Annual Report

2020-2021


PowerWater
3.2

Welcome

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

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

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

The objective of this report is to inform the Northern Territory Government, as the owner and sole shareholder of Power and Water Corporation, our stakeholders, our customers and our regulators, of:

- Power and Water Corporation's primary services and responsibilities
- significant activities of 2020-21, highlighting major projects, key achievements and outcomes, as they relate to the strategic objectives of the corporation contained in the 2020-21 Statement of Corporate Intent
- financial management and performance of the corporation during 2020-21, pursuant to the *Corporations Act 2001 (Commonwealth)*.

Acknowledgement of Country

Power and Water acknowledge the Traditional Owners of the countries on which we work and live. We recognise their continuing connection to land, waters and community. We pay our respects to their Elders past and present.

Letter to the shareholder

Hon Michael Gunner MLA

Treasurer of the Northern Territory

Dear Treasurer,

On behalf of Power and Water Corporation, we are pleased to present to you the corporation's annual report for the year ending 30 June 2021, in accordance with the provisions of sections 41 and 44 of the *Government Owned Corporations Act 2001*.

Yours sincerely,

JL Langoulant AO
Chair
30 September 2021

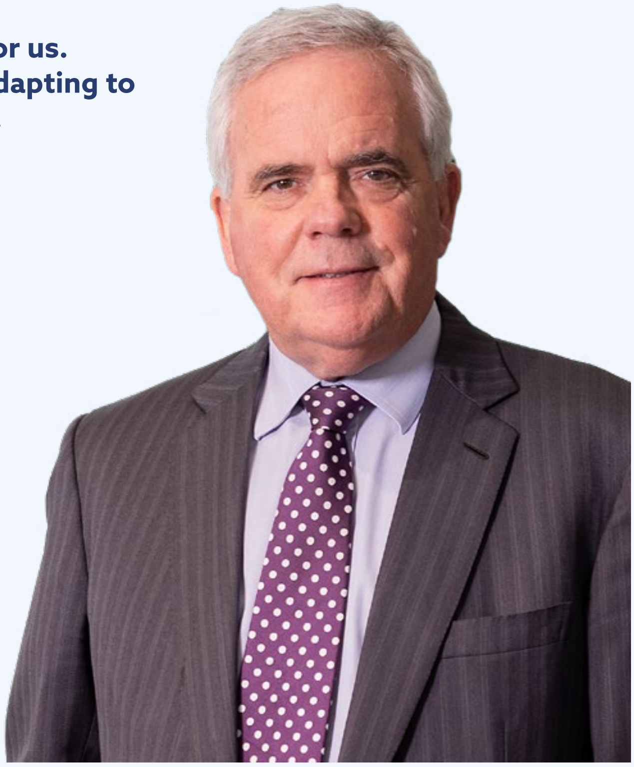
Djuna Pollard
Chief Executive Officer
30 September 2021

Contents

Chair's message	6
CEO's report	7
CFO's report	8
Our service delivery area	11
Our year at a glance	12
Our Board and Executive Leadership Team	13
Our strategic direction	14
Achievement against key performance indicators	15
Major initiatives underway	20
2020-21 highlights	30
System Control and Market Operator Report	52
Financial statements and explanatory statements	56

Chair's message

Our people have always been a source of pride for us. They are dedicated, experienced and resilient, adapting to changing environments and rising to challenges.



The last 12 months have reinforced the importance of working together to get the job done.

Through the Northern Territory's first snap COVID-19 lockdown (followed by its second not long after the close of the financial year), it was fantastic to see how the business responded.

Our people worked quickly and tirelessly, all while maintaining the high levels of service our customers have come to expect of Power and Water.

We have given considerable attention to ensuring the corporation has operated in line with its expense targets and the outcomes have been pleasing. Again, we found more efficiencies and did more with less. While this particular challenge isn't over, we certainly are on our way. The revenue side of our operations has however been disappointing. A shortfall in gas sales through new contracts not materialising has been largely responsible, however we are optimistic these sales will eventuate to further strengthen Power and Water's financial performance.

To further cement our commitment to working together as one, we developed a new Strategic Direction, Vision and Purpose. These important pieces of work will bring the business together, united towards a common objective moving forward and capitalising on our opportunities as 'One Power and Water'.

Guided by our Transformation Program as our roadmap for the future, we achieved a great milestone this year, with work beginning on the new meter-to-cash and billing system.

It has been a long journey to get to this point and the new system will open up endless opportunities to improve the way we serve and interact with our customers.

Our people always find opportunities to shine and this year was no different.

We celebrated many great achievements and innovations borne out of their dedication and commitment to best practice service and capital delivery in each of the industries in which we operate. I am sure you will enjoy reading about these achievements through this report as much as I did.

I would like to make special mention of our Chief Executive Officer, Djuna Pollard. Djuna is dedicated to her employees, to her job and to the Territory.

She possesses an amazing ability to balance her people skills with her keen sense of detail and technical prowess. It is rare to find all these qualities in a single person and the Board and I are grateful to have her as our Chief Executive Officer.

Finally, to my Board colleagues, we have been working together now for over three years and I am proud of the work we have accomplished.

This has been through adherence to strict governance measures, establishing the right frameworks for success, guiding the business forward and supporting it with the wealth of experience that each Board members brings.

This is my last year as the Power and Water Chair. So it is with fond memories and great personal satisfaction that I reflect on the year.

I am proud knowing that when I depart, I will be leaving the business in the safe and capable hands of a very professional group of Board members, Executive Management and team here at Power and Water.

JL Langoulant AO
Chair
30 September 2021

CEO's report

In my first full year as CEO leading the Power and Water team, we have worked hard to have a positive impact on the lives of Territorians.

Delivering services today, while preparing for the medium-term and planning for the long-term makes for a diverse program across our three product streams: power, water and gas.

This report details how we have performed in the provision of safe, reliable and affordable electricity and water across the Northern Territory. We also outline our preparations for the energy and water necessary to underpin the acceleration of the Territory's economic growth, and the progress we have made towards enabling the emergence of new energy technologies in the pursuit of reaching 50 per cent renewable energy by 2030.

It takes a skilled team to deliver a trusted service for over 94,000 electricity customers and 61,000 water customers and I am proud to report that we have done so while maintaining a low Lost Time Injury Frequency Rate of 0.57 with only one LTI recorded this year.

Our safety culture has continued to evolve and mature. We have improved how we address our health and safety risks by completing investigations and actions in a timely and effective manner.

The number of overdue investigations decreased by 83 per cent and overdue actions by 74 per cent compared to last year—however we must never relax our standards as the health and safety of our employees, contractors, customers and community will always remain an acute focus under my care and direction.

Across Power and Water, we have addressed challenges and leveraged opportunities through a culture of innovation and the adaption of best practice engineering solutions from utilities across the world to suit the unique and varied conditions where we operate.

This year we have been working closely with industry partners and research organisations as we strive to deliver productivity improvements and cost efficiencies for the benefit our customers and the reputation of the Northern Territory as a place to invest.

One example of this is the development of new analytical tools and systems to match real-time demand and supply, and enabling the smooth integration of renewable energy in the electricity generation mix.

The Alice Springs Demand Forecast tool is the first of its kind globally for our environment and scale of operation. It provides vital information to keep the electricity grid operating securely and minimising the likelihood of customer power outages.

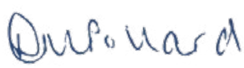
I believe our hard work in the community has not gone unnoticed. Each year, we track our community's expectations and opinions of our services, and the level of satisfaction they feel.

We have maintained strong levels of trust and respect in the Katherine community despite them living with water conservation measures due to per-fluorinated and poly-fluorinated alkyl substances (PFAS) in groundwater supply.

Our customers in Katherine gave us the highest rating for the quality of the products and services we provide. They also strongly rated our transparency and accountability levels and environmental friendliness.

I thank the Katherine community for their continuing confidence in our people and for their pragmatism and openness working with us to solve issues together.

On a final note, on behalf our our team I would like to thank John Langoulant as he finishes his tenure as Chair of the Power and Water Board. I have appreciated his wisdom and guidance and look forward to working with the new Chair of the Board.



Djuna Pollard
Chief Executive Officer

CFO's report

While the statutory results of the corporation are required to be presented on a consolidated basis, this commentary focuses on the performance of Power and Water, excluding its subsidiary Indigenous Essential Services (IES). In the view of management, this provides the best basis for explanation given the not for profit nature of IES. This also allows direct comparison with the Statement of Corporate Intent (SCI) of the corporation. The financial performance of IES is explained in detail in the IES statutory accounts. A summary of Power and Water's performance against the 2020-2021 SCI and 2019-20 prior corresponding period actuals is provided below.

Power and Water Corporation (unconsolidated) Results against SCI	Actual 2020-21 $M	SCI 2020-21 $M	Actual 2019-20 $M
Revenue	700.9	755.4	728.1
Operating expenditure	(517.5)	(517.6)	(534.3)
Impairment and asset valuation movements	(1.9)	0.0	217.5
EBITDA	**181.5**	**237.8**	**411.3**
Impairments	12.3	0.0	(160.4)
Asset valuation movements	(10.4)	0.0	(57.1)
Underlying EBITDA[1]	**183.4**	**237.8**	**193.8**
Depreciation and amortisation	(132.5)	(119.3)	(136.9)
Underlying EBIT[1]	**51.0**	**118.5**	**56.9**
Interest expense	(56.8)	(60.1)	(61.4)
Tax on Underlying Net Profit/(Loss) before tax	1.7	(17.5)	(3.2)
Underlying Net Profit/(Loss) after tax	**(4.1)**	**40.9**	**(7.7)**

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

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

Fiscal Targets

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

Power and Water Corporation's financial performance in the 2020-21 financial year ensured that the objectives and fiscal targets of 'improvement of debt to equity ratios', 'reduction of controllable costs' and the 'generation of dividends back to its shareholder' were successfully met.

While successful in reducing operating expenditure, this reduction was less than the rate of reduction of its revenues, the difference between the two growth rates being 0.6 per cent. As a result, Power and Water Corporation did not meet its objective and fiscal target of ensuring that rates of growth of operating expenditure do not exceed rates of growth of revenue.

Revenue

Revenue for the corporation was $55 million unfavourable to budget. Driving this variance were a number of factors including lower than expected revenue results in gas of $39 million, water of $7 million and gifted assets of $5 million. A combination of lower than expected sales as well as reduced levels of economic and development activity were the main reasons for these results. Revenues associated with Electricity Network and Retail as well as Alternative Control Services performed favourably to budget by a combined $3 million.

Operating expenditure

Operating expenditure exclusive of impairment and asset valuation adjustments was in total $0.2 million under budget. This result was driven by reduced gas purchase costs that corresponded with lower than expected gas sales as well as net personnel costs being less than projected in the SCI as there were increased labour recoveries for programs of repairs and maintenance and capital works. Notable items of expenditure over budget include a number of ICT components of the Transformation Program and the continued increased costs associated with the corporation's obligations to the Australian Energy Regulator.

Non cash impairments and write downs

Fixed asset valuation movements

The fixed assets of Power and Water are carried at fair value in accordance with the fair value requirements of the Australian Accounting Standards. Core operational assets of the Power Services and Water Services business units are valued using the income approach.

An overall revaluation uplift of $78 million representing a 3.95 per cent increase of net book value of relevant assets was recorded in the current financial year. This has been primarily driven by the reassessment of future capital expenditure requirements in the Water Services business. Of this uplift, $10 million was credited to the profit and loss in relation to the reversal of impairments recognised in prior years.

Make-up gas

Active contracts relating to the purchase and sale of gas have resulted in Power and Water previously paying for gas that will be delivered in future years. These payments are classified as intangible assets and, as a result of changes that have negatively influenced the net realisable value of this make up gas in the current financial year, an impairment expense of $4 million has been recognised in the profit and loss this year to adjust for the value of the make-up gas on the balance sheet.

Earnings before interest and taxation (EBIT)

The corporation recorded EBIT on a statutory basis of $51 million against the SCI projection of $119 million. Predominately driving this result was the shortfall in revenue as previously noted along with $13 million unfavourable depreciation and amortisation charges as compared to budget. Underlying EBIT for the year was $68 million unfavourable to budget.

Interest

As a result of favourable cashflows by comparison to budget, actual borrowing in the year was 12 per cent or $156 million lower than budgeted. This has delivered a resulting interest expense of $57 million for the year, favourable to budget by $3 million.

Tax

The tax benefit for the year of $0.6 million was favourable compared to the SCI anticipated charge of $18 million. This was as a result of the unbudgeted current year loss. Tax is paid by instalments in advance throughout the year based on the prior year's actuals. The prior year had a large tax charge and so instalments this year were overstated when compared to our actual results.

Net profit after tax (NPAT)

The corporation recorded a negative statutory NPAT (a loss) of $7 million compared to budgeted NPAT of $41 million. Despite achieving targeted operating expenditure for the year, the end result was still unfavourable. Driving this was a below budget net gas result, revenue shortfalls in water and electricity due to reduced consumption and above budget depreciation and amortisation expense of $13 million.

Impact of COVID-19

The ongoing COVID-19 pandemic has resulted in a number of impacts on the corporation. Travel restrictions to remote communities and in fact to the entire Northern Territory, have led to delays in capital expenditure projects. Resourcing the specialised skill sets required by the corporation for projects such the capital program and regulatory work, has been a notable challenge.

The wellbeing and safety of employees, customers and contractors remains our highest priority and will continue to guide our decision making in this with regards to the pandemic.

In order to identify and manage financial risks arising from the pandemic, the corporation has:

- Conducted financial scenario modelling and developed options to defer costs and minimise revenue loss
- Captured costs and sought cost recovery and grant opportunities
- Monitored, analysed and reported the financial position and financial forecasts to enable proactive financial management of the event

Balance sheet and cash flows

The corporation has improved its net asset position by $61 million, bettering the budgeted movement by $153 million during the current financial year.

Closing cash holdings are $36 million favourable to budget driven in part by the opening cash balance being higher than anticipated along with receipt of funds for capital works (most notably for undergrounding and Jabiru power station projects) that were not included in the budget. Expenditure on these projects will continue throughout the next year.

The corporation spent $81 million on capital projects in the 2020-21 financial year. This was $133 million less than budgeted. Reprioritisation and rescheduling of critical works due to the need for specialised skill sets to deliver the corporation's capital program along with the work required for the large scale renewables connection projects and COVID-19 travel/ access restrictions have slowed capital delivery overall. Additionally, the corporation has made a considered choice to slow the investment program underlying the ICT billing and other systems' upgrade/replacement in order to ensure successful delivery of this work.

In the current year, the delays in the budgeted program of capital works has contributed to the corporation's ability to decrease debt, repaying a net amount of $5 million and reducing total borrowings to $1,157 million. This is $156 million lower than the budgeted balance and continues to improve the corporation' key KPI ratios.

Dividends

The Board has considered the level of NPAT for the year and its constituent elements, with a particular focus on cash-backed NPAT on an underlying basis (excluding revenue from gifted assets and the movement in impairments and fixed asset valuations) and have declared a dividend of $2 million subsequent to 30 June 2021 which will be paid by 30 November 2021. This has been disclosed as a subsequent event in both the Directors Report and the notes to the Accounts.

Martha Stewart
Chief Financial Officer

Our service delivery area

Our year at a glance

87,169
Power network customers

49,554
Water customers

61,000
Wastewater customers

74,723
customer calls

27,612
customer emails

1,496
live chats

1,891
solar photovoltaic (PV) applications

10,530
online services including web forms submitted

2,726
requests via Power and Water app

Our Board and Executive Leadership Team

Chair
John Langoulant AO

Directors
Teresa Dyson, Gaye McMath, Rowena McNally, David Bartholomew, Mervyn Davies, Charles Burkitt

Chief Executive Officer
Djuna Pollard

General Counsel/Company Secretary/Executive General Manager Legal and Integrity
John Pease

Chief Financial Officer
Martha Stewart

Executive General Manager Core Operations
Michael Besselink, from February 2021
Jodi Triggs, to February 2021

Executive General Manager Water Services
Steven Porter

Executive General Manager Power Services
Ross Musgrove

Executive General Manager Information, Communication and Technology
David Bowen

Executive General Manager People, Culture and Safety
Rosemarie Dentesano, from May 2021
Amanda-Lea Smith, to May 2021

Executive General Manager Customer, Strategy and Regulation
Simon Vardy

Executive General Manager Transformation
Jodi Triggs, from February 2021
Samantha Day-Johnston, to February 2021

Our strategic direction

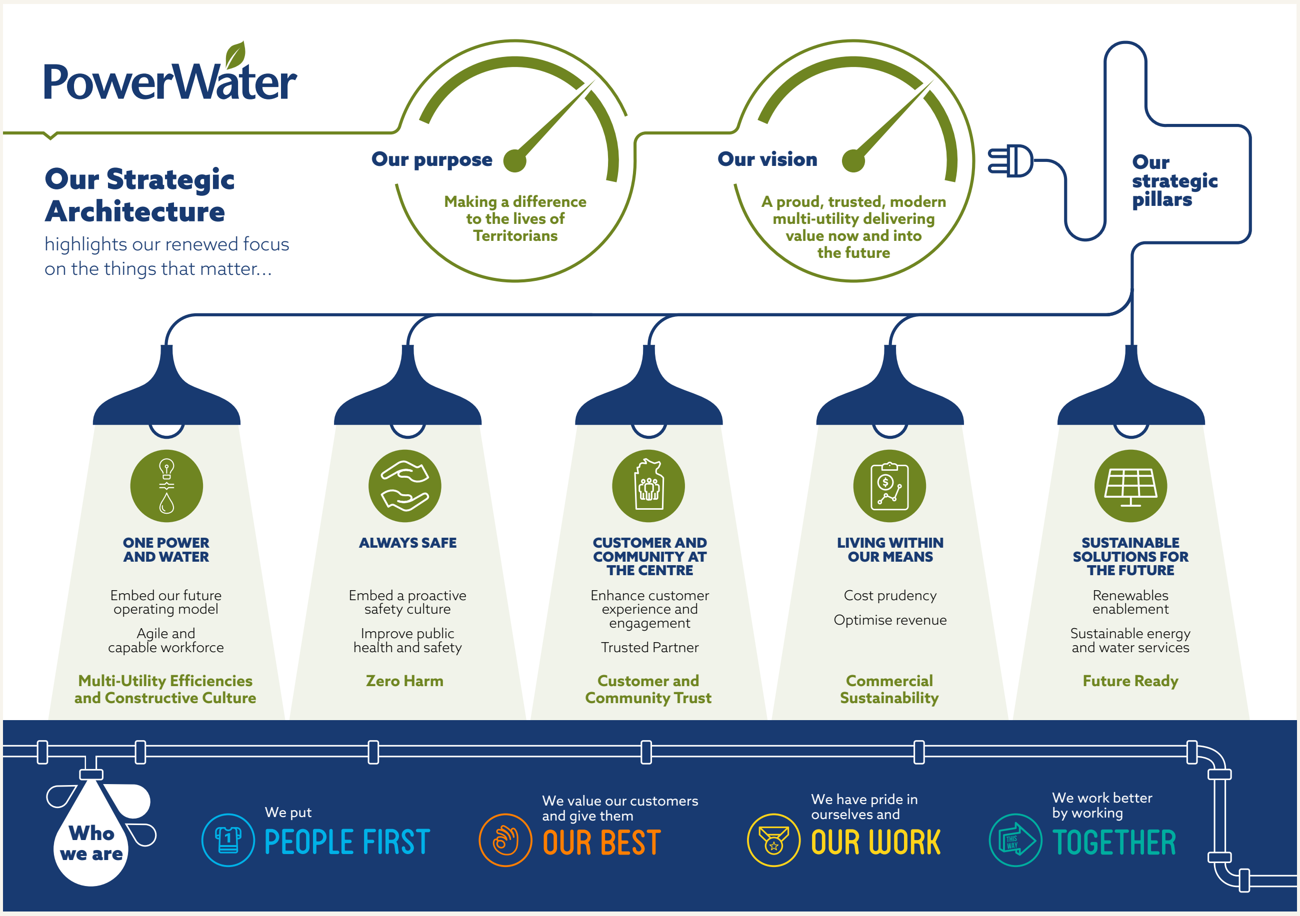
At Power and Water, we all work hard every day to keep the lights on, the water running and gas supplies flowing for the people of the Northern Territory. It's what we do as an essential services provider and we do it well.

We have to be ready for what's next – things like more renewables, changing climate patterns, tougher regulations and an evolving business environment. Our customers are demanding a better experience and we are on the brink of significant reforms affecting energy transition and water security. We are facing increasing pressure to operate as an effective and profitable business. In 2021, the time came to review our strategic direction.

Testing our strategic direction is an important part of ensuring we are on the right course to meet the changing needs of our business, our customers, the market, our people and future economic conditions.

To take advantage of these opportunities we need to re-confirm who we are and what we stand for and we must understand and focus on our longer-term objectives.

This strategic direction informs all business planning and ensures each team member is aligned in our overall direction. This is one step in achieving our goal of being 'One Power and Water'.



Achievement against key performance indicators

Please reference KPI definitions on page 54

HEALTH AND SAFETY

Health and safety index[3]

80%

2020-21 actual

60%

2020-21 target

Summary: Our work in moving towards a proactive safety culture has yielded strong results, with our safety index score doubling to 60 per cent from 30 per cent the previous financial year. While the target of zero overdue investigations and corrective actions was not met, we saw great improvement in these areas with overdue investigations dropping by 83 per cent and overdue corrective actions dropping by 74 per cent. We were also successful in halving our Lost Time Injury (LTI) rate to one from the previous year, and exceeded our target of safe act observations by executive contract employees. We also exceeded our target of hazard and near miss reporting as well as employee inductions though this figure had decreased slightly from the previous year. This has been addressed by mandating our online awareness induction every year from February 2021.

