and enthusiastic manner.

Commitment

Leading by example, continually improving, accountable for our actions and carrying them out with passion and purpose.



Corporate Structure as at 30 June 2012

BOARD

Judith King
Chairman

Andrew Macrides
Managing Director

Mervyn Davies
Director

Linda Mackenzie
Director

Michael Hannon
Director

Steve Margetic
Director

Rob Skinner
Director

EXECUTIVE MANAGEMENT TEAM

Core Business Areas

GENERATION	POWER NETWORKS	SYSTEM CONTROL	WATER SERVICES	REMOTE OPERATIONS	RETAIL
<p>Ian Pratt <i>General Manager</i></p> <p>Generate electricity to meet the needs of customers in the Northern Territory's major cities and towns.</p>	<p>Bertram Birk <i>General Manager</i></p> <p>Transmit and distribute electricity across the major centres of the Northern Territory, including meter reading.</p>	<p>Ajay Maharaj <i>General Manager</i></p> <p>System Control has a statutory role in monitoring and controlling the operation of the power systems in the Northern Territory.</p>	<p>Steve McKenzie <i>General Manager</i></p> <p>Supply water and manage wastewater in the five major centres and 13 minor centres of the Northern Territory.</p>	<p>Darryl Day <i>General Manager</i></p> <p>Provide electricity, water and sewerage services to Territory Growth Towns, remote communities, Homelands and Outstations.</p>	<p>Rebecca Kardos <i>General Manager</i></p> <p>Provide the billing, credit control and customer interface for all electricity, water and sewerage services.</p>

Business support areas

Company Secretary/ General Counsel	Strategy and Corporate Affairs	Financial Services	Employee and Organisational Services	Portfolio and Program Management	Asset Management Capabilities
<p>Kelvin Strange <i>Company Secretary/ General Counsel</i></p> <p>Provide secretarial services to the Board of Directors and legal advice to Power and Water.</p>	<p>John Devereaux <i>General Manager</i></p> <p>Provide planning and strategy, stakeholder management, communication, gas supply, regulatory and sustainability support.</p>	<p>Gerald White <i>Chief Financial Officer</i></p> <p>Provide general accounting, financial reporting, planning and analysis and corporate treasury.</p>	<p>Jim Bamber <i>General Manager</i></p> <p>Provide health, safety, environment, human resources, information technology and facilities support.</p>	<p>Paul Plowman <i>General Manager</i></p> <p>Oversee Power and Water's infrastructure portfolio, capital and maintenance investments.</p>	<p>Jennifer Corke <i>General Manager</i></p> <p>Updating the Corporation's core asset management systems with Maximo, a work management system.</p>

SUBSIDIARY COMPANIES

Darnor Pty Ltd

Gasgo Pty Ltd

**Indigenous Essential
Services Pty Ltd**

**BGP Tenure
Holdings Pty Ltd**

Chairman's report

This report outlines the milestones achieved in the implementation of the billion-dollar infrastructure investment program which Power and Water commenced in 2008/9. This is the largest upgrade of the Northern Territory's electricity, water, and sewerage assets ever undertaken. Capital investment this year totalled \$228 million. Major projects included commissioning of a new unit at Weddell Power Station, construction of Woolner Zone Substation and the closure of the Larrakeyah outfall. Further progress was made on other projects which are part of the infrastructure upgrade.

The financial results for the year record a loss of \$0.8 million, compared to last year's loss of \$23.9 million. This improvement was largely as the result of the debt to equity swap negotiated with government as well as some tariff increases. The Corporation's financial sustainability remains a priority concern for the Board, and operational expenditure is constantly under review.

While delivery of the capital program and asset maintenance have been a focus of Power and Water Corporation's activities, the Corporation has also continued its work in other parts of its portfolio of responsibilities.

Water is a precious resource and Territorians currently use over twice as much water per person than other Australians. Conservation initiatives have been introduced in both urban centres and remote communities with the aim of reducing water use by 20 per cent by 2015. The Alice Water Smart plan of which Power and Water Corporation is a lead consortium member is working with our Central Australian customers with the aim of saving 16000 ML a year.

Power and Water Corporation continues to focus on environmental sustainability with more than 90 per cent of the Territory's electricity generated from natural gas and a program for replacement of diesel in remote communities. The 5MW power station under construction at Wadeye will extend gas fuelled electricity to the township and its neighbours. This year the Corporation saw a significant step towards its renewable energy goals with the integration of Uterne, a 1 MW solar system, into the Alice Springs electricity grid. We have a 20-year power purchase agreement for this green energy.

Power and Water is unique in the Australian utility sector as it delivers electricity, water and sewerage services. To meet the challenges, the Corporation continues to invest in the training and development of its people and the systems and organisational framework to support them. It has been pleasing to note that surveys indicate a high level of staff satisfaction in response.



Judith King

I thank our Directors for their contributions and particularly their work in the Board Committees, where their expertise and experience assists the management team. I would like to thank our Managing Director Andrew Macrides for his continued leadership and the management team and employees who are the backbone of the organisation.

Judith King

Managing Director's report

Providing essential services to a small, geographically dispersed customer base and in the environment we live in creates unique financial challenges for the business.

As such, financial sustainability remains at the forefront of the many challenges facing the Corporation. We have and will continue to critically examine processes to drive efficiencies into our operations and take costs out of our business without compromising safety, service delivery or our legal obligations.

While some assistance has been provided by Government, our owner, by way of equity injections, capital contributions, tariff increases and dividend holidays, long term financial sustainability can only be achieved by balancing cost efficiency and prudent and efficient capital investment decisions with ongoing revenue structures that provide greater certainty. We will continue to work with our owner to achieve this balance.

Nearly four years into a major infrastructure investment program the momentum for change in Power and Water has continued.

We have changed the way we work, instituting rigorous maintenance regimes, upgrading and refurbishing equipment, recruiting and training specialist staff and most importantly planning for future growth by investing in new assets.

The Corporation's ability to deliver change relies on its people. We have invested significantly in equipping our staff with the skills and tools needed to meet the challenge, and to do so safely.

Like many major employers in the Territory, we have fierce competition for skilled and experienced staff. We firmly believe that "growing our own" will help overcome these challenges and ensure staff retention.

We have 116 apprentices and a number of graduate trainees in programs, providing solid local training with ongoing career opportunities. We also manage and train more than 155 full time and relief Essential Services Operators, keeping power, water and sewerage services running in 72 remote communities.

It has been another solid year for the Corporation which saw \$228m invested in new assets and our repairs and maintenance spend increased by over 26 per cent to \$88.2m.

Managing the Corporation's \$2.2b in assets and delivering services to more than 85,000 customers spread over 1.3 million square kilometres requires a dedicated workforce and I take this opportunity to recognise the Corporation's staff across the wide range of services we offer - and thank each of them for the part they play in delivering the vital services we provide to our customers.



Andrew Macrides

- ▶ Two new Rolls Royce turbines were installed at Channel Island Power Station, increasing the capacity of the Darwin-Katherine power supply by 90MW (megawatt) and helping achieve overall carbon emissions reductions. They will also allow for mid-life maintenance and refurbishment of older units at Darwin's biggest power station.
- ▶ We extended our work on gas generation to the remote community of Wadeye, where in 2013 a new 5MW power station will be fuelled solely on gas from the Blacktip gas field located in the Joseph Bonaparte Gulf, off the north-west coast.
- ▶ A major tunnelling project through the Darwin CBD helped divert untreated wastewater to the Ludmilla Wastewater Treatment Plant. The last untreated wastewater outfall into Darwin Harbour was closed on 31 May.
- ▶ Our staff joined forces with members of some of the Northern Territory's most remote communities under its Community Water Planning program. This unique partnership is finding new water sources and identifying water saving opportunities.
- ▶ We integrated Uterne, a new 1MW solar system, into the Alice Springs electricity grid.
- ▶ We opened the Trevor Allwright Training Centre at the 19 Mile depot providing a unique training centre for our personnel.

Year at a glance





2

OUTLOOK FOR 2012-13





Channel Island Power Station



GENERATION

WORKS AT CHANNEL ISLAND POWER STATION RELIABILITY

- ▶ Continue life-extension works to generation sets 1 to 6.
- ▶ Investigate and remediate the associated plant and equipment to ensure the reliability of the total generation facility is equal to the life extension investment in generation sets 1 to 6.

WORKS AT WEDDELL POWER STATION

- ▶ Generation Set 3 will be commissioned for service in 2012-13.

WORKS AT TENNANT CREEK POWER STATION

- ▶ The augmentation process will be completed in 2012-13, in particular the engine replacement of Set 15 at 30,000 hours.



NETWORKS

- ▶ Complete construction of the replacement Snell Street Zone Substation (Woolner Zone Substation), City Zone Substation, Leanyer Zone Substation.
- ▶ Replace or upgrade the Berrimah Zone Substation, Humpty Doo Zone Substation and McMinns Zone Substation.
- ▶ Complete the installation of second transformer, 11kV bus section 2 and 66kV transmission ring at Frances Bay Zone Substation.
- ▶ Various projects to cater for increased demand in the greater Darwin region.



SEWERAGE SERVICES

- ▶ Upgrades to wastewater treatment and outfall facilities in the Darwin region.
- ▶ The Borroloola Sewerage Scheme is initiated for the design and construction of a fully reticulated sewerage system.
- ▶ The Katherine Wastewater Treatment Plant will be upgraded.

WATER SERVICES

- ▶ Planning work on Manton Dam recommissioning and associated works.
- ▶ Palmerston augmentation will include new pumping and transmission infrastructure and new water tanks to service the significant growth in the Palmerston region.
- ▶ Berrimah and northern suburbs of Darwin water strategy will include transmission infrastructure and water tanks to service the development planned for the northern suburbs.
- ▶ The water main replacement project across the NT.

OTHER MAJOR INVESTMENTS

- ▶ Ben Hammond Complex redevelopment ensuring the facility continues to meet operational needs.
- ▶ Augmentation of corporate support facilities in Alice Springs will include an upgrade to office accommodation, workshop facilities, warehouse and other storage facilities, security, car parking, training facilities and site amenities to meet building codes.
- ▶ The implementation of the Maximo and ESRI integrated asset system will be completed and ready for use in 2012.
- ▶ The upgrade of the Victoria Highway complex in Katherine includes general and major site upgrades.

THE CORPORATION SERVICES FOUR MAJOR REGIONAL AREAS, INCLUDING THE CAPITAL CITY OF DARWIN, 20 MAJOR INDIGENOUS COMMUNITIES KNOWN AS TERRITORY GROWTH TOWNS, 52 REMOTE COMMUNITIES AND A RANGE OF OUTSTATIONS





OUR PERFORMANCE


- Servicing our customers
- Supporting our community
- Our people and our workplace
- Our environmental commitment

At Power and Water Corporation we value:

LEADING BY EXAMPLE, CONTINUALLY IMPROVING, BEING ACCOUNTABLE FOR OUR ACTIONS AND CARRYING THEM OUT WITH PASSION AND PURPOSE

OUR CORPORATION'S CUSTOMER CHARTER COMMITS TO SERVICE DELIVERY LEVELS IN EVERY AREA OF THE BUSINESS. WE ALSO COMMIT TO OPEN AND HONEST COMMUNICATION WITH OUR CUSTOMERS

Servicing
our
customers



The Corporation works to provide increasingly reliable electricity, water and sewerage services to its customers.

We own and operate \$1 billion worth of infrastructure spread right across the Northern Territory.

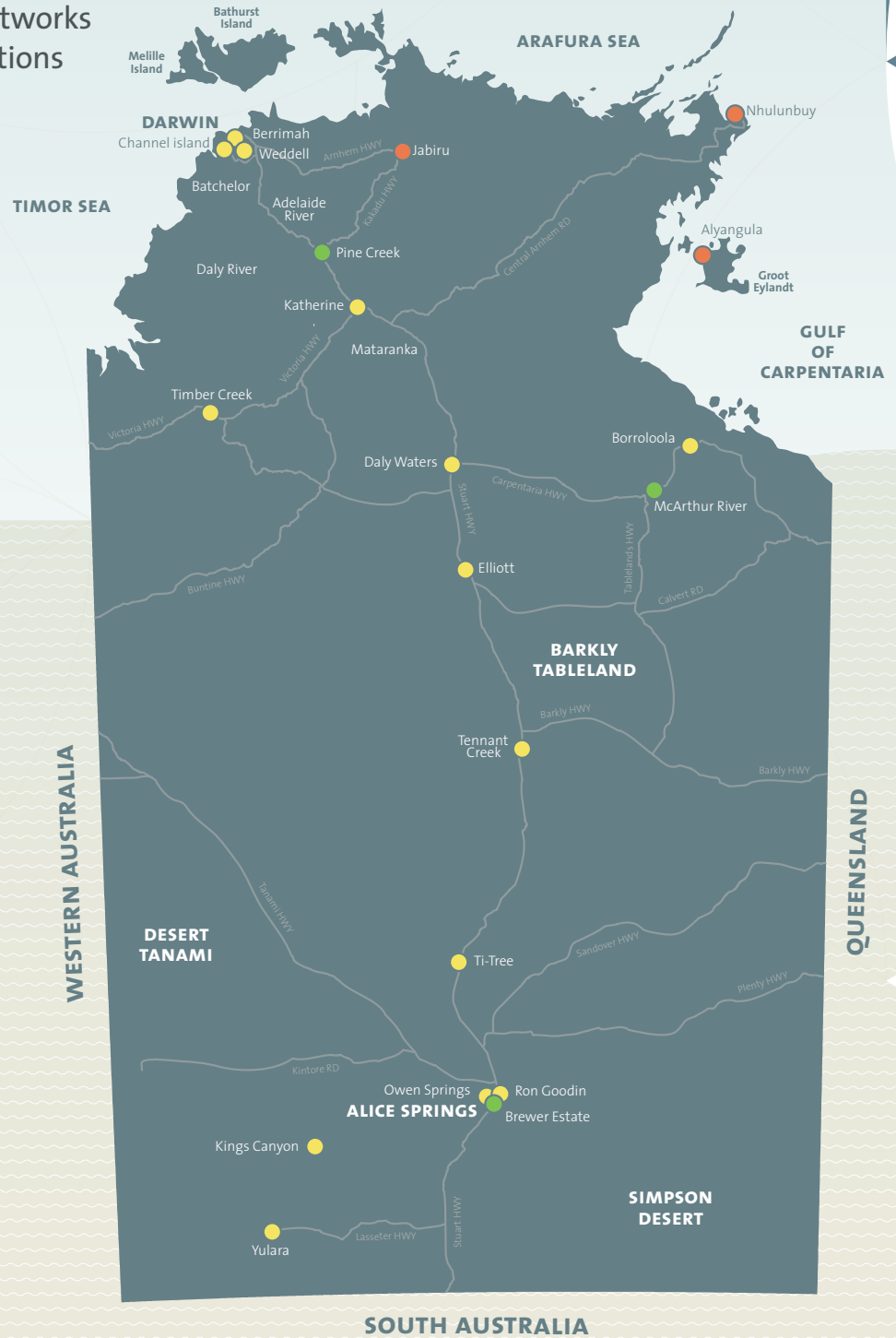
This includes more than 8,000 kilometres of power lines, 2 000 kilometres of water mains, 1,000 kilometres of sewer mains and servicing more than 85,000 customers. We are contracted to maintain more than 22,000 streetlights.

Our current five-year \$1.8 billion infrastructure investment program extends across these networks, power stations, water and sewerage services.

POWER

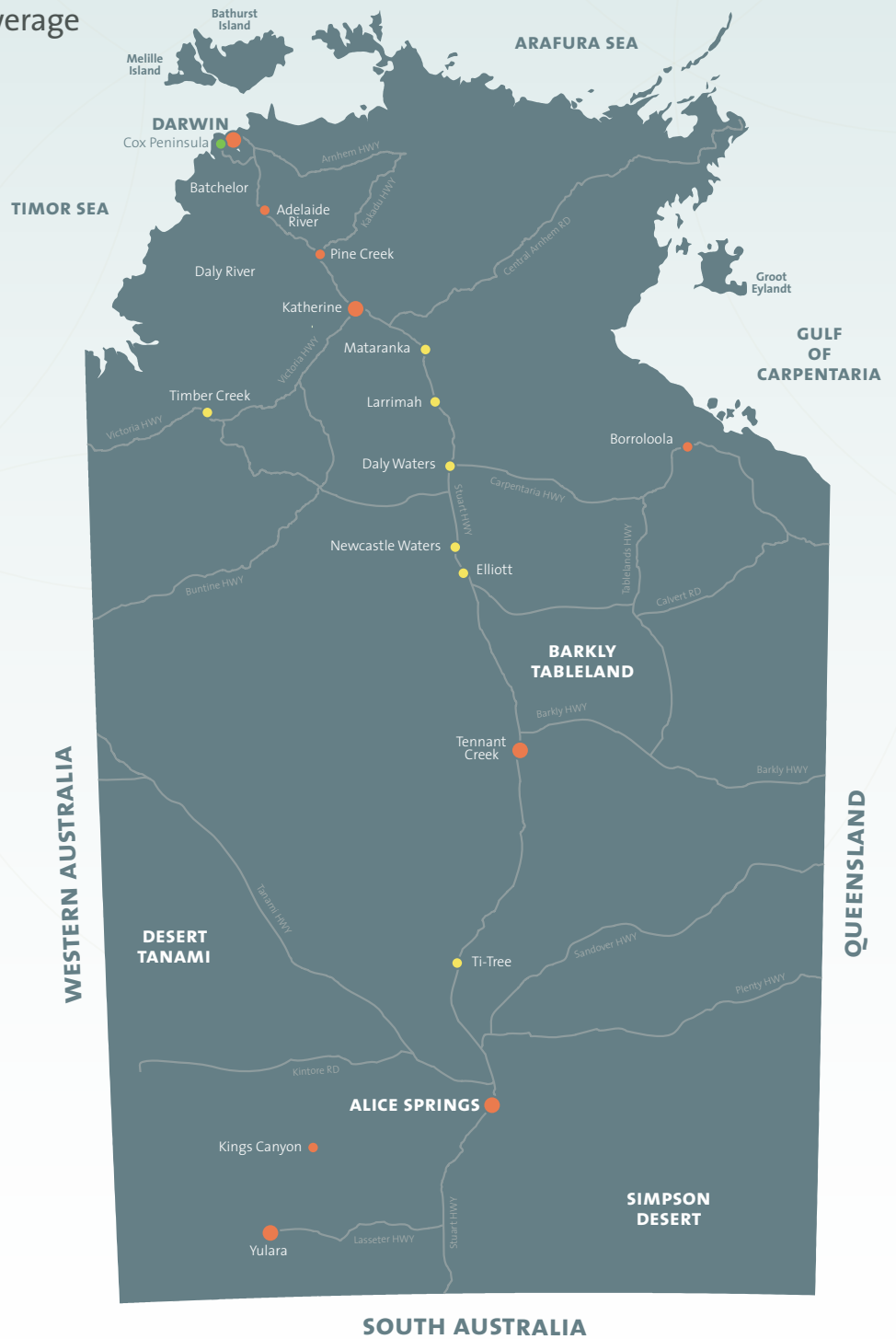
NT generation, power networks and electricity retail locations

- POWER STATION
Power and Water Corporation
- POWER STATION
Power Purchase Agreement
- RETAIL AGREEMENT ONLY



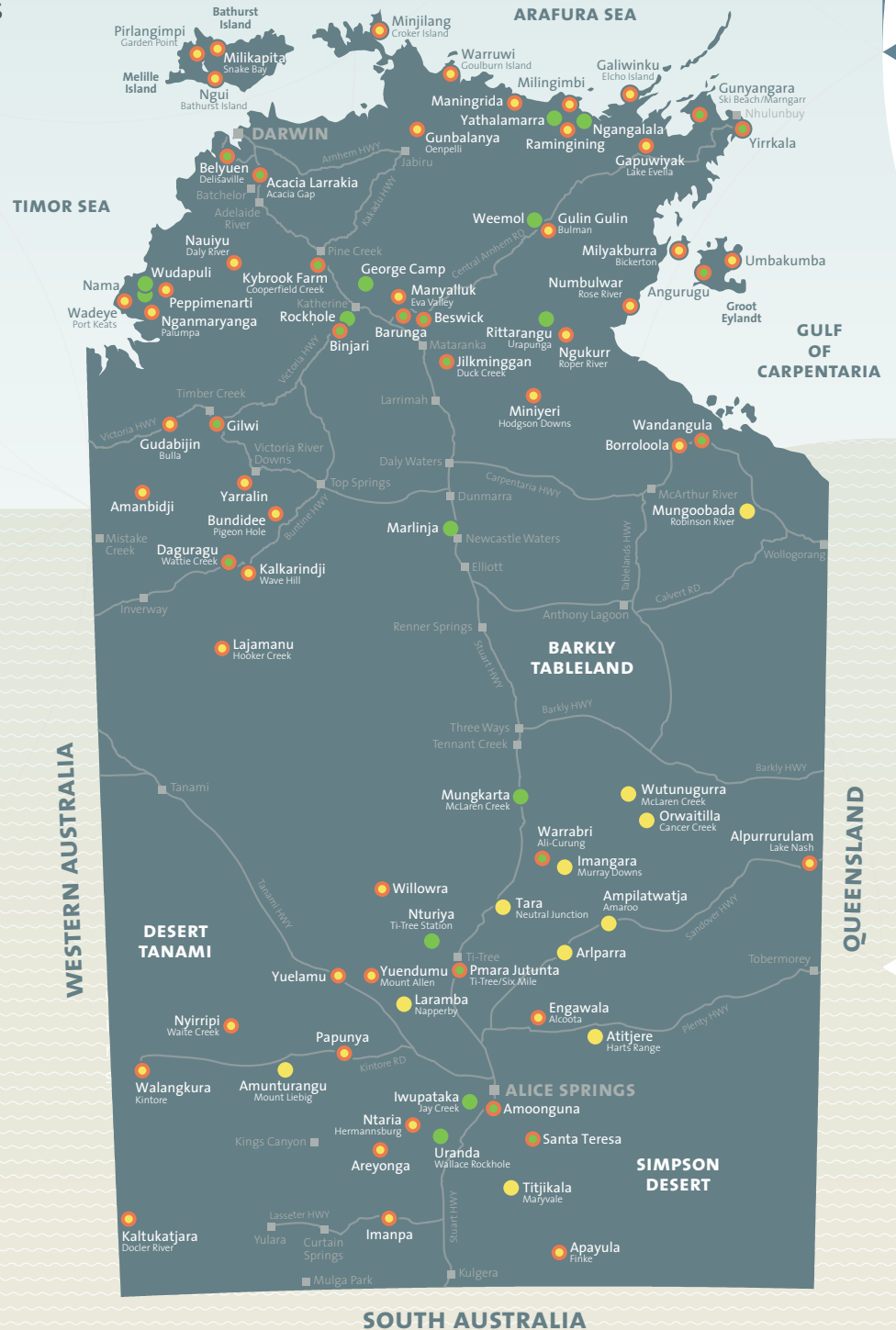
NT water supply and sewerage service areas

- WATER SUPPLY LICENCE AREA
Restricted Services Area
- WATER SUPPLY AND SEWERAGE
Service Licence Area
- WATER SUPPLY LICENCE AREA



Indigenous communities power, water supply and sewerage services

- POWER STATION
- TRANSMITTED POWER SUPPLY
- SEWERAGE SERVICES





GAS SUPPLY

Did you know that more than 90 per cent of the electricity we generate for our Northern Territory customers comes from natural gas?

