



POWER AND WATER CORPORATION

ANNUAL REPORT ²⁰¹³

Purpose

The Power and Water Corporation's Annual report 2012-13 provides a record of the Corporation's operations and achievements for the financial year.



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

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

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

INTENDED AUDIENCE

The annual report is tabled in the Northern Territory Legislative Assembly as a reporting mechanism for Power and Water Corporation's shareholding minister and Northern Territory Parliament. It provides a statement of achievement, income and expenditure for the 2012-13 financial year.

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





Katherine Wastewater Treatment Ponds

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Letter to the Shareholder

The Hon David Tollner MLA
Treasurer
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Treasurer

On behalf of the Power and Water Corporation, it gives us great pleasure to present the Corporation's eleventh annual report for the year ended 30 June 2013, in accordance with the provisions of section 44 of the *Government Owned Corporations Act*.

Yours sincerely



Mike Burgess
Chair

September 2013



John Baskerville
Managing Director

September 2013

About us

UNIQUE OPERATING ENVIRONMENT

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



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

The Corporation services four major regional areas including the capital city of Darwin, as well as 21 major remote towns, 52 remote communities and a range of outstations.

We have over 1 000 staff living and working in the Territory. We also contract 155 relief and full time Essential Services Operators who live in remote Indigenous communities and are supported by the Corporation's Remote Operations team.

Gas-fuelled

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

Water Supply Sources

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

A Government-owned Corporation

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

The Corporation plays an integral part in the Northern Territory's counter-disaster structure and response being the main provider of the Territory's essential services. It is also a key partner in government-wide advisory groups including the Energy Sector Group and Water Services Sector Group.