PEOPLE AND CULTURE

Employee engagement survey[1]

50%

2020-21 actual

38%

2020-21 target

Summary: We reported an improvement in our employees' experience compared with the previous financial year. Notably, employee experience associated with our 'One Power and Water' strategic priority and our value of togetherness rose five per cent. Our people reported perceiving a more open reporting culture and sharing work health and safety events. More than a third of employees said they felt engaged, representing a two per cent increase from the previous year.

Aboriginal employment[2]

97

2020-21 actual

78

2020-21 target

Summary: We transitioned four hosted Aboriginal and Torres Strait Islander trainees into traineeships and apprenticeships, employed by GTNT. Our second Innovate – Reconciliation Action Plan is guiding our focus on increasing our Aboriginal and Torres Strait Islander target and retention.

FINANCIAL PERFORMANCE

Return on capital employed[4]

>4.0

2020-21 target

2020-21 actual

1.9

Summary: Unfavourable to annual target due to lower than budgeted EBIT, primarily driven by unfavourable revenue and depreciation expenditure variances. (Refer to financial statements and explanatory statements for additional information.)

Return on equity[5]

3.8

2020-21 target

2020-21 actual

-0.6

Summary: Unfavourable to target due to negative net earnings primarily driven by unfavourable revenue and depreciation expenditure variances. (Refer to financial statements and explanatory statements for additional information.)

Return on assets[6]

1.4

2020-21 target

2020-21 actual

-0.2

Summary: Unfavourable to target due to negative net earnings, primarily driven by unfavourable revenue and depreciation expenditure variances. (Refer to financial statements and explanatory statements for additional information.)

Term debt + current debt to equity ratio[7]

1.2x

2020-21 target

2020-21 actual

0.9x

Summary: Favourable to target primarily due to reduction in debt and receipt of equity payments for network undergrounding and Jabiru power station projects. (Refer to financial statements and explanatory statements for additional information)

Free cash flow[8]

-$56.2m

2020-21 actual

$28.2m

2020-21 target

Summary: Favourable to target primarily due to lower capital spending than budgeted. (Refer to financial statements and explanatory statements for additional information.)

Earnings before interest and tax (EBIT)[9]

$118.5m

2020-21 actual

$49.1m

2020-21 target

Summary: Unfavourable to target primarily due to unfavourable revenue and depreciation expense variances. (Refer to financial statements and explanatory statements for additional information.)

Statutory net profit/loss after tax (NPAT)[10]

$40.9m

2020-21 actual

-$7.2m

2020-21 target

Summary: Unfavourable to target primarily due to unfavourable revenue and depreciation expense variances. (Refer to financial statements and explanatory statements for additional information.)

Earnings before interest, tax, depreciation and amortisation (EBITDA)[11]

$237.8m

2020-21 actual

$181.5m

2020-21 target

Summary: Unfavourable to target primarily due to unfavourable revenue variances. (Refer to financial statements and explanatory statements for additional information.)

OPERATIONAL PERFORMANCE

System Average Interruption Duration Index (SAIDI)[12]

2020-21 actual

144.3

175.8

2020-21 target

Unplanned water supply interruptions (Darwin)[14]

2020-21 actual

179

120

2020-21 target

Summary: Our rolling 12-month average for unplanned water supply was impacted due to four incidents causing longer-than-normal interruptions throughout the March to June period.

System Average Interruption Frequency Index (SAIFI)[13]

2020-21 actual

2.16

2.6

2020-21 target

Summary: The SAIDI/SAIFI results for the year were fairly stable compared to previous years. However, customers on rural feeders experienced a significant increase in outages due to bat migration in July and August 2020. The Katherine region was also affected by a number of transmission line related outages on the Darwin-Katherine Transmission Line.

Sewerage chokes and blockages per 100km[15]

2020-21 actual

8.9

21

2020-21 target

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

Water demand (Darwin)[16]

2020-21 actual

359

378

2020-21 target

Summary: In terms of average residential water demand, customers used 359kL per connection, in line with targets set by our Living Water Smart program. This result was affected by an above average wet season, representing the lowest average residential demand on record.

Wastewater treatment plant discharges licenced

2020-21 actual

100%

100%

2020-21 target

Summary: All our operational Wastewater Treatment Plants are licenced and regulated by the Department of Environment, Parks and Water Security.

CUSTOMER

Customer satisfaction index [17]

80

2020-21 target

2020-21 actual

73

Summary: We are always looking for ways in which we can improve our customers' experience. In the last financial year, we recorded 86 per cent satisfaction among our non-residential customers while satisfaction among our residential customers was at 68 per cent.

Complaints resolution [18]

(average business days)

11

2020-21 target

2020-21 actual

9

Summary: As part of our efforts to be more customer-focused, we adopted a continuous improvement approach to managing customer complaints. This included a focus on improved frontline complaints handling and proactive engagement within the organisation to assess, investigate and resolve complaints. We also continued to identify opportunities to make systemic improvements.

Tradewaste/Backflow Prevention Officer Duncan Harrison examining backflow prevention devices in Darwin.

Major initiatives underway

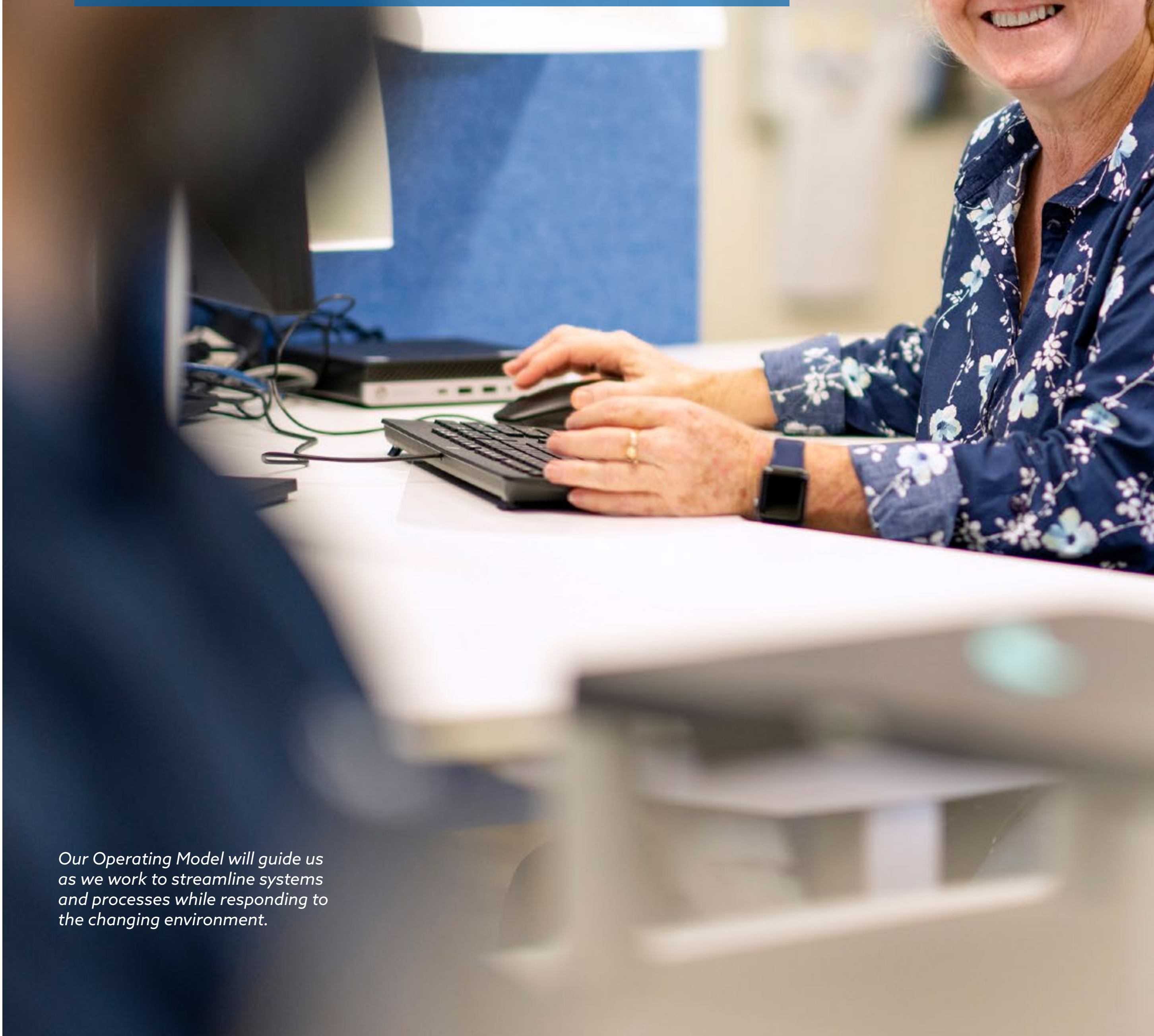
Power and Water deliver essential services every day across the Northern Territory.

Through our large and small projects, innovations and programs, everything we do is aimed at improving the lives of our customers and supporting the growth of the Territory.

In addition to providing services across the entire water and electricity supply chains and gas services, we also have regulatory obligations as the Power System Controller and Electricity Market Operator.

While all this is part of our routine business, we strive to do better every day.

The following achievements and deliverables are some of our highlights from the year.



Our Operating Model will guide us as we work to streamline systems and processes while responding to the changing environment.

Operating Model guiding our future

With our unique, complex operating environment and small customer base, we are at the precipice of transforming into a more efficient, customer-focused and responsive organisation able to meet the needs of our customers and enable growth in the Northern Territory.

To achieve this end-state, we are guided by our Operating Model, which will take us several years to implement.

Under this model, we will improve and streamline internal legacy systems and processes, while responding to external drivers such as regulations, customer expectations and supporting the Northern Territory Government's goal of achieving 50 per cent renewable energy by 2030.

In recent years, we have undergone structural changes, including reducing lines of business and removing shadow functions and duplications. We are already seeing the benefits of this organisational alignment, with our health and safety, developer services and remote teams combining their knowledge and skills to benefit the entire business.

We have also been working on new Health, Safety and Environment, Compliance and Risk systems to provide a single source of truth for information, notifications and investigations to support decision making and reliable reporting.

Our Core Capabilities Program will deliver new ICT solutions in five tranches to support our core functions. We are now working with an ICT solution vendor to develop a new Meter-to-Cash architecture that will support our operations.

In early 2021, we conducted a diagnostic in partnership with specialist consultants to inform a business case for our Supply Chain Fundamentals Program.

This program will standardise and optimise supply chain and inventory management across the business, delivering improved value, streamlined processes and cost-efficiencies. It will bring together all components of our supply chain, including procurement, contract management, facilities, transport, logistics, warehousing and distribution.

This year, we released our Operating Model Roadmap outlining the proposed waves of investment and projects over the period to 2026-27.

Safety improvements building towards Zero Harm

We continued our safety journey towards Zero Harm and building a sustainable and healthy safety culture based on risk awareness, reporting and learning.

We made significant improvements in addressing our health and safety risks by completing investigations and actions in a timely and effective way. The number of overdue investigations was reduced by 83 per cent and overdue actions by 74 per cent compared to the last financial year. We also maintained a low Lost Time Injury (LTI) Frequency Rate of 0.57 with only one LTI recorded this year.

The existing ProMapp system will be replaced by a new, fit-for-purpose Health, Safety and Environment, Risk and Compliance ICT system in the first half of the new financial year.

The new safety system will align common safety activities across Power and Water and improve operating processes. It will also enable greater reporting and trend analysis relating to incident management, safety audits and safety monitoring.

To ensure consistency across the organisation, our team also continued to work on centralising policies and procedures. A revised Access to Apparatus Management Standard was published at the beginning of 2021, with specific procedures being drafted to ensure safe access to gas pipelines and electrical and mechanical apparatus.

Two other procedures relating to fitness for work and alcohol and other drugs and personal protective clothing and equipment have been approved and are being implemented.

Electricity Market Reforms

During the year, we continued work on implementing necessary changes to market rules and procedures to evolve the interim Northern Territory Electricity Market (NTEM). These changes were required to cater for the increasing number of generators in the market as well as improving operational transparency in our System Control and Market Operator roles.

The team has also been assisting the Northern Territory Government with the design and implementation of the NTEM priority reforms. This included informing the development of policy positions and managing the codifications of new arrangements into market rules.

These important reforms will facilitate more private sector entrants while supporting the Northern Territory Government's 50 per cent renewables by 2030. Our team has done this while ensuring the security and reliability needs of our power supply system are maintained.

The team also began preliminary works to develop the necessary systems to enable the operation of a commercial electricity market under the NTEM priority reforms. The Market Management System (MMS) project will develop, design, implement and operationalise the systems we need to fully enable the NTEM. This significant project will depend upon the NTEM rules being finalised for implementation and will be a substantial investment over the next few years.

Senior Water Quality Officer Wayne Sharp in the lab.

Our Incident Management Team monitors the pandemic situation and is poised to enact plans to maintain the safety of employees while continuing to deliver essential services.

Planning and preparing for COVID-19 in the Northern Territory

With the COVID-19 pandemic continuing to unfold across the country, we put plans in place for any potential change to the risk level for the Northern Territory. We also rolled out employee awareness campaigns to ensure our COVID-19 Safety Plan remained top of mind so they could continue delivering essential services to customers and communities safely.

We were also pleased to collaborate with the Northern Territory Department of Health and Tropical Water Solutions, a sampling contractor, to conduct sampling and testing for COVID19 remnants in sewers as part of the ColoSSoS project (Collaboration on Sewerage Surveillance of SARS-CoV-2). ColoSSoS is a national project coordinated by Water Research Australia to use sewage monitoring to track and monitor COVID-19 presence and persistence in the Australian sewerage networks and population.

We commenced sampling across 10 locations in the Darwin region and added Alice Springs during the June lockdown period.

Alice Springs solar demand forecasting

A major highlight for our team was launching the Alice Springs forecasting tool, which addresses a key recommendation from the Utilities Commission report into the 2019 Alice Springs System Black event.

This is the first of our planned power system forecasting capability uplift tools that will directly support increased situational awareness across the Northern Territory's evolving power system.

This new market system capability provides System Control with additional situational awareness on power system volatility. It will enable us to better manage the impacts of increasing solar generation across the Alice Springs region by forecasting power system demand every five minutes

The enhanced visibility benefits both Power and Water and Territory Generation power system operations and supports our control room operators to make more informed real-time decisions to improve power system security.

Network regulation

In March we submitted two annual pricing proposals to our regulators, the Australian Energy Regulator (AER) and Utilities Commission of the Northern Territory.

These annual pricing submissions relate to the annual change in tariffs and prices for our Network Distribution Services, Systems Control Operations and Market Operator functions. These tariffs are applied from 1 July each year.

The annual pricing proposal to the AER covers our regulated network distribution services including metering, fee-based services, quoted services and standard control service tariffs and charges for the 2021-22 financial year. The AER accepted our pricing proposal, yielding an overall reduction of approximately $12 million in network revenue for 2021-22 compared to 2020-21.

The reduction in network charges for major customers is equivalent to approximately an 11 per cent decrease on the network portion of their total energy bill. Tariffs for residential customers are subject to the Northern Territory Government's Electricity Pricing Order.

The Utilities Commission provided approval on the System Control and Market Operator annual pricing, which will see charges rise by about 11 per cent to address the 2019-20 shortfall due to issues with energy forecasts.

The combined total bill to retailers (including network, System Control and Market Operator charges) for Power and Water services will decline in 2021-22. This reduction in overall revenue charged to retailers is predominantly due to lower network revenues.

Growing our gas business

At the end of the financial year, our Gas Services team was established as its own business unit, reporting directly to the CEO. This was in recognition of the importance of Power and Water's gas business to the corporation and Northern Territory.

Gas Services has been actively marketing Power and Water, as a reliable gas supplier, for both firm and spot gas sales in the Northern Territory and Australian east coast markets.

The team's objective is to achieve commercial sustainability by maximising profitable gas sales.

Over the year, the team ramped up its focus in the spot sales market, allowing Power and Water to participate in a new market segment and optimise our gas sales. The use of spot sales has been effective in meeting short duration load swings and achieving commercial outcomes.

The team identified a need for enhanced analytical visualisation to assist with everyday business operations. We collaborated with our ICT team and OSI Soft to implement the PI Integrator for Business Analytics onto the existing gas PI system.

The PI Integrator solution has improved gas data analytics, trending and visualisation capabilities and provides 'real-time' analytics to assist with operational, commercial, financial and strategic decision making. The project has served as a blueprint for ICT to deploy the PI integrator solution throughout the business.

Security of gas supply and the impact on the Territory's power system has been a focus for the Gas Services team. Working closely with our partners (APA and Territory Generation) Power and Water funded the Channel Island Bridge Pipeline Replacement Project, with the goal to improve security of gas supply to Darwin's Channel Island Power Station. Channel Island Power Station is the primary power generation facility for Darwin and its surrounding areas.

The project replaced a short section of smaller diameter pipeline on the existing Channel Island Bridge with a pipeline installed under Darwin Harbour using horizontal directional drilling (HDD). By the end of financial year the project was close to complete, with full commissioning expected to be finalised in September 2021.

AROWS planning milestone

To address forecast growth in water demand for the Darwin region, we were involved in the development of a detailed business case for the Adelaide River Off-stream Water Storage (AROWS) scheme, located approximately 55 km south-east of Darwin between Manton Dam and the Adelaide River.

The document assesses the future water source needs for the Greater Darwin region, including projected demand from industrial, agricultural and horticultural sectors, and was completed with $2 million federal funding.

This new water supply source will cater for a combination of urban water security as well as agricultural and horticultural needs over a fifty year planning horizon.

The current cost estimate for AROWS Stage 1a is $522 million (including treatment) and involves the up-front development of most of the key infrastructure required for future stages. Stage 1a of AROWS will supply an additional 10,000ML per annum into the system, with an additional 10,000ML per annum planned for each of the two additional stages (with additional pumping and treatment costs) to be developed in line with growth over time.

We are also working with the Department of Industry, Tourism and Trade to assess the potential additional water demand which may be associated with future large scale industrial or agricultural developments in the Darwin region.

Solar farms

Another highlight for the year was connecting three solar farms with a total of 45MW of generation capacity to the grid and energising them.

Each solar farm is progressing through phases of compliance testing to ensure they can be operated in a safe, stable and predictable manner.

These recent connections have set the stage for another five solar farms expected to come online over the next three years.

We have established a consolidated process to connect proponents to the network under the Northern Territory National Electricity Rules and benchmarked these timeframes against the Australian Energy Market Operator.

These national electricity industry timeframes are an appropriate benchmark for us, averaging between 18 to 43 months depending on the complexity of the connection.

We have worked to support the integration of new generation and expedite the connection process by establishing new systems and upgrading existing models to recognise new projects and facilitate connection studies.

Andrea Georgiou, a Water Services graduate, was a finalist in the Australian Water Association Awards Student Water Prize category

Our people

Over the year, our people have shown their resilience and ability to thrive under challenging circumstances.

Notably, we celebrated one of our Power Services apprentices in Alice Springs, Josh Zeimer, being named the Group Training Northern Territory (GTNT) Apprentice of the Year.

Josh is currently in the role of Acting Planner Scheduler in Alice Springs. He completed his Certificate III Electrical Supply Industry – Power Systems – Distribution Overhead in December 2020.

At the annual Australian Water Association Awards, a number of our people were finalists on the national stage for their achievements in the water industry.

Andrea Georgiou, a Water Services graduate, was a finalist in the Student Water Prize for her work on the 'Effect of pressure-reducing valve settings on a reticulated water supply system' while Teng Yik, Water Services Program Manager, was a finalist in the Infrastructure Project Innovation Award for his team's work on the Ngukurr Leak Detection Project.

Our COVID-19 Incident Management Team were also recognised in the 2020 Chief Minister's Awards for Excellence in the Northern Territory Public Service for their work in putting our people and customers first during the early days of the pandemic.

As part of our commitment to growing and nurturing the next generation of leaders and technical experts, we were pleased to count 15 graduates across a range of disciplines among our employees. We also hosted 21 apprentices and trainees during the year.

We reinforced our commitment to reconciliation through hosting a technical Aboriginal Employment Program.

In the July intake, trainees completed a 20-week job readiness program through the Department of Corporate and Digital Development, achieving a Certificate II in Resources and Infrastructure Work Preparation through Charles Darwin University.

Trainees were on a rotation between theory blocks at university and on the job work experience throughout our business units. At the completion of the program, they commenced a six-month contract to further develop their skills.

Four trainees succeeded in securing early entry to our apprenticeship and traineeship intake and commenced with GTNT in July.

EMPLOYEES ACROSS POWER AND WATER

Full-time equivalent:

867.95

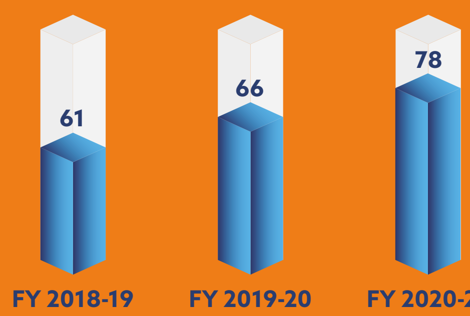
31% Women

40% Women in executive roles

52% under 45

Women make up 31 per cent of Power and Water's workforce, with 40 per cent in executive roles. Statistics from the Office of the Commissioner for Public Employment show in the 2020-21 financial year, women comprised 64 per cent of people employed in the Northern Territory Public Sector.