Last year, we sourced 96 per cent of our natural gas requirements from Eni Australia BV's Blacktip gas field in the Joseph Bonaparte Gulf, which lies on the north-west coast. The balance of the gas was secured from the Palm Valley field, though the contract with the Palm Valley Producers has now expired.

Contingency gas supply came from Darwin LNG and during 2011-12 we consumed 165 terajoules (TJ) from this source during supply interruptions.

Additional detailed negotiations to provide back-up gas supplies are continuing with Inpex.

During 2011-12 we continued to look at opportunities to use natural gas in place of diesel fuel for electricity generation. As part of this trial we made gas available to the Joint Defence Facility Pine Gap and the Alice Springs Hospital.

Our focus on supplying gas to remote communities will see a gas spur pipeline to a new 5MW gas-fired power station built near Wadeye, starting in mid-2013.

This power station will be the main source of electricity supply for the nearby communities of Nganmaryanga (Palumpa) and Peppimenarti.

The Corporation also markets gas to a range of other customers including mining, manufacturing and pastoral industries.

MEETING DEMAND

We project the electricity demand on the Darwin to Katherine grid to increase from a peak of 282.1 megawatts (MW) in 2011-12 to 286.3MW in 2012-13. To meet that demand, two Rolls Royce Trent 60 gas and diesel-fuelled turbine generators came into operation at Channel Island Power Station to add at least 90MW to the Darwin to Katherine power system.

We are installing a third unit at Weddell Power Station that will also supply the Darwin to Katherine grid in 2013. This extra capacity means the Corporation can refurbish older units at the Channel Island Power Station while meeting the Top End's increasing demand.





We are carrying out a major maintenance and mid-life refurbishment program on all equipment for the six older units at Channel Island, including the support infrastructure to improve reliability and extend their life past 2026.

A Titan turbine has been installed at the Katherine Power Station, providing another 12.5 MW capacity to cater for the region's proposed development. The turbine has been commissioned and temporarily connected to ensure the Corporation can meet the local peak demand if the high voltage connection to major power stations in Darwin is disrupted.

In the southern region, three dual fuel high efficiency engines have become fully operational at the new Owen Springs Power Station, 25km south of Alice Springs. The three 10.9MW units will cover increasing loads and allow older, less efficient equipment to be retired from the Ron Goodin Power Station over time.



IMPROVING RELIABILITY

The Top End's fierce tropical wet season storms present a challenge to maintain a constant power supply year round.

Many power outages in the Top End are caused by trees and palm fronds touching or falling onto powerlines. To reduce outages the Corporation is increasing its program of vegetation management around powerlines in the urban and rural areas. This year we used specialised trimming equipment including the 'Jarraff' - a 30-metre telescopic, insulated boom fitted with a cutting wheel mounted on an all-terrain truck. This significantly increases accessibility and allows trimming during the wet season.

Networks infrastructure is vulnerable to wildlife including snakes and fruit bats. To minimise the impact, the Corporation is improving electrical insulation on its power poles with composite fibre cross-arms, longer insulators, vermin guards and bat covers.

During the dry season we use helicopters to patrol powerlines and identify maintenance needs in more remote and hard to access areas. The Corporation uses thermal scanning and insulation resistance testing to schedule maintenance and repairs.

Underground power significantly reduces risk of third party power outages as the infrastructure is no longer vulnerable to wildlife, vegetation and bad weather. New suburbs are built with underground power supply.

Significant investment has gone into zone substations, which transform power from high transmission voltages to lower voltage for distribution into the suburbs.

The new Woolner Zone Substation in Darwin, supplying Winnellie, Stuart Park, Coconut Grove and Nightcliff and surrounding areas, will come online in late 2012 allowing the ageing Snell Street Zone Substation to be decommissioned.

This financial year we spent \$72.3 million on repairs and maintenance, an increase of 30 per cent on the previous year. Improving our work practices, data collection on assets, organisational capabilities and updating information systems are all part of meeting tomorrow's challenges. To stay ahead, we established Asset Management Capability (AMC), a project to provide the systems and tools to improve plant operation and network reliability across the business. A contract was awarded to IBM in September 2009 for Maximo and ESRI suite of software and implementation services. The AMC project includes implementing off-the-shelf and integrated systems supported by process redesign, change management training, data improvement and a robust technical service infrastructure. We are in the final stages of implementing Phase 1 with roll-out planned for the end of 2012.



WATER AND SEWERAGE

Water for the future

Managing the Top End's future water needs is a priority. Darwin River Dam and the McMinns and Howard East borefields currently supply water to Darwin, Palmerston and the surrounding rural area.

The Darwin Region Water Supply Strategy is designed to achieve sustainable urban water management by adopting a range of measures that focus on:

- securing water supplies
- reducing water demand
- balancing water supply and demand increases as a result of growth
- supplying water in a financially and environmentally responsible manner

We currently draw about 35 000ML of water per year from the reservoir. A review of the sustainable yield of Darwin River Dam was

completed in 2011, indicating that based on current consumption, the potential impacts of climate change and projected growth for Darwin, the region's water supply capacity may need to be increased within the next five years.

Darwin River Dam water is not treated and risks to the quality of supply include fire in the catchment area, aquatic weeds and low water levels. Although the dam fills most years, about 65 per cent of available water is lost each year through evaporation.

Water resource expansion projects typically have long lead times and as part of prudent planning, the Corporation is investigating future water sources. We have a tentative target of 2017 to return Manton Dam to service. The Corporation holds a licence to extract 7300ML per year from Manton Dam, but has not used it for a number of years because of infrastructure constraints and water quality issues, including recreational activities on the dam. The total cost of returning Manton Dam to service is estimated to be \$150 million.



SAVING WATER

Territorians use excessive amounts of water. Typical household consumption is more than double that of elsewhere in Australia. The Power and Water Corporation will continue to focus on educating the community about water management through a range of innovative conservation initiatives in major urban centres and across remote communities, aiming to reduce water consumption by 20 per cent by 2015 and 30 per cent by 2020.

The Alice Water Smart plan was established to drive smarter, more efficient use of water in local homes, businesses, parks and gardens in Alice Springs. The plan is using education, audits and infrastructure development to cut water use by 1600 million litres per year. In 12 months, 882 million litres of water savings have been achieved or identified.



The Leak Detection Van, based in Darwin and Alice Springs, is another way we are actively seeking out and repairing leaking pipes and valves to save water. The van is equipped with highly sensitive listening probes that help identify underground leaks that can't be detected on the surface.

The ability to establish the location and magnitude of leaking pipes has dramatically reduced the annual cost of repairs and maintenance across the mains network and more importantly, saved precious water.

SEWERAGE

Larrakeyah outfall closure

Major works to divert the Larrakeyah sewage outfall to the Ludmilla wastewater treatment plant were completed in 2012.

The four-year program of works supported the Corporation's focus on improving water quality in Darwin Harbour by stopping untreated sewage from entering the water from the Larrakeyah outfall.

The project was a major engineering feat, with diversion work carried out under Darwin's CBD and construction of rising mains and pumping stations throughout city suburbs.

A simultaneous upgrade of the Ludmilla Wastewater Treatment Plant will better cater for wet season flows and provide for population growth to 2030.

The works are part of our broader Darwin sewerage treatment strategy that aims to:

- provide capacity for a growing population and industry base
- improve the performance of the region's wastewater treatment and disposal facilities
- reduce potential impacts on the environment from sewerage operations.

The most significant sewage treatment projects involve the investment of a further \$53 million to complete the upgrades at Ludmilla Wastewater Treatment Plant and extend the East Point Outfall, \$7 million to upgrade the Katherine Waste Stabilisation Ponds and \$38 million to upgrade the Leanyer/Sanderson treatment plant. Other upgrades are under way or planned for Palmerston, East Arm, Katherine, Borroloola and Alice Springs



WASTEWATER TREATMENT

The Corporation operates wastewater treatment plants in all of the Northern Territory's major and minor urban centres.



Alice Springs Water Reclamation Plant

We hold a licence under the Northern Territory Water Act to discharge treated and untreated wastewater to Darwin Harbour, Katherine River and Ilparpa Swamp in Alice Springs.

Annual asset management plans were prepared and submitted to the Utilities Commission, as required under the *Water Supply and Sewerage Services Act*. These plans cover the 18 water supply and 10 sewerage service licence areas managed by the Corporation.

We continue to improve sewerage services, including treatment upgrades and sewer relining programs in Darwin and Alice Springs, to meet increasing loads and comply with environmental regulations.

In Alice Springs we use more than three quarters of wastewater for irrigation or aquifer recharge. Record high rainfall in 2011 resulted in the need to have licensed regular discharge into Ilparpa Swamp from the Alice Springs ponds and work is underway to expand the Soil Aquifer Treatment basins to maximise aquifer recharge within licensed limits. The Alice Water Smart plan will also deliver further re-use opportunities.



Connecting with Twitter



We are capitalising on social media as a way to help keep our customers connected, informed and, most importantly, safe during a crisis.

During 2010 we began using Twitter to support communication with our stakeholders - particularly during the wet season when outages and supply interruptions are most common and customers need quick, factual information.

Twitter has become a critical source of real-time information on unplanned outages. It allows us to post up-to-the-minute information on electricity or water supply issues and repairs in most areas.

Additionally it informs followers of planned works, retail hours and other relevant and timely messages.



CREATING AWARENESS

Our website, annual regional show display awareness campaigns and retail centres are valuable communication tools that provide important information for customers.

They offer advice on preparing safely for the storm season, saving on power bills in hot weather and saving water in the tropical dry season and the Central Australian desert.

CUSTOMERS IN NEED

We understand that some domestic consumers might experience financial hardship at some point in their lives. Unemployment or reduced income, ill health or disability are all unexpected challenges that our customers might face. Through the 'staying connected' program the Corporation is committed to helping customers fairly and appropriately while operating within commercial guidelines.

SEEKING FEEDBACK

Feedback from our customers is important and ensures we strive to continually provide excellent service. Monthly surveys provide valuable information about our customer satisfaction levels. Overall, satisfaction has increased by nearly 8 per cent on the previous year indicating our customer service strategies are effective.

COMMERCIAL CUSTOMERS

The Corporation's retail section continued the successful Business at Sundown events in 2011–12 in Darwin, Alice Springs and Katherine. These events give our commercial customers an insight into how we operate. Our guests learn about how we generate power and about our network and water infrastructure in their region.



THE POWER AND WATER CORPORATION IS ONE OF THE TERRITORY'S LARGEST ORGANISATIONS WITH A PROUD HISTORY OF SUPPORTING OUR COMMUNITIES. WE SUPPORT THE ARTS, SPORTS, EDUCATION, ENVIRONMENT, BUSINESS AND COMMUNITY, REFLECTING THE DIVERSITY OF OUR CUSTOMERS

Supporting our community

Saving water with NT Thunder

NT Thunder players have continued to use their magical mix of footy clinics and educational sessions to help spread the word about water conservation in remote communities.

As water conservation ambassadors, the squad helped promote water conservation with visits to remote communities as part of a sponsorship arrangement with the Corporation.

Children of all ages joined group sessions learning about where water comes from, how it is tested and how it gets from under the ground all the way through to household taps and importantly, how to conserve it.

This win-win partnership is raising awareness of the importance of doing simple things to reduce water use.

Expanding populations and economic growth in remote communities has seen demand for water and electricity rise sharply. We provide services to more than 30,000 people in to Territory Growth Towns and 52 communities and outstations.

We are committed to reducing water and energy consumption and our work with NT Thunder is an important part of this conservation program.



SPONSORSHIPS

We partner with more than 40 community focussed organisations across the Northern Territory.

MILLION PAWS WALK

We are a major sponsor of the annual RSPCA Darwin Million Paws Walk, a fun morning out for any animal lover and their 'best friend'. Funds raised through walk registrations and online fundraising will go towards vital programs, services and campaigns undertaken by the RSPCA and help find the animals their 'forever' homes.



TROPICAL GARDEN SPECTACULAR AND TOP END SUSTAINABLE LIVING FESTIVAL

This year we teamed up with members of the Nursery and Garden Industry NT to create a sustainable living display house. The Eco-house, an interactive display which featured sections of an energy and water efficient house, demonstrated simple and sustainable practices that Territorians can implement in their daily life - at home and in the garden - to reduce their environmental footprint, save energy, water and money. The garden was designed and constructed by the Nursery and Garden Industry NT as part of our partnership. Its informative signage demonstrated smart gardening concepts, using natives, food and water wise plants and water-efficient irrigation equipment, to create beautiful and productive gardens while saving our precious water.

YOUNG ACHIEVER AWARDS

The Corporation is the proud sponsor of the Science and Engineering category of the Young Achiever Awards to honour young scientists and engineers who are responsible for many innovative ideas that benefit our community.



Jessica Davies - Power and Water Science and Engineering Award recipient



CHRISTMAS CHEER

Every year dozens of staff put their hands up to hand out Christmas goodies. Staff walk the wards of public hospitals in Darwin, Katherine, Tennant Creek, Alice Springs and Nhulunbuy on Christmas Eve, sharing Christmas cheer and a hamper with those who can't spend the festive season at home with their families.

They also pack and distribute gifts at the annual Darwin Variety Special Children's Christmas Party, which hosts hundreds of special needs children and their families.



TENNANT CREEK BILLY CART DERBY

Tennant Creek Primary School held the inaugural Power and Water Billy Cart Derby in December 2011. The event gave Power and Water staff a terrific opportunity to work with the local school community and help the kids build their billy carts.

The whole community was invited to attend the event and seven staff volunteers were joined by 100 kids and their families to cheer on 18 billy cart teams. The track was designed by Wayne Green from Power and Water's Remote Operations team using the school oval's grass surface.



CORRUGATED IRON YOUTH ARTS

Corrugated Iron Youth Arts provide and facilitate quality performing arts experiences for the Top End's young people. It connects with a broad demographic including children, young adults and families producing high quality artistic performances, providing skills development opportunities and a positive community outlook. The Corporation is pleased to help create opportunities for youth to enrich their lives through the arts and build stronger communities through inclusion and creative aspirations.

ASTHMA FOUNDATION NT

In partnership with Power and Water, the Asthma Foundation NT is actively working towards increasing awareness of asthma amongst the childcare community.

They aim to improve asthma management of children in care and educate staff about management of asthma in an emergency through the promotion and facilitation of training.

Childcare centres throughout the NT have been provided with asthma education including asthma first aid management.

TENNIS NT

The Power and Water Regional Development Program in partnership with Tennis NT enables tennis to strengthen its relationships with its regional affiliates and provides additional opportunities to promote tennis in both regional and remote communities.

BUYING LOCAL

The Corporation's infrastructure upgrade and maintenance program is the largest investment in essential services in the Northern Territory's history and provides local businesses with unprecedented opportunities.

The Corporation has continued to work with local suppliers, purchasing Northern Territory goods and services wherever possible.

We source electrical equipment, including generators, transformers, insulators and cables, as well as technologies to provide renewable energy sources.

For water and sewerage services, we purchase pumps, reticulation supplies and filtration chemicals.

We also purchase office equipment and supplies for our office locations across the Northern Territory.

We engage local contractors to carry out electrical and water infrastructure repairs and maintenance, vegetation management and consultancies in engineering, design, construction and market research.

The Corporation provides notice of upcoming works through industry briefings and advertises future tender opportunities 90 days before tenders are released via the Government Tenders Online website and the *Northern Territory News*.

This helps local businesses plan and ensure that they have the necessary resources and capacity to be competitive when tendering.



Our vision

WE ASPIRE TO BE A LEADING UTILITY BUSINESS VALUED AND RESPECTED IN THE COMMUNITY

Our purpose

WE WILL FOCUS ON MEETING THE POWER, WATER AND SEWERAGE NEEDS OF OUR CUSTOMERS WHILE ACKNOWLEDGING THE EXPECTATIONS OF OUR SHAREHOLDERS

Our values

SAFETY

Protecting the health and well-being of ourselves, contractors and the general public to achieve zero harm.

INTEGRITY

Engendering trust through open, honest and ethical behaviours.

COMMUNICATION

Engaging in an open, positive and constructive way to obtain better individual and business outcomes.

TEAMWORK

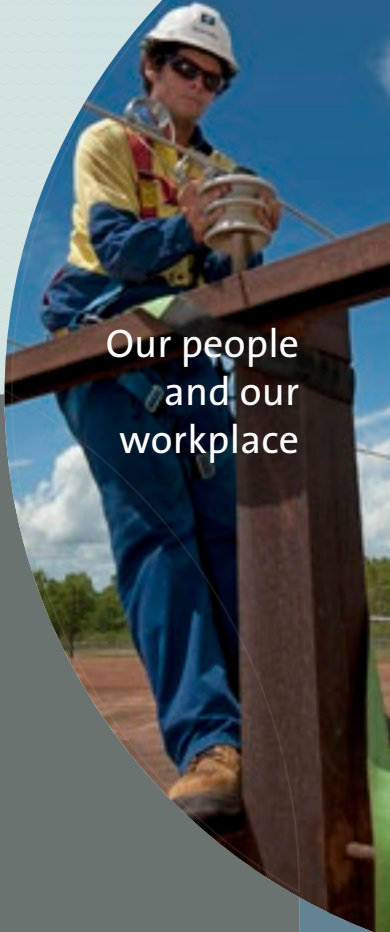
Working together for a common purpose; achieving our goals in a supportive, respectful and enthusiastic manner.

COMMITMENT

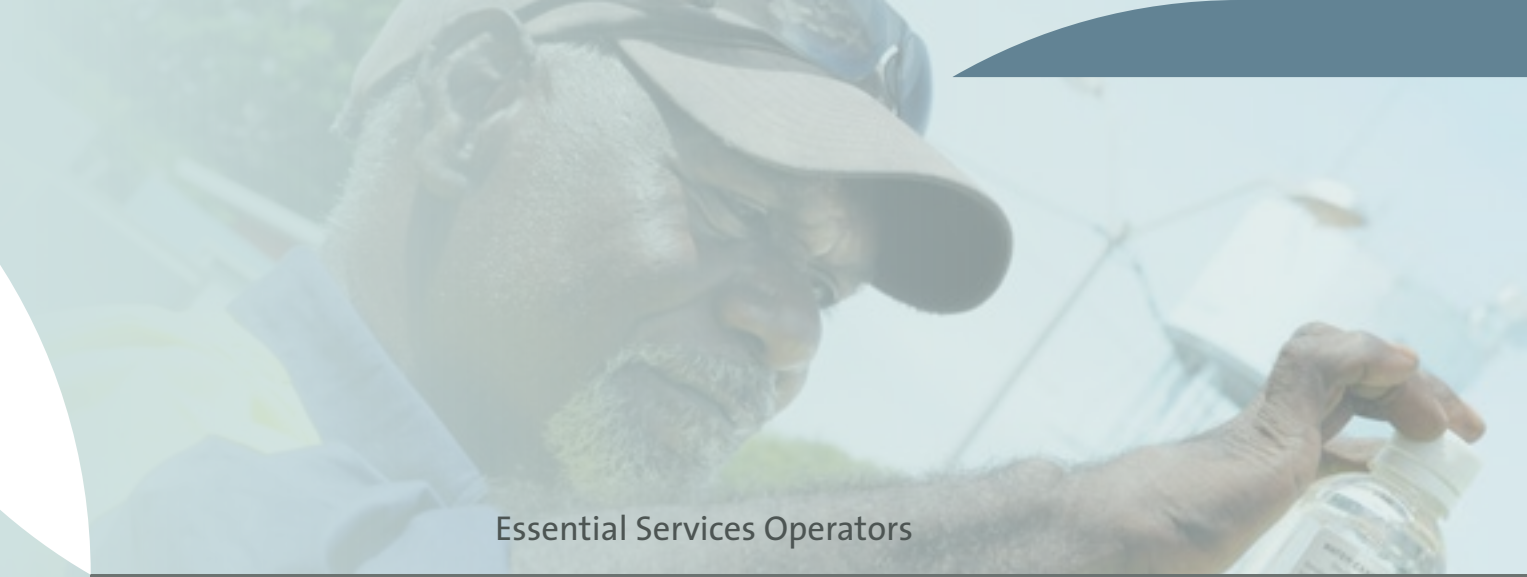
Leading by example, continually improving, accountable for our actions and carrying them out with passion and purpose.

We recognise that our people are our greatest asset, so our focus is on growing our own employees through traineeships and graduate programs, and keeping our workforce safe. We have over 1000 staff living and working throughout the Northern Territory. There are also 155 relief and full time Essential Services

Operators who operate and maintain the supply systems in remote Indigenous communities through contracts with shires, councils or private contractors and are supported by Power and Water's Darwin based Remote Operations team.



Our people and our workplace



Essential Services Operators

Essential Services Operators (ESOs) play a key role in keeping electricity, water and sewerage services operating in the Territory Growth Towns and remote communities.