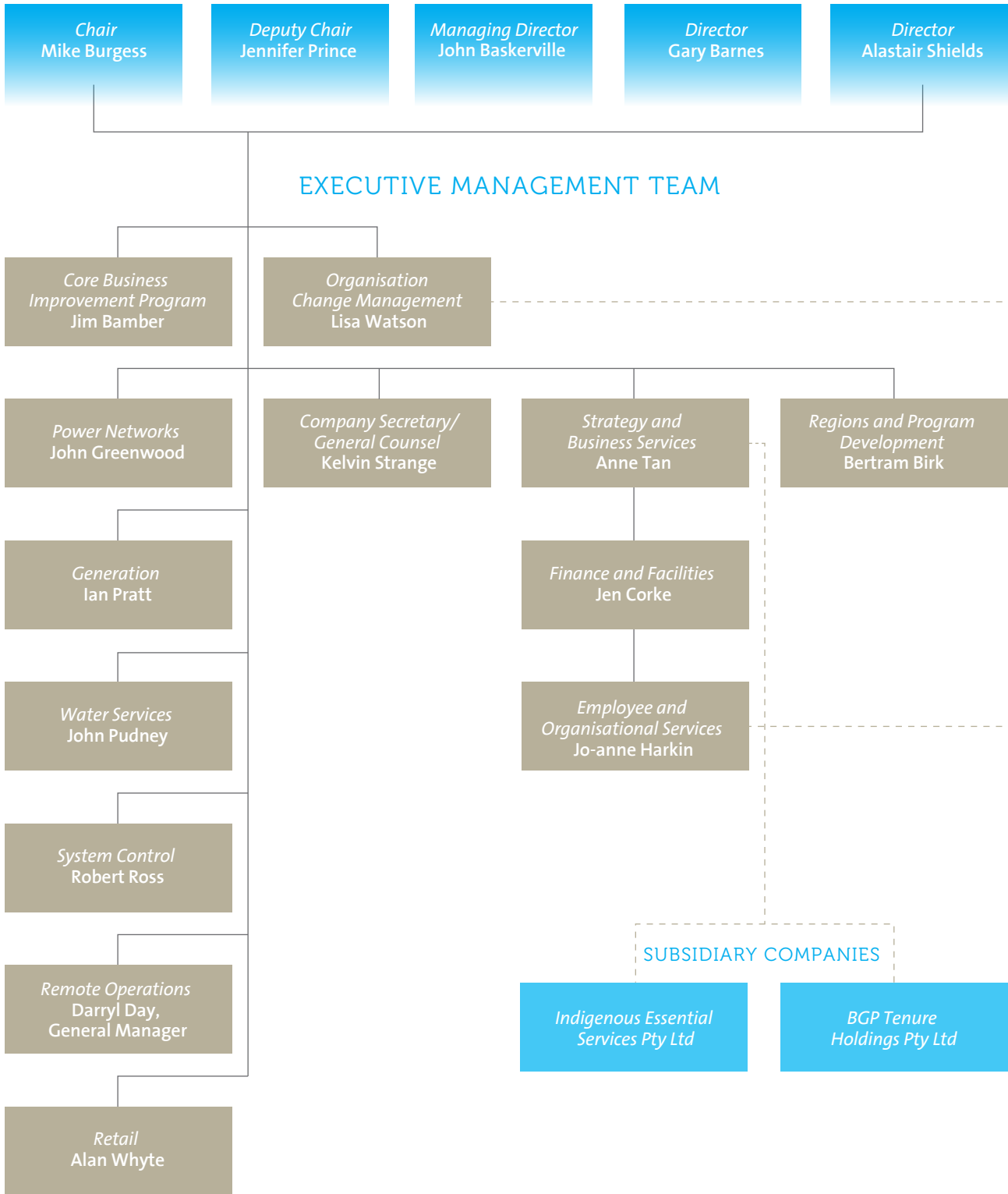
A Competitive Market

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

Our Retail team is based in the Territory and has extensive knowledge of the Territory's utility market. As members of the community, the team understands customers' day-to-day needs and the extreme environment we live in. Power and Water's Retail team is ready to provide friendly service and assist residential and business customers, answer questions about bills and provide ideas about reducing electricity and water consumption.

Corporate structure as at 30 June 2013

BOARD OF DIRECTORS



Chairman's message

Since 2009 Power and Water Corporation has delivered \$977 million in infrastructure improvement projects that stand the Territory in good stead for the projected growth in demand.

The major capital works include:

- \$296.9 million for electricity generation;
- \$114.4 million to rebuild and upgrade electricity zone substations;
- \$48.3 million to close the untreated Larrakeyah sewage outfall; and
- \$14.3 million to increase the capacity of Darwin River Dam.

However, tariff income has not kept pace with this investment and the Corporation has increased its debt from \$565 million to \$1.3 billion.

On 1 January 2013 tariff increases for electricity, water and sewerage services, approved by the NT Government, came into effect.

These increases will enable us to continue to improve infrastructure over the next four years, then start to pay down those borrowings.

We recognise that the Corporation must also seek to provide the most affordable service possible, and have

committed to improve business practices with the goal of providing more efficient services at lower cost.

The results have shown quickly with the Corporation recording its first profit, of \$29.9 million after tax, in five years.

In March this year the Northern Territory Government appointed a new Board of Directors to Power and Water Corporation. I take this opportunity to recognise my fellow new board members and Power and Water Corporation's management as we embark on this path to increasing financial sustainability and accountability.

I also thank our staff and contractors, who work all hours, in all conditions, to deliver these essential services to Territorians, from our city, towns and remote communities.



Mike Burgess
Chairman



WEDDELL TO ARCHER 66KV FEEDER OVER THE ELIZABETH RIVER BRIDGE

A 66 000 volt cable has been installed on the Elizabeth River bridge to connect Weddell Power Station to Archer Zone Substation in Palmerston.

The six-month project, completed in February 2013, involved installing 66kV overhead transmission towers from the Weddell Power Station to the Elizabeth River Bridge before going underground for 1.8km including the 500m bridge. It then went overhead again to feed in to the Archer Zone Substation.

When the Elizabeth River Bridge was constructed in 1975, provision was made for a cable duct, but modifications were required to meet today's standards of 106mm diameter cable.

The feeder lines will be commissioned in September 2013.

Managing Director's message

In 2013 Power and Water Corporation has honed its focus on long-term financial accountability and sustainability.

The Corporation worked closely with its owner, the Northern Territory Government, to review tariff structures. In March we embarked on a process of major organisation and operational change to improve our own business efficiency. This has involved identifying areas where savings can be made focussing on core business improvements through the streamlining of processes and seeking out cost-efficient innovations.

Over the past five years Power and Water Corporation has delivered a major infrastructure investment program, upgrading and increasing the capacity of power generation, power networks, water and sewerage services to meet the Territory's growing needs.

Many of these capital projects are now complete or nearing completion as outlined in this report. We continue to roll out asset management and rigorous maintenance regimes to ensure we are positioned to deliver services in the future.