Employees who identify as Aboriginal or Torres Strait Islander



2020-21 highlights

Leak checkers in Katherine helped the town save money and water.

Leak checkers help Katherine save water and money

More than 2,200 homes and businesses underwent a two to six minute check at their water meters, with 389 possible leaks detected. This equates to a staggering one in five homes with a potential leak requiring further investigation. The largest leak found measured at over 234 litres an hour.

Tori Hampton, our Living Water Smart Project Coordinator said if these leaks had gone undetected, the combined cost to Katherine residents with leaks for the year would have been around $214,000.

Tori, who has been with our Living Water Smart Program for three years, emphasised the importance of home owners performing their own simple three-step leak check at the meter.

"The three-step leak check is explained on our Living Water Smart website," Tori said.

"If a leak is identified, customers should make sure they have it repaired quickly and always keep an eye out for leaks around the house, especially within the garden irrigation."

Tori and the team are passionate about water and strong advocates of our $200 Leak Find and Fix rebate in Katherine. This rebate is designed to help confirm, find and help fix a leak using one of Power and Water's registered plumbers.

"This is why it's so important to keep on top of potential leaks, and why our team helps out. Not only is our water precious, it can also cost people a lot of money," she said.

So far, the award winning Community Leak Program has identified over 1,764 potential leaks in Katherine homes and businesses.

Not only is our water precious, leaks can also cost people a lot of money.

Water leak allowance eases customer burden

This decision is an example of a customer first approach and aligns us with our counterparts in other jurisdictions across Australia.

As part of our customer-first approach, we introduced a water leak allowance to help ease the financial impost to customers who receive a high water bill due to concealed water leaks.

Before this, we were only able to offer a payment plan to affected customers. This change now aligns us with our counterparts in other jurisdictions across Australia.

Each concealed water leak allowance application is considered against our eligibility criteria.

While most water leaks are visible and can be rectified quickly by the property owner, some are concealed inside buildings or underground and go undetected. These result in an unexpected large water bill which is often the first indication a leak exists.

Building resilience in the power network against roosting bats

Bats have seasonal behaviours and habits that can cause challenges for our above ground electricity poles and wires infrastructure. The bats cluster around powerline insulators and cross arms because they are an ideal place for them to land.

Each dry season, between May and October, we see an increase in the number of fruit bats congregating around our powerlines. Vegetation flowers and fruits are in abundant supply during this period, attracting bats in their hundreds. When one food source is depleted they move on to the next—and so the location of the power outages shifts too.

This, added to the ever-present risk of trees and branches falling onto powerlines, means Power and Water customers typically see an increase in power disruptions as a direct result of bat activity.

Last dry season, we saw three times the number of power outages caused by wildlife in July and August, compared to the five-year average for the same period.

Throughout July, the Howard Springs feeder alone experienced 26 outages. The system also experienced 31 reclose operations by our power protection systems. These incidences are when the power automatically shuts down the feeder for five to ten seconds, allowing the debris or animal to fall from the line, avoiding extended power interruptions to our customers.

We continue to install bat protection devices to complement a range of other preventative measures designed to minimise outages and interruptions to our customers.

We continue to install bat protection devices to complement a range of other preventative measures designed to minimise outages and interruptions to our customers. These include upgrades to infrastructure, pruning back trees near powerlines and using new technology that monitors and improves reliability.

In August, we installed more than 200 bat guards along the Howard Springs feeder to discourage them from landing on the insulators.

In recent years, our crews have also upgraded insulators on overhead powerlines and installed specially-designed mesh mats and animal covers along the Middle Point, Herbert, Humpty Doo and Dundee feeders.

Our work in this space continues. Because the location of the bats depends on where their food sources flourish, where bat guards are needed can change from year to year.

Supporting the Darwin Festival volunteers

From its humble beginnings in 1979 celebrating Darwin's resilience and community spirit following the devastation of Cyclone Tracy, the renamed Bougainvillea Festival was once again able to unite the community during the early days of the COVID-19 pandemic.

Darwin Festival 2020 Homegrown was the first major arts event to proceed globally in the shadow of the pandemic, and despite a shortened program and many social distancing related challenges, it was a resounding success.

We understand the key role volunteers play in the success of any event, working behind the scenes.

We were proud to again support the Darwin Festival volunteer program, which fosters valuable relationships within the community. With our support, the Festival was able to employ a full-time

coordinator to liaise with and roster volunteers according to their interests and skills.

This support also allowed the Festival organisers to bring the volunteer program to life by providing branded t-shirts and water bottles for volunteers. The sponsorship also enabled the development of a volunteer handbook, site inductions and safety briefings, as well as an induction night and thank you reception for volunteers.

Volunteers are an essential part of the Darwin Festival.

The upgrades to the Pine Creek Substation will improve the reliability and security of the Darwin to Katherine network.

Substation upgrades to improve Darwin – Katherine network reliability

This is the first significant investment to this substation in more than 20 years and some assets were nearing end of life.

We completed a $10.5 million upgrade to the Pine Creek power transmission and distribution system this year.

These upgrades included extending the 66kV switchyard and installing a mesh bus arrangement, upgrading the protection systems and reconfiguring the 66kV Cosmo Howley feeder, Pine Creek power station 66kV interconnector and 22kV Mary River powerline connections.

Phil Small, Manager of Power Services Program Delivery, who has been delivering major projects with Power and Water for over 15 years, said this project will provide extra flexibility and security to the power network.

"This is the first significant investment to this substation in more than 20 years and some assets were nearing end of life," Phil said.

"This will improve the reliability and security of the Darwin/Katherine 66kV and 22kV network. This project will also provide clarity of ownership, leading to improved outcomes."

Students investigate solutions to water issues

Our Living Water Smart initiative continues to run a popular schools-based program designed to create generational change and broaden community awareness around the issue of water consumption in the Darwin region.

The Darwin Water Challenge provides local Year 7 students the opportunity to work and learn alongside industry professionals from Power and Water, the Bureau of Meteorology, Department of Environment, Parks and Water Security and Charles Darwin University.

This year, 350 students across Mackillop Catholic College and Dripstone Middle School learned about water use as a community issue and were empowered to take an active role in being water smart.

Being water smart is part of the Territory's future and our younger generation plays an important role in promoting this.

Encompassing multiple curriculum areas including science, geography and art, the four week mini-unit explored the importance of water and the challenges facing Darwin's water supply.

Students had the opportunity to get hands-on experience and investigate this real-world STEM challenge before launching their own social action projects in the community.

Water conservation partnership empowers Territory students

More than 3,000 students from Darwin, Palmerston, Katherine and remote Northern Territory schools have completed our innovative school-based water conservation program.

Now in its sixth year, the Living Water Smart program aims to teach students about their respective local water sources, how their water is treated and why it is important to save water.

Students can be involved through educational projects lasting a day, through to a full school term.

Program Coordinator Joel Spry said the program is linked to the Australian curriculum and provides considerable STEM outcomes for students.

"What makes this program unique is that it's inquiry-based learning," Joel said.

"Students are presented with real-life problems and are then empowered to come up with their own solutions.

"It also has a strong behaviour change component ensuring that water conservation lessons are understood, practiced and adopted for life by the students."

Over the years, we have partnered with Charles Darwin University, the Bureau of Meteorology, the Department of Environment, Parks and Water Security and the Department of Education to produce a fresh and engaging program for Territory students.

"This year was a bit more challenging due to COVID-19 so we became more creative and are trialing online classroom delivery which has been extremely well received," Joel said.

We recently expanded the Living Water Smart school program to remote communities through the That's My Water! Bush Schools program – a curriculum unit aimed specifically at Territory students living in the bush.

"We've seen some fantastic early results with our Bush Schools program, we're very keen to expand the program and work with more remote schools and communities to help ensure the sustainability of water supply," Joel said.

Living Water Smart program coordinator Joel Spry says That's My Water! empowers students by challenging them to think about water conservation.

Living Water Smart works with schools, households, businesses, councils and government offering easy and affordable ways to reduce water use. Territorians use about twice as much water as the national average.

PFAS filtration vessels were temporarily installed in preparation for an emergency 'blackwater' event.

Developing an emergency plan for Katherine's water supply

Following a number of lower than average rainfall wet seasons, the 2020-21 forecasted La Niña phenomenon with its associated high rainfall destined for the Katherine River catchment increased the risk of a blackwater event.

The term 'blackwater' describes how, following heavy rainfall, the river becomes inundated with sediment and organic matter accumulated within the catchment area during prolonged periods of little to no rainfall.

This is seen at the beginning of the wet season as frothy, highly turbid, muddy water rushing downstream. Once rain becomes more persistent, the turbid water is flushed past our river offtake point at Donkey Camp weir and the water can continue to be treated.

The Katherine River is the town's main source of drinking water. Groundwater usually provides an alternative source during potential blackwater events. However, our capacity to access groundwater had been temporarily removed due to the identification of per-fluorinated and poly-fluorinated alkyl substances (PFAS) in this source.

In preparation for the wet season, our Senior Manager Service Delivery Water Services, Eric Boyle and his team, in collaboration with individuals and groups across government, developed the Katherine Water Supply Emergency Operations Plan.

"We accessed the knowledge of operational teams who 'thought outside the square' and came up with an innovative idea that provided the Katherine community with an alternate drinking water solution," Eric said.

He and the team of engineers devised a temporary filtration system using two filters that were already on site in preparation for the final construction stage of the new PFAS water treatment plant.

The temporary filter system is able to treat up to 8ML/day of ground water from existing bores, which is enough to keep the tanks at the necessary levels to continue to supply adequate safe water to Katherine homes and businesses if the need arose.

The temporary system will remain in place until the new PFAS water treatment plant is operational.

We accessed the knowledge of operational teams who 'thought outside the square' and came up with an innovative idea that provided the Katherine community with an alternate drinking water solution.

Senior Manager Service Delivery Water Services Eric Boyle says developing the Katherine Water Supply Emergency Operations Plan was a collaborative effort

A major power outage on the Darwin to Katherine grid in November 2020 was caused by technical issues at Channel Island.

Lessons learned from Darwin - Katherine grid power outage

On 18 November 2020 power to approximately half of the customers on the Darwin to Katherine grid was interrupted due to technical issues within the APA Group yard at Channel Island. This resulted in a loss of gas supply causing the generators at Channel Island Power Station to trip.

Initial attempts to restart the gas supply and electricity generation were unsuccessful. While the cause was still being determined, we mobilised our Incident Management Team and activated the Public Utilities Group (PUG). As the PUG lead, we coordinate the preparation, response and recovery to emergency events relating to public utilities across the three Government Owned Corporations.

System Control followed procedure and immediately notified emergency services of the outage, along with:

- vulnerable customers and those on the life support list (both Power and Water and Jacana Energy customers)
- the Medical Group Liaison to confirm that plans for medically vulnerable customers were being implemented
- Darwin and Palmerston Regional hospitals
- Defence (Robertson Barracks, RAAF Darwin, RAAF Tindal.)

In future we, as the System Controller and PUG leader, will coordinate and lead the initial notification and if the event persists, will coordinate ongoing media liaison through the PUG.

The Assistant Commissioner of Police was also notified and regularly updated until power restoration was complete. A collaborative effort with Territory Generation and APA Group to restore power ensued.

Once gas supply was restored two hours later, progressive restoration of power to all affected customers commenced. This was completed a little over two hours later.

This event is rated as a major incident..

An investigation into the cause identified incorrectly labelled solenoid valves on gas infrastructure within the APA yard as the source of the disruption.

We submitted our final report to the Utilities Commission pursuant to Clause 7.4 of the System Control Technical Code. A summary of the report was prepared for, and released by, the Minister for Essential Services on 18 March 2021 alongside a brief statement by the Utilities Commission confirming satisfaction with Power and Water's investigation.

Since the incident, all involved in the generation and supply of power across the network have worked to test and review their respective processes and emergency management procedures and make improvements.

We acknowledge there was a lack of information provided to the public across usual outage notification channels and understand the uncertainty had considerable impact on our customers.

This shortfall was an immediate learning from the event and one that has now been rectified. In future we, as the System Controller and PUG leader, will coordinate and lead the initial notification and if the event persists, will coordinate ongoing media liaison.

A number of other learnings came out of this incident and we will work with other parties involved to implement the report's recommendations.

Spreading cheer at the Special Children's Christmas Party

We are often overwhelmed with volunteers for this event, with teams from Power Services adopting it in recent years as a team building and community contribution opportunity.

We have supported the Special Children's Christmas Party and in particular Santa's Toy Room for over a decade.

Power Services teams have adopted this event in recent years as a team-building exercise and a way of giving back to the community.

We hand out hundreds of soft toys to children with special needs, bringing joy to them and their families.

At the end of the party, there were some soft toys remaining which we sent to the regional centres so our people can distribute them to a worthy charity of their choice as well.

The event is organised through Variety NT, whose members are predominantly small and medium businesses from across the Territory.

Our people look forward to the Special Children's Christmas Party as an opportunity to give back to the community.

Our collaboration with Remote Laundries is strongly aligned with our values.

Grants program supports our community

Community partnerships are one of the ways we build meaningful relationships with the communities we serve.

We have a proud history of supporting our community in its pursuits and interests across arts and culture, sporting activities and teams, youth and education, the environment and charities. This is a reflection of the diversity of our customers and community.

Our highly sought after annual community grants program helps small grassroots organisations develop important initiatives and events.

During the 2020 round we received 20 applications for $2,000 community grants for events and programs planned for 2021, of which 10 were successful. These were:

- 8EAR Community Radio Incorporated – to support the Rotary Club and the all-day beach volleyball competition
- NT Writers Centre - to promote and facilitate creativity within the Territory, by supporting the NT Writers' Festival
- forrestPR - to help 40 young Indigenous men from the Clontarf Foundation attend the International Men's Day Forum
- Pints Netball Club - to facilitate inclusivity and diversity within netball
- Royal Life Saving Society - to help keep the community safe and informed about water safety
- RSPCA – Million Paws Walk 2021
- Southern Districts Football Club – to support the ongoing training and equipment requirements for the All Abilities Team
- University Azzurri Football Club - for new playing kits for the U14 and U16 teams
- Waratah Football Club - supporting the ongoing Tiwi Junior Player Membership initiative.

The North Australian Aboriginal Charitable Trust's Remote Laundries grant submission was also successful. This initiative aims to improve health, quality of life and economic outcomes in remote communities through reliable laundry facilities.

This successful submission has initiated a collaborative relationship between Power and Water and Remote Laundries strongly aligned to our values.

In June we again supported the Remote Laundries program by hosting a day at the laundry during the Barunga Festival, with our That's My Water! water conservation education team.

To ensure our partnership program continues to deliver against community and corporation needs, we review the process each year.

We have a proud history of supporting our community.

Enhancing customer experience with e-billing

Evolving community and customer expectations are driving higher standards of service and reliability from Power and Water, including a focus on digital transformation in our service delivery.

Our goal is to reduce, speed up and simplify the interactions customers need to have with us so they can get on with more interesting things!

Our Customer Experience Specialist Danielle Garrigan said enhancing customer experience is a priority.

"The launch of e-billing in March 2021 supports improved service levels for our customers," Danielle said.

"And as a Power and Water customer myself, I experience firsthand the benefits e-billing provides."

Once registered, customers receive their invoices and reminders via email, with a text message to their phones to let them know that an email has been sent to them.

They also have access to a customer portal to check their current account balance and to make payments as well.

"I've worked with Power and Water for four years. We are always searching for more economical and sustainable ways to manage the business side of Power and Water," Danielle continued.

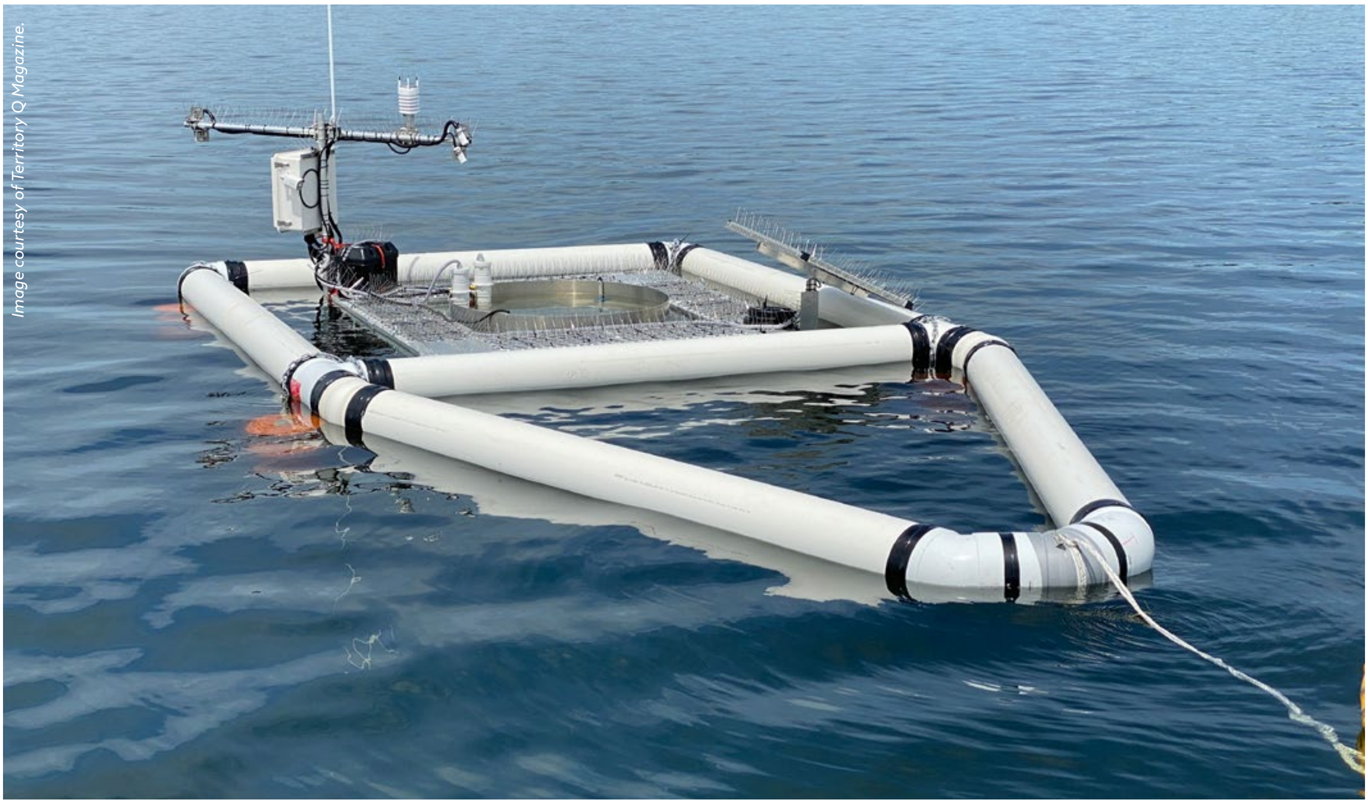
"Our goal is to reduce, speed up and simplify the interactions customers need to have with us so they can get on with more interesting things!

"E-billing also safeguards against delayed delivery of bills. This is one of the most common reasons people contact us. Their main concern is making sure the bill is paid prior to the due date, especially if they have only just received it."

E-billing builds on our previous Go Paperless campaign, and brings a new level of ease and convenience for our customers.

It also has the added benefits of no longer requiring the use of paper and envelopes, a great plus for the environment, reducing the cost and reliance on third-party mail delivery services.

Providing a sustainable, fast option for our customers to receive their bills electronically also brings us in line with similar services provided by utilities in other jurisdictions.



A floating pan anchored in the Darwin River Reservoir captures important information to measure evaporation rates.

Collaborating with CSIRO on evaporation trial

In March we commenced the practical component of a research partnership with the CSIRO.

The joint initiative seeks to measure and model the rate of evaporation from Darwin River Reservoir, which provides more than 80 per cent of the drinking water supply for Darwin and Palmerston.

Reservoir evaporation rates in the tropics are poorly understood. Traditionally, evaporation is measured in a large, circular metal container called a 'pan' placed on land.

As part of this project, we anchored a 6 x 3 metre floating pan in the reservoir.

The device measures air and water temperature, humidity, wind speed, atmospheric pressure, rainfall and the change in pan water level in order to relate weather parameters to evaporation rates.

Power and Water Headworks Planning Engineer, Martin Loipersberger, is collating local reservoir weather and water level data and providing it to project head and CSIRO hydrologist, Dr David McJannet, in Brisbane.

Darwin River Reservoir currently covers 40 square kilometres and holds about 250 billion litres of water.

"Up to 200 million litres are lost to evaporation every day, while the Greater Darwin area draws 127 million litres a day—a volume that will only grow as the Territory economy diversifies and population expands," Martin said.

"Building the scientific knowledge and understanding of our water assets is part of a constant effort to improve performance, productivity and the quality of water we provide to our customers.

"Gaining a better understanding of evaporation rates in the tropics will help us to accurately test proposed solutions to evaporation reduction in our reservoir. This way we can efficiently apply any proposed solutions, or dismiss those which won't work."

The six months of data collection across wet and dry season conditions will conclude in the 2021-22 year and, once complete, the evaporation rate model will inform our future planning efforts.

Building the scientific knowledge and understanding of our water assets is part of a constant effort to improve performance, productivity and the quality of water we provide to our customers.

Alice Springs tree replacement program grows goodwill

Trees growing in places where they damage underground pipes and threaten to come into contact with overhead powerlines is an ongoing issue across the Territory. This, and increasing negative customer feedback about our historical vegetation maintenance program, motivated us to review our practices.