An ESO has daily, weekly and monthly duties for all essential services in their communities, including water quality testing, diesel generator servicing and meter reading for retail services.

They have a broad range of skills, knowledge and experience in power, water and sewerage infrastructure, operations and customer services to safely, effectively and efficiently carry out all duties.

In communities, the Corporation works with shires, councils, private contractors, pastoral companies, Indigenous incorporated bodies and community government councils to maximise Indigenous employment opportunities. At present 27 per cent are Indigenous.



3. OUR PERFORMANCE

SAFETY

Safety is a key Power and Water Corporation core value. We aim to protect the health and wellbeing of our staff, our contractors and the public. Our safety vision is for zero harm, incidents and unsafe acts and practices in the workplace.

Health and safety performance - The number of safety incidents reported and investigated each month is a key indicator. We aim to investigate all occupational health and safety incidents within 30 days. During 2011-2012, 97 per cent of recorded incidents were investigated within the targeted time frame.

The Corporation recorded 11 Lost Time Injuries (LTIs) this year, exceeding the target of four or less. The LTI frequency rate was 5.5, with an average of 33 days lost per LTI. All reportable incidents were submitted to NT WorkSafe within the legislated timelines. There were 25 incidents reported to the regulator during 2011-2012.

Key health and safety initiatives implemented during 2011-12, included:

- *Managing Directors' Stop Un-Safe Work Policy* - This new corporate policy gives confidence to all staff that they can "stop work" to ensure unsafe work is not occurring.
- *Fatigue Policy* - This policy provides guidance and tools to help supervisors and staff minimise fatigue risk across the Corporation.
- *Zero Incident Safety Training* - This training has been rolled out to more than 700 employees and team leaders. This program aims to improve each individual's personal attitudes toward safety to promote ownership of safety in the workplace. We are also focusing on positive safety action programs.
- *Contractor safety* - Six new positions were created to drive improved safety performance in partnership with the Corporation's contractors.
- *Safe Spine* - Following an increase in muscular skeletal injuries, the Corporation contracted a Safe Spine Specialist to prevent injuries and educate staff on the correct way of lifting. This program involved morning stretching exercises and has seen a significant decrease in this injury type during 2011-2012.
- *Nursing services* - A full time Industrial Registered Health Nurse provides health assessment in the northern region, monitoring and targeted health intervention programs. In the 2012-2013 period this service will be expanded with a part-time on-site nurse in the southern region.



EMPLOYEE SATISFACTION

Our employee satisfaction survey showed that satisfaction remains high with 78 per cent of employees rating their overall satisfaction as six out of 10 or higher and 92 per cent rating the Power and Water Corporation as a good employer they would recommend to others.

Employee satisfaction is broadly comparable to results from other companies in the energy sector and Australian industry in general. However the percentage of employees recommending the Corporation as a good employer (92 per cent) exceeds those from the energy sector (67 per cent) and Australian industry (60 per cent) generally.

Service recognition - The Corporation recognised a number of long-serving staff in November 2011. Two employees reached a 40-year milestone - a significant achievement indeed. Seven achieved 30 years of service, eight reached their 20-year milestone, 13 reached 10 years and 43 achieved five years of service.



Trevor Allwright at the training centre

Giving our apprentices a leg up

Long serving training coordinator Trevor Allwright was passionate about helping the next generation of workers through apprenticeships, so when the Corporation opened its apprentice training centre in Coolalinga in 2011 it was fitting that the centre be named after Trevor - the Allwright Training Centre.

This tailor made facility is used to train Networks, Generation and Water Services apprentices as well as essential services operators who work in remote communities. It means apprentices can train locally and work on equipment that is used in the Territory's electricity network.

The Allwright Training Centre has 20 full size power poles for Networks apprentices to learn how to work on overhead powerlines, buried testing cables and high voltage testing equipment.



Apprentice and graduate programs

In 2011-12 the Corporation welcomed 26 new apprentices, bringing the total number to 92.

The Corporation, its supervisors and apprentices were recognised for their outstanding achievement with the following awards:

GROUP TRAINING NORTHERN TERRITORY AWARDS

Alice Springs

Outstanding Apprentice Stage 3
DANIEL PEZET

Apprentice of the Year
REECE DEBNEY

Darwin

Outstanding Apprentice Stage 2
TOM SHERRELL

Apprentice of the Year
BRENDAN LEE

Katherine

Outstanding Apprentice Stage 2
PHILLIP YATES

Trevor Allwright Initiative
DALE PRIME

Apprentice of the Year
KATIE WILLIAMS

Employee recognition

Supervisor of the Year - Katherine
BEN HOWARD

Supervisor of the Year - Alice Springs
GAVIN KAHL

The Corporation won the Host Employer of the Year.

GIPPS TAFE AWARDS

Apprentice of the Year
STEPHEN BERTSCHI

In 2011, eight new graduates from engineering and science disciplines started in February. They joined six graduates who entered the second year of the program. The program is so successful that in 2013 graduates will also be employed within corporate and administrative roles.

Training and development - In 2011-12, \$5.5 million was spent on training, excluding apprenticeship programs, which is an average of \$5000 per employee.

Our training specialists work closely with line management and supervisory staff to identify training requirements and knowledge gaps. These needs are identified during employees' annual performance reviews.

This year, 98 employees accessed study assistance within the 2010-2013 Power and Water Corporation Enterprise Agreement to complete undergraduate and post-graduate courses.

More than 330 employees attended leadership and management development programs, which represents 80 per cent of staff within relevant classification groups participating in a session.

We are creating a workplace that acknowledges and recognises Indigenous culture and

opportunities, one of the priority areas of our Indigenous Employment and Career Development Strategy 2010 - 2020 (IECDS).

The Strategy is a long term commitment to Indigenous employment. It includes a range of attraction, retention, training and promotional initiatives to increase Indigenous employment opportunities at Power and Water over the next 10 years.



Our environmental commitment

The Power and Water Corporation is increasing its commitment to sustainability in line with community attitudes and global scientific concern.

Renewable energy legislative compliance

In June 2009 the Australian Government introduced Renewable Energy Target (RET) legislation to achieve 20 per cent renewable energy by 2020. Each year the Corporation is required to purchase more Renewable Energy Certificates, increasing to an estimated target of 300GWh in 2020.

The Australian Government divided the RECs system into Small-scale Technology Certificates (STC) and Large-scale Generation Certificates (LGC) to encourage investment in large-scale renewable energy projects while also encouraging homeowners to install rooftop PV systems or solar hot water systems.

Power and Water met its 2011 REC obligation of 317,034 RECs, up from 93,608 in 2010. For 2012, the forecast obligation is 134,263 LGCs and 351,758 STCs. The targets are based on a calendar year rather than financial year.



Uterne Power Station - Generating Renewable Energy

Australia's largest tracking solar power station was built in Alice Springs in 2011, contributing its first electricity to the Power and Water Corporation's grid during commissioning in June.

Uterne Power Station has 3048 ultra-efficient SunPower mono-crystalline, flat plate solar panels. Each 318 watt module will be mounted on a custom designed tracker that follows the sun as it crosses over the sky during the day. The 1MW (megawatt) system can power 288 average Alice Springs homes for a year. Construction of solar power stations in the remote communities of Ti Tree, Kalkarindji and Alpuurrulam, including wind power in Alpuurrulam, started in 2011.

The Corporation's renewable energy portfolio, totalling more than 4.15MW of renewable energy capacity, includes the following facilities owned and operated by the Corporation:

- flat plate solar power station at Kings Canyon (225kW)
- amorphous silicon solar power station at Bulman (55kW)
- solar concentrator dishes at the remote communities of Hermannsburg (192kW), Yuendumu (240kW) and Lajamanu (288kW).

Electricity generated by private providers, from which the Corporation purchases the accredited renewable energy, includes:

- methane gas generators at the Shoal Bay Landfill in Darwin (1.1MW)
- flat plate, high penetration solar at remote communities of Ti Tree (324kW), Kalkarindji (402kW) and Alpuurrulam (266kW), with wind energy capacity at Alpuurrulam (45kW)
- flat plate, tracking solar at Uterne Power Station, Arumbera, Alice Springs (1MW).

Rooftop PV rollout - Five hundred Northern Territory home owners installed rooftop photovoltaic (PV) systems and connected to the Corporation's grid in 2011-12. This is a considerable expansion in rooftop PV sales right across the Northern Territory, which is due to a decrease in the cost and the solar credits legislation of June 2009.

By June 2012 there were about 600 rooftop PV systems connected in Central Australia and 900 in the Top End. Larger systems have been installed on some commercial buildings including Power and Water's Sadadeen complex in Alice Springs and a school in Darwin.

Rooftop PV now generates enough electricity in Alice Springs for it to be noticeable when cloud passes over the town. Small perturbations on the daily load curve at the power station were noticed in April 2010 and were found to result from cloud reducing the output from the solar generation. This could be the first time in Australia this effect has been observed on an electricity grid.

We have had a buyback arrangement for the gross production of electricity from rooftop solar panels since 2001.

Wurrumiyanga water upgrade

Wurrumiyanga, on Bathurst Island, has a more secure water supply with the completion of a \$4.3 million upgrade.

The community, formerly known as Nguiu, is home to nearly 1500 people and has been identified as a Territory Growth Town.

A new 1.8 million litre water tank and additional bores have been installed to meet current and forecast future needs.

The larger tank increases water supply and pressure to the new homes and amenities like the AFL field - training ground for the Tiwi Bombers.

The state-of-the-art chlorination system ensures the water is safe to drink, while fluoridation has been introduced to meet levels recommended by the Northern Territory Department of Health.

The facilities are about six kilometres from the community centre, giving room for the community to grow.

Wurrumiyanga was the first of five remote Indigenous communities to take part in the Strong Teeth and Healthy Bodies program with the Corporation and the Department of Health.

Fluoridated water will also be provided in Maningrida, Wadeye, Angurugu and Umbakumba.



ALICE WATER SMART

The Alice Springs Water Smart program has helped the desert town's residents save 882 million litres of water in one year.



Inserting leak detection technology in Alice Springs

Alice Springs in Central Australia has long been a thirsty town, with water use up to three times the national average. So far, 360 homeowners have volunteered for water efficiency consultations identifying 112 million litres in reductions.

Tourist accommodation providers have recognised 180 million litres in savings, and other businesses have identified 213 million litres more they can save.

Smart irrigation systems on Alice Springs Town Council sports grounds will measure temperature, humidity and rainfall before turning on the water, saving an estimated 80 million litres.

Meanwhile Power and Water's leak detection van has been busy making sure any leaking water mains are promptly repaired.

AROUND THE HOUSE

With the Corporation's financial sponsorship, COOLmob has helped households identify ways to save on their power and water bills.

The group carries out home energy audits in Darwin and home water audits in Alice Springs. We provide a copy of our Green Guide, Waterwise Garden Guide and an energy-saver light bulb to help customers save.

COOLmob works with public benevolent institutions and offers sustainability talks for schools and non-profit organisations to encourage responsible use of resources.

VIRTUAL ENERGY AUDIT + HOME WATER USE CALCULATOR

Over 17 600 people viewed the online energy audit at Power and Water's website to learn how to save electricity and water in their home or business this year.

Our Virtual Energy Audit lets customers create a virtual model of their home and estimates their power bill based on the data they input including type and amount of running time for air conditioning and pool filters.

This tool helps customers see what contributes to their power bill and how they can reduce it.

Power and Water has developed an online calculator that estimates metered water consumption based on answers to questions regarding water use in and around the home.

It shows a breakdown of water use with a comparison to the Northern Territory average. Handy and practical ideas and links help reduce water use and save money and the environment.

HELP SAVE THE PLANET!

Power and Water's interactive education resource website helpsavetheplanet.com.au provides information on simple things school students can do to become more aware of the environment.

This ranges from setting the air conditioning to 24 degrees or more, identifying 'energy vampires' (also known as standby power) or turning off the tap while brushing their teeth.



Melaleuca Awards

THIS YEAR WAS THE TENTH ANNUAL MELALEUCA AWARDS AND THE CORPORATION ADDED NEW CATEGORIES AND AWARDS TO REFLECT THE KEY AREAS OF ENERGY, WATER AND WASTE AND NATURAL ENVIRONMENT PROTECTION AND ENHANCEMENT

Alawa Primary School

Winner of Eco School - Environmentally Friendly Gardens Award.

A kitchen garden at Alawa Primary School is teaching children about the natural world and how to care for it through growing, harvesting, preparing and sharing their fresh seasonal produce.

Seeds were first planted in 2004, with the garden evolving to utilise an irrigation system and permaculture principles which reduce water wastage.

Around 400 students in grades 3 to 6, undertake weekly gardening lessons where they learn a variety of methods, such as planting seeds and making cuttings. They carry out mulching, weeding and planting while learning about seasonal produce and organic gardening.



The creation and care of the kitchen garden teaches students about the natural world and its beauty, how to care for it and how best to use their resources. It also gives children an appreciation for how easy it is to bring joy and wellbeing into everyone's life through growing, harvesting, preparing and sharing fresh, seasonal produce.

AWARD WINNERS

Individual Category Award**EMMA LUPIN**

Promoting local food, productive gardening and sustainable urban living

**Energy Conservation Award - Small Organisation****ALICE SPRINGS REPTILE CENTRE**

Aiming to become 100 per cent carbon neutral

Energy Conservation Award - Large Organisation**CHARLES DARWIN UNIVERSITY**

Building management systems for energy efficient lighting and air conditioning and green office guidelines

Natural Environment Protection and Enhancement Award**LUDMILLA CREEK LANDCARE GROUP**

An urban community-based environmental catchment management and engagement project

Recycling and Waste Management Award**COLEMANS PRINTING**

Go for Green - Sustainability initiative developed to lift the business' overall environmental performance - recycling all paper and cardboard to reduce its landfill waste by 80 per cent

Water Conservation Award**THE PLANTSMITH**

Development of The Plantsmith nursery - During 2009-10 the nursery covered 8000 square metres of the site in light shade cloth which reduced water demand and decreased pest infestations. As part of expansion and upgrading pipe work was installed and sub-surface plastic sheeting to all nursery beds to catch irrigation runoff for future recycling

Eco School - Environmentally Friendly Gardens Award**ALAWA PRIMARY SCHOOL**

Tropical Kitchen Garden Program - Teaching children about the natural world and how to care for it through growing and harvesting seasonal produce

Cross Category Award**ENVIRONMENT CENTRE NT & NURSERY AND GARDEN INDUSTRY NT**

Increased awareness of sustainable practices at the combined Tropical Garden Spectacular & Top End Sustainable Living Festival 2011 event

Chairman's Encouragement Award**DON DUGGAN**

Maningrida Beautification Program - Special acknowledgment to Don who focussed on enhancing and beautifying the community with public gardens while providing education and employment opportunities





Alice Solar City

We are a proud founding consortium member and stakeholder in the Alice Solar City which celebrates its fourth birthday in 2012.

The many significant achievements of the Solar City trial are helping the Alice Springs community create a sustainable future.

The project focuses on energy efficiency including cost reflective energy pricing, demand management, encouraging solar hot water installations and rooftop solar panels.

Other elements of the trial include a power buyback arrangement, in-house displays, smart meter rollout, a smart living centre and the development of the Uterne 1MW solar power plant.

The program is moving into a monitoring and evaluation phase that will explore customer consumption patterns and the drivers for change. Project milestones include:

- 1MW Uterne solar power station
- 316 rooftop photovoltaic systems funded
- 770 solar hot water systems installed
- 2520 home energy efficiency surveys conducted
- CO₂ savings of more than 4300 tonnes per year*



ENVIRONMENTAL COMPLIANCE

Environmental Management System

The Corporation had its Environmental Management System to AS/NZ ISO 14001 recertified for another three years. This is the highest international certification available for environmental management. The certification was approved following a thorough external audit across the organisation and site visits to all major facilities.

Environmental incidents

There is an inherent risk of environmental incidents in Power and Water Corporation's business, but comprehensive strategies are in place to achieve our goal of Zero Harm.

Using diesel to generate electricity on remote coastal communities creates a particular challenge, especially where fuel is delivered by barge. We have procedures to reduce the risk of fuel spills and trained staff to deal with land-based spills to prevent any release to the environment. Spill kits are also located at each remote power station to enable a quick response.

Sewers are susceptible to occasional dry season blockages and pipe failures as well as wet season overflows associated with storm water, however sewer maintenance and appropriate design of new systems prevent sewage overflows. The Corporation has a comprehensive response protocol for sewage overflows, with a primary focus on clean-up and disinfection to protect the health of community members.

Incident reporting

The Corporation maintains a database of all environmental incidents resulting from our work that has been reported by staff and external sources.

During 2011-12 there were 65 environmental incidents recorded in the database - 19 hydrocarbon, 37 sewage/effluent and nine other. An improved culture of reporting across the operational business units has meant an increase in recorded incidents. There were 11 incidents ranked as a high risk or above (one ranked as a very high risk). The greatest sewage/effluent overflows occurred in the wet season as a result of storm water ingress into the system.

Under section 14 of the *Waste Management and Pollution Control Act (WMPCA)* we are required to report any incidents which cause, or threaten to cause, pollution resulting in material or serious environmental harm. The reports are required to be made to our environmental regulator, the Environmental Operations section of the

ENVIRONMENTAL SUSTAINABILITY

There is a global focus on new and sustainable energy sources and conserving valuable water resources.

Territory 2030 Strategy's Sustainable Living sets four targets for the Corporation:

- by 2015, reduce greenhouse gas emissions intensity from Channel Island and Weddell Power Station by 10 per cent on 2009 levels
- by 2020, purchase 20 per cent of renewable energy from Northern Territory sources
- by 2020, replace diesel as the primary source of power generation in remote towns and communities - using renewable and low emission energy sources instead
- by 2015, reduce household water use by 20 per cent - and a further 10 per cent by 2020.

With the introduction of a carbon pricing regime in Australia, many customers are looking for ways to reduce energy consumption while maintaining normal business operations. Property developers are actively upgrading their properties to make them more energy efficient. The Corporation has helped its customers by providing an energy efficiency advice service to large consumers. Smaller consumers can access advice on the Corporation's website which includes a virtual energy audit tool.

Power and Water Corporation will continue to study usage in 2012-13 to assess the impact of carbon pricing under the Australian Government's 'Clean Energy Future' policy.

Department of Natural Resources, Environment, The Arts and Sport (NRETAS). Incidents deemed to have caused or with the potential to cause material or serious environmental harm are posted on the NRETAS public register. We also consult the Department of Health about sewage overflow management and clean-up.

The Power and Water Environmental Management section assesses environmental incidents and provides advice regarding management and clean up. We also submit reports to the regulator and coordinate investigations when required. This year the section has applied a policy that all significant incidents be reported to NRETAS, and in many cases reports are made to NRETAS while additional information is gathered and assessment is conducted.

Environmental Assessment

The Power and Water Corporation conducts environmental assessments of all its capital works projects and operational facilities. All projects are assessed by the Environmental Services section prior to any tenders being released. Working under a Memorandum of Understanding with NRETAS Assessments Branch enables Environmental Services to

determine if a project needs to be notified under the *Environmental Assessments Act*. Compliance with the *Environment Protection and Biodiversity Conservation Act* is also assessed and, where required, a referral is made to the Federal Government. Last year, despite a record capital works budget, no projects required formal notification or assessment under either Act. The only project currently undergoing formal assessment is the East Point Rising Main and Outfall Extension which is being assessed at the level of Public Environment Report (PER). The assessment is in its final stages and approval is expected later this year.

National Greenhouse and Energy Reporting

The *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) introduced a national framework to report and disseminate information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations.

The objectives of the NGER Act are to:

- underpin the introduction of an emissions trading scheme (ETS)
- inform government policy and the Australian public on corporate emissions and their source



- help meet Australia's international reporting obligations
- help federal, state and Territory government programs and activities.

As a registered power, water and sewerage provider, the Corporation must report information on its greenhouse gas emissions, energy production and energy consumption from all facilities under our operational control.

In 2010-11, we reported 1,162,237 t CO₂-e, consuming 20,607,177 GJ (gigajoule) of energy and producing 6,067,296 GJ of energy. Generation, and particularly the three main power plants (Channel Island Power Station, Weddell Power Station, Ron Goodin Power Station) generate more than 90 per cent of emissions.

National Pollution Inventory

The National Pollutant Inventory (NPI) provides the community, industry and government with information about substance emissions in Australia. It has emission estimates for 93 toxic substances and the source and location of these emissions.

The Corporation reports to the NPI annually. In 2010-11 we submitted data for 28 substances emitted from 38 facilities. The report can be downloaded from www.npi.gov.au.

The Environmental Services section coordinates the collation of data and submission of these reports to ensure they are submitted on time.

Licence Compliance

The Corporation holds several Waste Discharge Licences issued under the Water Act for discharges from Waste Water Treatment Plants. These licences require monitoring of effluent quality and the receiving environment.

Prosecutions

The Northern Territory's principal environment protection legislation is the *Waste Management and Pollution Control Act*.

Under the Act, the Corporation is subject to enforcement actions such as Authorised Officer Directions, Pollution Abatement Notices and prosecutions. No enforcement actions under the Act were taken against us during the reporting period.



Key Performance Indicators - Power and Water sets its own key performance indicator target for customer service and supply reliability. The following tables illustrate how our results compare with our targets in 2010 -2011.

Service Key Performance Indicators (KPIs)

Objective	Measure	2011-12	2011-12	Comments
		Target	Result	
Drive improved asset performance, balancing both commercial and stakeholder perspectives	SAIDI¹ Networks Duration Interruption²			
	Darwin	< 220 min	266 min	Darwin experienced average outage duration inline with the 5 year average performance and within the expected performance window. Equipment failure, vegetation interfering with power lines during storms and planned maintenance activities were major contributors to the SAIDI result in 2011-12.
	Katherine	< 401 min	223 min	Katherine achieved the SAIDI performance target in 2011-12. Weather related events, planned construction and animals were the large contributors to the SAIDI result in 2011-12.
	Tennant Creek	< 411 min	388 min	Tennant Creek achieved the SAIDI performance target in 2011-12. Equipment problems and animals interfering with the power system were significant issues in 2011-12.
	Alice Springs	< 108 min	103 min	Alice Springs achieved the SAIDI performance target in 2011-12. Equipment problems accounted for most network outages in the region.