Careful and considered planning for increasing demand for utility services remains a priority as the Territory grows with significant private and public sector investment and a growing population.

Providing essential services to a small, geographically-dispersed customer base in a harsh climatic environment continues to pose unique challenges.

We continue to critically examine and re-engineer processes to drive further efficiencies without compromising safety or our obligation to reliably deliver power, water and sewerage services to over 85 000 customers across the Northern Territory.

Business processes, infrastructure maintenance, appropriate capital investment and tariffs have been, and continue to be, subject to detailed evaluation to ensure strategic and financially responsible service delivery.

Managing the Territory's electricity and water infrastructure, delivering services spread over 1.3 million square kilometres, requires a committed and dedicated workforce and I take this opportunity to recognise the Corporation's staff. I thank each of you for the part you play in delivering the vital services we provide to our communities.



John Baskerville
Managing Director

Year at a glance

GENERATION

Yulara Power Station: A fifth generating set, with a capacity of 2.2MW, was successfully commissioned in December 2012.

Tennant Creek Power Station: Replacement of the Set 15 engine is complete and we continue to look at ways to improve the reliability and efficiency of Tennant Creek's power supply.

Networks

Darwin CBD switching stations are being upgraded with new 11kV switchgear and express feeder cables. Work at Wood St switching station is complete and Mott St switching station is in progress.

Installation of a new 22kV switchboard for Manton, Acacia and surrounds, approximately 65 kilometres south of Darwin, is nearing completion.

Power supplies to the Inpex village near Howard Springs and the gas plant construction site at Blayden Point are either complete or on target to meet staged supply requirements.

Water

Advanced water treatment plants were installed in the remote communities of Ali Curung, Kintore and Yuelemu. The new technology improves drinking water quality for residents in these communities.

Sewerage

A \$6 million upgrade of the Katherine Wastewater Treatment Plant is complete. Less treated waste will flow into the river as a result of three major evaporative ponds and associated hydraulic structures being built at the plant. The plant is now positioned to cater for significant growth in the township for many years.



LED STREETLIGHTS ON TRIAL

Power and Water Corporation and the City of Darwin have installed the Territory's first Light Emitting Diode (LED) streetlights as part of a trial.

This new technology has the potential to improve light quality and significantly cut greenhouse emissions as well as reduce electricity and maintenance costs.

The trial involved installing 26 LED streetlights in Valder Crescent in Rapid Creek and VRD Drive in Leanyer.

It will test the effectiveness and efficiency of LED street lighting technologies over 12 months and seek public feedback on the look and impression of the lights.

A technical review of the commercial products available was completed before the streetlights were selected.

LED technology and the lifespan of LED lamps offer significant energy-saving potential.

If the trial proves successful, Power and Water and the City of Darwin will consider changing to LED street lighting over time.



TIDAL ENERGY TRIAL IN THE TERRITORY

Power and Water Corporation has signed a Memorandum of Understanding with Tenax Energy to build a 2MW tidal energy plant and tidal energy testing centre.

The Corporation is very interested in sourcing cost-competitive renewable energy for its customers.

Tidal power from the Clarence Strait has the potential to provide a significant percentage of Darwin's electricity supply.

Tenax will establish a 2MW tidal energy plant and tropical testing centre. It is envisaged a 10MW testing array will follow.

This staged process allows Power and Water Corporation to establish appropriate environmental and performance standards in a tropical environment.

Maintaining a tidal energy array in a tropical environment will potentially require new technical solutions but it is hoped this will prove a safe, reliable and inexhaustible energy source.

The region is one of the largest tidal resources close to a major centre, with a potential generation capacity of 450MW. Darwin's current peak demand is about 300MW.

The project is expected to generate power by 2015, reaching a commercial scale by the end of the decade.

Outlook for 2013-14

Electricity Generation

Channel Island Power Station: Major refurbishment of the oldest six generation units is progressing and will ensure the ongoing reliability of our largest power station. This year planned maintenance on sets 5 and 6 will continue, in line with the five-year works program.

Weddell Power Station: The new Set 3 is currently in testing, with commissioning scheduled for October 2013. This will add 43MW of high efficiency generation capacity to the Darwin-Katherine power system.