As a consequence, we introduced a tree replacement program as part of our vegetation maintenance program.

Luke Stapleton, our Vegetation Maintenance Coordinator, said ensuring the power network is safe and reliable for the community and our workers is essential and one of Power and Water's key priorities.

"We know people care about trees and value their place in our neighbourhoods, however some trees and vegetation can present a significant risk to the power network," Luke said.

The new initiative balances power supply reliability and public safety with community values—by planting the replacement trees and allowing them to establish before taking out the problematic ones.

Large or unsuitable species of trees in road reserves consistently interfering with powerlines and electricity infrastructure were identified. Two replacement saplings of a more suitable species were then planted next to them.

"Our replacement program started last spring with 100 saplings planted beside the ones we had deemed problematic. After six months we then removed the 50 unsuitable trees," Luke said.

"We chose shrubs that are more suited to verge planting with a maximum height of four metres. They are natives that we know grow in the region and include varieties of Callistemon and Eucalyptus (mallee) and are a mix of deciduous and evergreen."

The shrubs were selected in consultation with the Alice Springs Town Council and a local horticulturalist.

As a result of this initiative, the number of complaints related to tree trimming has decreased by 46 per cent.

The new initiative balances power supply reliability and public safety with community values.

Our historical vegetation management program was not working, so we introduced a new approach to tackling the safety challenge of trees growing near powerlines through a tree replacement program.

Powering Jabiru into the future

The announced exit of Energy Resources Australia from the Jabiru region in late 2021 sparked the need for action to be taken to secure the future supply of electricity to the town of Jabiru and Kakadu National Park.

We are collaborating closely with the Northern Territory Government to ensure ongoing electricity supply to the community.

The first step has been taken with the awarding of a public-private partnership between the Northern Territory Government, EDL and Power and Water in the development and future operation of the Jabiru Hybrid Renewable Power Station.

In addition, the Northern Territory Government committed $10 million to support the necessary upgrades to the Jabiru electricity network in our role as the electricity distribution service provider.

Upgrading Rapid Creek Road water mains

This trend of failures was first identified in 2020 and replacement of the main was prioritised for inclusion in the 2021-22 water main replacement program.

The Rapid Creek Road water main is a 150mm diameter Asbestos Cement (AC) pipe installed in 1963.

Although small in diameter, the water main is a major ring main inter-connecting with other mains in the area.

The pipe age of 58 years exceeds the 50 year effective life usually adopted for this type of asset.

A cluster of water main failures recently emerged in a 750 metre length of the water main along Rapid Creek Road.

This trend of failures was first identified in 2020 and replacement of the main was prioritised for inclusion in the 2021-22 water main replacement program.

Planning for the replacement of the Rapid Creek water main was completed in April and the works due for practical completion by August 2021.

Alice Springs Future Grid Project collaboration paves way for renewables

Being a small, isolated electricity grid built to be served by gas generators, the Alice Springs power system is rapidly evolving into a decentralised electricity supply grid with increasing levels of solar PV systems and batteries.

Achieving 50 per cent renewable energy by 2030 will require clever ways to manage security and reliability of supply to match fluctuating supply from renewable energy sources.

The Alice Springs Future Grid Project is a two-year project focused on exploring innovative ways of removing barriers to further penetration of renewable energy in the Alice Springs power system.

It is a collaborative project co-funded by the Northern Territory Government through Desert Knowledge Australia's Intyalheme Centre for Future Energy and the Australian Renewable Energy Agency. It is also supported by a number of project partners that include Power and Water Territory Generation and Ekistica.

The project is further supported by Jacana Energy, the Arid Lands Environment Centre, CSIRO, Charles Darwin University, Proa Analytics and the Royal Melbourne Institute of Technology.

The Alice Springs Future Grid Project consists of five interrelated sub-projects being led by various project partners.

Power and Water team members Amelia Farmilo, Narayan Marasini and Thomas Wearne at the Desert Knowledge Australia Solar Centre in Alice Springs.

Each sub-project examines different ways we can increase renewable energy while keeping the power system operationally stable and reliable for customers.

We are leading sub-project 5 on Future Grid Deployments examining how we can manage higher levels of solar PV output combined with battery systems in real time to improve system security as well as increase the hosting capacity of our network to support more renewables.

Working with other project partners and CSIRO, Power and Water will also deliver at the end of the project a report that will convert project learnings into an optimal pathway to achieving 50 per cent renewable energy in Alice Springs power system.

We are leading a project examining how we can manage higher levels of solar PV output combined with battery systems in real time to improve system security as well as increase the hosting capacity of our network to support more renewables.

Bass in the Grass attendees stayed hydrated with our chilled water trailer.

Choosing the Territory's finest on tap

Power and Water joined the national Choose Tap movement in 2020 to promote the benefits of drinking tap water.

Choose Tap is a national initiative designed to increase Australians' preference for tap water over bottled water and other bottled drinks. This helps reduce the environmental impact of single use plastics that end up polluting our environment, choking waterways, clogging drains and filling landfills with unnecessary plastic waste.

We loan water refilling stations and a water trailer to an assortment of community events and festivals to ensure quality tap water is available to attendees.

Our Water Services team work hard every day to provide reliable high quality tap water, the 'Territory's Finest on Tap'.

We have supported more than 30 events, large and small, over the last 12 months with our water stations and trailer.

- StudyNT International Student Reconnect Festival
- HPA steps towards capability
- Parrtjima – A Festival in Light
- City of Darwin International Women's Day
- Australian Red Cross Migration support services
- Mobile disco
- Nepal Festival
- Darwin Seabreeze Festival
- Bass in the Grass
- Merlin Darwin Triple Crown - Supercars

Our chilled water trailer was commissioned in 2019 however COVID-19 restrictions prevented it from becoming operational until recently. Its first event was the Darwin Seabreeze Festival in May 2021, with it fast becoming as sought after as our individual water stations.

We also partnered with City of Darwin to promote permanent water fountain installations in high pedestrian traffic locations such Nightcliff, Mindil Beach, The Esplanade and Smith Street Mall to support the residents and visitors out living active lifestyles.

Our Water Services team work hard every day to provide reliable high quality tap water, the 'Territory's Finest on Tap'.

Pole replacement program benefits from engineering innovation

Following the discovery of a corroded power pole base after the 2015 Todd River flood, we commenced an inspection of pole footings across Alice Springs.

The inspection data along with soil chemical analyses was examined in our Geospatial Information System to identify pole locations with a high likelihood of corrosion and build risk profiles for each pole in consideration of the environment, social and physical influences.

Of the 5,000 poles inspected, 900 were identified as having an increased risk of failure due to subsurface corrosion – an unexpected result given Alice Springs' dry climate.

Replacing an in-service pole is expensive and customers experience a lengthy interruption to power supply while works are undertaken. The current practice requires a power outage of around six hours and stresses the adjacent poles and wires placing them at increased risk of failure.

In response to these problems, our engineers and maintainers supported by a local engineering firm invented a 'pole fixture' which has now been patented.

The pole fixture will save millions of dollars in repairs and maintenance costs and eliminates the requirement for power outages during pole replacement work.

Four pole fixtures were manufactured by a local Territory business each weighing in excess of 2.5 tons. The pole fixture has the capacity to restrain up to 32 tons, which enables it to lift the pole, conductors and other equipment such as transformers and switches.

After being trucked to a pole requiring maintenance, the fixture is lifted into place using a knuckle boom crane, all the while maintaining safe distances with the live electrical conductors. Steel jaws extend from the fixture, clamping the pole and allowing the corroded below ground section of the pole to be removed without a power outage.

A new steel section is welded and a concrete footing is poured that establishes a barrier between the pole and the corrosive soil that prevents future corrosion.

This engineering solution is an Australian first.

The pole fixture will save millions of dollars in repairs and maintenance costs and eliminates the requirement for power outages during most pole replacement work.

The pole fixture has the capacity to restrain up to 32 tons, which enables it to lift the pole, conductors and other equipment such as transformers and switches.

System Control and Market Operator Report

The past 12 months have been very busy period for us, amid the challenges brought on by disruptions from the COVID-19 pandemic. As an essential service provider to Territorians, we have implemented stringent COVID-Safe plans to minimise community transmission risks to our critical staff and maintained 24/7 operations in our control room.

Despite significant system events such as the November 2020 third party gas supply outage to Channel Island Power Station, System Control continued efforts to maintain a low rate of Under Frequency Load Shedding events resulting from single machine trips.

For the Darwin Katherine Interconnected System, this figure is currently 103 days (with the preceding event happening with a gap of 737 days), for Alice Springs this is 1344 days. This has been maintained by constant review of machine trip events and adjustments to system security requirements over time via Risk Notices and through implementing recommendations from the October 2019 Alice Springs System Black event.

We have also revamped the schedule of audit process with a focus on maintaining technical compliance through the power systems. This paves the way for the ongoing compliance program for new generation to be implemented in the coming years, ensuring reliable and secure operation of plant in line with code requirements and government objectives.

System Control is mitigating national power system engineering resource shortfalls by supporting Charles Darwin University undergraduate engineers and 'growing its own'. These resources will be critical in maintaining reliability on a power system going through a once in a hundred year transition. This is reflected in the continued transformation of the Territory's power systems with the rapid penetration of renewable energy.

In aggregate, rooftop solar PV has already become the largest generator in the regulated systems with its capacity being around 95 MW. A number of solar farms are also in the process of commissioning and more are in the pipeline to connect in the future. This revolution in renewable energy technology presents an exciting opportunity for the Territory given its world-class solar resources.

While the continued uptake of behind the meter (BTM) renewable energy and the connection of large-scale renewable generation presents a positive change towards a sustainable energy future, there are also important changes that need to occur in how we operate the power systems and the market arrangements underpinning its operation to increase competition and efficiency. To this end, we have undertaken considerable work to progress reforms to the Interim Northern Territory Electricity Market (I-NTEM) and in commissioning solar farms.

Interim Northern Territory Electricity Market Activities

During the year, our team continued to work on implementing necessary changes to market rules and procedures to evolve the I-NTEM. These changes were required to cater for the increasing number of generators in the market as well as improving the operational transparency of System Control and the Market Operator.

Following the Utilities Commission's final decision in March 2020, the new Generator Performance Standards (GPS) came into effect for the Northern Territory's regulated networks to ensure new generators could be accommodated while maintaining system security and reliability. We undertook a number of industry consultations on procedures to provide the documentation required to support the implementation of the GPS, facilitate the operation of an increasing number of Market Participants in the I-NTEM, and enable the connection and operation of the increasing number of renewable energy generating systems.

Consultation activities were completed on the Generator Forecasting Compliance Procedure, Generator Offer Procedure, I-NTEM Tie Break Procedure, Plant Outage Procedure, and Dispatch and Pricing Procedure. The National Energy Market has now followed the Northern Territory lead in updating parts of its GPS requirements to facilitate the need for firm dispatch offers.

There has been further development and deployment of tools to support the System Control decision making for the dispatch of new solar farms. A solar generation dispatch tool was developed to issue plant set-points according to ramp rates, system constraints and capacity forecast. A forecast compliance tool has also been developed that measures solar farm forecast accuracy according to the Generator Forecasting Compliance Procedure.

An innovative real-time demand forecast was developed for the Alice Springs power system to provide additional situational awareness and better manage the impacts of increasing renewable generation. The enhanced power system visibility benefits both System Control and Territory Generation power system operations and supports control room operators to make more informed real-time decisions to improve power system security. These tools and more are in development to further support System Control in ensuring the power systems can operate securely and reliably as solar growth continues.

System Control also begun publishing online long-standing system constraints which affect system participants in the Darwin Katherine Interconnected System, Tennant Creek and Alice Springs regulated networks, providing greater visibility to current and potential market participants.

In addition, System Control reviewed incident reporting requirements in the System Control Technical Code and found efficiencies could be made. Consequently, a proposal was provided for industry consultation to amend the requirements in the Code. A draft incident reporting guideline was also released for consultation. The proposed amendments to the System Control Technical Code and guidelines are being finalised for approval by the Utilities Commission in the latter part of 2021.

NTEM Reforms

The I-NTEM was the market arrangement put in place in May 2015 as a temporary measure for the Darwin Katherine Interconnected System until a policy decision on a more suitable long-term market arrangement could be made by the Northern Territory Government. In June 2020, the Government commenced a series of coordinated NTEM priority reform programs to facilitate more private sector participants while achieving the Government's objective of 50 per cent renewable target by 2030 and meeting the system security and reliability needs.

The System Control and Market Operator teams have been assisting the Department of Treasury and Finance and the Department of Industry, Tourism and Trade with the design and implementation of the NTEM priority reforms. This included contributing to developing policy positions and managing the drafting of new arrangements into market rules through the activities of the Implementation Working Group.

System Control has also begun preliminary works to develop the necessary systems to enable the operation of a commercial electricity market under the NTEM priority reforms. The Market Management System (MMS) project will develop, design, implement and operationalise the systems and is expected to be required to fully enable the NTEM. Our Market Operator team is replacing the existing end-of-life Settlement System to cater for the functionality of market arrangements under the NTEM reform design. These significant projects will depend upon the NTEM rules being finalised for implementation and will be a substantial investment over the next few years.

Alice Springs Future Grid

The Future Grid project is a co-funded project by the Australian Renewable Energy Agency (ARENA) which aims to reduce barriers to more renewable energy penetration in Alice Springs. It is a collaborative effort led by Desert Knowledge Australia in consortium with Power and Water, Territory Generation, Jacana Energy and local firm Ekistica.

The System Control team is the project lead for a Future Grid Deployments sub-projects which will allow System Control to test innovative ways of undertaking advanced forecasting techniques in dispatch and real-time operations. One of the most exciting workstreams is looking at a dynamic dispatch trial to develop a distributed energy resources (DER) front-end IT platform that will interface and send dispatch control instructions to behind the meter solar PV and batteries under the Virtual Power Plant (VPP) trial.

Market Operations

This year, our Market Operator team facilitated on average an additional 300 meters per month for wholesale market settlements. The increase in customer interval meters has been persistent over the past few years. The number of meters has grown from just 1,500 when the market first commenced in 2015 to over 17,000 meters in 2021. The growth of meters is largely a result of the Network Operator installing interval or 'smart' meters for all new installations and replacement meters as well as customers upgrading their meters to install rooftop solar PV systems.

Over the past 12 months, four new solar farms have registered with the Market Operator and connected to the Darwin-Katherine network. This includes two solar farms in Batchelor, one in Manton Dam and for the first time, solar plants operating in embedded networks for the RAAF Base Darwin and Robertson Barracks Darwin. The Market Operator continues to work with new proponents wanting to connect to and participate in the I-NTEM.

The Market Operator has been working to improve customer experience and this year, upgraded the current system to remove a barrier for customers transferring between retailers. This upgrade to the settlement system reduced the waiting time for customers changing retailers from up to 15 days to only three days. These changes to the market with the additional meters and participants, as well as the proposed NTEM reforms will require the development of a more sophisticated market settlement system. The current system was originally designed for 12 to 18 months for a small number of meters and does not have the required functionality or flexibility to support the NTEM market reform design objectives.

The Market Operator recently released an expression of interest for proponents to conduct an end-to-end solution design and implementation of a regulatory compliant settlement system that is able to conduct the functions of the new NTEM reform energy settlements.

Duncan Griffin
Power System Controller

Key Performance Indicator Definitions:

1 Overall Engagement Score: The level of favourable engagement for employees based on survey respondents measured annually utilising the Kincentric methodology (previously known as AON Hewitt).

2 Aboriginal employment: Number of employees identifying as Aboriginal (permanent and fixed term, excluding contractors) as at 30 June each year.

3 Health and safety index: Reflects a composite measure of health and safety indicators focusing on employee, contractor and public safety performance, effectiveness and verification.

4 Return on capital employed (ROCE): EBIT/Capital Employed where EBIT = Taxed earnings before interest and tax adjusted for non-cash impairments and depreciation calculated using Fair Value for asset valuations; and Capital Employed = Equity adjusted for assets

5 Return on equity (ROE): (NPAT / Total shareholder equity)*100

6 Return on assets (ROA): (NPAT / Average total assets)*100

7 Debt to Equity ratio: (Term debt + current debt)/equity.

8 Free cash flow from operations: Operating cash flow less net capital expenditure.

9 Earnings before interest and tax (EBIT): In line with Statutory Accounts.

10 Statutory net profit/loss after tax (NPAT): In line with Statutory Accounts.

11 Earnings before interest, tax, depreciation and amortisation (EBITDA): In line with Statutory Accounts.

12, 13 System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets. Rolling 12 month average for the Northern Territory system.

14 Average duration of unplanned water supply interruptions: Average duration of unplanned water supply interruptions in Darwin (12 month rolling average. Currently have data for Darwin. Alice Springs to be introduced in 2021).

15 Sewerage chokes and blockages per 100km: Number of chokes and blockages per 100km (12 month rolling average for Darwin and Alice Springs).

16 Water demand Darwin: Rolling 12 month average for Darwin households.

17 Customer satisfaction index: Percentage of customers that rate their overall satisfaction with the corporation's services as either good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population. Measurement reflects '7+ out of 10' scoring basis for improved insights. The 2020-21 forecast reflects the actual result of the survey completed during the year.

18 Complaints resolution: Average number of business days taken to resolve customer complaints.

Financial statements and explanatory statements

Index

Description	
Directors' report	58
Independent audit opinion	64
Directors' declaration	68
Consolidated statement of profit or loss and other comprehensive income	69
Consolidated statement of financial position	70
Consolidated statement of changes in equity	71
Consolidated statement of cash flows	72

Notes to the financial statements	
General information	73
Significant accounting policies	73
Revenue	88
Expenses	90
Income tax equivalent expense	91
Dividends	92
Cash and cash equivalents	92
Trade and other receivables	93
Inventories	94
Investments	94
Investment in subsidiaries	95
Loans to subsidiaries	96
Finance lease receivables	97
Property, plant and equipment	98
Right-of-use assets	102
Intangible assets	103
Trade and other payables	104
Unearned revenue	104
Interest bearing borrowings	104
Leases	105
Provisions	105
Government grants	106
Contributed equity	106
Retained earnings	106
Asset revaluation reserve	106
Risk management objectives	107
Financial instruments	109
Commitments	111
Contingent liabilities and contingent assets	111
Related party transactions	112
Auditor's remuneration	113
Events after the reporting period	113

Power and Water Corporation

Directors' report
for the year ended 30 June 2021

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 2021 and the Auditor's report thereon.

Directors

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

Name	
Mr John Langoulant AO (Chairman) B. Economics (Hons)	Mr Langoulant currently holds non-executive director positions across a diverse portfolio of public, private and not for profit businesses. These roles are predominantly in Western Australia but also in the Northern Territory and at the national level. In his executive years, Mr Langoulant held the position of Western Australian Under Treasurer, Chief Executive of Australian Capital Equity, the Chamber of Commerce and Industry of Western Australia and the Oakajee Port and Rail project. In 2018 Mr Langoulant led a Special Inquiry into the Western Australian Government's Programs and Projects across the period 2008-2017. In 2007 he chaired the Major Stadia Taskforce which gave rise to the development of Optus Stadium and he has undertaken other inquiries for the Western Australian and Northern Territory Governments. Mr Langoulant was recognised as an Officer of the Order of Australia in 2010 for distinguished service to business and commerce, particularly through his leadership and management roles and to the community of Western Australia. In 2011 he was recognised in the Citizen WA Awards for his services to business. Mr Langoulant joined the Power and Water Corporation Board in June 2017 and is also a director (and chair) of its wholly owned subsidiary, Indigenous Essential Services Pty Ltd.
Mr Mervyn Davies BEng (Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)	Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has previously held senior management positions at Energy Australia (now Ausgrid), Australia's largest electricity distribution company. Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in the engineering and economics of the electricity distribution industry. He previously held directorships in electricity distribution businesses in Western Australia, Queensland and Tasmania. Mr Davies holds honours and masters degrees in engineering and a Bachelor of Commerce (Economics). Mr Davies left the Power and Water Corporation Board in March 2013 and re-joined in April 2014. Mr Davies was re-appointed to the Board in April 2019.
Ms Rowena McNally FRI, FAICD, LLB, FIML, MAWA	Ms McNally has been involved in the delivery of infrastructure projects and in the corporate governance of major water, energy and infrastructure entities at a board level for over 20 years. She has extensive previous board experience in key utilities organisations including as Chair of the Mount Isa Water Board and Board Director of Ergon Energy, Burnett Water, and Gladstone Area Water. Ms McNally previously Chaired the Queensland Ministerial Advisory Council on Flood Mitigation Manuals and the Sugar Authority and was the Sugar Industry Commissioner for many years and has extensive board experience across regional and remote Australia and not-for-profits. She is the Chair of Mercy Community Services SEQ Ltd, Mercy Health and Aged Care Central Queensland Limited, and Chair of Isa Rodeo Ltd. Ms McNally was previously Chair of National Employment Services Association, Catholic Health Australia and Cerebral Palsy Queensland, Deputy Chair of Cerebral Palsy Australia and a former Director of WorkCover Queensland, North West Hospital and Health Board, Open Minds Limited and several Boards in the St Vincent's Hospital group in Queensland. Ms McNally is a Member of Australian Water Association and the Risk Management Institute of Australasia. Ms McNally joined the Power and Water Corporation Board in April 2018 and is also a director of its wholly owned subsidiary, Indigenous Essential Services Pty Ltd.
Ms Teresa Dyson Masters Applied Finance, LLB, BA, Masters Taxation, GAICD	Ms Dyson has over 25 years of experience within the legal and professional services industry. Ms Dyson is a professional non-executive director with a broad portfolio of directorships across the listed, government and not-for-profit sectors. Ms Dyson is a director of Energy Queensland, Genex Power Ltd, Seven West Media Ltd, LGIAsuper and Shine Justice Ltd. She is also a member of the Gold Coast Hospital and Health Services Board. Ms Dyson is a member of the Foreign Investment Review Board, the Takeovers Panel and the National Housing Finance & Investment Corporation Board. She was the first woman to be appointed as Chair of the Board of Taxation and has held a number of Federal Treasury appointments. In 2011 Ms Dyson was named Woman Lawyer of the Year by the Women Lawyers Association of Queensland. Ms Dyson joined the Power and Water Corporation Board in April 2018.
Mr David Bartholomew BEc, MBA	Mr Bartholomew is the former Chief Executive of DUET Group, an energy company that at the time was listed on the Australian Stock Exchange. He now serves as a non-executive director on the boards of: Atlas Arteria (ASX: ALX) a developer and operator of toll roads in France, Germany and the USA; Endeavour Energy, an electricity distributor in NSW; and The Helmsman Project, a not-for-profit organisation providing coaching and development programs for year 9 students, primarily from western Sydney schools. He is chair elect of Iris Energy, which is a developer and operator of data centres mining Bitcoin furnished by renewable energy. He has previously served on the boards of Vector Limited (NZX: VCT), the Auckland-based electricity distributor, and Dussur, the Saudi Arabia Industrial Investment Company. As CEO of DUET Group he was a director on the boards of: United Energy Distribution and Multinet Gas in Victoria; DBP, the owner-operator of the Dampier to Bunbury Natural Gas Pipeline; Energy Developments Limited, specialising in remote, clean and renewable electricity generation; and DUET's minority-owned businesses, Duquesne Light (USA) and WA Gas Networks. Mr Bartholomew's previous employment experience includes Hastings Funds Management, Lend Lease, The Boston Consulting Group and BHP Minerals. He holds a Bachelor of Economics (Honours) from Adelaide University and an MBA from the AGSM. Mr Bartholomew joined the Power and Water Corporation Board in April 2018.