Our performance at a glance

1 System Average Interruption Duration Index (SAIDI) for average distribution network reliability performance. Note that this is the Network performance only - it does not include generation outages

2 All figures are adjusted (Major Event Days are not counted)

Objective	Measure	2011-12	2011-12	Comments
		Target	Result	
Achieve high level of customer and employee satisfaction	SAIFI³ Networks Frequency Interruptions²			Targets were achieved in all regions with the exception of the Darwin region. The Darwin experience was inline with 5 year average performance.
	Darwin	< 4.2 min	4.9 min	
	Katherine	< 9.6 min	5.4 min	
	Tennant Creek	< 9.8 min	5.7 min	
	Alice Springs	< 2.9 min	1.3 min	
	Average duration of unplanned water interruptions⁴			The average duration of unplanned interruptions decreased in Darwin as a result of improvements in asset maintenance.
	Darwin	< 90 min	72 min	
	Alice Springs	< 120 min	121 min	
	Average frequency of unplanned water interruptions⁵			The frequency of unplanned water interruptions improved due to better work scheduling.
	Darwin	< 210	33.76	
	Alice Springs	< 90	14.68	
	Average duration of sewerage service interruptions⁶			Average duration of sewerage interruptions increased due to a tightening of the market with the availability of contracting services.
	Darwin	< 120 min	133 min	
	Alice Springs	< 150 min	74 min	
		Average call response time⁷	>= 63%	60%

3 System Average Interruption Frequency Index (SAIFI): Reflects outcome of Utilities Commission's (UC) Standards of Service Review to report performance for periods 2011-12 to 2013-14 to establish targets

4 Average duration a customer is without supply of drinking water for the year (minutes).

5 Frequency customers are without access to the water supply service (per 1000 customers) without 24 hours notice.

6 Average duration a customer is without sewerage services for the year (minutes).

7 Call Response: Percentage of calls answered within 20 seconds reflecting the outcome of the Utilities Commission's Standards of Service Review to report performance.

Service Key Performance Indicators (KPIs) continued

2011-12 2011-12

Objective	Measure	Target	Result	Comments
	Average time taken to answer a call	<= 20 secs	63 secs	There has been a significant increase of 14% in call volumes for the year. In spite of this the result does reflect an improvement of 11 seconds on the previous year's result.
	Customer Satisfaction Index: Domestic ⁸	>= 82%	91%	Our continued investment and supportive communication has seen customer satisfaction continue to grow particularly with electricity supply.
	Customer Satisfaction Index: Commercial ⁹	>= 98%	80%	Levels of commercial customer satisfaction has declined which may be attributed to pricing uncertainty.
	Connections to existing electricity supply properties within 24 hours ¹⁰	>= 90%	100%	Connections KPI is 100% for 2011-12. In comparison, KPIs for 2010-11 were 99.59% and 99.45% in 2009-10.
	Connections to new subdivisions in major urban areas within five working days ¹¹	>= 90%	88%	Connections to new subdivisions in major urban areas slightly missed target due to a couple of high rise CBD buildings requiring new connection within the same week which is an unusual occurrence and stretched our resources.
	Connections to new subdivisions in major urban areas where minor extensions or augmentation is required ¹²	>= 95%	91%	Increasing development activity stretched this activity's resources albeit a significant improvement on 2010-11 figures.
	Have a safe workplace			
	Lost Time Injuries (LTIs)	<= 4	11	Recording a decrease in LTI's this year compared to last year. Contributing factors to the number of LTI's relate to an increase in project and maintenance activity. Initiatives to further reduce LTI's focus on soft tissue injury from manual handling, safe spine program and ergonomics.
	LTI Frequency Rate	<= 2.1	9.4	

8 Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population

9 Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population

10 Reflects outcome of Utilities Commission's Standards of Service and Electricity Retailer Incentive Scheme Reviews to revise reporting metrics and establish performance targets from 2012-13 onwards.

11 Percentage of new service connections to an electricity supply within five working days of receipt and verification of certificate of compliance from the contractor. Covers major urban areas.

12 Percentage of customers connected within 26 weeks of receipt of customer contributions in accordance with Power and Water's Capital Contributions Policy. Covers major urban areas.

Objective	Measure	2011-12	2011-12	Comments
		Target	Result	
Develop an achievement oriented organisational culture	Staff Satisfaction Index	>= 81%	78%	<p>The results from our 10th annual staff satisfaction survey indicate we are becoming a more constructive and effective organisation.</p> <p>The majority of our employees feel highly satisfied. In fact, 78% of respondents rated their satisfaction as six or more out of 10 (10 being the highest), which is an 8% improvement on last year's results.</p> <p>92% of respondents said they would recommend Power and Water as a good employer and 98% agreed that their team is committed to doing quality work</p>
Meet our environmental and sustainability obligations in a commercially responsible fashion	*Emission Performance kg CO₂-e per megawatt hours (MWh) sent out			Actual emissions were 9% higher than the target of 563 per MWh because of delays in commissioning new generation, which saw Power and Water rely on less efficient plant to meet peak loads.
	Combined major and minor power stations	<= 563	612	
	*Water Demand¹³			Domestic water usage increased per property compared to the previous period due to lower rainfall.
	Darwin	<= 473	471 kL/Property	
Alice Springs	<= 554	470 kL/property		

* The Territory 2030 Strategy: Power and Water will investigate, model and assess the specific impacts to its financial requirements for capital investment and operational expenditure in attaining the prescribed milestones and targets inherent in this strategy.





**CORPORATE GOVERNANCE
AND OUR OPERATING
ENVIRONMENT**

4

Corporate governance principles
Our operating environment

Corporate governance principles

While the Power and Water Corporation is not required to comply with the *Australian Stock Exchange's (ASX) Corporate Governance Principles and Recommendations (2nd Edition)*, the following section reports against the eight core principles of good corporate governance.

PRINCIPLE 1

Lay solid foundations for management and oversight

Power and Water Corporation's Board has six independent non-executive members, including the Chairman and one executive member, our Managing Director.

The Board is responsible to the shareholding minister for providing strategic direction, accountability of management, corporate performance and corporate governance of the Corporation and its subsidiary entities. The Corporation's Statement of Corporate Intent sets out our annual performance targets for agreement with the shareholding minister.

The Board operates according to a Charter, which clearly identifies the role of the Directors and outlines the matters to be considered by the Board. The *Northern Territory Government Owned Corporations Act* and the *Corporations Act* establish the Board's duties.

The Board has established committee structures and corporate policies to address our specific areas of focus, along with governance principles, to maintain the integrity of its stewardship. Board committees have been structured to address critical issues that require a more detailed examination and involvement.

COMMITTEE STRUCTURE

Power and Water Corporation's committee structure is as follows:

- Audit and Risk Management Committee
- Capital Investment and Asset Management and Fuel Supply Committee
- Health, Safety and Environment Committee
- Nomination Committee
- Remuneration and Organisation Committee

The Audit and Risk Management Committee oversees our financial management, external reporting, audit, risk management and statutory and other compliance. KPMG provided internal audit services throughout the financial year. The committee met eight times during the year.

The Capital Investment and Asset Management Committee helps the Board fulfil its corporate governance and oversight responsibilities in relation to our capital investment and asset

management activities. This recognises the critical nature of these activities in achieving our commitments outlined in the Statement of Corporate Intent. This committee also met six times during the year.

The Health, Safety and Environment Committee oversees our environmental performance and compliance with regulatory requirements. We are committed to achieving our long-term aim of Zero Harm and strive to protect the environment by managing the impact of our operations. The committee met four times during the year.

The Nomination Committee helps the Board discharge its responsibilities to ensure the Board, and its subsidiaries is made up of individuals who are best able to discharge the responsibilities of directors in regard to the *Government Owned Corporations Act*, the *Corporations Act* and the highest standards of governance. The committee did not meet during the year.

The Remuneration and Organisation Committee evaluates the performance of the Managing Director. The committee determines and recommends, to the Board, remuneration packages for the Managing Director and the Corporation's senior executive contracts. The committee also informs the Board about executive remuneration matters in general. The committee met four times during the year.

Gasgo Pty Ltd is a wholly-owned subsidiary of the Corporation and purchases gas on our behalf. The Board for Gasgo comprises the Managing Director as Chairman and directors from the Corporation.

Darnor Pty Ltd is a wholly-owned subsidiary and holds the Corporation's 2.5 per cent interest in NT Gas Pty Ltd, the lessee and operator of the Amadeus Basin to Darwin Gas Pipeline and 2.5 per cent of the units in the Amadeus Gas Trust. The Board for Darnor is made up of the Managing Director as Chairman and the directors from the Corporation.

Indigenous Essential Services Pty Ltd (IES) is a wholly-owned subsidiary that provides electricity, water and sewerage services to remote communities in the Northern Territory. The subsidiary Board for IES is made up of a subset of directors from the Corporation's Board.

The Corporation's Board receives monthly performance reports from each of the business units which report progress against Key Result Areas and Key Performance Indicators from the Statement of Corporate Intent. Various

Board and Committee papers and briefings are provided as required. The Company Secretary/General Counsel provides administrative and legal support to the Corporation's Board, its subsidiary Boards and the Managing Director, including advice on corporate governance related issues.

PRINCIPLE 2

Structure the Board to add value

The Northern Territory Administrator appoints Directors on the recommendation of the shareholding minister. The Board comprises six non-executive Directors and Power and Water Corporation's Managing Director, with a broad cross-section of relevant skills and experience.

The Board's performance is reviewed on a biennial basis. This review is conducted externally. Directors' fees are determined by the shareholding minister and provided at Note 26 to the Financial Statements. Directors are not eligible for retirement benefits.

PRINCIPLE 3

Promote ethical and responsible decision making

Directors, executive management and all employees are expected to act lawfully, in an honest and professional manner and with integrity, fairness and objectivity in their dealings with external parties and one another. Policies and procedures are in place to promote ethical conduct.

All Power and Water Corporation staff are bound by the Northern Territory Public Sector Principles and Code of Conduct which require employees to perform their official duties with skill, impartiality, professionalism and integrity.

Directors have identified areas of potential conflict of interest for the Board, in accordance with the *Corporations Act*. Directors absent themselves from Board deliberations on matters where they have any material personal interest.

PRINCIPLE 4

Safeguard integrity in financial reporting

Power and Water Corporation's internal audit provider has direct access to the Chairman of the Audit and Risk Management Committee, the Board Chairman and the Managing Director.

The internal auditor provides specialist professional audit services to the Corporation and its subsidiaries. The internal auditor provides us with assurances that it is achieving its commercial goals in accordance with better practice and due process. The Corporation has a policy of contracting its internal audit services every three years through an open tender process.

Internal audit provides assurances that:

- the Corporation's financial and operational information is reliable
- Its laws, regulations, policies and procedures are complied with
- appropriate procedures are in place to safeguard assets and revenue
- appropriate procedures are in place to ensure the effective use of resources.

We also contract the services of other accountants as financial advisers when specialist expert advice is required.

In accordance with the *Government Owned Corporations Act*, the Auditor-General of the Northern Territory is responsible for the external audit of the Corporation's financial statements.

We provide monthly business reporting and annual reporting to the shareholding minister on the targets (including financial) contained in the Statement of Corporate Intent. The Chief Financial Officer attends Board meetings and reports on our financial performance.

PRINCIPLE 5

Make timely and balanced disclosure

The Government Owned Corporations Act requires that Power and Water Corporation publish an annual Statement of Corporate Intent including strategies, assumptions, risks, targets and plans which is tabled in the Legislative Assembly and available to the public.

Under the Act, we must immediately notify the shareholding minister of matters that may prevent us achieving the targets contained in the Statement of Corporate Intent.

We report monthly to Northern Territory Treasury representing the shareholding minister. Our annual report of operations, including financial statements and Auditor General's report, is provided to the shareholding minister and tabled in the Legislative Assembly each financial year. Regular informal updates are also provided as required by the Chairman and Managing Director.

The Corporation's Chairman and Managing Director appeared before the Government Owned Corporation's Scrutiny Committee on 21 June 2012 to answer questions on the activities, performance, practices and financial management of the Corporation.

PRINCIPLE 6

Respect the rights of shareholders

The Northern Territory Government, on behalf of the Northern Territory, is Power and Water Corporation's sole shareholder. We pay all dividends to the Northern Territory Government. The Board's recommendation on the dividend is made after considering end-of-year financial results, our capital structure, capital investment commitments and the capacity to pay in accordance with prudent financial management. After consulting with the shareholding minister, the Board makes a determination on the dividend to be paid each year.

The Government Owned Corporations Act gives the shareholding minister and the portfolio Minister a right to direct the Corporation under certain circumstances. A copy of any such statutory directions must be tabled in the

Legislative Assembly within six sitting days. There were no statutory directions during 2011-12.

The Corporation maintains strong relationships with all Northern Territory Government departments, collaborating on major projects and government-wide initiatives and providing regular briefings as requested.

We provide as many opportunities as possible to engage with Territorians. Information brochures on our services are made available to customers and we conduct regular campaigns through various media. We also take part in the annual Northern Territory show circuit in all regions. Our Statement of Corporate Intent and annual report are available to the public and are published on our website.

PRINCIPLE 7

Recognise and manage risk

Power and Water Corporation has an established enterprise-wide risk management model. It uses a risk management rating tool that categorises risks according to business continuity, environment, financial and occupational health and safety.

Internal audit operates under an annual, risk-based internal audit plan approved by the Audit and Risk Management Committee. The annual plan provides for an integrated approach to audits that combine, where possible, audits of safety, health, environment and compliance assurance.

A comprehensive corporate risk register has been compiled and the Audit and Risk Management Committee conducts regular reviews of critical risks. Our decision-making is made with due consideration of potential risk impacts. We have developed mitigation strategies to reduce the likelihood and consequence of events that would have adverse implications for the business and its stakeholders.

To maintain its triple certification of the recognised standards for Occupational Health and Safety (AS/NZS 4801), Quality (ISO 9001) and Environment (ISO 14001), the Corporation is subject to regular surveillance audits by SAI Global on its policies and practices.

PRINCIPLE 8

Remunerate fairly and responsibly

Director's remuneration is disclosed in Note 26 to the financial statements. The Remuneration and Organisation Committee makes recommendations to the Board concerning executive management remuneration. Conditions of service and remuneration arrangements for executive contract officers are in accordance with the *Public Sector Employment and Management Act*.

In addition, Power and Water Corporation's employees have individual annual performance plans and targets which are linked to salary progression. The *2010-2013 Power and Water Enterprise Agreement: Working together to meet the challenge* was agreed in principle in December 2010.

Our operating environment

Utilities Commission's review program

In August 2009, the Northern Territory Government requested the Utilities Commission (Commission) undertake a priority work program to increase the efficiency of the Corporation, improve customer standards of service and reliability, and where possible, align the Northern Territory electricity industry with National Electricity Market (NEM) practice.

The work program required the Commission to undertake a series of reviews under terms of reference approved by the Treasurer. The work program encompassed reviews of options for full retail contestability, retail price monitoring, electricity standards of service, incentive schemes, system planning and monitoring and the Corporation's capital program and asset management.

The reviews were completed in December 2011 and the recommendations from five of these reviews have been approved by Government. The recommendations from the final three reviews, being the Corporation's capital and maintenance program; system planning, monitoring and reporting; and system planning and market operation roles and structures have yet to be approved by Government. There are numerous recommendations from the reviews to be implemented over the next five years.

The outcomes resulting from the regulatory changes will need to be fully assessed by the Corporation to ensure compliance and effective administration. The costs of the implementation on the Corporation's resources, capital and financial sustainability have yet to be fully determined.

Electricity Reform Implementation Group - An Electricity Reform Implementation Group, comprising representatives from Northern Territory Treasury and the Commission determines the roadmap for review implementation of all the reviews, including the required policies, market codes, rules and processes, and the introduction of standard supply contracts for small customers.

Standards of Service - The existing Standards of Service (SOS) Code was released on 21 December 2005 by the Commission pursuant to section 92 (1) of the *Electricity Reform Act* (Act). This allowed the Commission to make provisions imposing minimum standards of service for non-contestable customers.

The existing SOS Code expired on 30 June 2011, triggering the need to review the SOS arrangements. As part of its review program, the Commission undertook a Review of Electricity Standards of Service for the Northern Territory in December 2010, which made recommendations to improve service standards for electricity customers.

A new SOS Code is proposed for introduction in October 2012, and will apply to all regulated electricity entities providing generation, network and retail services. It aims to establish performance target standards in the electricity supply industry, monitor and enforce compliance with standards of service, and require electricity entities to have systems in place that allow regular reporting of actual performance.

Guaranteed Service Levels - As part of its review program, the Commission undertook a Review of Options for Implementation of a Customer Service Incentive Scheme for the Northern Territory in August 2010. In December 2011, the Commission introduced the Guaranteed Service Level (GSL) Code. The GSL Code prescribes requirements for payments to be made to customers affected by specific instances of poor reliability and customer service performance by Power Networks.

Retail Electricity Competition - Full Retail Contestability in the Northern Territory's electricity market was introduced on 1 April 2010. The Utilities Commission has since issued two licenses to competing retailers and during 2011-12 two customers transferred to a competing retailer. Power and Water Corporation welcomes competition and during the year was consulted by Northern Territory Treasury and the Utilities Commission regarding policy matters, such as the introduction of a new Electricity Retail Supply Code.

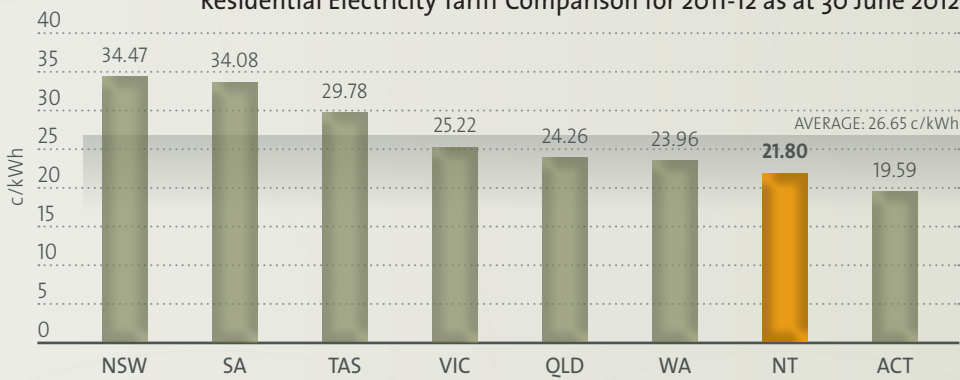
NT Electricity Ring-fencing Code - The intent of the Ring-fencing Code is to create an environment where the price, quantity and quality of electricity is not biased as a result of Power and Water Corporation's vertical integration. The Code ensures that prescribed monopoly businesses, such as Generation and Power Networks, in regulated industries do not discriminate against a competitor of their related contestable businesses, such as Generation and Retail.

In accordance with the Ring-fencing Code, the Corporation has established Related Party Terms (RPTs) covering terms and

conditions for the provision and acceptance of wholesale generation and network access services between its Retail and Generation and Power Networks businesses respectively. The RPTs ensure an arm's length relationship exists and are contained within the Service Level Agreements between the respective business units. During the year, a new Service Level Agreement was negotiated between the Corporation's Retail and Generation business units.

Retail pricing - The following charts compare prices for residential electricity, water and sewerage in the Northern Territory with states across Australia, as at 30 June 2012.

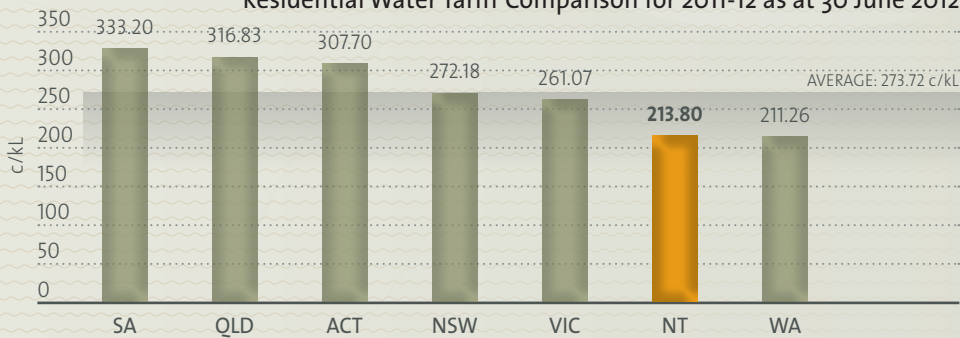
Residential Electricity Tariff Comparison for 2011-12 as at 30 June 2012



Based on: 7,000 kWh per annum (ESAA Average)

Source: Retailers' published tariffs

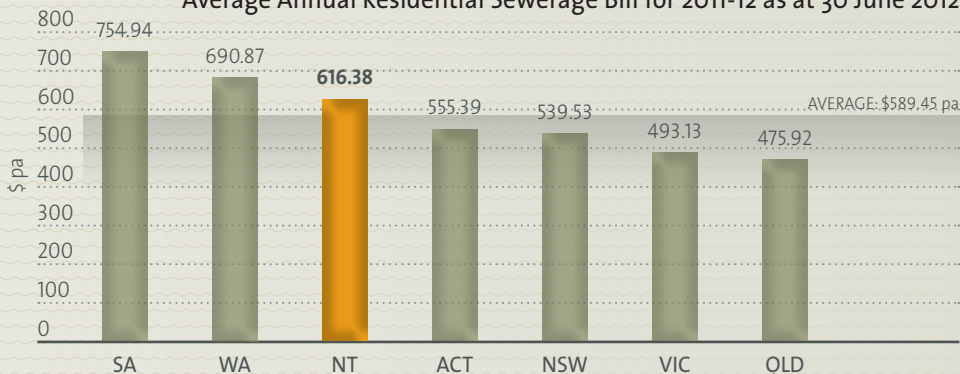
Residential Water Tariff Comparison for 2011-12 as at 30 June 2012



Based on: 234 kL per annum (WSAA Average)

Source: Retailers' published tariffs

Average Annual Residential Sewerage Bill for 2011-12 as at 30 June 2012



Source: Retailers' published tariffs

Community Service Obligations - Governments pay Community Service Obligations when they require a public enterprise to provide services at a price or in a way that it would not choose to do on a commercial basis.