Power Networks

The new Woolner Zone Substation, to replace Snell Street Zone Substation in Darwin, will be brought into service. This will provide back-up to the City Zone, Berrimah and Casuarina zone substations.

Construction of the new Darwin Zone Substation, replacing City Zone Substation, is progressing and is expected to be commissioned in late 2014.

Frances Bay Zone Substation is in the second stage of development with completion expected mid-2014.

Construction of the Leanyer Zone Substation, in Darwin's northern suburbs, has commenced along with the associated 66kV overhead lines. Commissioning is expected in late 2014.

The new Strangways Zone Substation, which will replace the aging McMinns Zone Substation, is being designed. It will increase the security and reliability of supply in the Darwin rural areas and is due to be completed in 2015.

The significant investment in upgrading and augmenting the electricity network is aimed at improving the safety and reliability of the electricity services.

Water Services

Detailed investigation into sourcing further water options for the greater Darwin area is progressing. Work on additional bores to increase capacity within Power and Water Corporation's existing licenses will commence in 2014.

Tenders to build a new elevated water tank in the fast-growing Palmerston East area will be called in late 2013. Following stakeholder engagement, a 'wine glass' style was chosen and the concept design is complete.

Adelaide River will receive a new water treatment plant in 2014, with capacity to significantly reduce iron and other minerals that have caused aesthetic concerns. The treatment will also enhance the disinfection capability of the existing system.

Sewerage Services

A second sewer rising main will be built to East Point outfall to cater for increased treated wastewater following the closure of the Larrakeyah outfall. Environmental assessment of and detailed planning to extend the current seawater outfall will continue over the next two years.

The \$17m Borroloola sewerage upgrade will be completed. Pond upgrades, pump stations and most of the major new mains are in place. Finalising customer connections and decommissioning septic tanks has begun, providing a foundation for improved health and amenity.

East Vernon Island



Our performance

SERVICING OUR CUSTOMERS

Our customer charter commits to service delivery levels in every area of the business. We also commit to open and honest communication with our customers



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

It owns and operates over \$1 billion worth of infrastructure spread right across the Northern Territory.

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

Infrastructure development programs extend across these electricity, water and sewerage networks and power stations.

Good communication with stakeholders is key in ensuring that the Corporation is addressing community and stakeholder needs. The Regions and Program Development team has identified current and emerging issues affecting the broader community so the Territory's development needs can be met appropriately.

The Core Business Improvement Program was introduced this year and aims to deliver long-term sustainability for the Corporation by driving operating efficiencies and improved business processes across all business units and the Corporation more broadly.

Meeting demand

We project that electricity demand on the Darwin to Katherine grid will increase from a peak of 294 megawatts (MW) in 2012-13 to 301.94 in 2013-14. To meet this demand, we have installed a third electricity generation unit at Weddell Power Station on the Darwin to Katherine grid. This extra capacity allows the Corporation to continue its program of preventative, corrective and specific maintenance and replacement at Channel Island Power Station while continuing to meet electricity demand.

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

In the southern region, three dual-fuel high efficiency engines are fully operational at Owen Springs Power Station, 25km south of Alice Springs. The three 10.9MW units will cover increasing loads and allow retirement of the ageing infrastructure at Ron Goodin Power Station.

Gas supply

More than 90 per cent of the electricity we generate for our customers comes from natural gas.

In 2012-13, we sourced close to 100 per cent of our natural gas from Eni Australia BV's Blacktip gas field in the Joseph Bonaparte Gulf, which lies on the Territory's north-west coast.

The balance was secured from Darwin LNG pursuant to the Corporation's contingency gas supply arrangements.

Negotiations to provide additional contingency gas supplies continue with Inpex with formal agreements expected to be in place by December 2013.

We have continued to look at opportunities to use natural gas in place of diesel fuel for electricity generation and to satisfy market demand.

We are focused on increasing the use of gas in remote communities traditionally fuelled by diesel with a key focus on Wadeye in the short term. Due to its proximity to the Yelcherr Onshore Gas Plant, opportunities exist to replace diesel with gas generation for the community of Wadeye. Converting from diesel to gas generation is expected to save 57 000 tonnes of carbon over the life of the project and reduce diesel fuel consumption by over 2.5 million litres per annum.

Investigations are also continuing into the Compressed Natural Gas (CNG) being used as an alternative source of fuel for remote communities.