Directors (Cont'd)

Name	
Ms Gaye McMath	Ms McMath is a non-executive director with over 20 years' experience on listed companies, government trading enterprises, not-for-profit and national member organisations. Her executive career has spanned 23 years with BHP and 15 years in the higher education sector. At BHP she held senior strategic and operational roles involving major resource and infrastructure projects and operations, including being a BHP nominated director on both domestic and international mining and steel joint venture boards. Her roles in higher education included Chief Operating Officer at The University of Western Australia and the Executive Director Perth Education City. Ms McMath is currently the Deputy Chair of Southern Ports Authority WA, Chair of the Australian Masters Games and a board member of Dementia Australia. Her past boards include the Western Australian Treasury Corporation, Verve Energy, Silver Chain Nursing Association, the Australian Institute of Company Directors WA Division, CPA Australia WA Division, the Committee for Perth, the State Government Major Stadia Taskforce, the Commonwealth Government Solar Flagship Council, Gold Corporation and the Chamber of Arts and Culture WA. Ms McMath holds a Bachelor of Commerce from Melbourne University, a Masters of Business Administration from Melbourne Business School and has completed the Advanced Management Program at the Harvard Business School. Ms McMath joined Power and Water Corporation Board in September 2018 and is also a director of its wholly owned subsidiary, Indigenous Essential Services Pty Ltd.
Mr Charles Burkitt	Mr Burkitt commenced his career in Darwin, where he was originally from, as an experienced investment adviser specialising in financial markets having worked in that industry for more than 15 years, before being involved in the commercial property sector for a number of years. He now actively works as a consultant still based in Darwin providing Corporate Advisory and Property Solutions for medium-to-large corporate entities. He has also obtained extensive Board experience as an active Board Member of several organisations for over 20 years, while also currently being a non-executive director and Deputy President of Australian Red Cross. Mr Burkitt enjoys an active lifestyle with an interest in most sports, leisure and local community activities. He has previously undertaken the Australian Institute of Company Directors course. Mr Burkitt joined the Power and Water Corporation Board in September 2018.

Company Secretary

Ms Lucia Ku LLB Bbus GAICD	Ms Ku is an executive with over 16 years of legal experience in government and government owned corporations. She has held a number of senior positions within the Solicitor for the Northern Territory including Agency Based Lawyer for various Northern Territory Government Agencies. She has worked across a broad range of functions including legal policy, litigation, and commercial and has been involved in a number of major projects within government. She also has Board level experience which includes current and previous membership on a number of Boards including the Power and Water Corporation's Procurement Appeals Board. She has legal and governance experience currently managing legal services for the Power and Water Corporation in her capacity as General Counsel. Ms Ku was the Company Secretary of the Power and Water Corporation and Indigenous Essential Services Pty Limited. Ms Ku was Committee Secretary for Power and Water Corporation's Audit and Risk Management Committee, Regulation and Market Operations Committee and the Safety People and Remuneration Committee. Ms Ku was appointed Company Secretary on 21 July 2017 and resigned in September 2020.
Mr John Pease LLM (Dist.), FGIA FCG, MAICD	Mr Pease has substantial, executive-level, experience leading legal and governance teams covering all aspects of in-house legal services, risk management, compliance, internal audit and assurance, business continuity and crisis management. His prior roles include St John of God Health Care, Western Power, Murdoch University and BankWest. He also has substantial experience as a lawyer, including working as a barrister at Francis Burt Chambers, a solicitor in private practice, a Deputy Registrar of the Administrative Appeals Tribunal, as well as working in various roles with the former Commonwealth Crown Solicitor's Office, the Australian Taxation Office and the NSW Magistrates Courts Administration. His legal experience covers both commercial law and dispute resolution, including intellectual property, banking and finance, debt recovery, insolvency, trade practices, higher education, corporate governance and energy, building and construction and infrastructure. He also has substantial in-house legal practice management experience. Mr Pease is a former WA President of the Australian Corporate Lawyers Association (and served four years on its national board), is a fellow of the Governance Institute of Australia and has also served on the WA State Council of Chartered Secretaries Australia. Mr Pease obtained a Master of Laws (with distinction) from the University of WA in 1998. Mr Pease was appointed Company Secretary on 11 September 2020.

Principal activities

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

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

Power and Water Corporation

Directors' report
for the year ended 30 June 2021

Review of Profitability and Equity

	Consolidated	
	June 2021 $ million	**June 2020 $ million**
Revenue	810.8	847.5
Total revenue	**810.8**	**847.5**
Expenditure	(593.8)	(620.4)
Impairment charge, revaluation of assets and onerous provision adjustments added back	5.1	217.5
Total expenditure	**(588.7)**	**(402.9)**
EBITDA	**222.1**	**444.6**
Depreciation and amortisation	(192.1)	(200.3)
EBIT	**30.0**	**244.3**
Interest expense	(58.8)	(68.0)
Net profit /(loss) before income tax	**(28.8)**	**176.3**
Income tax benefit/(expense)	0.6	(68.3)
Net profit /(loss) after income tax	**(28.3)**	**108.0**
EBITDA excluding significant items		
EBITDA	222.1	444.6
Impairment charge, revaluation of assets and onerous provision adjustments added back	(5.1)	(217.5)
Underlying EBITDA[1]	**217.0**	**227.1**
Depreciation and amortisation	(192.1)	(200.3)
Underlying EBIT	**24.9**	**26.8**
Interest expense	(58.8)	(68.0)
Underlying net loss before income tax[1, 2]	**(33.9)**	**(41.2)**
Total assets	3,773.2	3,717.6
Total liabilities	(2,259.7)	(2,244.2)
Total equity	**1,513.5**	**1,473.4**

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

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

Profit from continuing operations

The consolidated entity reported a net loss after tax from continuing operations of $28.3 million for the year ended 30 June 2021 compared to a net profit after tax of $108.0 million for the prior year. The decrease in the net profit after tax was primarily attributable to a lower revaluation increase in assets compared with the prior period. All of these items are recognised within the line item 'Impairment of non-current assets and onerous contract provisions' within the statement of profit or loss and other comprehensive income. Refer to Note 4.3 for more details.

The consolidated entity recognised revenue of $810.8 million for the current year compared to $847.5 million for the prior year; a decrease of $36.7 million. The decrease in revenue recognised was primarily attributable to electricity distribution revenue which decreased by $20.6 million from $191.5 million in the prior year to $170.9 million in the current year due to reduced regulated revenue determined by the Australian Energy Regulator. A decrease in water revenue of $9.4 million also contributed to the total decline in revenue, this was a result of reduced consumption following an improved wet season and continued efforts in demand management.

Liquidity and capital resources

The consolidated cash flow statement shows an increase in cash and cash equivalents for the year ended 30 June 2021 of $25.1 million (2020: $54.0 million decrease). Operating activities generated $139.7 million (2020: $147.4 million) of net cash flows.

Cash flows from operating activities have been offset by net cash used for investing activities of $99.4 million (2020: $99.7 million) and $15.1 million net cash outflow (2020: $101.8 million inflow) from financing activities, largely due to repayment of borrowings of $284.0 million (2020: $242.0 million) and repayment of lease liabilities of $29.1 million (2020: $22.1 million), offset by proceeds from borrowings during the year of $279.0 million (2020: $162.0 million)

The net cash inflow of $25.1 million in the current year is primarily due to decrease in the net repayment of borrowings from the prior period.

Loans to subsidiaries

As at 30 June 2021, IES Pty Ltd owed the Corporation $33.9 million (2020: $29.2 million) which is made up of an inter-entity receivable of $8.9 million (2020: $4.2 million) in relation to services provided and $25.0 million (2020: $25.0 million) in loans provided during 2018-19 and 2020-21 in respect of the IES Solar SETuP program. The Corporation has estimated the credit loss on the loans to be $7.1 million (2020: nil) as a result of the forecasted cash flows. Refer to Notes 8 and 12 for details. The loans were provided to represent the consolidated entity's contribution towards the Solar SETuP progam.

Power and Water Corporation

Directors' report
for the year ended 30 June 2021

Review of Operations (Cont'd)

Capital expenditure

Capital expenditure in respect of additions to work in progress for the consolidated entity totalled $113.1 million for the year to 30 June 2021. Major project spending in the current year included:

Entity	Description	$ million
PWC	Katherine PFAS water treatment plant	4.6
	Sadadeen 11kv switchboard	2.8
	Ludmilla waste water treatment plant (LWWTP) roof replacement	2.2
	Garawa 1 and 2 sewerage pump stations and partial rising main	1.9
	Pine Creek replace 66 & 22kv Zone Substation assets	1.9
	Katherine 9ml ground level tank roof replacement	1.7
	Batchelor solar power station connection	1.3
	Transmission line clearance and structural upgrade Weddell	1.1
	Customer water meter replacement program (all regions)	1.0
IES	Hermannsburg new elevated tank	2.0
	Ngukurr AC water mains replacement	1.7
	Disinfection reliability upgrade	1.2
	DHCD Drilling Program	1.2
	Angurugu Sewerage Reticulation Upgrade Stage 2	1.1

Property, plant and equipment

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

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

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

During the current year, the Corporation performed valuation exercises on its property, plant and equipment resulting in net assets being written up by $57.8 million net of tax, of which $49.2 million was recognised in Other Comprehensive Income and $8.6 million recognised as reversal of prior impairment expense through profit or loss.

Gas contracts

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

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

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

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

Review of Operations (Cont'd)

Gas contracts (Cont'd)

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

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

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

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

Impairment

Make-up Gas

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

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

Dividends

Subsequent to 30 June 2021 the Board resolved to declare an ordinary dividend of $2.0 million, which will be paid from retained earnings during the year ending 30 June 2022. A dividend of $1.0 million was declared and paid during the year ended 30 June 2021 in relation to the prior year.

Going concern

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

Power and Water Corporation

Directors' report
for the year ended 30 June 2021

Adoption of new and revised accounting standards

There have been no new or revised accounting standards or interpretations that are effective from the year beginning on or after 1 July 2020 which materially impact the financial results. Where applicable, comparative figures have been updated to reflect any changes in the current period.

Coronavirus (COVID-19) pandemic

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

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

Future developments

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

Environmental regulation

The consolidated entity's operations are subject to significant statutory responsibilities under both Commonwealth and Northern Territory legislation. The Corporation has been issued with two written directions from the Department of Environment and Natural Resources in relation to tank cleaning activities at McMinns Water Storage Compound and overflow discharges from the East Arm Leachate collection pond. In addition, the Corporation has received two letters indicating the intention to issue Pollution Abatement Notices (PANs), to which the Corporation has the opportunity to respond. No known regulatory breaches have occurred in IES Pty Ltd. The consolidated entity continues to pursue compliance with its statutory obligations and improve processes to meet its responsibilities in this area.

Subsequent events

The Directors' have declared an ordinary dividend of $2.0 million on 24th September 2021, payable on 30 November 2021.

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

Indemnification and insurance of directors and officers

Indemnification

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

Insurance premiums

The following insurance policies were purchased to cover the Directors and Officers of the entities in the consolidated group. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

(i) Group Personal Accident Insurance
(ii) Professional Indemnity Insurance
(iii) Directors' and Officers' Liability.

Rounding off

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

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

Dated at Darwin this 30th day of September 2021

John Langoulant AO
Chair

Auditor-General

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

Page 1 of 4

Opinion

I have audited the financial report of Power and Water Corporation (the Corporation) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- giving a true and fair view of the Corporation's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

Key Audit Matter	Audit scope response to the Key Audit Matter
Unbilled Revenue	
Revenue from the sale of goods, as disclosed in Note 3.1 to the financial statements, includes estimated values for unbilled revenue from Power Networks, System Control, Electricity and Water totalling $34.465 million as disclosed in Note 8 to the financial statements. The estimated values are based upon unbilled units supplied to customers between the date of the last meter reading and the year end. The relevant units comprise kilowatt hours for Power Networks, System Control and Electricity, and kilolitres for Water.	My procedures included but were not limited to: ▪ obtaining an understanding of the key controls management has in place to determine the accuracy of the estimate of supplied units (sent out data) and related revenue amounts; ▪ comparison of unbilled revenue to the actual subsequent billings; and

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

Auditor-General

Key Audit Matter	Audit scope response to the Key Audit Matter
The estimation of unbilled revenue is a key audit matter as it requires significant management judgement to estimate customer consumption between the last invoice date and the end of the reporting period.	▪ analysing the trends in billed revenue throughout the year and the reasonableness of the estimate of unbilled revenue at year end, taking into consideration seasonal fluctuations affecting demand and supply.
Valuation of property, plant and equipment	
Property, plant and equipment, as disclosed in Note 14 to the Financial Statements has a total value of $2,336.489 million. The valuation of non-current assets is a key audit matter due to the complexity involved in estimating the recoverable amount of assets which requires significant judgement in determining key assumptions supporting the expected future cash flows of the Corporation and expected utilisation of the relevant assets.	My procedures included but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the Corporation's cash generating units; ▪ checking, on a sample basis, the mathematical accuracy of the cash flow forecast and impairment model and the appropriateness of the inclusion of the specific cash flows in accordance with the Australian Accounting Standards; ▪ assessing the consistency of forecast cash flow used in total to the Board approved Statement of Corporate Intent; and ▪ performing a sensitivity analysis to test the key assumptions used in the estimate pertaining to key drivers such as growth rates and discount rates.
Classification and valuation of Capital Work in Progress	

As disclosed in Note 14 to the financial statements, the Corporation has recorded Capital Work in Progress valued at $145.306 million.
The valuation of Capital Work in Progress is a key audit matter due to the judgements and assumptions involved in the valuation of Capital Work in Progress accrued at year end and the degree of judgement involved in the classification between operational and capital expenditure.
	My procedures included but were not limited to:
	▪ obtaining an understanding of the key controls associated with the allocation and monitoring of actual project expenditure against the approved budget expenditure for the Corporation's major projects;
	▪ obtaining an understanding of the key controls associated with the estimation of the stage of completion used to determine the value of costs accrued at year-end;
	▪ checking the review of capital work in progress performed by the Corporation at year-end; and
	▪ for a sample of capital project expenditure;
	  ○ tracing the recorded costs to the invoices and assessing whether the nature of the costs represent future benefits to the Corporation in accordance with Australian Accounting Standards;
	  ○ tracing accrued expenditure at year-end to any subsequent

Auditor-General
Page 3 of 4

Key Audit Matter	Audit scope response to the Key Audit Matter
	invoices received from contractors; and o examining progress reports related to major projects at year-end.
Provision for Onerous Contracts As disclosed in Notes 2.3(o), 2.5 and 26 (j) to the financial statements, the Corporation undertakes an annual assessment to determine the extent, if any, that the economic costs associated with some gas-related contracts are determined to outweigh the net present value (benefits) expected to be received based on the circumstances that existed at that date. Changes to the circumstances and events affecting future opportunities in the gas market may result in the Corporation recognising, adjusting or derecognising a provision for onerous contracts at each reporting date. As at 30 June 2021 no provision for onerous contract has been determined or reported. The calculation of the net present value of contracts is a key audit matter as the calculation is complex and the valuation model is based on assumptions and estimates that are affected by future performance and market conditions.	My procedures included but were not limited to: ▪ assessing and challenging the appropriateness of cash flow projections resulting from management's assumptions; ▪ verifying the inputs used in the model; ▪ recalculating the outputs of the model; ▪ assessing the integrity of the gas contract model used by management based on assumptions around the functionality of the model when compared to industry standards; and ▪ assessing the appropriateness of classification and the adequacy of disclosures in the financial statements.

Other Information

The Directors are responsible for the Other Information. The Other Information obtained at the date of this auditor's report comprises the Annual Report and the Directors' Report included in the Corporation's financial report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor-General

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
30 September 2021

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

Power and Water Corporation

Directors' Declaration
for the year ended 30 June 2021

In the directors' opinion:

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

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

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

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

John Langoulant AO
Chair

Darwin
30 September 2021

Power and Water Corporation

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2021

		Consolidated		Corporation	
	Note	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Continuing Operations					
Revenue from contracts with customers	3.1	703,209	732,605	659,625	689,236
Revenue from rendering of services and government grants	3.2	76,262	86,061	-	-
Finance revenue	3.3	1,703	2,228	2,100	2,347
Other income	3.4	29,611	26,597	29,611	26,597
Inter-Group sales		-	-	9,562	9,970
		810,785	**847,491**	**700,898**	**728,150**
Energy and materials		(304,680)	(311,437)	(280,588)	(279,770)
Repairs and maintenance expense	4.1	(74,063)	(64,569)	(58,361)	(48,997)
Employee benefits expense	4.2	(98,822)	(111,973)	(87,291)	(100,693)
External service agreements		(53,350)	(57,184)	(35,943)	(40,862)
Impairment of non-current assets and onerous contract provisions	4.3	5,139	217,458	(1,940)	217,458
Net loss on disposal of property, plant and equipment, inc gifted streetlights		(3,190)	(3,853)	(1,884)	(2,407)
Other expenses	4.4	(59,775)	(71,344)	(53,374)	(61,563)
		(588,741)	**(402,902)**	**(519,381)**	**(316,834)**
Earnings before interest, tax, depreciation and amortisation		**222,044**	**444,589**	**181,517**	**411,316**
Depreciation and amortisation expenses	4.5	(192,138)	(200,310)	(132,504)	(136,958)
Finance costs	4.6	(58,834)	(67,991)	(56,799)	(61,439)
Profit/(loss) before tax		**(28,928)**	**176,288**	**(7,786)**	**212,919**
Income tax equivalent expense	5 (a)	631	(68,253)	631	(68,253)
Profit/(loss) for the year		**(28,297)**	**108,035**	**(7,155)**	**144,666**
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation surplus	25	49,172	2,532	49,172	2,532
Other comprehensive income for the year, net of tax		**49,172**	**2,532**	**49,172**	**2,532**
Total comprehensive income for the year		**20,875**	**110,567**	**42,017**	**147,198**

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

Power and Water Corporation

Consolidated statement of financial position
for the year ended 30 June 2021

		Consolidated		Corporation	
	Note	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Current assets					
Cash and cash equivalents	7 (a)	148,667	123,572	81,947	67,246
Trade and other receivables	8 (a)	117,867	107,255	120,294	111,117
Finance Lease Receivables	13	900	876	1,933	1,850
Current tax assets	5 (c)	13,305	-	13,305	-
Inventories	9	30,841	22,182	27,059	18,343
Intangible assets	16	841	793	590	765
Total current assets		**312,421**	**254,678**	**245,128**	**199,321**
Non-current assets					
Trade and Other Receivables	8 (b)	16,112	16,112	16,112	16,112
Loans to subsidiaries	12	-	-	17,921	25,000
Investments	10	3	3	3	3
Finance Lease Receivables	13	6,087	6,887	22,377	23,834
Property, plant and equipment	14	2,967,915	2,928,602	2,336,489	2,269,688
Right-of-use assets	15	382,443	403,050	343,748	362,509
Intangible assets	16	61,618	81,553	61,442	81,335
Deferred tax assets	5 (b)	26,562	26,837	26,562	26,837
Total non-current assets		**3,460,740**	**3,463,044**	**2,824,654**	**2,805,318**
Total assets		**3,773,161**	**3,717,722**	**3,069,782**	**3,004,639**
Current liabilities					
Trade and other payables	17	58,448	60,765	51,575	52,440
Unearned revenue	18	57,990	53,218	57,990	53,218
Borrowings	19	209,000	284,000	209,000	284,000
Current tax liabilities	5 (c)	-	567		567
Lease liabilities	20	26,721	28,680	27,480	27,685
Provisions	21	43,084	39,909	43,085	39,909
Government grants	22	25,398	59,082	-	-
Total current liabilities		**420,641**	**526,221**	**389,130**	**457,819**
Non-current liabilities					
Deferred tax liabilities	5 (b)	121,571	104,041	121,571	104,041
Unearned revenue	18	18,381	15,161	18,381	15,161
Borrowings	19	948,000	878,000	948,000	878,000
Lease liabilities	20	374,116	389,355	348,995	365,616
Provisions	21	5,606	6,920	5,606	6,920
Government grants	22	371,419	324,472	-	-
Total non-current liabilities		**1,839,093**	**1,717,949**	**1,442,553**	**1,369,738**
Total liabilities		**2,259,734**	**2,244,170**	**1,831,683**	**1,827,557**
Net assets		**1,513,427**	**1,473,552**	**1,238,099**	**1,177,082**
Equity					
Contributed equity	23	74,336	54,336	74,336	54,336
Retained earnings	24	354,772	381,237	645,428	653,018
Asset Revaluation Reserve	25	1,084,319	1,037,979	518,335	469,728
Total equity		**1,513,427**	**1,473,552**	**1,238,099**	**1,177,082**