Northern Territory Government contributions enable Power and Water Corporation to offer uniform tariffs regardless of where customers live, give pensioner concessions and apply the Tranche 4 electricity policy. In 2011–12, the Northern Territory Government paid the Corporation \$72.9 million in Community Service Obligations, of which \$13.1 million was for customers receiving the Northern Territory Government's Pensioner and Carer Concession Scheme.

reform. This blueprint builds on the previous Council of Australian Governments (COAG) Strategic Framework for Water Reform.

The minimum boundary for cost recovery, defined by the national framework for water policy reform, requires charges to recover the efficient operational and maintenance, debt servicing and consumption costs.

These tables include both major and minor urban service centres but exclude Indigenous communities.

2011-12 Cost Recovery - Water Supply and Sewerage Services - The following table shows 2011–12 costs and revenue for water supply and sewerage services in accordance with the National Water Initiative blueprint for water

	Darwin	Katherine	Tennant Creek	Alice Springs and Yulara	TOTAL
WATER	\$000	\$000	\$000	\$000	\$000
Operations, maintenance, administration	25,106	6,829	2,424	13,441	47,800
Debt servicing	5,489	3,688	568	4,955	14,700
Asset consumption	10,174	1,213	500	3,269	15,156
Minimum viability costs	40,769	11,730	3,493	21,665	77,656
Total Revenue - from Trading (excl. CSO)	57,634	3,926	1,496	7,009	70,066
Surplus/(deficit) (excl. CSO)	16,865	(7,804)	(1,996)	(14,655)	(7,590)
Surplus/(deficit) (incl. CSO)	19,364	(6,802)	(1,512)	(11,199)	(149)

	Darwin	Katherine	Tennant Creek	Alice Springs and Yulara	TOTAL
SEWERAGE	\$000	\$000	\$000	\$000	\$000
Operations, maintenance, administration	25,358	2,643	481	4,695	33,177
Debt servicing	8,078	76	15	808	8,977
Asset consumption	5,701	394	306	1,537	7,938
Minimum viability costs	39,137	3,113	801	7,040	50,092
Total Revenue - from Trading (excl. CSO)	45,925	2,401	1,128	8,824	58,277
Surplus/(deficit) (excl. CSO)	6,787	(711)	326	1,784	8,186
Surplus/(deficit) (incl. CSO)	8,107	(711)	326	1,784	9,506

Financial SCI Key Performance Indicator (KPI)

Financial KPIs give an insight into the Power and Water Corporation's return to the Northern Territory and our financial sustainability. A summary of targets and results is provided here, but more detailed analysis can be found in the directors' reports from page 68.

Financial sustainability remains a priority concern for the Corporation as discussed in both the Chairman's and Managing Director's reports.

The Corporation is working with our owner to achieve a more balanced ongoing revenue structure that provides greater certainty.

In the current year revenue was lower than planned due to a reduced demand for electricity sales due to unusually mild weather conditions. This resulted in electricity sales being \$29.9M below target and consequent reduction to earnings. A key driver of the KPIs is earnings, and so the change in earnings prevented us from achieving most KPIs.

KPI	KPI target	KPI result	
OPERATING EFFICIENCY			
Adjusted EBITDA	\$65.4m	\$28.0m	<i>Earnings were 57% below target largely due to electricity sales being \$29.9M below target due to reduced demand for electricity resulting from mild weather conditions.</i>
SUSTAINABLE RETURN			
Return on assets	4.4%	3.4%	<i>Whilst earnings were lower than target due to reduced demand the Corporation must still maintain a large and complex base of infrastructure. This resulted in a lower than target return on assets.</i>
New borrowings	\$159.0m	\$159.0m	
FFO to interest (times)	1.8 times	1.5 times	<i>The Corporation primarily borrows to fund capital projects, and as such borrowings and the resultant interest costs change in line with capital expenditure, not earnings. As the capital plan is in progress, straddling financial years, borrowings were not changed. Although interest costs were on target, lower than target earnings reduced funds from operations..</i>
Gearing	62.3%	67.0%	<i>Below target electricity revenues resulted in lower equity, however the Corporation's debt structure is tied to our long term capital program and consequently debt did not reduce proportionately. This resulted in a higher gearing ratio than targeted.</i>
Capital expenditure	\$289.6m	\$228.4m	<i>The Corporation is behind plan on delivery of the capital works program. Part of current year expenditure is a pull through from works not completed in the prior year and other projects have carried forward into the next financial year.</i>
Cash flow from operating activities	\$45.8m	\$48.6m	<i>Reduced receipts from electricity revenue were offset by improved working capital associated with reduced receivables.</i>

NOTE 1

Direct comparisons with data sourced from the financial statements may differ in some cases due to methodological differences and accounting standards.

NOTE 2

Results are unconsolidated and exclude the impairment write-off.

Statistical Summaries

Power and Water Corporation As at 30 June 2012

ELECTRICITY	Units	2007	2008	2009	2010	2011	2012
GENERATION							
Power and Water Installed Capacity <i>(based on Gross Maximum Capacity)</i>	MW	379	428	473	473	452	546
IPP Contracted Capacity <i>(based on Site Rating)</i>	MW	64	64	57	64	58	58
Electricity Generated	GWh	1,440	1,475	1,525	1,599	1,582	1,612
Electricity Sent Out <i>(incl Purchases from Private Suppliers)</i>	GWh	1,790	1,821	1,868	1,946	1,918	1,939
Independent Power Purchases - Electricity Sent Out	GWh	385	382	385	376	371	366

NETWORKS

Transmission (33kV & above)

132kV Overhead	km	340	344	344	344	343	351
66kV Overhead	km	314	314	314	302*	332	380
66kV Underground	km	17	17	17	17	34	35
33kV Overhead	km	55	55	55	0	0	0

Distribution (22/11kV & below)

HV Overhead	km	3,062	3,147	3,202	3,237*	3,243	3,285
HV Underground	km	618	627	637	651*	670	734
LV Overhead	km	1,749	1,774	1,758	1,782*	1,801	1,820
LV Underground	km	1,750	1,763	1,781	1,873*	1,936	2,120

Sales	MWh	1,596,452	1,704,377	1,748,225	1,806,781	1,800,495	1,801,483
Customers (ie. Services)	No. of Installations	73,753	74,097	72,327	74,004	76,603	77,708

WATER	Units	2007	2008	2009	2010	2011	2012
System Capability	ML/day	322	322	322	322	322	322
Production	ML	56,842	57,823	60,707	58,870	52,269	56,994
Length of Mains	km	2,090	2,130	2,173	2,146	2,157	2,196
Sales	ML	51,481	52,206	53,291	49,083	43,593	48,203
Customers (ie. Services) ¹	No. of Meters	40,738	41,606	42,219	42,670	43,733	44,514

WASTEWATER	Units	2007	2008	2009	2010	2011	2012
Total Sewerage Collected	ML	18,897	19,745	19,549	22,131*	26,375	21,474
Length of Sewer Mains	km	1,036	1,042	1,083	1,075	1,094	1,125
Total Recycled Water Supplied	ML	1,623	1,612	1,854	1,233	737	1,083
Customers (ie. Services)	No. of Installations	48,661	51,217	53,661	50,800	51,829	52,371

STAFF		2007	2008	2009	2010	2011	2012
Male		580	601	677	697*	736	778
Female		208	215	242	266*	297	311
Total Personnel		788	816	919	963	1,033	1,089

¹ Due to changes to the calculation methodology for this statistic, historical data for 2010-11 and prior years have been re-stated.

* 2009-10 figures have been re-stated since the publication of the 2009-10 Annual Report.

Indigenous Essential Services *As at 30 June 2012*

ELECTRICITY	Units	2007	2008	2009	2010	2011	2012
GENERATION							
Installed Capacity (including solar)	MW	51	56	60	69	71	74
- Installed Capacity (solar only)	MW	0.7	0.7	0.8	0.8	0.8	0.8
Electricity Generated (including solar)	GWh	95	97	106	112	103	108
- Electricity Generated (solar only)	GWh	1.6	1.0	0.8	0.7	0.3	0.2
Electricity Sent Out (including solar, purchases from PWC and Purchases from Private Suppliers) ^{1,2}	GWh	93	97	123	129	119	125
- Purchases from PWC (electricity purchased from PWC electricity grids & sent out to IES communities) ^{1,2}	GWh	n/a	n/a	11	12	9	10
- Purchases from private suppliers	GWh	8	8	8	8	8	9
Distribution (22/11kV & below) ³							
HV Overhead	km	373	349	473	513	579	579
HV Underground	km	1	5	5	5	7	7
LV Overhead	km	278	278	278	278	325	325
LV Underground	km	1	4	3	3	3	3
SWER All Voltages	km	87	87	87	87	87	87
Sales ⁴	MWh	60,574	63,665	104,501	112,030	112,726	119,540
Customers (ie. Services)	No. of Installations	7,373	7,421	7,540	8,116	8,478	8,507

WATER	Units	2007	2008	2009	2010	2011	2012
Total Sourced Water	ML	9,250	9,846	9,848	9,792	9,002	9,680
Length of Mains ³	km	649	649	652	654	654	654
Customers (ie. Services) ⁵	No. of Meters	567	783	1,341	2,175	2,213	2,549

WASTEWATER	Units	2007	2008	2009	2010	2011	2012
Volume of Sewage Treated	ML	3,552	3,835	3,940	3,917	3,601	2,897
Length of Sewer Mains ³	km	303	303	305	307	303	303
Volume of Effluent Reused	ML	-	-	-	-	-	-
Customers (ie. Services) ⁵	No. of Installations	847	899	1,122	1,467	1,793	1,834

1 Electricity Sent Out and Purchases from PWC are estimated as this data is not metered. Changes have been made to the estimation methodology for this statistic, and therefore historical data has been restated.

2 From 2008-09, Electricity Sent Out includes Purchases from PWC (ie. electricity sent out to IES communities purchased from PWC power grids). This has not been included in previous years.

3 Distribution line lengths, and water and sewer main lengths have been estimated for 2011-12 using historical data. A review of the distribution line and main lengths is currently underway, and data is being moved to the Geographic Information System.

4 From 2008-09, Electricity Sales includes all prepayment and credit meter sales. Previous years data does not include all prepayment meter sales.

5 Due to changes to the calculation methodology for this statistic, historical data for 2010-11 and prior years have been re-stated.

Compliance

The Power and Water Corporation is a responsible organisation and compliant with many Government Acts and Accreditation programs.

Protecting information - The Corporation is committed to the responsible collection, storage and use of customer and supplier information in line with the National Privacy Principles.

We comply with the *Privacy Act 1988* (Commonwealth) and *Information Act 2002 (NT)*.

Power and Water has procedures in place for accessing and correcting personal information held by the Corporation under Part 3 of the *Information Act 2002*. The applications can be made in person at any Power and Water Retail outlet, by phoning 1800 245 092 or by written application to:

Retail Customer Service Manager
Power and Water Corporation
GPO Box 1921
Darwin NT 0801

customerservice@powerwater.com.au

Applicants must provide:

- Name, address and proof of identity;
- Sufficient detail to enable the information sought to be identified.

Our privacy and information handling policy is available online at powerwater.com.au

Records management and archives management - Part 9 of the *Information Act* relates to Records and Archives Management and sets out the obligations, standards and management of records and archives with which Power and Water Corporation must comply. We have well established records management policies and processes in place that achieve compliance with these provisions.

Risk management and legal compliance - The nature of the Corporation's operations and the locations in which it operates exposes it to a wide range of risks. Effective risk management is essential for our organisation to achieve its strategic objectives.

We have established an enterprise-wide Governance, Risk and Compliance (GRC) framework, in accordance with relevant standards: AS/NZS ISO 31000 and AS 3806 Compliance programs.

The framework is designed to ensure that key risks and compliance obligations are identified, assessed, managed and monitored.

The Corporation's risks fall into 16 categories that are regularly reviewed, assessed and reported to the Audit and Risk Management Committee.

The GRC framework is integrated with other frameworks and functions which act to identify and reduce risks including:

- internal audit
- occupational health and safety management
- environmental management
- quality management.

We assess risk in all key business decisions. It supports the proactive management of opportunities and threats by linking risk management with strategic planning. We also support an organisational culture aimed at systematically managing risk.

We are systematically undertaking priority driven reviews of our major legal obligations and developing processes and plans to mitigate risks and to ensure the proper management of its legal obligations.

We have also implemented a new IT based GRC system which is designed to enhance risk and compliance activities across the organisation.

RECERTIFICATION TO AS/NZ 4801 FOR A FURTHER THREE YEARS

In recognition of our high quality safety environment, during 2011-2012, Power and Water Corporation was recertified, for a further three years, to the AS/NZ 4801 standard across the Corporation. This certification is the highest accreditation available to our business in the Safety area.

The recertification was achieved following an extensive third party audit of the Corporation's activities and systems conducted by external auditors, SAI Global, in May 2012. As part of the recertification process the auditors commended the Corporation for the significant advancements that they documented since the last audit was undertaken.

We have an Integrated Management System which supports our triple certification against Occupational Health and Safety (AS/NZ 4801), Quality (ISO 9001) and Environment (ISO 14001) management systems.

Financial Statements

Power and Water Corporation and its Controlled Entities
For the year ended 30 June 2012

DESCRIPTION

Directors' report	68
Directors' Declaration	75
Independent Audit Opinion	76
Statement of Comprehensive Income	78
Statement of Changes in Equity	79
Statement of Financial Position	80
Statement of Cash Flows	81

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information	82
2 Statement of significant accounting policies	82
3 Revenue and expenses	92
4 Income tax equivalent expense	94
5 Dividends	96
6 Cash and cash equivalents	96
7 Trade and other receivables	97
8 Inventories	98
9 Investments	98
10 Investment in subsidiaries	98
11 Property, plant and equipment	99
12 Intangibles	101
13 Trade and other payables	103
14 Interest bearing borrowings	103
15 Provisions	104
16 Government grants	104
17 Contributed equity	105
18 Retained earnings	105
19 Risk management objectives	106
20 Financial instruments	108
21 Commitments	110
22 Operating lease arrangements	110
23 Contingent liabilities and contingent assets	110
24 Related party information	111
25 Auditor's remuneration	112
26 Director and executive disclosures	113
27 Impairment of assets and subsequent reversals	115
28 Events after the reporting period	115
29 Economic Dependency	115
30 Restatement Note	116

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

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 2012 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	Experience and Special Responsibilities
Ms Judith King (Chairman) BA, Foundation Fellow AICD	Ms King is Board Chairman and has been a Director of Power and Water Corporation Board since its establishment. With extensive board experience in the private and public sector, she was formerly a Director of Melbourne Water Corporation and Citipower and closely involved in the restructure and reform of the Victorian utility sector. Ms King's current appointments include National Ageing Research Institute and the Victorian Commission for Gambling Regulation. Ms King was awarded an Australian Centenary Medal in 2003.
Mr Mervyn Davies BEng(Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)	Mr Davies joined the Power and Water Corporation Board in May 2009. He has worked in all areas of electricity distribution, gaining extensive experience managing the business' financial and technical performance. He has held senior management positions at Energy Australia, the country's largest electricity distribution company and his résumé includes periods as Managing Director. Since leaving Energy Australia in 2002, Mr Davies has established a small engineering consultancy specialising in electricity distribution system management. He has spent time developing and negotiating long term capital expenditure plans and performance outcomes affecting the security of electricity supply to Sydney. He has University of New South Wales qualifications in engineering and economics.
Mrs Linda Mackenzie BCom(Hons), CA	Appointed to the Power and Water Corporation Board in March 2007, Mrs Mackenzie worked for the Northern Territory Treasury for nine years until she resigned from her position of Assistant Under Treasurer (Commercial) in January 2007. Mrs Mackenzie was appointed as a Director of Energex Limited in July 2012. Mrs Mackenzie is a former member of the Darwin Port Corporation Advisory Board and she previously worked for Macquarie Bank Limited in Sydney. She is a chartered accountant and holds a Bachelor of Commerce (Hons) majoring in finance from the University of Queensland.
Mr Andrew Macrides DipBus(Mgt), BBus(Acc), MBA, FCPA, FAICD	Mr Macrides was appointed Managing Director of the Power and Water Corporation in June 2007. Born and raised in Darwin, Mr Macrides has extensive government and management experience, beginning his career in the accounting field in 1978. Prior to joining Power and Water Corporation in 1998, he worked across a range of sectors in the NT Government, including health, housing, community services and tourism. Following corporatisation on 1 July 2002, Mr Macrides was appointed General Manager Business Services and Chief Financial Officer with the Power and Water Corporation, and in May 2003 was appointed Company Secretary in addition to his role as General Manager Business Services.
Mr Michael Hannon AM	Mr Hannon was appointed to the Power and Water Corporation Board in August 2009. Mr Hannon is Chairman of the Hannon Group of Companies, a family-owned group operating public transport, property development, crocodile farming and exporting businesses. Mr Hannon was born and permanently resides in Darwin and developed his career in the Northern Territory. The Hannon Group also has business interests in Queensland, Victoria and New South Wales. They employ more than 300 Territorians and that number again interstate.

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Mr Steve Margetic
FAICD

Mr Margetic is Managing Director and co-owner of Sitzler Pty Ltd, a Territory construction and development contractor with operations in the Northern Territory, South Australia and Western Australia. A long-term Fellow of the Australian Institute of Company Directors, Mr Margetic has served on numerous industry Boards and working groups. He served as Chairman of the Northern Territory Land Development Corporation from its inception in 2004 to retirement in 2010 and as a member of the Territory 2030 Steering Committee. Mr Margetic has considerable experience delivering major infrastructure works under public-private partnerships, alliancing and joint ventures.

Prof Rob Skinner
BE (Civil), MSC, FIE
(Aus), FIWA, MAICD

Prof Skinner is is a Professorial Fellow at Monash University and CEO of Monash Water for Liveability. He is also Deputy Chair of the CRC for Water Sensitive Cities. He was Managing Director of Melbourne Water Corporation from 2005 to 2011, leading the Corporation and working with government to deliver critical water supply augmentations and water conservation measures. He is Chairman of Water Aid Australia and has served on the Board of the Water Services Association of Australia. His experience also includes 10 years as CEO of Kingston City Council, CEO of the Dandenong Valley Authority and executive roles in the Victorian Department of Water Resources and the Victorian Department of Premier and Cabinet.

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Review of Operations

Summarised financial information

	Consolidated	
	June 2012	June 2011
	\$ Million	\$ Million
Total revenue	680.7	752.0
Total expenses (excl impairment write-off)	(536.7)	(659.3)
Impairment write-off	(0.4)	(72.2)
EBITDA	143.6	20.5
Depreciation	(79.7)	(75.5)
Interest expense	(64.7)	(51.7)
Net profit/(loss) before income tax	(0.7)	(106.7)
Income tax (expense)/benefit	(0.1)	32.3
Net profit/(loss) after income tax	(0.8)	(74.4)
Impairment write-off	(0.4)	(72.2)
Tax effect of impairment adjustments and Northern Territory Government capital contributions	0.1	21.7
Underlying net profit/(loss) after income tax	(0.5)	(23.9)
Total assets	2,211.4	2,010.2
Total liabilities	1,645.9	1,485.6
Total equity	565.5	524.6

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Principal Activities

The consolidated entity's principal activities in the course of the financial year were the provision of electricity, water and sewerage services to the people of the Northern Territory.

Changes in the State of Affairs

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

Review of Operations

The following key items impacted the results and operations during the year:

In 2011-12 the second debt to equity swap totalling \$41.7 million occurred. This is in line with a series of debt to equity swaps agreed with the Northern Territory Government which will retire a portion of existing borrowings over a four year period. In the prior year the contributed equity totalled \$110.9 million resulting in a saving of future interest payments.

At 30 June 2012 management has concluded that there are no events or circumstances that indicate that there is a need to test for impairment. In the previous financial year there was an impairment write-down in the value of the water assets of \$50.5 million post tax (\$72.2 million before tax).

In accordance with the 25 year contract for Blacktip gas \$4.8 million was paid for banked gas in this financial year. This gas is held in reserve and will be consumed at the end of the contract period.

In January 2011 the Corporation became liable for additional obligations under the Commonwealth government's *Renewable Energy (Electricity) Act*. This regulation has resulted in increased costs of \$4.9 million to a total of \$12.8 million in 2011-12 compared to a total of \$7.9 million in 2010-2011 for the purchase and surrender of Renewable Energy Certificates. There has been a pass-through of these costs to large customers boosting revenue by \$2.4 million and reducing the net cost to the consolidated entity to \$2.5 million.

The consolidated entity's result at the end of June 2012 was a loss after tax of \$0.8 million, which compares favourably to the underlying loss after tax of \$23.9 million in the 2011 financial year. This is after removing the effects of the asset write-down in the 2011 financial year. Additionally the consolidated net assets have increased by \$40.8 million at 30 June 2012 to \$565.4 million compared to the previous year of \$524.6 million

The controlled entity Gasgo Pty Limited's responsibility in terms of purchasing gas on behalf of Power and Water Corporation has ended with the 1985 Palm Valley Gas Purchase Agreement ceasing in January 2012 and the 2006 Mereenie Gas Sale Agreement (MSA4) ceasing on 10 September 2010. The responsibilities of the controlled entity Darnor Pty Limited for ensuring Power and Water Corporation's interests in the Amadeus Basin to Darwin Pipeline are safeguarded ceased with the termination of the leveraged lease arrangements in June 2011. During the 2011-12 financial year both subsidiaries have been wound up with any remaining assets transferred to the parent entity. On 8 August 2012 both companies were deregistered with ASIC.

Revenue

Electricity sales increased by \$13.8 million resulting from a 3.4 percent increase in kilowatts sold to franchise customers and a 2.8 percent tariff increase on 1 July 2011. However there was minimal increase in contestable consumption with the majority of the top ten customers consumption decreasing in 2011-12.