Improving reliability

The Top End's extreme weather patterns present a challenge to maintain a constant power supply, particularly during the wet season.

Trees, branches and palm fronds touching or falling onto powerlines cause many power outages in the Top End. To reduce the likelihood of this, the Corporation is increasing its program of vegetation management around powerlines in the urban and rural areas. Specialised trimming equipment is used including the 'Jarraff' - a 30-metre telescopic, insulated boom fitted with a cutting wheel mounted on an all-terrain truck. This significantly increases accessibility and allows trimming during the wet season when access can be difficult.

Networks infrastructure is also vulnerable to wildlife including snakes and fruit bats. Composite fibre cross-arms, longer insulators, vermin guards and bat covers improve electrical insulation on power poles.

During the dry season helicopters are used to patrol powerlines and identify maintenance needs in more remote and hard-to-access areas. We use thermal scanning and insulation resistance testing to schedule maintenance and repairs.

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

Significant investment has gone into zone substations, which transform power from high transmission voltages to lower voltage for distribution into the suburbs. System reliability will improve with the construction of the Woolner, Darwin and Strangways zone substations, which will replace ageing substations.

The Leanyer Substation, which is currently under construction, will provide backup to the Casuarina Substation in the northern suburbs allowing for load growth in the area. Similarly, Frances Bay Stage 2 will provide capacity for load growth and back-up supply to the Darwin CBD.

Regional areas including Katherine and Alice Springs have already seen 'end of life' equipment replaced and upgrade works take place.

In the regional town of Katherine, 300km south east of Darwin, a 132 kV transformer and circuit breakers have been replaced and a new switchboard installed with 22kV switchgear.

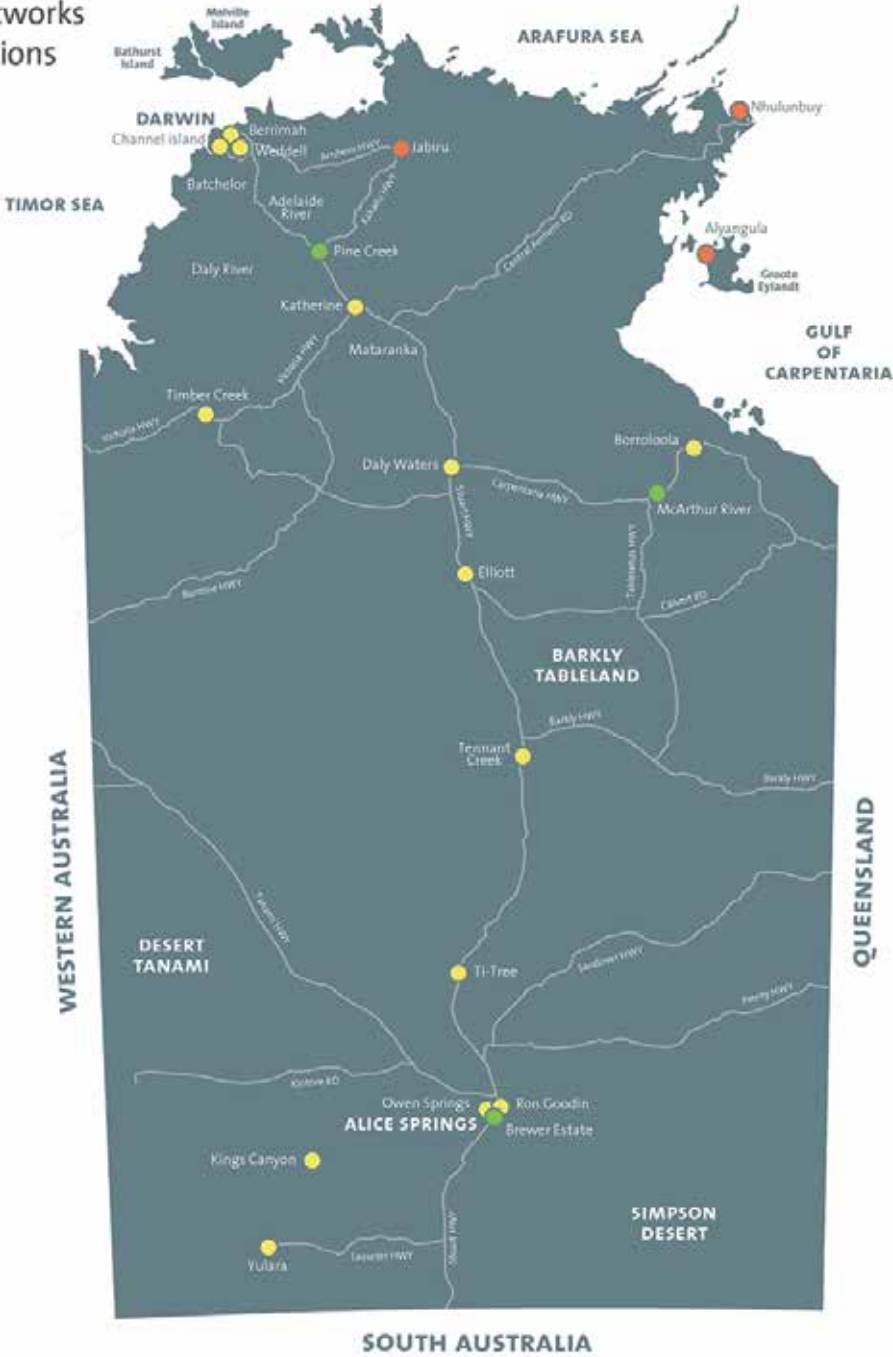
Major projects have been completed in Alice Springs, including the upgrade of the Lovegrove Zone Substation to connect the 66kV high voltage transmission from the new Owen Springs Power Station, designed to meet the town's power needs for the next 50 years.