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

Power and Water Corporation

Consolidated statement of changes in equity
for the year ended 30 June 2021

		Consolidated		Corporation	
	Note	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Contributed equity					
Balance at beginning of year		54,336	44,336	54,336	44,336
Equity contributions from the Northern Territory Government		20,000	10,000	20,000	10,000
Balance at end of year	23	**74,336**	**54,336**	**74,336**	**54,336**
Retained earnings					
Balance at beginning of year		381,237	278,458	653,018	516,376
Effect of adoption of new accounting standards		-	-	-	-
Net (loss)/profit for the year		(28,297)	108,035	(7,155)	144,666
Retirements transferred from asset revaluation reserve		2,832	4,384	565	1,616
Dividends paid	6	(1,000)	(9,640)	(1,000)	(9,640)
Balance at end of year	24	**354,772**	**381,237**	**645,428**	**653,018**
Asset revaluation reserve					
Balance at beginning of year		1,037,979	1,039,831	469,728	468,812
Increase in asset valuation		69,497	3,617	69,497	3,617
Deferred tax effect recognised in deferred tax liabilities		(20,325)	(1,085)	(20,325)	(1,085)
Retirements transferred to retained earnings		(2,832)	(4,384)	(565)	(1,616)
Balance at end of year	25	**1,084,319**	**1,037,979**	**518,335**	**469,728**
Total equity		**1,513,427**	**1,473,552**	**1,238,099**	**1,177,082**
Total equity attributable to owners of the parent		**1,513,427**	**1,473,552**	**1,238,099**	**1,177,082**

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

Power and Water Corporation

Consolidated statement of cash flows
for the year ended 30 June 2021

		Consolidated		Corporation	
		June 2021	June 2020	June 2021	June 2020
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		750,708	787,490	708,720	751,757
Payments to suppliers and employees		(656,265)	(670,121)	(569,382)	(574,796)
Income tax paid	5 (c)	(15,761)	(10,010)	(15,761)	(10,010)
Community Service Obligations received		29,104	26,082	29,104	26,082
Receipt of Government grants		89,525	79,627	-	-
Interest received		1,725	2,327	2,116	2,409
Interest paid		(59,372)	(68,009)	(57,598)	(61,457)
Net cash generated by operating activities	7 (b)	**139,664**	**147,386**	**97,199**	**133,985**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		160	93	160	92
Payments for property, plant and equipment		(111,947)	(124,211)	(81,565)	(81,069)
Proceeds from sale of intangible assets	16	17,255	35,473	17,255	35,473
Payments for intangible assets	16	(4,893)	(11,012)	(4,885)	(10,928)
Loans to controlled entity		-	-	-	-
Net cash used in investing activities		**(99,425)**	**(99,657)**	**(69,035)**	**(56,432)**
Cash flows from financing activities					
Proceeds from equity injection	23	20,000	10,000	20,000	10,000
Repayment of borrowings	7(d)	(284,000)	(242,000)	(284,000)	(242,000)
Proceeds from borrowings	7(d)	279,000	162,000	279,000	162,000
Repayment of lease liabilities	7(d)	(29,144)	(22,127)	(27,463)	(24,736)
Dividends paid	6	(1,000)	(9,640)	(1,000)	(9,640)
Net cash used in financing activities		**(15,144)**	**(101,767)**	**(13,463)**	**(104,376)**
Net increase/(decrease) in cash and cash equivalents		**25,095**	**(54,038)**	**14,701**	**(26,823)**
Cash and cash equivalents at beginning of year		123,572	177,610	67,246	94,069
Cash and cash equivalents at end of year	7 (a)	**148,667**	**123,572**	**81,947**	**67,246**

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

1 General information

Power and Water Corporation (the Corporation) is a government owned corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2021 comprises the Corporation and its subsidiary as disclosed in Note 11.

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

The financial report was authorised for issue by the Directors on 30 September 2021.

2 Significant accounting policies

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

2.1 Basis of preparation

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

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

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

Going concern

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

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

(i) Forward cash flow projections

(ii) Funding sources

(iii) Compliance with debt covenants

(iv) The continuity of key customers and suppliers

(v) The impact of current economic conditions

(vi) Forward forecasts and budgets.

For the year ended 30 June 2021, the Corporation made a net loss after tax of $7.2 million (2020: profit after tax of $144.7 million). The Corporation is forecast to be profitable across the 4 year budget period as reported in the most recent Statement of Corporate Intent (SCI).

Although the Corporation's current liabilities for the current year exceed its current assets by $144.0 million (2020: $258.5 million), this is due to the debt maturity profile of the Corporation. All debt maturing in the next financial year, and in subsequent years of the SCI period is anticipated to the extent required, to be replaced by new long term debt.

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

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

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

2 Significant accounting policies (cont'd)

2.2 Basis of consolidation

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

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

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies

(a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

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

(b) Fair value measurements

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

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

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

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

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

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

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

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

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

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

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

(c) Revenue from contracts with customers

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

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

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

2.3 Summary of significant accounting policies (cont'd)

Sale of gas

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

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

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

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

Electricity distribution services

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

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

Sale of water, electricity and sewerage services

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

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

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

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

Community Service Obligations

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

Contract balances

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

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

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

2.3 Summary of significant accounting policies (cont'd)

(d) Government grants

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

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

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

(e) Goods and services tax

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

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

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

(f) Borrowing costs

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

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

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

(g) Income tax equivalents

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

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

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

Current tax

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

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

Deferred tax

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

Deferred tax liabilities

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

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

- When the taxable temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and is probable that the temporary difference will not reverse in the foreseeable future.

2.3 Summary of significant accounting policies (cont'd)

Deferred tax assets

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss.

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

Current and deferred tax for the year

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

(h) Cash and cash equivalents

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

(i) Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

2.3 Summary of significant accounting policies (cont'd)

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

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

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

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

2.3 Summary of significant accounting policies (cont'd)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

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

Derecognition

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

Offsetting of financial instruments

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

(j) Inventories

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

(k) Leases

The consolidated entity as lessee

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

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

2.3 Summary of significant accounting policies (cont'd)

(k) Leases (cont'd)

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

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

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

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

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

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

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

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

The consolidated entity as lessor

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

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

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

2.3 Summary of significant accounting policies (cont'd)

(l) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

2.3 Summary of significant accounting policies (cont'd)

(m) Intangible assets

Intangible assets acquired separately

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

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

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

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

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

Purchased software

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

Make-up gas

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

Renewable Energy Certificates

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

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

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

(n) Employee benefits

Short-term employee benefits

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

Wages and Salaries
A provision for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. These liabilities are measured at the amounts expected to be paid when the liabilities are settled including related on-costs.

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

Long-term employee benefits

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on 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 profit or loss and other comprehensive income.

2.3 Summary of significant accounting policies (cont'd)

(n) Employee benefits (cont'd)

Superannuation plans

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

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

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

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

Termination benefits

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

(o) Provisions

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

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

Onerous contracts

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

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

(p) Dividends

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

(q) Impairment of tangible and intangible assets

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

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

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

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

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

(r) Comparative figures

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

2.4 Adoption of new and revised Accounting Standards

Except for the matter referred to below, the accounting policies and methods of computation are the same as those adopted in the annual report for the prior comparative period.

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

There have been no new or revised accounting standards or interpretations that are effective from the year beginning on or after 1 July 2020 which materially impact the financial results. Where applicable, comparative figures have been updated to reflect any changes in the current period.

(b) Changes to significant accounting policy

The international Financial Reporting Standards Interpretations Committee (IFRIC) issued a final decision in April 2021 which impacts Software-as-a-Service (SaaS) arrangements. The decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, the time period over which the expenditure should be expensed in the Statement of comprehensive income. The interpretation has been considered with no change to the Consolidated entity's accounting policy. Implementation costs related to the configuration and deployment of SaaS arrangements are expensed in the Statement of profit or loss and other comprehensive income, unless they meet the definition criteria under *AASB 138 Intangible Assets* .

(C) Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below. The consolidated entity does not intend to adopt any of these pronouncements before their effective dates.

Standard or Interpretation	*Effective annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 17 'Insurance contracts'	1 January 2021	30 June 2022

The consolidated entity does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the consolidated entity in future periods.

2.5 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the consolidated entity's policies

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

Capitalisation of borrowing costs on qualifying assets

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

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

Under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', for contracts that are onerous the present obligation under the contract shall be recognised and measured as a provision. The definition of an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs of a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Significant judgement is required when selecting the discount rate that shall be applied in determining the carrying amount of the provision. The consolidated entity has determined that any provision cash-flow workings shall be discounted using the long term bond yield rate of 1.52% (2020: 1.9%). Refer to Note 21 for further details.

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

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

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

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

Impairment write-back

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

Impairment write-off

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

Unbilled revenue

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

Useful lives of property, plant and equipment

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

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

Capitalisation of expenses

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

(i) Borrowing costs

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

(ii) Labour recovery costs

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

(iii) Indirect costs supporting capital projects

The consolidated entity has adopted an accounting treatment and methodology to identify support costs included in Corporate Services, Power Services and Water Services which may directly or indirectly relate to the acquisition or construction of capital assets. The financial effect of this change in estimate is a reduction in the expenses recognised in the statement of profit or loss.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the consolidated financial statements. The consolidated entity has developed various accounting estimates based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the consolidated entity. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the fair value measurement of property, plant and equipment, impairment assessments of right-of-use assets, expected credit losses for trade and other receivables and the net realisable value of inventory.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

- *Impairment assessments of intangible and right-of-use assets*

  The assumptions underpinning the value-in-use calculations used to evaluate the supportability of intangible and right-of-use assets were adjusted to reflect reasonable estimates of the impact of COVID-19. Contractual obligations in respect of these lease agreements have limited the risks associated with the estimated cash flows and no material impairment issues have been identified.

- *Expected credit losses*

  The impact of COVID-19 on the recoverability of receivables has been considered. While the methodologies and assumptions applied in the base expected credit loss (ECL) calculations remained unchanged from those applied in the prior financial year, the consolidated entity has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. Whilst no material recoverability issues have been identified, there is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled under the base case. Refer to Note 8 for further details on ECL.

- *Net realisable value of inventory*

  Inventory will continue to be used to repair and maintain the existing infrastructure. It is not expected that any incremental obsolescence would occur as a result of the pandemic.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
3 Revenue				
3.1 Revenue from contracts with customers				
Revenue from contracts with customers	703,209	732,605	659,625	689,236
	703,209	**732,605**	**659,625**	**689,236**

(a) Disaggregation of revenue from contracts with customers

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

	Gas $'000	Electricity distribution $'000	System Control $'000	Water $'000	Sewerage $'000	Electricity $'000	Gifted assets & capital contributions $'000	Other $'000	Total $'000
For the year ended 30 June 2021									
Consolidated entity									
Revenue from external customers	273,655	171,054	9,411	115,268	79,057	37,658	11,968	5,138	703,209
Timing of revenue recognition									
- Over time	273,655	171,054	9,411	115,268	79,057	37,658	-	222	686,325
- At a point in time	-	-	-	-	-	-	11,968	4,916	16,884
	273,655	171,054	9,411	115,268	79,057	37,658	11,968	5,138	703,209
Corporation									
Revenue from external customers	273,655	170,941	9,411	109,876	75,951	3,274	11,489	5,028	659,625
Timing of revenue recognition									
- Over time	273,655	170,941	9,411	109,876	75,951	3,274	-	222	643,330
- At a point in time	-	-	-	-	-	-	11,489	4,806	16,295
	273,655	170,941	9,411	109,876	75,951	3,274	11,489	5,028	659,625
For the year ended 30 June 2020									
Consolidated entity									
Revenue from external customers	263,806	191,659	8,541	124,730	79,553	37,249	18,651	8,416	732,605
Timing of revenue recognition									
- Over time	263,806	191,659	8,541	124,730	79,553	37,249	-	6,405	711,943
- At a point in time	-	-	-	-	-	-	18,651	2,011	20,662
	263,806	191,659	8,541	124,730	79,553	37,249	18,651	8,416	732,605
Corporation									
Revenue from external customers	263,806	191,576	8,541	119,247	76,452	3,438	17,760	8,416	689,236
Timing of revenue recognition									
- Over time	263,806	191,576	8,541	119,247	76,452	3,438	-	5,166	668,226
- At a point in time	-	-	-	-	-	-	17,760	3,250	21,010
	263,806	191,576	8,541	119,247	76,452	3,438	17,760	8,416	689,236

3.1 Revenue from contracts with customers (Cont.)

(b) Assets and liabilities related to contracts with customers

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Receivables*	52,162	36,685	45,825	36,617
Contract assets (current)	34,465	36,775	34,465	36,775
Contract liabilities (current)	57,990	53,218	57,990	53,218
Contract liabilities (non-current)	18,381	15,161	18,381	15,161

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

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

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

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

- Capital contributions (recoverable works) for the purpose of constructing infrastructure assets that will be owned by the customer, for which revenue is recognised over time as the asset is being constructed (as the asset is constructed on the customers premises).

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	7,548	12,621	7,485	12,237
Increases due to cash received, excluding amounts recognised as revenue during the period	12,957	9,358	12,957	9,350

(c) Transaction price allocated to the remaining performance obligations

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

	1 to 2 years $'000	3 to 5 years $'000	6 to 10 years $'000	10 years + $'000
30 June 2021				
Gas sales	-	-	2,390	15,990
30 June 2020				
Gas sales	-	-	15,161	-

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

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
3.2 Revenue from rendering of services and government grants				
IES capital government grants	27,685	31,699	-	-
IES recurrent government grants	48,577	54,362	-	-
	76,262	**86,061**	**-**	**-**
3.3 Finance revenue				
Interest income:				
Financial instruments measured at fair value:				
Finance leases	197	218	672	710
Financial instruments measured at amortised cost:				
Bank deposits	189	949	111	576
Loans to related party	1,317	1,061	1,317	1,061
	1,703	**2,228**	**2,100**	**2,347**
3.4 Other income				
Community Service Obligations:				
Uniform tariffs	7,351	5,294	7,351	5,294
Gas CSO	14,649	16,200	14,649	16,200
Pensioner Concessions Scheme	4,400	4,588	4,400	4,588
Business Relief for COVID-19	2,704	-	2,704	-
Other revenue	507	515	507	515
	29,611	**26,597**	**29,611**	**26,597**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
4 Expenses				
4.1 Repairs and maintenance expense				
Materials	41,196	40,817	28,184	28,645
Labour	32,867	23,752	30,177	20,352
	74,063	**64,569**	**58,361**	**48,997**
4.2 Employee benefits expense				
Personnel	139,404	134,894	125,723	119,649
Superannuation	14,126	14,922	12,778	13,384
	153,530	149,816	138,501	133,033
Contract and apprentice labour	7,918	4,527	7,636	4,174
	161,448	154,343	146,137	137,207
Less: capital and maintenance labour recovery	(62,626)	(42,370)	(58,846)	(36,514)
	98,822	**111,973**	**87,291**	**100,693**

During the year ended 30 June 2021, the Consolidated entity increased the labour rate resulting in an increase in the capital and maintenance labour recovery. The change in labour rate is the primary driver of the decrease in total employee benefits expense decreased from the prior year.

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
4.3 Impairment of non-current assets and onerous contract provisions				
Impairment/(reversal of impairment) of make up gas	3,542	(95,386)	3,542	(95,386)
(Decrease) in provision for onerous contract	-	(66,672)	-	(66,672)
Impairment of property, plant and equipment	1,746	1,684	1,746	1,684
Impairment of inter-company loan	-	-	7,079	-
Reversal of revaluation decrease on infrastructure assets	(10,427)	(57,084)	(10,427)	(57,084)
Revaluation decrease	-	-	-	-
	(5,139)	**(217,458)**	**1,940**	**(217,458)**

30 June 2021

As at 30 June 21, the Corporation revalued its infrastructure assets resulting in a revaluation increase in assets of $10.5 million (2020: $57.1 million) reflected in the Consolidated statement of profit or loss.

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

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

30 June 2020

As at 30 June 2020, the Corporation revalued its infrastructure assets resulting in a revaluation increase in assets of $57.1 million reflected in the profit or loss for Power Services, this is slightly offset by an impairment of minor assets of $1.7 million.

A review of the value of make-up gas resulted in a reversal of impairment expense of $95.4 million. Together with a decrease in the value of the onerous contract of $66.7 million, the gas contracts resulted in a net reversal of impairment expense of $162.1 million.

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
4.4 Other expenses				
Impairment of trade receivables	4,765	2,642	4,765	2,642
Board approved write-offs	2,261	14,126	2,285	9,986
Freight	1,373	1,428	378	301
Grants and subsidies	1,942	1,313	1,942	1,313
Information technology and communications expense	11,046	11,676	9,630	10,221
Insurance costs	3,734	3,087	3,731	3,070
Laboratory fees and environmental compliance	3,702	4,190	2,725	3,373
Motor vehicle	1,947	2,741	1,123	1,922
Other expenses	10,550	8,442	9,381	8,250
Property costs	14,191	16,902	13,832	16,615
Training	1,562	1,526	1,529	1,425
Travel and accommodation	1,562	1,616	992	1,107
Water Conservation Program	1,140	1,655	1,061	1,338
	59,775	**71,344**	**53,374**	**61,563**

During the year ending 30 June 2021 $2.3 million (2020: $13.4 million) relating to 1 (2020: 6) projects has been written off from work-in-progress.

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
4.5 Depreciation and amortisation expense				
Depreciation				
Buildings	1,855	1,768	1,855	1,768
Plant and equipment	5,586	5,771	5,433	5,651
Infrastructure	147,338	158,308	90,464	95,677
Total depreciation	**154,779**	**165,847**	**97,752**	**103,096**
Amortisation				
Leased assets	33,329	30,444	30,771	29,890
Intangible assets	4,030	4,019	3,981	3,972
Total amortisation	**37,359**	**34,463**	**34,752**	**33,862**
Total depreciation and amortisation expense	**192,138**	**200,310**	**132,504**	**136,958**
4.6 Finance costs				
Interest Expense - Government	46,309	53,708	46,309	53,708
Interest Expense - Leases	11,292	16,407	10,299	10,902
Interest Expense - Other	3,186	1,594	2,144	547
Total interest expense for financial liabilities not classified as at FVTPL	60,787	71,709	58,752	65,157
Less: Capitalised finance costs	(1,953)	(3,718)	(1,953)	(3,718)
	58,834	**67,991**	**56,799**	**61,439**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowings pool and are calculated by applying a capitalisation rate of 3.83% per annum (2020: 4.18%) to expenditure on such assets.