Water revenue increased by \$19.3 million due to the 20 percent tariff increase, and actual consumption increased by 16.4 percent compared to the prior year due to the record rainfall experienced in the 2010-11 wet season.

Sewerage revenue increased by \$8.7 million or 21 percent to \$49.5 million as a result of a 20 percent tariff increase on 1 July 2011.

There has been a \$3.9 million decrease in gas sales to third parties in the 2011-12 financial year compared to the prior year, after adjusting for the Gas Acquisition Agreement (GAA) which increased both revenue from sale of goods and energy costs by \$130.1 million in 2010-11. This agreement ceased on 16 June 2011 with the sale of the Amadeus Gas Pipeline.

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Capital contributions have increased to \$7.6 million compared to \$2.2 million. Most of the increase is attributed to contributions for Inpex related projects and the Alice Water Smart project. Gifted assets have also increased in 2011-12 to \$15.6 million compared to \$10.6 million in the prior year and is mainly resulting from the new suburbs of Bellamack and Johnston. Other income is up 16 percent compared to the prior financial year and includes the profit on disposal of land totalling \$3.7 million and the proceeds from an insurance claim amounting to \$4.0 million for generation equipment at Channel Island Power Station.

Expenses

Energy costs have reduced by \$16.7 million compared to the prior year after excluding the \$130.1 million from the Gas Acquisition Agreement (which has increased both revenue from sale of goods and energy costs in 2010-11). The 2010-11 year included a balloon payment on expiry of the leverage lease arrangements for the Amadeus Basin to Darwin gas pipeline. During the 2011-12 financial year there were two statutory shut downs of the ENI plant which required the purchase of DLNG gas. There was a 2.1 percent increase in gigajoules of gas consumption in 2011-12 compared to the prior year.

Repairs and maintenance costs increased by \$18.4 million. Most of the increase has been in the networks business unit as part of the on-going planned and preventative maintenance necessary to improve service delivery and reliability.

Employee costs increased by \$12.1 million as Power and Water employed additional people in the Generation, Water Services and Networks business units to facilitate the larger forward capital and maintenance plan. There was also an increase in overtime due to higher vacancy rates and a wage uplift in accordance with the 2010-2013 Enterprise Agreement signed in 2011.

Other expenses increased by \$6.5 million to \$84.5 million mainly due to the extra costs of \$4.9 million for Renewable Energy Certificates and higher property maintenance and lease costs of \$1.9 million compared to the prior year. Other expenses also include \$2.6 million for the Water Conservation Program.

Depreciation and amortisation expenses have increased \$4.2 million on the previous year reflecting the higher asset base in the Corporation due to the capital program, particularly generation assets at Channel Island and Alice Springs.

Capital Expenditure

Capital expenditure decreased by \$123.1 million to \$228.0 million on 2012-12 compared to \$351.1 million the previous year. The prior year included \$73.1 million for sets 8 and 9 at Channel Island Power Station. Major project spending in 2011-12 included: Weddell Power Station installation of set 3 \$16.1 million; Channel Island Power Station sets 8 and 9 of \$10.1 million; Katherine Power Station set 4 augmentation \$3.2 million; Snell Street Zone Substation of \$21.1 million; Katherine 22kv switchboard replacement \$ 3.3 million; 66 kv line Weddell - Archer - Hudson Ck \$3.3 million; purchase of two mobile substation \$3.8 million; Larrakeyah outfall closure \$19.2 million; Borroloola sewerage scheme stage 1 \$7.5 million; Asset Management Capability project \$17.1million and IES projects totalling \$38.4 million. Interest costs of \$10.2 million are also included this financial year.

Cash Position

The consolidated entity's cash balance at the end of June 2012 was \$149.2 million of which \$55.2 million was held by the subsidiary Indigenous Essential Services Pty Limited. A large portion of the Indigenous Essential Services balance relates to funding for the approved capital program.

The Corporation borrowed \$50.0 million in June to fund the capital investment program, resulting in a large cash balance of \$94.0 million at the end of June 2012. These funds are expected to be spent in the first half of the 2012-13 financial year.

Achievements in 2011-12

During the 2011-12 year, the Corporation initiated a range of actions to improve the security and reliability of services including:

- Augmenting generation capacity at Channel Island Power Station with the official commissioning of sets 8 and 9 which shall lead to greater energy efficiency in the production of electricity;
- The Larrakeyah outfall has been closed in the current financial year signalling the end of a three year project, which included doubling the capacity of the Ludmilla Wastewater Treatment Plant and tunnelling new sewers through Darwin CBD to divert flows for treatment;

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

- On-going investigation of equipment condition and remediation of major generation and power network infrastructure assets, specifically the zone substations, in accordance with the recommendations from the Mervyn Davies Inquiry; and

- Commencement of the Water Smart Project will result in more efficient use of water in homes, businesses, parks and gardens in the Alice Springs region.

Dividends

The Directors have not declared a dividend due to an ongoing dividend moratorium being granted to the Corporation by its shareholder, the Northern Territory Government. No dividends have been paid or declared during the current financial year.

Economic Dependency and Going Concern

Financial Sustainability for Power and Water means "generating revenue sufficient to support the business as a 'going concern', able to maintain and replace assets and provide services at prevailing levels. There is no return on capital."

Aligning revenue with costs is essential for Power and Water to be consistent with the *Government Owned Corporations Act*. Achieving ongoing financial sustainability for the Corporation requires a combination of cost-reflective tariffs and increased CSO payments, effective revenue management, together with prudent and effective investments in capital works, maintenance programs and control of operational expenditure.

While the Corporation is taking steps to reach financial sustainability, it remains exposed to considerable downside risks such as alignment of tariff increase with operational costs, environmental obligations and capital investment program delivery. Until financial sustainability is achieved Power and Water relies on the support of its sole shareholder, the Northern Territory Government.

Future Developments

The Corporation will continue to pursue its policy of providing safe and reliable electricity, water and sewerage services to the people of the Northern Territory.

The Australian Government has introduced a carbon price mechanism comprising a fixed price phase and a flexible price phase effective from 1 July 2012. As a large emitter the Corporation will be liable to surrender carbon permits to the extent that it produces measurable emissions above a certain threshold at its power stations. The Corporation has increased electricity tariffs from 1 July 2012 to pass on the cost of the carbon permits to customers and therefore it is expected that the carbon price mechanism shall be cost neutral.

At the date of this report, there are no other developments in the operations of the consolidated entity that, in the opinion of the directors, are likely to significantly impact the Corporation during the 2013 financial year or future financial periods.

Environmental Regulation

The consolidated entity's operations are subject to significant statutory responsibilities under both Commonwealth and Northern Territory legislation. The Corporation discharged its responsibilities in this area.

Subsequent Events

Other than the matters discussed previously, 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 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 of 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*.

The Northern Territory Government has also indemnified the directors of its wholly controlled entities, Indegenous Essential Services Pty Limited, Darnor Pty Limited and Gasgo Pty Limited, for all liabilities that may arise from their position, except where the liability is incurred or arises out of actual dishonesty on the part of the director. The indemnity covers the full amount of any such liabilities, including costs and expenses.

Director's Report

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

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.

Group Personal Accident Insurance
Professional Indemnity Insurance
Directors' and Officers' Liability

Rounding Off

Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Dated at Darwin this 26th day of September 2012.

This report is made in accordance with a resolution of Directors pursuant to s.298(5) of the *Corporations Act 2001*.



Mrs Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director

Director's Declaration

Power and Water Corporation and its Controlled Entities

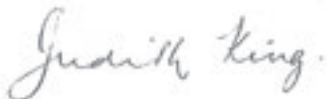
For the year ended 30 June 2012

In the opinion of the directors of Power and Water Corporation (the Corporation):

- (a) the financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Dated at Darwin this 26th day of September 2012.

Signed in accordance with a resolution of directors made pursuant to s.295(5) of the *Corporations Act 2001*.



Ms Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director



Auditor-General

Independent Auditor's Report to the Board of Directors Power and Water Corporation Year ended 30 June 2012

I have audited the accompanying financial report of Power and Water Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Corporation Act*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also states, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Independence Declaration

In conducting my audit, I have complied with the independence requirements of the *Government Owned Corporations Act*. I confirm that the independence declaration required by the *Government Owned Corporations Act*, which has been given to the directors of Power and Water Corporation ("the Corporation"), would be in the same terms if given to the directors as at the time of this auditor's report.

**Auditor-General****Auditor's Opinion**

In my opinion:

- a) the financial report of Power and Water Corporation ("the Corporation"), is in accordance with the *Government Owned Corporations Act*, including:
 - (i) giving a true and fair view of the Corporation and consolidated entity's financial position as at 30 June 2012 and of their financial performance on that date; and
 - (ii) complying with Australian Accounting Standards and the *Government Owned Corporations Act*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

A handwritten signature in blue ink, appearing to read 'F. McGuinness'.

F. McGuinness

Auditor-General for the Northern Territory

Darwin, Northern Territory

26 September 2012

Statement of Comprehensive Income

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Note	Consolidated		Corporation	
		June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
Continuing Operations					
Revenue from sale of goods	3 (a)	438,286	539,117	412,088	509,366
Revenue from rendering of services	3 (a)	121,023	107,394	50,621	41,553
Finance revenue	3 (a)	5,259	5,496	3,162	4,208
Other income	3 (b)	116,103	100,033	116,280	97,108
Inter-Group sales		-	-	8,156	10,867
Total revenue and income		680,671	752,040	590,307	663,102
Energy and materials		(230,042)	(379,739)	(195,503)	(346,740)
Repairs and maintenance expense	3 (f)	(88,232)	(69,823)	(72,169)	(56,212)
Employee benefits expense	3 (e)	(102,280)	(102,585)	(92,625)	(94,244)
External service agreements		(31,574)	(29,174)	(21,915)	(19,464)
Impairment of non-current assets	11, 27	(374)	(72,177)	(374)	(72,177)
Other expenses	3 (g)	(84,536)	(78,008)	(76,762)	(69,976)
Depreciation and amortisation expenses	3 (d)	(79,681)	(75,473)	(66,225)	(59,307)
Finance costs	3 (c)	(64,673)	(51,677)	(64,673)	(51,677)
Profit/(loss) before tax		(721)	(106,616)	61	(106,695)
Income tax equivalent benefit/(expense)	4 (a)	(82)	32,255	(41)	32,278
Profit/(loss) for the year from continuing operations		(803)	(74,361)	20	(74,417)
Profit/(loss) for the year		(803)	(74,361)	20	(74,417)
Other comprehensive income					
Other comprehensive income for the year (net of tax)		-	-	-	-
Total comprehensive income for the year		(803)	(74,361)	20	(74,417)
Profit/(loss) attributable to the equity holder of the parent		(803)	(74,361)	20	(74,417)
Comprehensive income attributable to the equity holder of the parent		(803)	(74,361)	20	(74,417)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Note	Consolidated		Corporation	
		June 2012	June 2011	June 2012	June 2011
		\$'000	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY					
Balance at beginning of year		110,922	-	110,922	-
Equity contributions from the Northern Territory Government	17	41,660	110,922	41,660	110,922
Balance at end of year		152,582	110,922	152,582	110,922
RETAINED EARNINGS					
Balance at beginning of year		413,709	488,070	412,851	487,268
Net profit/(loss) for year		(803)	(74,361)	20	(74,417)
Balance at end of year	18	412,906	413,709	412,871	412,851
TOTAL EQUITY		565,488	524,631	565,453	523,773
Total equity attributable to owners of the parent		565,488	524,631	565,453	523,773

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

Statement of Financial Position

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Note	Consolidated		Corporation	
		June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
CURRENT ASSETS					
Cash and cash equivalents	6 (a)	149,267	184,849	94,000	121,790
Trade and other receivables	7	87,794	75,082	87,545	84,398
Intangible assets	12 (a), (b)	5,460	3,554	5,460	3,554
Inventories	8	30,348	24,382	23,549	18,490
Prepayments	9	1,777	2,494	1,758	2,495
Investments	9	-	3	-	-
Deferred tax assets	4 (b)	-	1,195	-	-
Total current assets		274,646	291,559	212,312	230,727
NON-CURRENT ASSETS					
Trade and other receivables	7	17	95	17	95
Investments	9	3	-	3	-
Investment in subsidiaries	10	-	-	-	3,580
Property, plant and equipment	11	1,769,306	1,557,310	1,539,622	1,352,540
Intangible assets	12 (a), (b)	21,503	17,221	21,432	17,221
Deferred tax assets	4 (b)	145,914	144,031	145,914	144,030
Total non-current assets		1,936,742	1,718,657	1,706,988	1,517,466
Total assets		2,211,388	2,010,216	1,919,300	1,748,193
CURRENT LIABILITIES					
Trade and other payables	13	111,909	104,204	101,665	92,638
Borrowings	14	2,034	1,888	2,034	1,888
Provisions	15	38,074	34,569	38,074	34,569
Government grants	16	21,726	25,065	155	220
Total current liabilities		173,743	165,726	141,928	129,315
NON-CURRENT LIABILITIES					
Borrowings	14	1,195,895	1,080,589	1,195,895	1,080,589
Deferred tax liabilities	4 (b)	11,658	10,887	11,658	10,887
Provisions	15	4,366	3,629	4,366	3,629
Government grants	16	260,238	224,754	-	-
Total non-current liabilities		1,472,157	1,319,859	1,211,919	1,095,105
Total liabilities		1,645,900	1,485,585	1,353,847	1,224,420
Net assets		565,488	524,631	565,453	523,773
EQUITY					
Contributed equity	17	152,582	110,922	152,582	110,922
Retained earnings	18	412,906	413,709	412,871	412,851
Total equity		565,488	524,631	565,453	523,773

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

Statement of Cash Flows

Power and Water Corporation and its Controlled Entities
For the year ended 30 June 2012

	Note	Consolidated		Corporation	
		June 2012 \$'000	June 2011 restated \$'000	June 2012 \$'000	June 2011 restated \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	30	593,551	718,060	574,686	684,414
Payments to suppliers and employees	30	(629,875)	(766,782)	(537,874)	(689,079)
Income tax paid	4 (c)	-	-	-	-
Community Service Obligations received		72,873	68,931	72,873	68,928
Receipt of Government grants		100,476	102,287	(65)	(108)
Interest received		5,484	5,336	3,421	4,041
Interest paid		(64,416)	(49,429)	(64,416)	(49,429)
Net cash provided by operating activities	6 (b)	78,093	78,403	48,625	18,767
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		4,715	293	4,675	281
Interest received from controlled entities		-	-	-	-
Payments for property, plant and equipment and intangibles		(275,651)	(351,186)	(238,232)	(316,262)
Distribution from trust		149	104	30	-
Net cash used in investing activities		(270,787)	(350,789)	(233,527)	(315,981)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(1,888)	(4,084)	(1,888)	(4,084)
Proceeds from borrowings		159,000	293,000	159,000	293,000
Dividends paid	5	-	-	-	-
Net cash provided by financing activities		157,112	288,916	157,112	288,916
Net increase/(decrease) in cash and cash equivalents		(35,582)	16,530	(27,790)	(8,298)
Cash and cash equivalents at beginning of year		184,849	168,319	121,790	130,088
Cash and cash equivalents at end of year	6 (a)	149,267	184,849	94,000	121,790

The statement of cash flows is to be read in conjunction with the notes to the financial statements.
Please see note 31 for details of prior year restated Cash Flows From Operating Activities.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

1 Corporate information

Power and Water Corporation (the Corporation) is a corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2012 comprises the Corporation and its controlled entities.

The financial report was authorised for issue by the directors on 26 September 2012.

The Corporation is a Government Owned Corporation.

2 Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this report are:

(a) Statement of compliance

These financial statements are general purpose financial statements, which have been prepared in accordance with 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 financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Corporation and consolidated entity comply with International Financial Reporting Standards (IFRS).

Adoption of new and revised Accounting Standards

In the current year, the Corporation has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Where applicable, details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes below.

Standards and Interpretations effective for the first time in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported or the presentation/disclosure in these financial statements:

Standard or Interpretation

AASB 2009-12 'Amendments to Australian Accounting Standards' and AASB 124 'Related Party Disclosures (revised December 2009)'

Nature of Change to Accounting Policy

The application of AASB 124 'Related Party Disclosures' provides a partial exemption from related party disclosure requirements for government-related entities, clarifies the definition of a related party and includes an explicit requirement to disclose commitments involving related parties.

AASB 2010-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'

Makes amendments to seven different Standards. The amendments largely clarify the required accounting treatment where previous practice had varied.

Amends AASB 101 'Presentation of Financial Statements' to clarify the content of the statement of changes in equity in such that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.

Amends AASB 7 'Financial Instruments: Disclosures' to encourage qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It also clarifies the required level of disclosure around credit risk, collateral held and provides relief from disclosure of renegotiated loans.

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Standard or Interpretation	Nature of Change to Accounting Policy
AASB 2010-5 'Amendments to Australian Accounting Standards'	The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. The Group did not have any business combinations.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
AASB 1054 'Australian Additional Disclosures', AASB 2011-1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project'	This standard is the consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the Financial Reporting Standards Board (FRSB) of New Zealand Institute of Chartered Accountants, harmonising Australian Accounting Standards and New Zealand equivalents to IFRSs, with a focus on eliminating differences between the Standards in each country relating to for-profit entities. It sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are additional to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective. The consolidated entity does not intend to adopt any of these pronouncements before their effective dates. Initial application of these Standards and Interpretations will not affect the reported results or position of the consolidated entity as they do not result in any changes to the consolidated entity's accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

Standard or Interpretation	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and related AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-2 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost except for the revaluation of certain assets and financial instruments as explained in the accounting policies. Cost is based on the fair values of the consideration given in exchange for assets.

These accounting policies have been consistently applied by each entity in the consolidated entity, unless otherwise stated, and are consistent with those of the previous year.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated; as the company is of the kind referred to in Class Order 98/100. Amounts have been rounded off in accordance with the class order.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its controlled entities as at 30 June each year (the consolidated entity). A list of controlled entities appears in note 24 to the financial statements.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies with the exception of the treatment of government grant revenue received by Indigenous Essential Services Pty Limited. Indigenous Essential Services Pty Limited, as a not-for-profit entity, applies Accounting Standard AASB 1004 *Contributions* for recognition and measurement of government grants. This accounting treatment is adjusted on consolidation to align to (f) Revenue recognition, shown below.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

(d) 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 accounting judgements

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

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 a qualifying asset and as such, borrowing costs associated with these assets will be capitalised.

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:

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Impairment write-off

Determining whether an asset is impaired requires an estimation of the value in use of the individual asset. The value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Details of the impairment loss calculated can be found in note 11 and note 27.

Unbilled revenue

As per accounting standard *AASB 118 - Revenue*, revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Therefore, the Corporation estimates the amount of electricity and water consumed at reporting date but that is yet to be billed. For further information on revenue recognition, refer to note (f) below.

(e) Changes of the presentation of the Statement of Cash Flow

Interpretation 1031 *'Accounting for Goods and Services Tax (GST)'* states that cash flows shall be included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority shall be classified as operating cash flow.

While the Corporation always presented the GST payable/ receivable component as operating cash flow, the Corporation did not present the cash flows on a gross basis. Note 30 states the result of correcting and the changes in presentation of the statement of cash flow.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised (net of discounts and allowances) when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer. Sale of goods includes estimates for unbilled consumption of electricity and water as at reporting date. For further information on unbilled consumption, refer to note (d) above.

Rendering of services relating to construction of assets

Revenue from the rendering of services is recognised when the service is provided, having regard to the stage of completion of the contract. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Rendering of sewerage services

Revenue from the rendering of sewerage services is recognised when the service is provided.

Community service obligation revenue

Revenue in the form of Community Service Obligations (CSOs) is generally 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 attaching conditions have been complied with.

Government grants

Governments grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the consolidated entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

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.

Government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire non-current assets are presented by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in the profit or loss over the life of a depreciable asset as a reduced depreciation expense. Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

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 it becomes receivable.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

Investment revenue

Distributions from investments are recognised as revenue when control of the right to receive consideration has been attained.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Contribution of assets

Contributions of assets and contributions to assist in the acquisition of assets from non-government developers or customers in respect of extensions or modifications to the service delivery network, are accounted for as follows:

- developer or customer contributions of non-current assets are recognised as revenue and an asset, based on valuations, when the Corporation gains control of the contribution.
- developer or customer contributions of cash are recognised as revenue to the extent that the extensions or modifications are complete with the balance recognised as deferred income.

(g) 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.

(h) Finance costs

Finance 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. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their 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.

All other finance costs are recognised as an expense in the period in which they are incurred.

(i) Income tax equivalents

The Corporation and its controlled entities Darnor Pty Limited and Gasgo Pty Limited, are required to make income tax equivalent payments to the Northern Territory Government based on taxable income. It is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation. Indigenous Essential Services Pty Limited is not subject to taxation as it is a not-for-profit entity.

These payments are made pursuant to section 155(4) 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*.

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 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

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 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; or
- 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.

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; or
- 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.

Current and deferred tax for the period

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. Income taxes relating to these items are recognised directly in other comprehensive income.

Tax consolidation

The Corporation is the head entity in a tax-consolidated group comprising of all its wholly-owned controlled entities apart from Indigenous Essential Services Pty Limited. Indigenous Essential Services Pty Limited was exempted from the National Tax Equivalent Regime effective 1 July 2003 which was the date of incorporation of the company. The implementation date for the tax-consolidated group was 1 July 2002.

The head entity and each subsidiary entity has adopted the 'stand alone taxpayer' basis resulting in each entity accounting for its tax consequences as if it continued to be a taxable entity in its own right.

The Corporation does not have a Tax Funding Arrangement or a Tax Sharing Agreement. The wholly owned controlled entities do not make any contributions to the head entity. The Corporation provides additional equity to its subsidiaries each year to fund their annual tax payable.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(k) Financial assets

Investments

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Corporation's financial statements.

As the Corporation does not have a Tax Funding Arrangement or a Tax Sharing Agreement, additional investments into controlled entities are brought about when tax is paid on behalf of those controlled entities.

Investments in unlisted companies and unit trusts are stated at cost. Investments are included in non-current assets.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

Other financial assets are classified into the category 'loans and receivables'. This classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period, to the net amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Loans and receivables are measured at cost less any impairment. Impairment is recorded through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

Interest income is recognised by applying the effective interest rate.