This financial year we spent \$79.5m on repairs and maintenance on the power network, an increase of 10 per cent on the previous year.

Asset Management Capability (AMC) systems were introduced in 2012. These systems greatly improve monitoring of infrastructure maintenance programs and we are now looking to ensure they are developed and used to their full potential.

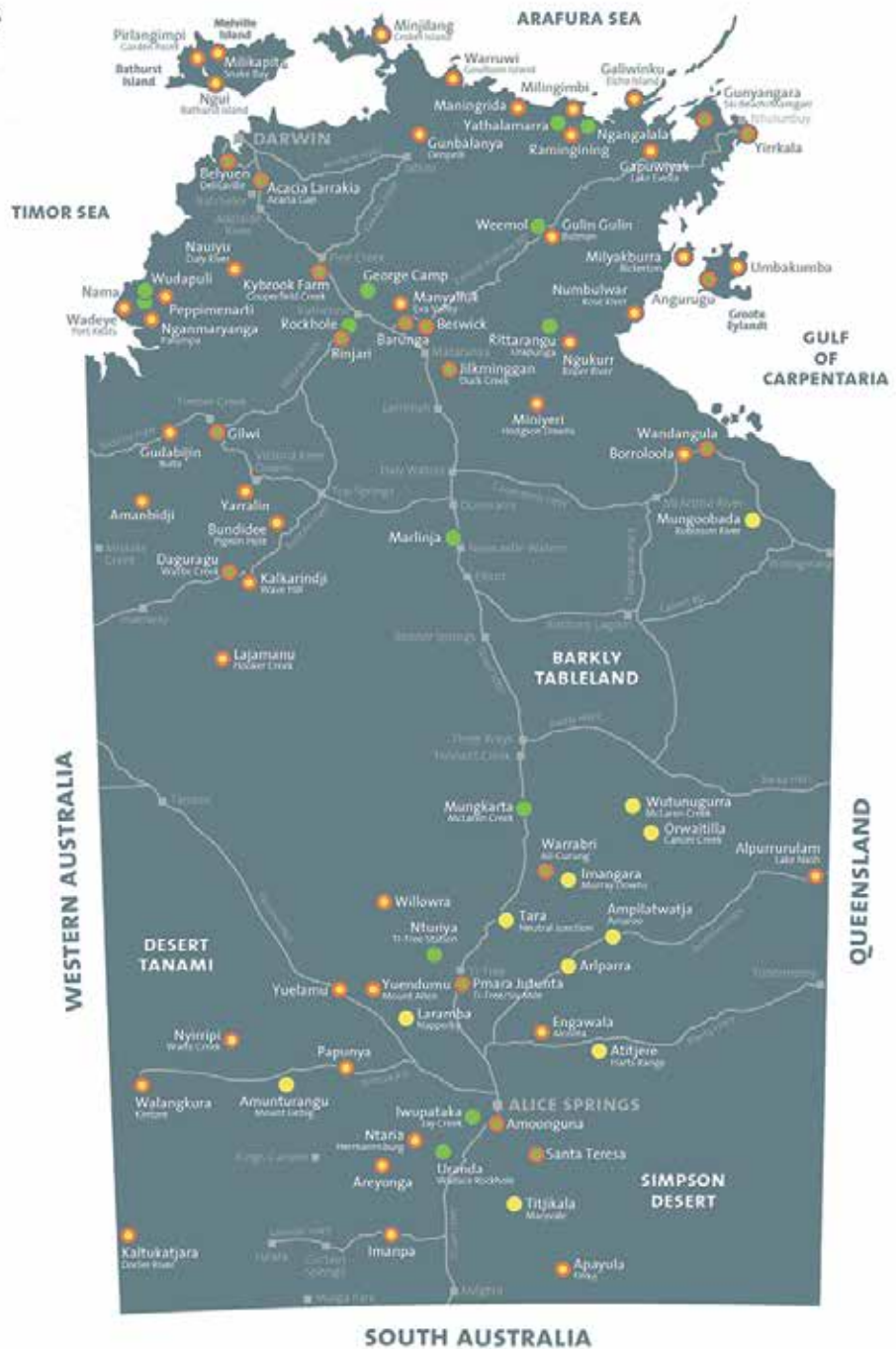
NT generation, power networks and electricity retail locations