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
5 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
Current income tax				
Current income tax charge	1,360	15,159	1,360	15,159
Deferred income tax				
Over from prior years	(1)	(96)	(1)	(96)
Relating to origination and reversal of temporary differences	(1,990)	53,190	(1,990)	53,190
Income tax (refund) / expense reported in profit or loss	**(631)**	**68,253**	**(631)**	**68,253**
Numerical reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax from continuing operations	(28,928)	176,288	(7,786)	212,919
At the consolidated entities' statutory income tax rate of 30% (2020: 30%)	(8,678)	52,886	(2,336)	63,876
Over provision from prior years	(1)	(96)	(1)	(96)
Expenditure not allowable for income tax purposes	6,369	10,983	27	(7)
Tax effect of transfer pricing adjustment	1,679	4,480	1,679	4,480
Income tax (refund) / expense on pre-tax profit	**(631)**	**68,253**	**(631)**	**68,253**
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities (DTL)				
Property, plant and equipment	121,517	103,980	121,517	103,980
Prepayments	54	61	54	61
Gross deferred income tax liabilities	**121,571**	**104,041**	**121,571**	**104,041**
Movements:				
Opening balance at 1 July	104,041	94,307	104,041	94,307
Credited/(charged) to profit or loss	(2,795)	8,649	(2,795)	8,649
DTL on revaluation recognised directly against ARR	20,325	1,085	20,325	1,085
Closing balance at 30 June	**121,571**	**104,041**	**121,571**	**104,041**
Deferred tax assets (DTA)				
Employee provisions	15,440	14,442	15,440	14,442
Allowance for doubtful debts	2,989	2,806	2,989	2,806
Obsolete stock provision	620	707	620	707
Provision for contract costs	-	-	-	-
Renewable energy provision	3	3	3	3
Make up gas impairment	2,085	3,589	2,085	3,589
Accrued expenses	66	69	66	69
Board approved write-offs	3,362	4,230	3,362	4,230
Lease repayments	1,997	991	1,997	991
Gross deferred income tax assets	**26,562**	**26,837**	**26,562**	**26,837**
Movements:				
Opening balance at 1 July	26,837	71,378	26,837	71,378
Under/(over) provision from prior years	530	-	530	-
Credited/(charged) to profit or loss	(805)	(44,541)	(805)	(44,541)
Closing balance at 30 June	**26,562**	**26,837**	**26,562**	**26,837**
Net deferred tax liabilities	**(95,009)**	**(77,204)**	**(95,009)**	**(77,204)**
Deferred tax expense	**(1,990)**	**53,190**	**(1,990)**	**53,190**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
5 Income tax equivalent expense (Cont'd)				
(c) Income tax (receivable)/payable				
Opening balance at 1 July	567	(4,487)	567	(4,487)
Under/(over) provision from prior years	529	(95)	529	(95)
Income tax paid	(15,761)	(10,010)	(15,761)	(10,010)
Current year income tax expense	1,360	15,159	1,360	15,159
Closing balance at 30 June	**(13,305)**	**567**	**(13,305)**	**567**
6 Dividends				
Dividends paid to its shareholder during the financial year were as follows:				
Dividend paid during the year on ordinary shares:	1,000	9,640	1,000	9,640
	1,000	**9,640**	**1,000**	**9,640**

7 Cash and cash equivalents

(a) Reconciliation of cash

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

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
Cash assets	**148,667**	**123,572**	**81,947**	**67,246**

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

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
Net (loss)/profit	(28,297)	108,035	(7,155)	144,666
Adjustments for:				
Depreciation and amortisation	192,138	200,310	132,504	136,958
Impairment writedown (reversal)	(5,139)	(217,458)	1,940	(217,458)
Contributed assets provided free of charge	(9,576)	(14,089)	(9,138)	(13,917)
Write-off of WIP	2,260	14,127	2,285	9,986
Net loss on disposal of property, plant and equipment, inc gifted streetlights	3,190	3,853	1,884	2,407
Changes in assets and liabilities:				
(Increase)/decrease in inventories	(8,659)	2,711	(8,716)	339
(Increase)/decrease in trade and other receivables	(10,612)	1,038	(9,177)	8,521
(Increase)/decrease in current intangible assets	(48)	135	175	85
Decrease in net deferred tax payable	(2,520)	53,189	(2,520)	53,189
(Decrease)/increase in current tax liabilities	(13,872)	5,054	(13,872)	5,054
(Decrease)/increase in trade and other payables	(2,317)	(4,938)	(865)	2,303
Increase/(decrease) in government grants	13,263	(6,433)	-	-
(Decrease)/increase in provisions	1,861	2,041	1,862	2,041
Increase in unearned revenue	7,992	(189)	7,992	(189)
Net cash flows from operating activities	**139,664**	**147,386**	**97,199**	**133,985**

(c) Non-cash transactions

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of $2.7 million (2020: $14.1 million) by means of gifts. These acquisitions are not reflected in the statement of cash flows.

During the financial year the consolidated entity acquired right-of-use assets with an aggregate fair value of $4.4 million (2020: $417.5 million). Refer to Note 15 for further details. These acquisitions are not reflected in the statement of cash flows.

(d) Reconciliation of liabilities arising from financing activities

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

	Consolidated Lease liabilities $'000	Consolidated Borrowings $'000	Corporation Lease $'000	Corporation Borrowings $'000
Year ended 30 June 2021				
Opening balance	418,035	1,162,000	393,301	1,162,000
Repayment of borrowings	-	(284,000)	-	(284,000)
Proceeds from borrowings	-	279,000	-	279,000
Repayment of lease liabilities	(29,144)	-	(27,463)	-
Non-cash changes				
New leases and remeasurements	12,722	-	12,009	-
Other non cash movements	(776)	-	(1,373)	-
Closing balance	**400,837**	**1,157,000**	**376,474**	**1,157,000**
Year ended 30 June 2020				
Opening balance	14,900	1,242,000	187	1,242,000
Repayment of borrowings	-	(242,000)	-	(242,000)
Proceeds from borrowings	-	162,000	-	162,000
Repayment of lease liabilities	(22,127)	-	(24,736)	-
Non-cash changes				
Effect of adoption of AASB 16 - lease liabilities	415,642	-	409,070	-
New leases and remeasurements	9,620	-	8,780	-
Closing balance	**418,035**	**1,162,000**	**393,301**	**1,162,000**

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000

8 Trade and other receivables

(a) Current

Service receivables				
Service receivables	47,819	34,625	41,482	34,558
Loss allowance	(9,965)	(9,354)	(9,965)	(9,354)
	37,854	25,271	31,517	25,204
Unbilled consumption	34,465	36,775	34,465	36,775
	72,319	**62,046**	**65,982**	**61,979**
Other receivables				
Prepayments	10,871	9,334	10,709	9,251
Receivables from controlled entities	-	-	8,984	4,221
	10,871	9,334	19,693	13,472
Other receivables	34,677	35,875	34,619	35,666
	45,548	**45,209**	**54,312**	**49,138**
	117,867	**107,255**	**120,294**	**111,117**

Risk profile of service receivables

The average age of these receivables is 39 days (2020: 32 days). No interest is charged and no collateral is held on outstanding service receivables.

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

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

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

As at 30 June 2021, trade receivables of $10.0 million (2020: $9.4 million) had lifetime ECL of the full value of the receivables.

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

	Current $000	<30 days $000	30–60 days $000	61–90 days $000	>91 days $000	Total $000
30 June 2021						
Expected credit loss rate	1.1%	2.7%	7.5%	1.7%	88.0%	20.8%
Gross carrying amount	17,387	9,943	2,856	7,212	10,421	47,819
Expected credit loss	187	271	214	120	9,174	9,965
30 June 2020						
Expected credit loss rate	1.4%	7.3%	10.6%	7.7%	73.9%	28.8%
Gross carrying amount	15,501	3,515	2,154	1,027	12,428	34,625
Expected credit loss	213	258	229	79	9,189	9,967

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000

8 Trade and other receivables (Cont'd)

Movement in the allowance for doubtful debts:

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

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
Balance at beginning of year	(9,354)	(7,006)	(9,354)	(7,006)
Impairment losses recognised on receivables	(4,765)	(2,642)	(4,765)	(2,642)
Written off as uncollectible	4,238	294	4,238	294
Written off debts subsequently collected	(84)	-	(84)	-
Balance at end of year	**(9,965)**	**(9,354)**	**(9,965)**	**(9,354)**

Explanation of significant changes

The increase in balances written off as uncollectible, resulted in an equal and opposite increase in the estimated credit losses on the remaining receivables.

Risk profile of other receivables

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

(b) Non Current

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
Other receivables				
Other receivables	16,112	16,112	16,112	16,112
	16,112	**16,112**	**16,112**	**16,112**

The amount recognised in non-current receivables represents the cost of 3 petajoules of gas that has been delivered to a third party customer. This transfer does not meet the revenue recognition criteria under AASB 15 Revenue from Contracts with Customers on the basis that the Pay Out Option has not yet been exercised and future returns cannot be reliably estimated as the amount would depend on the gas drawn down by the consolidated entity. Therefore the gas has been recognised as an asset until the exercise of the Pay Out Option or the contract expires in 2024, whichever is the earlier.

9 Inventories

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
Materials and stores	24,861	16,785	25,397	16,785
Fuel stocks	4,632	4,072	315	233
Gas stocks	1,285	1,213	1,284	1,213
Tokens	63	112	63	112
	30,841	**22,182**	**27,059**	**18,343**

The cost of inventories recognised as an expense during the year in respect of continuing operations for the Corporation and the consolidated entity respectively was $194.4 million and $212.1 million (2020: $201.2 million and $225.6 million respectively). The cost of inventories recognised as an expense for the Corporation and the consolidated entity includes $42.0 thousand (2020: $0.3 million) in respect of write-downs of inventory to net realisable value.

10 Investments

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
2,500 $1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation	**3**	**3**	**3**	**3**

The Corporation also holds 5 (2020: 5) ordinary shares of $1 each in NT Gas Pty Limited which remains dormant.

11 Investment in subsidiaries

	Consolidated		Corporation	
	June 2021 $	June 2020 $	June 2021 $	June 2020 $
Indigenous Essential Services Pty Limited	-	-	10	10
	-	**-**	**10**	**10**

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

Name of subsidiary	Place of incorporation and operation	Equity Interest June 2021	Equity Interest June 2020
BGP Tenure Holdings Pty Limited	Australia	50%	50%
Indigenous Essential Services Pty Limited	Australia	100%	100%

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2021 owned 100% (2020: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

Principal activities of the subsidiaries

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

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

Details of non-controlling interests in subsidiaries

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

BGP Tenure Holdings Pty Limited is a non-trading entity and as such did not make a profit for the year ended 30 June 2021 (2020: $Nil).

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

	Corporation	
	June 2021 $	June 2020 $
Non-current assets	100	100
Equity	100	100
Equity attributable to the		
- Corporation	50	50
- Non-controlling interests	50	50

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

There have been no changes in the ownership interests held by the consolidated entity in any of its subsidiaries during the year ended 30 June 2021 (2020: Nil).

11 Investment in subsidiaries (Cont'd)

Financial support

The financial statements for IES Pty Ltd have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. IES Pty Ltd has incurred a net loss of $23.5 million for the year ended 30 June 2021 and $27.8 million for the year ended 30 June 2020. IES Pty Ltd's net working capital was a deficit of $1.4 million at 30 June 2021 and a deficit of $8.0 million at 30 June 2020. Current liabilities, excluding unearned revenue and lease liabilities at 30 June 2021 and 2020 include $19.9 million and $12.5 million of trade and other payables respectively.

Assets are fundamental to the essential services provided by IES Pty Ltd. Accordingly, IES Pty Ltd is economically dependent on the Northern Territory Government (NTG) to fund its future capital expenditure as well as a significant portion of its operating expenses. IES Pty Ltd's cash balances as at 30 June 2021 increased by $10.4 million from $56.3 million to $66.7 million due to cash outflows for grants received in the prior year to construct property, plant and equipment. The funding agreement with NTG has been extended to 30 June 2022, a continuation of a series of agreements over an extended period of time.

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
12 Loans to subsidiaries				
Financial assets measured at amortised cost:				
Non-current	-	-	25,000	25,000
Expected Credit Loss			(7,079)	-
	-	**-**	**17,921**	**25,000**

On 30 June 2021, the Corporation provided a loan of $11.0 million to its subsidiary IES Pty Ltd to refinance the existing loans provided in 2017-18. The loans were provided to IES Pty Ltd as capital assistance towards the Arena Solar Project where IES Pty Ltd is building a solar farm to reduce the cost of electricity production in the communities it services. The refinancing closely aligns the finance term to the life of the project. The total loans provided to IES Pty Ltd remains at $25.0 million.

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

The expected credit losses on the loans to subsidiaries have been assessed at $7.1 million as at 30 June 2021 (2020: nil) on the basis that negotiations with the third party funding provider, to fund the current long-term cash shortfall of the subsidiary from distillate cost savings arising from the solar project, have not been finalised.

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

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

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

13 Finance lease receivables

	Minimum lease payments			
	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Amounts receivable under finance leases:				
Year 1	1,027	1,020	2,555	2,510
Year 2	1,027	1,020	2,554	2,510
Year 3	1,027	1,020	2,554	2,510
Year 4	1,027	1,020	2,554	2,510
Year 5	1,027	1,020	2,554	2,510
Onwards	2,568	3,570	15,550	17,718
Undiscounted lease payments	7,703	8,670	28,321	30,268
Less: unearned finance income	(716)	(907)	(4,011)	(4,584)
Present value of lease payments receivable	6,987	7,763	24,310	25,684
Impairment loss allowance	-	-	-	-
Net investment in the lease	6,987	7,763	24,310	25,684
Discounted lease payments analysed as:				
Recoverable within 12 months	900	876	1,933	1,850
Recoverable after 12 months	6,087	6,887	22,377	23,834
	6,987	7,763	24,310	25,684

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

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

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

The average effective interest rate contracted is approximately 9.3% (Corporation: 14.2%) per annum.

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
14 Property, plant and equipment				
Carrying amounts of:				
Land at fair value	80,160	80,108	80,160	80,108
Buildings at fair value	23,419	24,308	23,419	24,308
Infrastructure at fair value	2,623,012	2,590,710	2,064,240	1,997,988
Plant and Equipment at fair value	24,268	24,345	23,364	23,557
Capital Work in Progress at cost	217,056	209,131	145,306	143,727
	2,967,915	**2,928,602**	**2,336,489**	**2,269,688**

Movement in carrying amounts	Land at fair value $'000	Buildings at fair value $'000	Infrastructure at fair value $'000	Plant and Equipment at fair value $'000	Work in Progress at cost $'000	Total Property, Plant and Equipment $'000
Year ended 30 June 2021						
Consolidated						
Opening Balance	80,108	24,308	2,590,710	24,345	209,131	2,928,602
Additions	52	5	9,727	175	113,131	123,090
Depreciation	-	(1,855)	(147,336)	(5,588)	-	(154,779)
Transfers from WIP	-	961	94,848	5,337	(102,945)	(1,799)
Disposals	-	-	(3,116)	-	-	(3,116)
Board approved write-offs	-	-	-	-	(2,261)	(2,261)
Revaluation	-	-	78,178	-	-	78,178
Closing balance	**80,160**	**23,419**	**2,623,011**	**24,269**	**217,056**	**2,967,915**
Corporation						
Opening Balance	80,108	24,308	1,997,988	23,557	143,727	2,269,688
Additions	52	5	9,289	175	82,981	92,502
Depreciation	-	(1,855)	(90,464)	(5,433)	-	(97,752)
Transfers from WIP	-	961	71,297	5,065	(79,117)	(1,794)
Disposals	-	-	(2,048)	-	-	(2,048)
Board approved write-offs	-	-	-	-	(2,285)	(2,285)
Revaluation	-	-	78,178	-	-	78,178
Closing balance	**80,160**	**23,419**	**2,064,240**	**23,364**	**145,306**	**2,336,489**
Year ended 30 June 2020						
Consolidated						
Opening Balance	80,078	25,848	2,539,141	18,600	251,557	2,915,224
Transfer/Adjustments	-	-	605	(625)	-	(20)
Additions	-	-	40,533	1,108	104,578	146,219
Depreciation	-	(1,768)	(158,308)	(5,771)	-	(165,847)
Transfers from WIP	32	228	113,589	11,047	(132,878)	(7,982)
Disposals	(2)	-	(5,551)	(14)	-	(5,567)
Board approved write-offs	-	-	-	-	(14,126)	(14,126)
Revaluation	-	-	60,701	-	-	60,701
Closing balance	**80,108**	**24,308**	**2,590,710**	**24,345**	**209,131**	**2,928,602**
Corporation						
Opening Balance	80,078	25,848	1,920,800	17,153	187,387	2,231,266
Additions	-	-	40,533	1,108	61,180	102,821
Depreciation	-	(1,768)	(95,676)	(5,652)	-	(103,096)
Transfers from WIP	32	228	75,734	10,962	(94,854)	(7,898)
Disposals	(2)	-	(4,104)	(14)	-	(4,120)
Board approved write-offs	-	-	-	-	(9,986)	(9,986)
Revaluation	-	-	60,701	-	-	60,701
Closing balance	**80,108**	**24,308**	**1,997,988**	**23,557**	**143,727**	**2,269,688**

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

Historical Cost Basis

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Land	17,598	17,547	17,598	17,547
Buildings	37,299	39,115	37,299	39,115
Infrastructure	1,995,582	1,999,508	1,666,327	1,663,380
	2,050,479	**2,056,170**	**1,721,224**	**1,720,042**

14 Property, plant and equipment (Cont'd)

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

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

As at 30 June 2021

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

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

As at 30 June 2020

During 2019-20, the consolidated entity undertook a review of property, plant and equipment and their remaining useful lives for both the Corporation and its subsidiary, IES Pty Ltd.

For existing assets, the useful lives applied to all Infrastructure classifications were reviewed against the standard useful lives approved by each business unit in June 2020. No significant variances were identified.

Property, Plant and Equipment	June 2020	June 2019
Plant and equipment	2 to 50 years	2 to 50 years
Buildings	5 to 53 years	5 to 53 years
Infrastructure	4 to 100 years	4 to 100 years

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

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

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

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

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

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

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

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

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

14 Property, plant and equipment (Cont'd)

Revaluation of property, plant and equipment

As at 30 June 2021

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

As at 30 June 2020

Following AASB 13 Fair Value, the consolidated entity values infrastructure assets using the income approach method. Under this model, there is a requirement to review the carrying value of these assets each year. The review resulted in an increase in the consolidated entity's infrastructure assets of $60.7 million. This is largely a result of the effect of the 2019-20 weighted average cost of capital (WACC), which has decreased from 6.25% to 5.75% due to lower growth and inflation assumptions, offset by 0.25% incremental risk premium to reflect market uncertainty in respect of the coronavirus pandemic. The increase is also a result of transformation initiatives flowing through to profitability, updated capital expenditure assumptions and operational cashflow expectations over the medium to longer term.

There have been no changes to the valuation techniques during the year ended 30 June 2021.

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

Consolidated entity	Level 2 $'000	Level 3 $'000	Fair value $'000
Fair value as at 30 June 2021			
Freehold land	80,160	-	80,160
Buildings	-	23,419	23,419
Infrastructure	-	2,623,012	2,623,012
Plant and equipment	-	24,268	24,268
Work in progress	-	217,056	217,056
Total	**80,160**	**2,887,755**	**2,967,915**
Fair value as at 30 June 2020			
Freehold land	80,108	-	80,108
Buildings	-	24,308	24,308
Infrastructure	-	2,590,710	2,590,710
Plant and equipment	-	24,345	24,345
Work in progress	-	209,131	209,131
Total	**80,108**	**2,848,494**	**2,928,602**

Corporation	Level 2 $'000	Level 3 $'000	Fair value $'000
Fair value as at 30 June 2021			
Freehold land	80,160	-	80,160
Buildings	-	23,419	23,419
Infrastructure	-	2,064,240	2,064,240
Plant and equipment	-	23,364	23,364
Work in progress	-	145,306	145,306
Total	**80,160**	**2,256,329**	**2,336,489**
Fair value as at 30 June 2020			
Freehold land	80,108	-	80,108
Buildings	-	24,308	24,308
Infrastructure	-	1,997,988	1,997,988
Plant and equipment	-	23,557	23,557
Work in progress	-	143,727	143,727
Total	**80,108**	**2,189,580**	**2,269,688**

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

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

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

14 Property, plant and equipment (Cont'd)

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

	Valuation Techniques	Significant unobservable inputs	Sensitivity
Power Services - Infrastructure Assets	Income Approach	Weighted average cost of capital (WACC) rate, taking into account the long term view of the market cost of capital, of 5.75% (2020: 5.75%) supportable by key assumptions in the beta range being based on analysis of observed 5-year monthly asset betas of listed companies and gearing range being based on industry research of 5-year average debt to enterprise value ratio of the guideline listed companies.	A slight decrease in the WACC or discount rate while holding other variables constant would significantly increase the carrying amount of the infrastructure assets, and vice versa.
		Regulated Asset Base (RAB) Multiple to the terminal value assumption of 1.0 (2020: 1.0).	A slight increase in the RAB multiple while holding other variables constant would significantly increase the carrying value of the infrastructure assets, and vice versa.
Water Services - Infrastructure assets	Income Approach	WACC rate, taking into account the long term view of the market cost of capital, of 6.25% (2020: 5.75%) supportable by key assumptions in the beta range being based on analysis of observed 5-year monthly asset betas of listed companies and gearing range being based on industry research of 5-year average debt to enterprise value ratio of the guideline listed companies.	A slight decrease in the WACC or discount rate while holding other variables constant would significantly increase the carrying amount of the infrastructure assets, and vice versa.
		Gordon Growth Method to the terminal value assumption of 2.06% (2020: 2.04%) perpetuity growth rate, supportable for long-life, critical infrastructure assets not subject to regulatory limitations on rates of return.	A slight increase in the growth rate while holding other variables constant would significantly increase the carrying value of the infrastructure assets, and vice versa.

Impairment losses recognised in the year

There were no triggering events to require further analysis for an impairment write-down of property, plant and equipment for year ended 30 June 2021.