Unbilled consumption represents the estimated consumption of electricity and water services provided to customers but unbilled as at the reporting date.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to 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.

(m) Leased assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

(n) Property, plant & equipment*Acquisition of assets*

Freehold land, buildings and plant and equipment 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 Corporation'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 Corporation. Ongoing repairs and maintenance is expensed as incurred.

Where an asset is acquired at no cost or for nominal value, the cost is recorded at fair value as at the date of acquisition.

*Depreciation and amortisation**Complex Assets*

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

Useful Lives

All assets, excluding freehold land, have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives, with the exception of deferred development expenditure which is amortised over the term of the relevant agreement.

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.

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.

The depreciation useful lives used for each class of asset are as follows:

	June 2012	June 2011
Plant and equipment	1-100 years	1-100 years
Buildings	3-93 years	3-93 years

Impairment of assets

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset.

For Indigenous Essential Services Pty Limited, as a not-for-profit entity, the value in use is the depreciated replacement cost of the asset, less any accumulated impairment losses.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment loss is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent 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 in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

(o) Intangible assets

All intangible assets are acquired separately and are carried at cost less accumulated amortisation and accumulated impairment losses. Assets are amortised from the date of acquisition or from the time the asset is held ready for use. Amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

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

	June 2012	June 2011
Purchased Software	1-21 years	1-21 years
Make-up gas	indefinite	indefinite
Renewable Energy Certificates	indefinite	indefinite

Purchased software

All purchased software items 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 Corporation has entered into a Take-or-Pay Gas Purchase Agreement that came into effect during the 2010-2011 financial year. Make-up gas paid for under the terms of the contract but not physically taken is recorded as an intangible asset. This asset will be tested for impairment annually as stipulated by AASB 136 *Impairment of Assets*.

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 Corporation 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. These are recorded based on the value of permits on hand held for surrender plus the market value of the permits required to cover any excess emissions, but only to the extent that the permits required extinguishing the liability exceeds the value of the permits held. 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 each 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.

(p) Financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obligated to make future payments in respect of the purchase of these goods and services. The policy of the consolidated entity is to settle trade payables within 30 days. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Interest-bearing borrowings

All government loans and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

(q) 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

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 Commonwealth Government 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 comprehensive income.

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, being the Australian Government Employees Superannuation Trust.

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 to encourage voluntary redundancy.

(r) Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the considerations required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding 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 any provision is presented in the statement of comprehensive income net of any recognised reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(s) Dividends

A provision for dividends payable is recognised in the reporting period to which it relates. The Northern Territory Government's dividend policy requires the Corporation to provide for a dividend payable, generally at a rate of 50% of net profit after income tax. See note 5 for further information.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000
3 Revenue and expenses				
<i>Revenue and expenses from continuing operations</i>				
(a) Revenue				
Sale of goods	438,286	539,117	412,088	509,366
Rendering of services	121,023	107,394	50,621	41,553
Finance revenue	5,259	5,496	3,162	4,208
	564,568	652,007	465,871	555,127
<i>Breakdown of rendering services:</i>				
IES capital government grants	13,288	13,553	-	-
IES recurrent government grants	55,042	51,122	-	-
Services rendered	52,693	42,719	50,621	41,553
	121,023	107,394	50,621	41,553
<i>Breakdown of finance revenue:</i>				
Bank interest	5,259	5,494	3,162	4,208
Income from investments	-	2	-	-
	5,259	5,496	3,162	4,208
(b) Other income				
<i>Community Service Obligations:</i>				
Uniform tariffs	59,757	58,129	59,757	58,129
Other	13,116	10,802	13,116	10,800
	72,873	68,931	72,873	68,929
<i>Developer, customer and other capital contributions:</i>				
Gifted assets	15,688	10,663	15,688	10,663
Other	7,654	2,263	7,654	2,265
	23,342	12,926	23,342	12,928
Net gain on disposal of property, plant and equipment	3,682	-	3,761	-
Recoverable works	1,320	4,743	1,011	1,927
Revenue from the reversal of prior year provision	-	2,741	-	2,741
Distillate sales	-	1,257	-	1,257
Insurance settlement	3,405	-	3,405	-
Other revenue	11,481	9,435	11,888	9,326
Total other income	116,103	100,033	116,280	97,108
(c) Finance costs				
Government loans	64,673	51,677	64,673	51,677
	64,673	51,677	64,673	51,677
Capitalised finance costs	10,214	10,994	10,214	10,994
	74,887	62,671	74,887	62,671

The weighted average capitalisation rate on funds borrowed generally is 6.66% per annum (2011: 6.81%).

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
(d) Depreciation and amortisation				
<i>Depreciation</i>				
Buildings	6,585	5,691	5,436	3,995
Plant and equipment	70,248	67,119	57,957	52,674
Total depreciation	76,833	72,810	63,393	56,669
<i>Amortisation</i>				
Intangible assets	2,848	2,663	2,833	2,638
Total amortisation	2,848	2,663	2,833	2,638
Total depreciation and amortisation	79,681	75,473	66,225	59,307
(e) Employee benefits expense				
Personnel direct	139,210	127,104	125,064	114,700
Contract and apprentice labour	9,158	6,300	9,007	6,288
	148,368	133,404	134,071	120,988
Capital and maintenance labour recovery	(46,088)	(30,819)	(41,446)	(26,744)
	102,280	102,585	92,625	94,244
(f) Repairs and maintenance expense				
Materials	60,362	53,982	46,445	42,360
Labour	27,870	15,841	25,724	13,852
	88,232	69,823	72,169	56,212
(g) Other expenses				
Gifted assets expense	130	424	130	424
Grants and subsidies	2,662	2,487	2,663	2,488
Bad and doubtful debts	1,329	1,332	1,239	1,250
Renewable Energy Certificate expense	12,845	7,985	12,845	7,985
Net loss on disposal of property, plant and equipment	-	5,920	-	5,732
Write Down (Back) in Value of Inventories	(2,477)	-	(2,477)	-
Other expenses	70,047	59,860	62,362	52,097
	84,536	78,008	76,762	69,976

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
4 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
<i>Current income tax</i>				
Current income tax charge	(5,615)	(13,611)	(5,141)	(13,068)
<i>Deferred income tax</i>				
Under/(over) from prior years	-	(290)	-	(290)
Relating to origination and reversal of temporary differences	5,697	(18,354)	5,182	(18,920)
Income tax expense reported in profit or loss	82	(32,255)	41	(32,278)
Numerical reconciliation between tax expense and pre-tax net profit				
Profit/loss before income tax from continuing operations	(721)	(106,616)	61	(106,695)
At the consolidated entities' statutory income tax rate of 30% (2011: 30%)	(216)	(31,985)	18	(32,008)
Under/(over) provision from prior years	-	(290)	-	(290)
Expenditure not allowable for income tax purposes	23	20	23	20
Income not assessable for income tax purposes	275	-	-	-
Income tax expense/(benefits) on pre-tax profit/(loss)	82	(32,255)	41	(32,278)
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Prepayments	81	63	81	63
Unbilled consumption	11,577	10,824	11,577	10,824
Gross deferred income tax liabilities	11,658	10,887	11,658	10,887
<i>Movements:</i>				
Opening balance at 1 July	10,887	11,166	10,887	11,166
Over/(under) provision from prior years	-	-	-	-
Credited/(charged) to profit or loss	771	(279)	771	(279)
Closing balance at 30 June	11,658	10,887	11,658	10,887

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
<i>Deferred tax assets</i>				
Employee provisions	12,580	11,240	12,580	11,240
Unearned revenue	78	73	78	73
Allowance for doubtful debts	390	460	390	460
Obsolete stock provision	60	803	60	803
Accrued expenses	429	496	429	487
Non-capital tax losses carried forward	21,317	15,022	21,317	15,022
Impairment of other non-current assets	38,700	38,700	38,700	38,700
Property, plant and equipment	72,360	78,432	72,360	77,245
Gross deferred income tax assets	145,914	145,226	145,914	144,030
<i>Movements:</i>				
Opening balance at 1 July	145,226	113,249	144,030	111,487
Under/(over) provision from prior years	-	291	-	291
Credited/(charged) to profit or loss	(4,926)	18,075	(4,411)	18,641
Non-capital tax losses credited to profit or loss	5,614	13,611	5,615	13,611
Transfer from subsidiary on windup	-	-	680	-
Closing balance at 30 June	145,914	145,226	145,914	144,030
Net deferred tax assets and deferred tax liabilities	134,256	134,339	134,256	133,143
Deferred tax income/(expense)	5,697	(18,354)	5,182	(18,920)
(c) Income tax payable				
Opening balance at 1 July	-	-	-	-
Income tax paid	-	-	-	-
Current year income tax expense	(5,141)	(13,068)	(5,141)	(13,068)
Subsidiary income tax obligation	(473)	(543)	(473)	(543)
Non-capital tax losses taken to deferred tax assets	5,614	13,611	5,614	13,611
Under/(over) provision from prior years	-	-	-	-
Closing balance at 30 June	-	-	-	-
(d) Equity contributions to subsidiaries in relation to current income tax payable				
Darnor Pty Limited			32	25
Gasgo Pty Limited			(506)	(568)
			(474)	(543)
(e)	The potential deferred tax asset arising from capital losses has not been recognised as an asset because recovery of capital tax losses is not probable. The future tax asset relating to capital losses carried forward is \$591,488 (2011: \$1,483,000).			
(f)	The deferred tax assets arising from non-capital losses are \$21.3 million (2011: \$15.0 million). These have been recognised as an asset because the recovery of non-capital tax losses is probable as stated in the Group's Statement of Corporate Intent.			
(g) Tax effect accounting by members of the tax consolidated group	Members of the tax consolidated group have not entered into a tax funding agreement. The head entity and each subsidiary entity has adopted the 'stand alone taxpayer' basis resulting in each entity accounting for its tax consequences as if it continued to be a taxable entity in its own right. The Corporation provides additional equity to its subsidiaries each year to fund their annual tax payable. The tax consolidated group's total income tax payable liability balance is recognised in the Corporation's accounts.			

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000

5 Dividends

Declared and paid during the year:

Dividends on ordinary shares:	-	-	-	-
Final dividend paid in 2012 \$NIL (2011: \$NIL)	-	-	-	-

The Directors have not declared a dividend as an ongoing dividend moratorium has been granted to the Corporation by its shareholder, the Northern Territory Government.

6 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	149,267	184,849	94,000	121,790
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(b) Reconciliation of net profit after tax to net cash flows from operations

Net profit/(loss)	(803)	(74,361)	20	(74,417)
<i>Adjustments for:</i>				
Depreciation and amortisation	79,680	75,473	66,225	59,307
Distribution from trust	(149)	(104)	(30)	-
Impairment reversal less impairment writedown	374	72,177	374	72,177
Contributed assets provided free of charge	(15,688)	(10,663)	(15,688)	(10,663)
Net (profit)/loss on disposal of property, plant and equipment	(3,682)	5,919	(3,761)	5,731
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	(5,966)	(5,508)	(5,059)	(4,336)
(Increase)/decrease in trade and other receivables	(12,634)	2,399	(3,069)	(3,568)
(Increase)/decrease in current intangible assets	(1,906)	(2,288)	(1,906)	(2,288)
(Increase)/decrease in prepayments	717	(878)	737	(879)
(Decrease)/increase in net deferred tax payable	82	(32,256)	2,462	(32,279)
(Decrease)/increase in current tax liabilities	-	-	-	-
(Decrease)/increase in trade and other payables	1,681	5,361	4,143	4,570
(Decrease)/increase in government grants	32,145	37,611	(65)	(109)
(Decrease)/increase in provisions	4,242	5,521	4,242	5,521
Net cash flows from operating activities	78,093	78,403	48,625	18,767

(c) Disclosure of non-cash financing and investing activities

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$15.7 million (2011: \$10.7 million) by means of a gift. These acquisitions are not reflected in the statement of cash flows.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000
7 Trade and other receivables				
Current				
Service receivables	44,371	29,133	36,250	27,513
Allowance for doubtful debts	(1,299)	(1,535)	(1,299)	(1,535)
Unbilled consumption	38,591	36,081	38,591	36,081
	81,663	63,679	73,542	62,059
Other receivables	6,131	11,403	5,947	11,468
Loans and advances to controlled entities	-	-	8,056	10,871
Total current receivables	87,794	75,082	87,545	84,398
Non-current				
Development loans	17	95	17	95
Total non-current receivables	17	95	17	95

(a) Service receivables

The average credit period on sales of goods and rendering of services is 23 days (2011: 21 days). An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined on an individual receivable basis, and by reference to past default experience.

There is no single customer that makes up more than 5% of the balance of receivables.

Ageing of individually determined impaired service receivables:

0-30 days	68	14	68	14
30 - 60 days	77	21	77	21
60 - 90 days	64	15	64	15
90 + days	1,090	1,486	1,090	1,486
Impairment	1,299	1,535	1,299	1,535

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$4.0 million (2011: \$3.4 million) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Corporation generally does not hold collateral over these balances. The average age of these receivables is 79 days (2011: 67 days).

Ageing of past due but not impaired service receivables:

30 - 60 days	1,581	1,533	1,581	1,533
60 - 90 days	742	541	742	541
90 + days	1,689	1,277	1,689	1,277
Total	4,012	3,351	4,012	3,351

Movement in the allowance for doubtful debts:

Balance at beginning of year	1,535	1,668	1,535	1,668
Impairment losses recognised on receivables	1,329	1,332	1,329	1,332
Amounts written off as uncollectible	(2,190)	(1,990)	(2,190)	(1,990)
Written off debts subsequently collected	624	525	624	525
Balance at end of year	1,298	1,535	1,298	1,535

(b) Development loans

Interest-free development loans generally arise where customers are required to make cash contributions for the use of new network services. An overriding statutory charge is taken over the land on which the network service is provided.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000
8 Inventories				
Materials and stores	19,165	13,804	19,165	13,789
Fuel stocks	10,781	10,122	3,982	4,245
Gas stocks	69	55	69	55
Tokens	333	401	333	401
Total inventories	30,348	24,382	23,549	18,490

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$0.9 million (2011: \$1.6 million).

9 Investments

2,500 \$1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation	3	-	3	-
2,500 \$1 unlisted units, in Amadeus Gas Trust beneficially held by Darnor Pty Limited	-	3	-	-

Unlisted shares held as follows:

- 10 (2011: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 10 (2011: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2011: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 50 (2011: 50) ordinary shares of \$1 each held by the Corporation in BGP Tenure Holdings Pty Limited
- 5 (2011: 0) ordinary shares of \$1 each held by the Corporation in NT Gas Pty Limited
- 0 (2011: 5) ordinary shares of \$1 each held by Darnor Pty Limited in NT Gas Pty Limited

Within 2011, the Corporation owned 100% of Darnor Pty Limited, Gasgo Pty Limited and Indigenous Essential Services Pty Limited and 50% of BGP Tenure Holdings Pty Limited. All companies are incorporated in Australia.

In 2012 Darnor Pty Limited and Gasgo Pty Limited applied for deregistration and the business was wound up. Deregistration was granted by ASIC on 8 August 2012.

Principal activities of the subsidiary companies

The principal activities of Gasgo Pty Ltd were the purchase and sale of natural gas.

The principal activity of Darnor Pty Ltd was to act as an investment company.

The principal activities of Indigenous Essential Services Pty Ltd as a non-for-profit entity were to provide electricity, water and sewerage services to remote Indigenous communities in the Northern Territory.

10 Investment in subsidiaries

Indigenous Essential Services Pty Limited	-	-	-	-
Darnor Pty Limited	-	-	-	312
Gasgo Pty Limited	-	-	-	3,268
Total investment in subsidiaries	-	-	-	3,580

Movement in investments relates to contributions for income tax payable balances (see note 4 for further details). These subsidiaries were wound up in 2012. See note 30 for further information on these discontinued operations.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

11 Property, plant and equipment

June 2012					
	Land	Buildings	Plant and	Work in	Total Property,
Consolidated	\$'000	\$'000	Equipment	Progress	Plant and
			\$'000	\$'000	Equipment
					\$'000
Cost					
Opening Balance	14,693	191,148	1,917,367	516,089	2,639,297
Transfer / Restructure	(28)	2,583	5,865	(8,420)	(0)
Additions	60	3,910	14,272	274,437	292,679
Transfer From WIP	281	62,020	298,575	(363,208)	(2,332)
Disposals	(260)	(1,199)	(100,760)	-	(102,219)
Impairment - specific assets	-	(390)	(214)	-	(604)
Closing Balance	14,746	258,072	2,135,105	418,898	2,826,821
Accumulated Depreciation					
Opening Balance	-	(94,498)	(987,488)	-	(1,081,986)
Transfer / Restructure	-	-	-	-	-
Depreciation	-	(6,585)	(70,248)	-	(76,833)
Disposals	-	1,108	99,966	-	101,074
Impairment - specific assets	-	176	54	-	230
Closing Balance	-	(99,799)	(957,716)	-	(1,057,515)
Written Down Value					
Opening Balance	14,693	96,650	929,878	516,089	1,557,310
Transfer / Restructure	(28)	2,583	5,865	(8,420)	(0)
Additions	60	3,910	14,272	274,437	292,679
Depreciation	-	(6,585)	(70,248)	-	(76,833)
Transfer From WIP	281	62,020	298,575	(363,208)	(2,332)
Disposals	(260)	(91)	(794)	-	(1,145)
Impairment - specific assets	-	(214)	(160)	-	(374)
Closing Balance	14,746	158,273	1,177,388	418,898	1,769,306

June 2012					
	Land	Buildings	Plant and	Work in	Total Property,
Corporation	\$'000	\$'000	Equipment	Progress	Plant and
			\$'000	\$'000	Equipment
					\$'000
Cost					
Opening Balance	14,672	150,248	1,580,662	484,809	2,230,391
Transfer / Restructure	(28)	2,570	5,893	(8,435)	(0)
Additions	60	3,910	14,273	235,878	254,121
Transfer From WIP	281	58,843	264,582	(325,953)	(2,247)
Disposals	(260)	(1,026)	(97,626)	-	(98,912)
Impairment - specific assets	-	(390)	(214)	-	(604)
Closing Balance	14,725	214,155	1,767,570	386,299	2,382,748
Accumulated Depreciation					
Opening Balance	-	(70,428)	(807,424)	-	(877,852)
Transfer / Restructure	-	-	-	-	-
Depreciation	-	(5,436)	(57,957)	-	(63,393)
Disposals	-	935	96,953	-	97,888
Impairment - specific assets	-	176	54	-	230
Closing Balance	-	(74,753)	(768,374)	-	(843,126)
Written Down Value					
Opening Balance	14,672	79,820	773,239	484,809	1,352,540
Transfer / Restructure	(28)	2,570	5,893	(8,435)	(0)
Additions	60	3,910	14,273	235,878	254,121
Depreciation	-	(5,436)	(57,957)	-	(63,393)
Transfer From WIP	281	58,843	264,582	(325,953)	(2,247)
Disposals	(260)	(91)	(673)	-	(1,024)
Impairment - specific assets	-	(214)	(160)	-	(374)
Closing Balance	14,725	139,402	999,196	386,299	1,539,622

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

11 Property, plant and equipment

June 2011					
	Land	Buildings	Plant and	Work in	Total Property,
Consolidated	\$'000	\$'000	Equipment	Progress	Plant and
			\$'000	\$'000	Equipment
					\$'000
Cost					
Opening Balance	15,580	189,679	1,924,180	306,743	2,436,180
Transfer / Restructure	-	(1,822)	10,123	(9)	8,291
Additions	-	2,066	11,661	326,861	340,588
Transfer From WIP	17	5,041	99,139	(107,984)	(3,787)
Disposals	-	(59)	(11,596)	-	(11,655)
Impairment - specific assets	(904)	(3,757)	(116,139)	(9,521)	(130,321)
Closing Balance	14,693	191,148	1,917,367	516,089	2,639,297
Accumulated Depreciation					
Opening Balance	-	(91,254)	(979,045)	-	(1,070,299)
Transfer / Restructure	-	0	(943)	-	(942)
Depreciation	-	(5,691)	(67,119)	-	(72,810)
Disposals	-	14	3,886	-	3,900
Impairment - specific assets	-	2,433	55,732	-	58,165
Closing Balance	-	(94,498)	(987,488)	-	(1,081,986)
Written Down Value					
Opening Balance	15,580	98,425	945,134	306,743	1,365,881
Transfer / Restructure	-	(1,822)	9,180	(9)	7,349
Additions	-	2,066	11,661	326,861	340,588
Depreciation	-	(5,691)	(67,119)	-	(72,810)
Transfer From WIP	17	5,041	99,139	(107,984)	(3,787)
Disposals	-	(45)	(7,710)	-	(7,755)
Impairment - specific assets	(904)	(1,324)	(60,407)	(9,521)	(72,156)
Closing Balance	14,693	96,650	929,878	516,089	1,557,310

June 2011					
	Land	Buildings	Plant and	Work in	Total Property,
Corporation	\$'000	\$'000	Equipment	Progress	Plant and
			\$'000	\$'000	Equipment
					\$'000
Cost					
Opening Balance	15,559	149,110	1,607,254	289,496	2,061,419
Transfer / Restructure	-	(1,815)	10,105	-	8,290
Additions	-	2,066	11,661	292,308	306,035
Transfer From WIP	17	4,648	79,047	(87,474)	(3,762)
Disposals	-	(4)	(11,266)	-	(11,270)
Impairment - specific assets	(904)	(3,757)	(116,139)	(9,521)	(130,321)
Closing Balance	14,672	150,248	1,580,662	484,809	2,230,391
Accumulated Depreciation					
Opening Balance	-	(68,870)	(813,254)	-	(882,124)
Transfer / Restructure	-	-	(941)	-	(941)
Depreciation	-	(3,995)	(52,674)	-	(56,669)
Disposals	-	4	3,711	-	3,715
Impairment - specific assets	-	2,433	55,732	-	58,165
Rounding	-	-	2	-	2
Closing Balance	-	(70,428)	(807,424)	-	(877,852)
Written Down Value					
Opening Balance	15,559	80,240	794,000	289,496	1,179,295
Transfer / Restructure	-	(1,815)	9,164	-	7,349
Additions	-	2,066	11,661	292,308	306,035
Depreciation	-	(3,995)	(52,674)	-	(56,669)
Transfer From WIP	17	4,648	79,047	(87,474)	(3,762)
Disposals	-	-	(7,555)	-	(7,555)
Impairment - specific assets	(904)	(1,324)	(60,407)	(9,521)	(72,156)
Rounding	-	-	2	-	2
Closing Balance	14,672	79,820	773,239	484,809	1,352,540