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



Indigenous communities power, water supply and sewerage services

- POWER STATION
- TRANSMITTED POWER SUPPLY
- SEWERAGE SERVICES





Water and sewerage

Water for the future in the Top End

Power and Water Corporation is working to ensure we continue to enjoy reliable, quality water supplies into the future.

Even in a region with reliable wet season rainfall, managing water needs is a priority given increasing demand from development and population growth. Based on current usage patterns, a new source may be needed within a few years.

Darwin River Dam provides about 85 per cent of current water needs, or 37 000 mega litres per year, with the balance drawn from the McMinns and Howard East borefields.

There have been many seasons in the life of the Dam where recharge from rainfall was below the total extraction. In addition, about 65 per cent of available water is lost each year through evaporation.

The Corporation is investigating future water source options, particularly given that water resource expansion projects typically have long lead times.

We are also increasing the focus on water conservation. Darwin's population uses two to three times the amount of water per person compared with other cities in Australia.

Sustainable urban water management includes:

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

Works to minimise water loss from water mains infrastructure are ongoing.

Water main leakage and replacement program

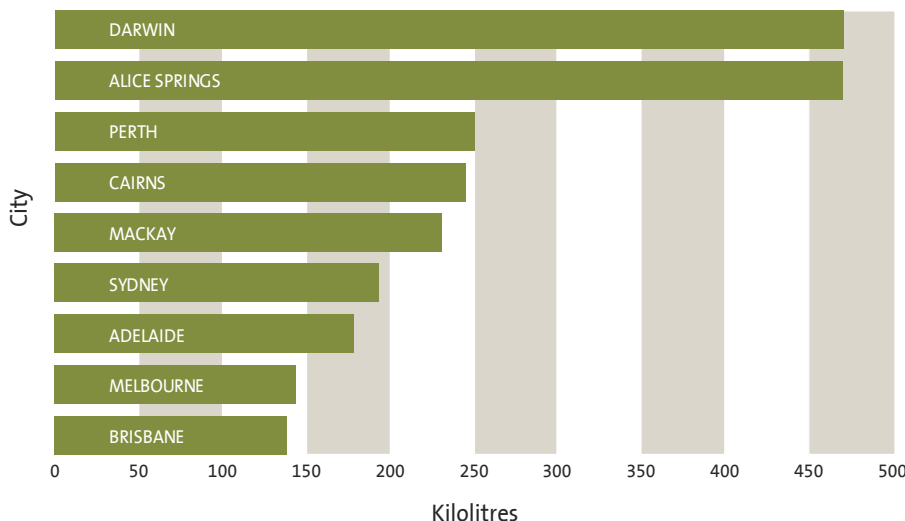
Power and Water continues its annual \$2m asbestos cement water main replacement program across the Territory's urban centres. We are replacing ageing water mains that have deteriorated in condition.

The use of advanced detection equipment and specialised mobile vans in both Alice Springs and Darwin is providing valuable leak detection and minimising water loss.