	Consolidated June 2021 $'000	Consolidated June 2020 $'000	Corporation June 2021 $'000	Corporation June 2020 $'000
15 Right-of-use assets				
Carrying amounts of:				
Land	16,470	17,034	231	239
Buildings	3,238	3,914	3,238	3,914
Motor vehicles	12,550	12,989	12,550	12,989
Gas transport pipelines	341,823	360,034	324,962	342,360
Solar power	8,362	9,079	2,767	3,007
	382,443	**403,050**	**343,748**	**362,509**

Movement in carrying amounts	Land $'000	Buildings $'000	Motor vehicles $'000	Gas transport pipelines $'000	Solar power $'000	Right-of-use assets $'000
Year ended 30 June 2021						
Consolidated						
Opening Balance	17,034	3,914	12,989	360,034	9,079	403,050
Additions / (disposals)	-	1,968	(522)	2,909	-	4,354
Remeasurement	268	-	3,678	4,413	9	8,367
Depreciation	(832)	(2,644)	(3,595)	(25,532)	(726)	(33,329)
Closing balance	**16,470**	**3,238**	**12,550**	**341,823**	**8,362**	**382,443**
Corporation						
Opening Balance	239	3,914	12,989	342,360	3,007	362,509
Additions / (disposals)	-	1,968	(522)	2,909	-	4,354
Remeasurement	-	-	3,678	3,978	-	7,655
Depreciation	(8)	(2,644)	(3,595)	(24,284)	(240)	(30,771)
Closing balance	**231**	**3,238**	**12,550**	**324,962**	**2,767**	**343,748**
Year ended 30 June 2020						
Consolidated						
Opening Balance	15,995	-	-	-	-	15,995
Additions	(111)	6,246	16,908	384,649	9,807	417,499
Depreciation	1,150	(2,332)	(3,919)	(24,615)	(728)	(30,444)
Closing balance	**17,034**	**3,914**	**12,989**	**360,034**	**9,079**	**403,050**
Corporation						
Opening Balance	232	-	-	-	-	232
Additions	10	6,246	16,908	365,755	3,248	392,167
Depreciation	(3)	(2,332)	(3,919)	(23,395)	(241)	(29,890)
Closing balance	**239**	**3,914**	**12,989**	**342,360**	**3,007**	**362,509**

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

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

16 Intangible assets

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Current				
Renewable energy certificates				
At cost	841	793	590	765
Total current - written down value	**841**	**793**	**590**	**765**
Non-current				
Make up gas				
At cost	62,596	85,348	62,596	85,348
Accumulated impairment	(6,950)	(11,963)	(6,950)	(11,963)
Written down value	**55,646**	**73,385**	**55,646**	**73,385**
Other intangible assets				
At cost	100,974	99,140	99,883	98,056
Accumulated amortisation	(95,002)	(90,972)	(94,087)	(90,106)
Written down value	**5,972**	**8,168**	**5,796**	**7,950**
Total non-current - written down value	**61,618**	**81,553**	**61,442**	**81,335**
Total				
At cost	164,411	185,281	163,069	184,169
Accumulated amortisation	(95,002)	(90,972)	(94,087)	(90,106)
Accumulated impairment	(6,950)	(11,963)	(6,950)	(11,963)
Written down value	**62,459**	**82,346**	**62,032**	**82,100**
Movement in carrying amounts				
Make up gas				
Opening balance	73,385	10,054	73,385	10,054
Additions	3,058	3,418	3,058	3,418
Disposals	(17,255)	(35,473)	(17,255)	(35,473)
Impairment	(3,542)	95,386	(3,542)	95,386
Closing balance	**55,646**	**73,385**	**55,646**	**73,385**
Other intangible assets				
Opening balance	8,168	4,573	7,950	4,412
Transfer/Adjustments	7	19	-	-
Amortisation	(4,030)	(4,019)	(3,981)	(3,972)
Transfer from WIP	1,827	7,595	1,827	7,510
Closing balance	**5,972**	**8,168**	**5,796**	**7,950**

Impairment losses reversed and recognised during the year

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

The Corporation has recognised the fair value of Make up gas as at 30 June 2021 to the value of $55.6 million (2020: $73.4 million), determined by reference to contracted sales less costs of disposal.

There remains accumulated impairment totalling $7.0 million (2020: $12.0 million) recognised against the cost of the intangible asset, on the basis that the net realisable value is the lower amount.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
17 Trade and other payables				
Service creditors	24,099	20,017	18,528	14,813
Other creditors and accruals	34,349	40,748	33,047	37,627
	58,448	**60,765**	**51,575**	**52,440**

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

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
18 Unearned revenue				
Capital contributions - government (i)	41,592	42,493	41,592	42,493
Capital contributions - non-government (i)	5,077	3,600	5,077	3,600
Contract liabilities arising from contracts with customers				
Banked gas arising from sales to third parties (ii)	18,381	15,161	18,381	15,161
Customer payments received in advance for water, electricity and sewerage services (iii)	8,023	5,495	8,023	5,495
Recoverable works (iv)	309	25	309	25
Other	2,989	1,605	2,989	1,605
	76,371	**68,379**	**76,371**	**68,379**
Provided for in the financial statements as:				
Current	57,990	53,218	57,990	53,218
Non-current	18,381	15,161	18,381	15,161
	76,371	**68,379**	**76,371**	**68,379**

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

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

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

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
19 Interest bearing borrowings				
Unsecured borrowings at amortised cost				
Government loans - current	209,000	284,000	209,000	284,000
	209,000	**284,000**	**209,000**	**284,000**
Government loans - non-current	948,000	878,000	948,000	878,000
	948,000	**878,000**	**948,000**	**878,000**
	1,157,000	**1,162,000**	**1,157,000**	**1,162,000**

The consolidated entity has 19 unsecured government loans. All loans were provided by its parent entity, the Northern Territory Government with loan terms of 5 years or less. The consolidated entity obtained three of these loans in the current year totalling $279.0 million. During the current year the consolidated entity repaid in full two loans with an outstanding balance of $284.0 million.

The portion recognised as current liabilities represents borrowings payable within one year, being $209.0 million (2020: $284.0 million). The non-current balance of interest-bearing liabilities represents the portion of the consolidated entity's borrowings not due within one year. The weighted average effective interest rate on the loans is 3.83% (2020: 4.18%).

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000

20 Leases

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

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

Lease additions have been calculated using the Corporation's incremental borrowing rate at the commencement date of the lease. The present value discount factor used for the minimum lease payments is between 1.52% and 5.07%.

Consolidated	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Not later than one year	37,288	39,778	26,721	28,680
1 to 5 years	145,065	141,643	110,115	104,481
Later than 5 years	303,182	331,681	264,001	284,874
	485,535	513,102	400,837	418,035
less: future finance charges	(84,698)	(95,067)	-	-
Total present value of minimum lease payments	**400,837**	**418,035**	**400,837**	**418,035**

Corporation	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Not later than one year	37,089	37,795	27,480	27,685
1 to 5 years	137,951	134,403	106,493	100,840
Later than 5 years	270,558	299,734	242,502	264,776
	445,598	471,932	376,475	393,301
less: future finance charges	(69,123)	(78,631)	-	-
Total present value of minimum lease payments	**376,475**	**393,301**	**376,475**	**393,301**

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Provided for in the financial statements as:				
Current	26,721	28,680	27,480	27,685
Non-current	374,116	389,355	348,995	365,616
	400,837	**418,035**	**376,475**	**393,301**
Total cash outflows for leases				
Principal repayments on leases	29,144	22,127	27,463	24,736
Interest income on leases	(197)	(218)	(672)	(710)
Interest repayments on leases	11,292	16,407	10,299	10,902
	40,239	**38,316**	**37,090**	**34,928**

Future cash outflows to which the consolidated entity is potentially exposed may arise from variable lease payments that are linked to a consumer price index (CPI). Should CPI increase by 1.0%, lease payments would increase by $5.4 million. This potential cash outflow is not reflected in the measurement of lease liabilities.

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

21 Provisions

	Consolidated June 2021	Consolidated June 2020	Corporation June 2021	Corporation June 2020
Current				
Employee benefits (i)	42,381	39,197	42,382	39,197
Other provisions:				
Employee related provisions (ii)	693	702	693	702
Renewable Energy Certificates (iii)	10	10	10	10
	43,084	**39,909**	**43,085**	**39,909**
Non-current				
Employee benefits (i)	5,606	6,920	5,606	6,920
	5,606	**6,920**	**5,606**	**6,920**

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

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

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2021

22 Government grants

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

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

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

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Operational grants	25,398	13,810	-	-
Capital grants	371,419	369,744	-	-
	396,817	**383,554**	**-**	**-**
Provided for in the financial statements as:				
Current	25,398	59,082	-	-
Non-current	371,419	324,472	-	-
	396,817	**383,554**	**-**	**-**

23 Contributed equity

	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Share capital				
1 Share (2020: 1 Share)	-	-	-	-
Equity contribution	80,000	60,000	80,000	60,000
Debt to equity swap	322,582	322,582	322,582	322,582
Transfer of assets and liabilities to new entities	(328,246)	(328,246)	(328,246)	(328,246)
Total contributed equity	**74,336**	**54,336**	**74,336**	**54,336**
Contributed equity at beginning of year	54,336	44,336	54,336	44,336
Equity contributions from the Northern Territory Government	20,000	10,000	20,000	10,000
Total contributed equity	**74,336**	**54,336**	**74,336**	**54,336**

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

During the year ended 30 June 2021, the Corporation received equity contributions from the Northern Territory Government to fund the Undergrounding and Jabiru Power infrastructure projects. This is in addition to the funding received in the prior period for the Undergrounding infrastructure project.

24 Retained earnings

	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Retained earnings at beginning of year	381,237	278,458	653,018	516,376
Net (loss)/profit for the year	(28,297)	108,035	(7,155)	144,666
Retirements moved from asset revaluation reserve	2,832	4,384	565	1,616
Dividends provided for or paid	(1,000)	(9,640)	(1,000)	(9,640)
Retained earnings at end of the year	**354,772**	**381,237**	**645,428**	**653,018**

25 Asset revaluation reserve

	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000
Balance at beginning of year	1,037,979	1,039,831	469,728	468,812
Increase in asset valuation	69,497	3,617	69,497	3,617
Less deferred tax effect recognised in deferred tax liabilities	(20,325)	(1,085)	(20,325)	(1,085)
Revaluation surplus	49,172	2,532	49,172	2,532
Retirements transferred to retained earnings	(2,832)	(4,384)	(565)	(1,616)
Asset revaluation reserve at end of the year	**1,084,319**	**1,037,979**	**518,335**	**469,728**

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

26 Risk management objectives

(a) Financial risk management objectives

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

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

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

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

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

(b) Market risk

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

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

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

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

(c) Interest rate risk management

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

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

	Consolidated			Corporation		
Loan term	Fixed and Variable Rate Loans	Average Interest Rate	Increase in annual interest expense if interest rates rise by 1%	Fixed and Variable Rate Loans	Average Interest Rate	Increase in annual interest expense if interest rates rise by 1%
	$'000	%	$'000	$'000	%	$'000
2021						
<1 to 2 years	454,000	4.51%	4,540	454,000	4.51%	4,540
2 to 5 years	703,000	3.39%	7,030	703,000	3.39%	7,030
	1,157,000		**11,570**	**1,157,000**		**11,570**
2020						
<1 to 2 years	493,000	4.96%	4,930	493,000	4.96%	4,930
2 to 5 years	669,000	4.02%	6,690	669,000	4.02%	6,690
	1,162,000		**11,620**	**1,162,000**		**11,620**

(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.

26 Risk management objectives (Cont'd)

(e) Liquidity risk management

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

(f) Foreign currency risk management

The consolidated entity has transactional currency exposures. Such exposure arises from purchases in currencies other than the functional currency. The consolidated entity is exposed to foreign currency risk in the normal course of its operations through its procurement contracts. Large contracts are reviewed to determine if any mitigation strategies should be applied to reduce this risk. Material exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and a foreign currency bank account from time to time. The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was $nil (2020: $nil).

(g) Commodity price risk

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

The price for long term gas agreements in the Australian East Coast market continues to stay in the $8 to $10+/GJ range. This is supported by reports from the ACCC and AEMO which also continue to forecast significant shortages in the East Coast market from 2024 onwards which is likely to exacerbate the pricing situation.

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

(h) Capital risk management

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

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

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

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

(i) Operational risk

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

(j) Gas contracts sensitivity analysis

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

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

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

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

Sensitivity analysis — NPV change as a result of:

	Wallumbilla hub average price				*CPI and Average weekly earnings*	
% movement	*increase*	*decrease*		% movement	*increase*	*decrease*
5%	$45.7m	($45.7m)		0.25%	($6.7m)	$6.7m
10%	$91.4m	($91.4m)		0.50%	($13.6m)	$13.6m
20%	$182.9m	($182.9m)		1.00%	($28.2m)	$28.2m

27 Financial instruments

Fair values

Net fair values of financial assets and liabilities approximate carrying values except for government loans, which have a fair value of $1,171.0 million (2020: $1,196.6 million).

Consolidated entity	Level 2 $'000	Fair value as at 30 June 2021 $'000	Level 2 $'000	Fair value as at 30 June 2020 $'000
Financial Liabilities				
Borrowings	1,171	1,171	1,197	1,197

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

Liquidity risk management

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

					Fixed and floating interest maturing in:			
Consolidated	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
2021								
Financial Assets								
Cash assets	0.17%	148,667	-	-	148,667	-	-	148,667
Receivables		-	-	123,108	106,996	16,112	-	123,108
Investments		-	-	3	-	-	3	3
		148,667	**-**	**123,111**	**255,663**	**16,112**	**3**	**271,778**
Financial Liabilities								
Payables		-	-	58,448	58,448	-	-	58,448
Government loans	3.83%	-	1,201,342	-	217,010	984,332	-	1,201,342
Lease liability	2.79%	-	412,034	-	27,467	113,191	271,376	412,034
		-	**1,613,376**	**58,448**	**302,925**	**1,097,523**	**271,376**	**1,671,824**
2020								
Financial Assets								
Cash assets	0.64%	123,572	-	-	123,572	-	-	123,572
Receivables		-	-	114,033	97,921	16,112	-	114,033
Investments		-	-	3	-	-	3	3
		123,572	**-**	**114,036**	**221,493**	**16,112**	**3**	**237,608**
Financial Liabilities								
Payables		-	-	60,765	60,765	-	-	60,765
Government loans	4.18%	-	1,210,553	-	295,867	914,686	-	1,210,553
Lease liability	2.79%	-	429,712	-	29,480	107,400	292,832	429,712
		-	**1,640,265**	**60,765**	**386,112**	**1,022,086**	**292,832**	**1,701,030**

27 Financial instruments (Cont'd)

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

Corporation	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Fixed and floating interest maturing in: 1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
2021								
Financial Assets								
Cash assets	0.17%	81,947	-	-	81,947	-	-	81,947
Receivables		-	-	125,697	109,585	16,112	-	125,697
Loans to subsidiaries	3.44%	-	18,537	-	-	18,537	-	18,537
Investments		-	-	3	-	-	3	3
		81,947	**18,537**	**125,700**	**191,532**	**34,649**	**3**	**226,184**
Financial Liabilities								
Payables		-	-	51,575	51,575	-	-	51,575
Government loans	3.83%	-	1,201,342	-	217,010	984,332	-	1,201,342
Lease liability	2.43%	-	385,612	-	28,147	109,078	248,388	385,612
		-	**1,586,954**	**51,575**	**296,732**	**1,093,410**	**248,388**	**1,638,529**
2020								
Financial Assets								
Cash assets	0.64%	67,246	-	-	67,246	-	-	67,246
Receivables		-	-	117,978	101,866	16,112	-	117,978
Loans to subsidiaries	4.17%	-	26,044	-	-	26,044	-	26,044
Investments		-	-	3	-	-	3	3
		67,246	**26,044**	**117,981**	**169,112**	**42,156**	**3**	**211,271**
Financial Liabilities								
Payables		-	-	52,440	52,440	-	-	52,440
Government loans	4.18%	-	1,210,553	-	295,867	914,686	-	1,210,553
Lease liability	2.43%	-	402,846	-	28,357	103,287	271,202	402,846
		-	**1,613,399**	**52,440**	**376,664**	**1,017,973**	**271,202**	**1,665,839**

	Consolidated		Corporation	
	June 2021 $'000	June 2020 $'000	June 2021 $'000	June 2020 $'000

28 Commitments

Capital expenditure commitments				
Contracted but not provided for and payable within one year:	**41,240**	**21,278**	**20,474**	**10,061**
Purchase expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Repairs and maintenance	**2,755**	**3,883**	**1,645**	**2,172**
Purchase expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Gas purchase	2,764,814	2,967,062	2,764,814	2,967,062
Gas transportation	720,328	787,840	720,328	787,840
	3,485,142	**3,754,902**	**3,485,142**	**3,754,902**
Payable:				
Within one year	282,867	262,163	260,992	249,234
One year or later and no later than five years	1,248,889	1,228,062	1,248,889	1,228,062
Later than five years	1,997,381	2,289,839	1,997,381	2,289,839
	3,529,137	**3,780,064**	**3,507,262**	**3,767,135**

The consolidated entity has non-cancellable purchase and hire expenditure contracts expiring between 1 to 25 years from the date of the contract. These contracts generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. 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 purchase agreement with Eni Australia B.V., the first supply of which commenced in the 2009-10 financial year.

Remuneration commitments

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

Within one year	35,692	17,751	35,692	17,751
After one year but not more than five years	21,333	21,212	21,333	21,212
	57,025	**38,963**	**57,025**	**38,963**

29 Contingent liabilities and contingent assets

Depending on notification from a third party, the Corporation may be responsible for decommissioning and removal of a gas pipeline and Tie-In on the expiration of a Gas Sales Agreement in December 2022. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.

As reported in the previous financial year, the Corporation has identified environmental contaminants on a number of sites which are yet to be fully quantified; these include chemical and substance contaminants that will require detailed survey and an assessment of remediation cost. The remainder of sites owned by the Corporation have had no screening survey to determine environmental contamination. The Corporation has a number of known building certification and compliance liabilities which are being quantified, as well as dilapidation assessments on buildings not recently surveyed. The Corporation has developed a Property Strategy to address these ongoing risks. A progress item for this reporting period includes the finalisation of a desktop building compliance risk register, the intent of which is to support prioritisation of remediation works. In parallel, subordinate plans including environmental and building assessments across targeted properties have been developed. The ultimate cost and effort associated with determining the total liability to any degree of accuracy is not possible at this time.

The consolidated entity may be responsible for remediation works and removal of infrastructure assets as a result of the failed under bore of the Aspley Straight. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.

There were two events during the financial year which the Corporation has begun remediation works. Depending on the notification from a third party, the Corporation may be responsible for further rectification and remediation works in relation to these events. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.

A dispute in connection with third party revenue sharing arrangements has been settled subsequent to year end for an amount that is commercial in confidence in favour of the Corporation.

There are no other contingent liabilities or assets for the year ended 30 June 2021.

30 Related party transactions

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

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

Trading transactions

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

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

Related Party		Revenue from related parties (1)	Purchases from related parties (2)	Amounts owed by related parties (3)	Amounts owed to related parties (4)
		$'000	$'000	$'000	$'000
The ultimate parent entity, the Northern Territory Government, including all entities that are associated with the parent entity including Territory Generation and Jacana Energy	June 2021	353,746	96,446	67,868	1,159,913
	June 2020	368,173	106,123	35,679	1,165,671

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

(2) For the year ended 30 June 2021, purchases from the Northern Territory Government includes interest paid on borrowings of $46.3 million (2020: $53.7 million) refer to Note 4.6.

(3) As at 30 June 2021, the amounts owed by related parties relate to amounts outstanding for the provision of electricity, water and standard control services, as well as accrued revenue for the supply of gas.

(4) For the year ended 30 June 2021, the amount owed to the Northern Territory Government includes borrowings of $1,157.0 million (2020: $1,162.0 million) refer to Note 19.

Loans to related parties

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

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

To ensure that IES Pty Ltd is able to pay its debts as and when they fall due, a letter of financial support dated 27th September 2021 was provided by the Corporation to the subsidiary which guarantees support should IES Pty Ltd not be able to pay its debts as and when they fall due. This letter is valid to such time as IES Pty Ltd ceases to be a wholly owned subsidiary of the Corporation or until revoked.

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

Remuneration of key management personnel

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

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

	Consolidated		Corporation	
	June 2021 $	June 2020 $	June 2021 $	June 2020 $
Expense transactions with key management personnel	5,759	5,609	5,759	5,609

For the year ended 30 June 2021, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of $nil (2020: $nil).

30 Related party transactions (Cont'd)

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

		Short-term employee benefits $	Post employment benefits (superannuation) $	Total $
Non-executive directors				
Mr John Langoulant (Chairperson)	June 2021	139,190	12,076	151,266
(Term commenced June 2017)	June 2020	144,757	12,559	157,316
Mr Mervyn Davies	June 2021	45,041	3,908	48,949
(Term recommenced April 2019)	June 2020	56,847	4,932	61,779
Ms Rowena McNally	June 2021	56,847	4,932	61,779
(Term commenced April 2018)	June 2020	56,847	4,932	61,779
Mr David Bartholomew	June 2021	56,847	4,932	61,779
(Term commenced April 2018)	June 2020	56,847	4,932	61,779
Ms Teresa Dyson	June 2021	56,847	4,932	61,779
(Term commenced April 2018)	June 2020	56,847	4,932	61,779
Ms Gaye McMath	June 2021	56,847	4,932	61,779
(Term commenced September 2018)	June 2020	56,847	4,932	61,779
Charles Burkitt	June 2021	56,847	4,932	61,779
(Term commenced September 2018)	June 2020	56,847	4,932	61,779
Total non-executive directors	**June 2021**	**468,466**	**40,644**	**509,110**
	June 2020	**485,839**	**42,151**	**527,990**

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

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

	Consolidated		Corporation	
	June 2021 $	June 2020 $	June 2021 $	June 2020 $
Short-term employee benefits	3,323,963	2,821,933	3,323,963	2,821,933
Other long-term benefits	443,112	251,504	443,112	251,504
Termination benefits	-	243,483	-	243,483
Total compensation of key management personnel (excluding non-executive directors)	**3,767,075**	**3,316,920**	**3,767,075**	**3,316,920**

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

Other transactions with key management personnel

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

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

31 Auditor's remuneration

Audit of the financial statements	280,000	274,000	220,000	214,000
	280,000	**274,000**	**220,000**	**214,000**

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

32 Events after the reporting period

Subsequent to the year end the Director's declared a final dividend of $2.0 million, payable by 30 November 2021.

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


PowerWater

Power and Water Corporation

Level 2, Mitchell Centre
55 Mitchell Street, Darwin
Phone 1800 245 092

powerwater.com.au

@PowerWaterCorp