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

12 (a) Intangibles

June 2012				
Consolidated	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Cost				
Opening Balance	30,319	3,554	6,466	40,339
Additions	-	12,338	4,797	17,135
Transfer From WIP	2,332	-	-	2,332
Disposals	(5,451)	(10,432)	-	(15,883)
Closing Balance	27,200	5,460	11,263	43,923
Accumulated Amortisation				
Opening Balance	(19,563)	-	-	(19,563)
Amortisation	(2,848)	-	-	(2,848)
Disposals	5,451	-	-	5,451
Closing Balance	(16,960)	-	-	(16,960)
Written Down Value				
Opening Balance	10,756	3,554	6,466	20,776
Additions	-	12,338	4,797	17,135
Amortisation	(2,848)	-	-	(2,848)
Transfer From WIP	2,332	-	-	2,332
Disposals	-	(10,432)	-	(10,432)
Closing Balance	10,240	5,460	11,263	26,963

June 2012				
Corporation	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Cost				
Opening Balance	30,294	3,554	6,466	40,314
Additions	-	12,338	4,797	17,135
Transfer From WIP	2,247	-	-	2,247
Disposals	(5,451)	(10,432)	-	(15,883)
Closing Balance	27,090	5,460	11,263	43,813
Accumulated Amortisation				
Opening Balance	(19,539)	-	-	(19,539)
Amortisation	(2,833)	-	-	(2,833)
Disposals	5,451	-	-	5,451
Closing Balance	(16,921)	-	-	(16,921)
Written Down Value				
Opening Balance	10,755	3,554	6,466	20,775
Additions	-	12,338	4,797	17,135
Amortisation	(2,833)	-	-	(2,833)
Transfer From WIP	2,247	-	-	2,247
Disposals	-	(10,432)	-	(10,432)
Closing Balance	10,169	5,460	11,263	26,892

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities
For the year ended 30 June 2012

12 (a) Intangibles

June 2011				
Consolidated	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Cost				
Opening Balance	23,737	1,266	-	25,003
Transfer / Restructure	2,843	-	-	2,843
Additions	-	5,438	6,466	11,904
Transfer From WIP	3,787	-	-	3,787
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(48)	-	-	(48)
Closing Balance	30,319	3,554	6,466	40,338
Accumulated Amortisation				
Opening Balance	(16,927)	-	-	(16,927)
Transfer / Restructure	(1)	-	-	(1)
Amortisation	(2,663)	-	-	(2,663)
Impairment - specific assets	27	-	-	27
Closing Balance	(19,564)	-	-	(19,564)
Written Down Value				
Opening Balance	6,810	1,266	-	8,076
Transfer / Restructure	2,842	-	-	2,842
Additions	-	5,438	6,466	11,904
Amortisation	(2,663)	-	-	(2,663)
Transfer From WIP	3,787	-	-	3,787
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(21)	-	-	(21)
Closing Balance	10,755	3,554	6,466	20,774

June 2011				
Corporation	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Cost				
Opening Balance	23,737	1,266	-	25,003
Transfer / Restructure	2,843	-	-	2,843
Additions	-	5,438	6,466	11,904
Transfer From WIP	3,762	-	-	3,762
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(48)	-	-	(48)
Closing Balance	30,294	3,554	6,466	40,313
Accumulated Amortisation				
Opening Balance	(16,927)	-	-	(16,927)
Transfer / Restructure	(1)	-	-	(1)
Amortisation	(2,638)	-	-	(2,638)
Impairment - specific assets	27	-	-	27
Closing Balance	(19,539)	-	-	(19,539)
Written Down Value				
Opening Balance	6,810	1,266	-	8,076
Transfer / Restructure	2,842	-	-	2,842
Additions	-	5,438	6,466	11,904
Amortisation	(2,638)	-	-	(2,638)
Transfer From WIP	3,762	-	-	3,762
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(21)	-	-	(21)
Closing Balance	10,755	3,554	6,466	20,774

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
12 (b) Intangible Assets				
Current				
Renewable Energy Certificates	5,460	3,554	5,460	3,554
Total current Intangible Assets	5,460	3,554	5,460	3,554
Non-current				
Other Intangible Assets	10,240	10,755	10,169	10,755
Make up Gas	11,263	6,466	11,263	6,466
Total non-current Intangible Assets	21,503	17,221	21,432	17,221
13 Trade and other payables				
Service creditors	43,877	44,876	36,316	38,752
Other creditors and accruals	68,032	59,328	65,349	53,886
Total payables	111,909	104,204	101,665	92,638
The policy of the consolidated entity is to settle trade payables within 30 days. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.				
14 Interest bearing borrowings				
Current				
Government loans - unsecured	2,034	1,888	2,034	1,888
Total current borrowings	2,034	1,888	2,034	1,888
Non-current				
Government loans - unsecured	1,195,895	1,080,589	1,195,895	1,080,589
Total non-current borrowings	1,195,895	1,080,589	1,195,895	1,080,589

The government loans in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$2.0 million (2011: \$1.9 million).

The non-current balance of interest-bearing liabilities represents the portion of the consolidated entity's borrowings not due within one year.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000
15 Provisions				
Current				
Employee benefits	37,598	33,688	37,598	33,688
Employee related provisions	476	881	476	881
Total current provisions	38,074	34,569	38,074	34,569
Non-current				
Employee benefits	4,366	3,629	4,366	3,629
Reconciliations				
Reconciliations of the carrying amounts for each class of provision, except for employee benefits are set out below:				
Employee related provisions				
Carrying amount at beginning of year	881	619	881	619
Provisions made during the year	11,327	9,376	11,327	9,376
Payments made during the year	(11,732)	(9,114)	(11,732)	(9,114)
Carrying amount at end of year	476	881	476	881

16 Government grants

Operational grants held by the Corporation's subsidiary, Indigenous Essential Services Pty Limited relate to funding received from the Department of Housing, Local Government and Regional Services for the provision of power, water and sewerage services to remote indigenous communities.

Capital grants held by the Corporation's subsidiary, Indigenous Essential Services Pty Limited, relate to funding received from the Northern Territory's Department of Housing, Local Government and Regional Services for the development of power, water and sewerage infrastructure in remote indigenous communities. In addition, funds received from the Northern Territory Government in relation to the Federal Government's intervention into NT Indigenous communities and the Northern Territory Government's Strategic Indigenous Housing and Infrastructure Program (SIHIP) are included in capital grants.

Operational grants	8,271	8,898	155	220
Capital grants	273,693	240,921	-	-
Total government grants	281,964	249,819	155	220
Provided for in the financial statements as:				
Current	21,726	25,065	155	220
Non-current	260,238	224,754	-	-
	281,964	249,819	155	220

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012 \$'000	June 2011 \$'000	June 2012 \$'000	June 2011 \$'000
17 Contributed equity				
Share capital				
1 Share (2011: 1 Share)	-	-	-	-
Debt to equity swap	152,582	110,922	152,582	110,922
Total contributed equity	152,582	110,922	152,582	110,922

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.

From 2011, a series of Debt-Equity swaps were agreed to between the Northern Territory Government and the Corporation. These swaps began in the 2010-2011 financial year.

18 Retained earnings				
Retained earnings at beginning of year	413,709	488,070	412,851	487,268
Net profit/(loss) for the year	(803)	(74,361)	20	(74,417)
Retained earnings at end of the year	412,906	413,709	412,871	412,851

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

19 Risk management objectives

(a) Financial risk management objectives and policies

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 that no trading in financial instruments shall be undertaken. The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they 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 2011.

(b) Market risk

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

In accordance with the GOC Act the Corporation's objectives are to:

- operate at least as efficiently as a comparable business; and
- to maximise the sustainable return to the Northern Territory on its investment in the Corporation.

The Corporation's mission is to deliver power, water and sewerage services to the people of the Northern Territory in a competitive, efficient and reliable manner and to meet its mandated environmental obligations.

Services either regulated or open to competition are:

- Electricity Network services - regulated by the Utilities Commission;
- Electricity Generation services - open to competition;
- Water and Sewerage services - provided under monopoly licences;
- Retail electricity services to some large customers - open to competition (these customers are known as contestable customers); and
- Retail electricity services to other customers - open to competition, however tariffs are regulated by the Northern Territory Government.

(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 a 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:

Loan term	Consolidated			Corporation		
	Fixed and Variable Rate Loans \$'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% \$'000	Fixed and Variable Rate Loans \$'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% \$'000
< 1 to 2 years	302,924	6.68%	685	302,924	6.68%	685
2 to 5 years	380,918	6.89%	1,708	380,918	6.89%	1,708
5 years +	1,093,264	6.74%	9,585	1,093,264	6.74%	9,585
	1,777,106		11,978	1,777,106		11,978

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

19 Risk management objectives**(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.

(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 a Statement of Corporate Intent (SCI) which is tabled with the Shareholding Minister for approval. The SCI is a detailed 5 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.

Material exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and a foreign currency bank account.

The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was NIL (2011: NIL).

(g) Commodity price risk

The consolidated entity's exposure to commodity price risk is minimal.

(h) Capital risk management

The consolidated entity's and the parent entity'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 14, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital and retained earnings as disclosed in notes 17 and 18 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.

Power and Water Corporation and its Controlled Entities
For the year ended 30 June 2012**20 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 \$1,250.9 million (2011: \$1,136.7 million).

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

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk for the consolidated entity:

Consolidated	Weighted average interest rate %	Fixed and floating interest maturing in:					Total \$'000
		Floating interest rate \$'000	Fixed interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2012							
Financial Assets							
Cash assets	4.12%	149,267	-	149,267	-	-	149,267
Receivables	-	-	-	-	-	87,811	87,811
Investments	-	-	-	-	-	3	3
		149,267	-	149,267	-	87,814	237,081
Financial Liabilities							
Payables	-	-	-	-	-	111,909	111,909
Government loans	6.66%	-	1,197,929	2,034	124,090	1,071,804	1,197,929
		-	1,197,929	2,034	124,090	1,071,804	1,309,838
2011							
Financial Assets							
Cash assets	4.42%	184,849	-	184,849	-	-	184,849
Receivables	-	-	-	-	-	75,177	75,177
Investments	-	-	-	-	-	-	-
		184,849	-	184,849	-	75,177	260,026
Financial Liabilities							
Payables	-	-	-	-	-	104,204	104,204
Government loans	6.80%	-	1,082,477	1,888	123,216	957,373	1,082,477
		-	1,082,477	1,888	123,216	957,373	1,186,681

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities
For the year ended 30 June 2012

20 Financial instruments

Corporation	Weighted average interest rate %	Fixed and floating interest maturing in:					Total \$'000
		Floating interest rate \$'000	Fixed interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2012							
Financial Assets							
Cash assets	4.12%	94,000	-	94,000	-	-	94,000
Receivables		-	-	-	-	-	87,562
		94,000		94,000			181,565
Financial Liabilities							
Payables		-	-	-	-	-	101,665
Government loans	6.66%	-	1,197,929	2,034	124,090	1,071,804	1,197,929
			1,197,929	2,034	124,090	1,071,804	1,299,594
2011							
Financial Assets							
Cash assets	4.42%	121,790	-	121,790	-	-	121,790
Receivables		-	-	-	-	-	84,493
		121,790		121,790			206,283
Financial Liabilities							
Payables		-	-	-	-	-	92,638
Government loans	6.80%	-	1,082,477	1,888	123,216	957,373	1,082,477
			1,082,477	1,888	123,216	957,373	92,638
							1,175,115

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000
21 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable within one year:	112,708	94,296	98,715	88,499
Lease and hire expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Property, Plant and Equipment	48,882	58,134	48,882	58,134
Purchase expenditure commitments				
Contracted but not provided for:				
Electricity purchase	51,112	63,763	51,112	63,763
Gas purchase	4,332,676	4,344,597	4,332,676	4,344,597
Gas transportation	1,513,780	907,792	1,513,780	907,792
	5,897,568	5,316,152	5,897,568	5,316,152
Payable:				
Within one year	311,959	265,223	297,965	259,425
One year or later and no later than five years	995,817	848,787	995,817	848,787
Later than five years	4,751,383	4,354,572	4,751,384	4,354,573
	6,059,159	5,468,582	6,045,166	5,462,785

The consolidated entity has non-cancellable purchase, lease 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. Payments usually comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Gas purchase commitments include take-or-pay obligations under a 25-year gas sale agreement with Eni Australia B.V., the first supply of which commenced in the 2009-2010 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:

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$	\$	\$	\$
Within one year	17,369,783	13,798,251	17,369,783	13,752,172
After one year but not more than five years	21,236,001	15,819,691	21,236,001	15,738,767
	38,605,784	29,617,942	38,605,784	29,490,939

22 Operating lease arrangements

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$'000	\$'000	\$'000	\$'000
Payments recognised as an expense				
Minimum lease payments	10,697	9,754	9,859	8,967
	10,697	9,754	9,859	8,967

23 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 in December 2022. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

24 Related party information

The consolidated financial statements include the financial statements of the Power and Water Corporation and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest		Investment	
		June 2012 %	June 2011 %	June 2012 \$	June 2011 \$
Darnor Pty Limited	Australia	100%	100%	10	10
Gasgo Pty Limited	Australia	100%	100%	10	10
BGP Tenure Holdings Pty Limited	Australia	50%	50%	0	0
Indigenous Essential Services Pty Limited	Australia	100%	100%	10	10
				30	30

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 2012 owned 100% (2011: 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 parent entity (includes other agencies and departments of the Northern Territory), director related entities and associates. All financial transactions between the consolidated entity and related parties are at arm's length terms.

Transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. The Corporation is the only provider of electricity, water and sewerage services in populated areas in the Northern Territory, and therefore provides these services to all Northern Territory Government departments and related entities. 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 below:

Related Party		Sales to related parties	Purchases from related parties (1)	Amounts owed by related parties	Amounts owed to related parties (2)
		\$'000	\$'000	\$'000	\$'000
The parent entity including all entities that are associated with the parent entity being the Northern Territory Government - see explanation above.	June 2012	164,480	82,582	104,256	1,230,195
	June 2011	130,336	70,865	131,530	1,112,982
Darnor Pty Limited (subsidiary)	June 2012	-	-	-	-
	June 2011	-	9	-	-
Gasgo Pty Limited (subsidiary)	June 2012	-	-	-	-
	June 2011	-	9	-	-
Indigenous Essential Services Pty Limited (subsidiary)	June 2012	94,525	779	62,488	45,045
	June 2011	87,489	772	1,735	38,847

(1) For the year ended 30 June 2012, purchases from the Northern Territory Government include interest paid on borrowings of \$74,887,654 (2011: \$62,671,681) refer to note 3(c).

(2) For the year ended 30 June 2012, the amount owed to the Northern Territory Government includes borrowings of \$1,197,929,591 (2011: \$1,082,478,014) refer to note 14.

The consolidated entity receives grants from the Northern Territory Government in the form of Community Service Obligations and other miscellaneous grants. See note 2(f), 3(a) and note 16 for further details of this form of revenue.

From 2011, a series of Debt-Equity swaps were agreed to between the Northern Territory Government and the Corporation. These swaps began in the 2010-2011 financial year. See note 17 for further details of these transactions.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

24 Related party information (continued)

The Corporation provides electricity, water and sewerage services to Indigenous Essential Services Pty Limited in the normal course of business and on normal terms and conditions.

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.

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

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$	\$	\$	\$
Expense transactions with key management personnel	2,234,317	347,915	2,234,317	347,915

For the year ended 30 June 2012, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$0.0 million (2011: \$0.0 million).

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the consolidated entity recognises an allowance for the impairment loss.

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$	\$	\$	\$

25 Auditor's remuneration

Audit services:

Auditors of the Corporation - NT Auditor-General	324,831	331,272	295,515	294,370
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Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

26 Director and executive disclosures**Remuneration of key management personnel**

Compensation levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative entities both locally and nationally. Remuneration packages are usually a fixed remuneration.

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	Post	Total
		employee	employment	
		benefits	benefits	
		Salary & Fees	Superannuation	
		\$	\$	\$
Non-executive directors				
Ms Judith King	June 2012	77,349	7,509	84,858
(Chairperson)	June 2011	77,548	5,997	83,545
Mrs Linda Mackenzie	June 2012	59,499	5,215	64,714
	June 2011	59,653	5,816	65,469
Mr Mervyn Davies	June 2012	59,499	5,215	64,714
	June 2011	59,653	5,215	64,867
Mr Michael Hannon	June 2012	47,307	4,276	51,583
	June 2011	54,397	7,627	62,024
Mr Rob Skinner	June 2012	48,789	5,230	54,019
(Term commenced April 2011)	June 2011	10,598	-	10,598
Mr Steve Margetic	June 2012	48,789	5,230	54,019
(Term commenced April 2011)	June 2011	10,598	-	10,598
Mr Barry Chambers	June 2012	-	-	-
(Term expired March 2011)	June 2011	-	46,151	46,151
Ms Margaret Gibson	June 2012	-	-	-
(Term expired March 2011)	June 2011	34,719	3,125	37,843
Total non-executive directors	June 2012	341,231	32,674	373,905
	June 2011	307,166	73,930	381,096

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

26 Director and executive disclosures (continued)

Executives' remuneration

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

	Consolidated		Corporation	
	June 2012	June 2011	June 2012	June 2011
	\$	\$	\$	\$
Short-term employee benefits	3,733,190	3,360,735	3,733,190	3,303,704
Other long-term benefits	775,799	711,411	775,799	667,671
Total compensation of key management personnel (excluding non-executive directors)	4,508,989	4,072,146	4,508,989	3,971,375

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 has 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 subsisting at year end.

From time to time key management personnel of the Corporation or its controlled entities 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

27 Impairment of assets and subsequent reversals

Note 2(n) details the Corporation's impairment policy with respect to assets.

There has been no major triggering event during the 2011-2012 financial year for either an impairment write-down or reversal of prior year impairment. The only asset impairments were minor and immaterial as part of the normal course of business.

As a result of the record rainfall in the 2010-2011 wet season, there was a significant decrease in budgeted consumption and water sales revenue was substantially below budget. The change in revenue and consumption was considered material to the water cash generating unit (CGU).

Additionally, the number of years of organic growth before the investment in the next major water source for the Darwin region reduced significantly due to a review of the yield of Manton Dam and Darwin River Dam. As a result of these events the Corporation reassessed the recoverable amount of its water CGU.

Based on value in use and applying a pre-tax discount rate of 9.76%, the water assets were found to be impaired as at 30 June 2011 and therefore written down by \$72.2 million.

The impairment loss and any subsequent reversals are allocated *pro rata* to the individual assets constituting the cash generating units.

The Corporation's cash generating units are based on its product lines being electricity, water and sewerage.

28 Events after the reporting period

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 or unusual nature likely, that in the opinion of the directors of the Corporation, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

29 Economic Dependency and Going Concern

Financial Sustainability for Power and Water means "generating revenue sufficient to support the business as a 'going concern', able to maintain and replace assets and provide services at prevailing levels. There is no return on capital."

Aligning revenue with costs is essential for Power and Water to be consistent with the *Government Owned Corporations Act*. Achieving ongoing financial sustainability for the Corporation requires a combination of cost-reflective tariffs and increased CSO payments, effective revenue management, together with prudent and effective investments in capital works, maintenance programs and control of operational expenditure.

While the Corporation is taking steps to reach financial sustainability, it remains exposed to considerable downside risks such as alignment of tariff increase with operational costs, environmental obligations and capital investment program delivery. Until financial sustainability is achieved Power and Water relies on the support of its sole shareholder, the Northern Territory Government.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities

For the year ended 30 June 2012

30 Restatement of comparatives

The Corporation has changed its presentation of cash flow in line with Interpretation 1031 'Accounting for Goods and Services Tax (GST)' which requires that cash flows shall be included in the statement of cash flows of a gross basis.

To provide meaningful comparisons to the June 2012 figures, the following tables restate the 2010 and 2011 figures for both the Corporation and the consolidated entity in relation to the above change.

June 2010	Consolidated			Corporation		
	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
Statement of Cash Flow						
Net cash provided by operating activities	27,962	27,962	-	7,173	7,173	-
Receipts from Customers	562,200	671,412	109,212	479,476	588,688	109,212
Payments to Suppliers and Employees	(624,984)	(734,196)	(109,212)	(496,916)	(606,128)	(109,212)
Net cash used in investing activities	(302,538)	(302,538)	-	(274,239)	(274,239)	-
Net cash provided by financing activities	339,198	339,198	-	339,197	339,197	-
Net increase/(decrease) in cash and cash equivalents	64,622	64,622	-	72,131	72,131	-
Cash and cash equivalents at beginning of year	103,697	103,697	-	57,957	57,957	-
Cash and cash equivalents at end of year	168,319	168,319	-	130,088	130,088	-

June 2011	Consolidated			Corporation		
	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
Statement of Cash Flow						
Net cash provided by operating activities	78,403	78,403	-	18,767	18,767	-
Receipts from Customers	607,016	718,060	111,044	573,370	684,414	111,044
Payments to Suppliers and Employees	(655,738)	(766,782)	(111,044)	(578,035)	(689,079)	(111,044)
Net cash used in investing activities	(350,789)	(350,789)	-	(315,981)	(315,981)	-
Net cash provided by financing activities	288,916	288,916	-	288,916	288,916	-
Net increase/(decrease) in cash and cash equivalents	16,530	16,530	-	(8,298)	(8,298)	-
Cash and cash equivalents at beginning of year	168,319	168,319	-	130,088	130,088	-
Cash and cash equivalents at end of year	184,849	184,849	-	121,790	121,790	-



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