Leak detection vans patrol Darwin and Alice Springs, using highly sensitive listening probes to identify underground leaks that can't be detected on the surface.

This early identification reduces the cost of repairs and maintenance but more importantly saves precious water. The Corporation also relies significantly on the public and customers to assist its program of water loss and waste identification.

Average consumption in kilolitres (1000 litres) of water per person per property per year (NPR 2011/12)





Alice Water Smart

Alice Springs is leading the Territory in water conservation with the two-year Alice Water Smart Project already identifying 1600 million litres of water savings for Alice Springs and revealing opportunities to find greater savings.

Key to the project's success has been the development of tools that the community will be able to use for years to come, such as the Alice Water Smart Guide and the on-line garden irrigation scheduling website.

Alice Water Smart looked at ways to save water in homes, businesses, parks and ovals, tourist accommodation, as well as reducing losses from the water supply system and substituting potable water use in irrigation by using recycled water.

Highly sensitive listening probes and sophisticated mobile in-pipe sensing equipment helped identify underground leaks that cannot be detected on the surface. The ability to establish the location and magnitude of leaking pipes has reduced the cost of repairs and maintenance across the mains network and more importantly, saved precious water.

Over 500 million litres of water savings have already been identified in Alice Springs homes, with only 10 per cent of homes audited to date, providing a firm foundation for future investment in water efficiency programs.

The Alice Water Smart Project has found that:

- More than 80 per cent of all water savings identified in homes was from two key areas: leaks and irrigation controllers that were set inappropriately.
- One in three homes had a leak, with one third of those wasting more than 250 kilolitres a year. This is more than the average Australian household water use.

- The average annual consumption of the 1 000 homes audited was 792 kilolitres a year which is over the average reported residential annual usage of 540 kilolitres a year for all Alice homes. On average 11 per cent of this was attributed to leakage and 56 per cent to garden water use.
- Every business that was audited had a leak and some were costing business owners over \$10 000 a year.
- Most of the water savings identified for businesses had investment payback periods of less than 12 months.

Eight hundred of those audited were contacted again to see how they were progressing with the recommendations given to them. More than 90 per cent had fixed their leaks, 80 per cent had made changes to their irrigation and 45 per cent said they were taking shorter showers.

A major expansion of the existing Alice Springs Water Reclamation Plant that will improve the quality and the quantity of the recycled water by building additional storage, treatment and pipelines is nearing completion. When completed at the end of 2013, commercial users south of The Gap will have the option of using recycled water for unrestricted irrigation purposes.

Alice Water Smart is supported by the Australian Government's Water for the Future initiative and the Alice Water Smart consortium.

The Power and Water Corporation leads the consortium, which comprises the Department of Land and Resource Management, Arid Lands Environment Centre, Alice Springs Town Council and Tourism NT.

Key Alice Water Smart initiatives that will continue until the end of 2013 to help the community realize further water savings include:

Alice Water Smart Homes and Businesses:

- Promote and broaden the content in the Alice Water Smart Guide to help the community continue to change their water use habits;
- Follow up with homes and businesses to help them implement actions in the Alice Water Smart Guide

Alice Water Smart Water Reuse

- Deliver recycled water to businesses and organisations south of Heavitree Gap for irrigation use.

Alice Water Smart Reticulation

- Install permanent flow, pressure and leak monitoring equipment to better manage water losses from the water supply system on an ongoing basis.

Alice Water Smart - Smart Metering

- Provide 100 businesses and 200 households with remote metering devices which will enable online access to real-time water use. This will provide easy identification of leaks and better management of their water use on an ongoing basis.

Wastewater treatment

Power and Water Corporation operates wastewater treatment plants in all of the Territory's five major centres and five of the minor urban centres.

In most centres, treatment is via waste stabilisation ponds.

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

Annual asset management plans have been updated and submitted to the Utilities Commission as required under the *Water Supply and Sewerage Services Act*. These plans cover the 18 water supply and 10 sewerage service licence areas we manage.

Our sewerage treatment strategy aims to:

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

A \$20m Ludmilla Wastewater Treatment Plant upgrade has boosted the plant's capacity threefold.

The upgrade, completed in April 2013, means the plant has the capacity to treat increased flows of effluent from the Darwin CBD and was made following the closure of the Larrakeyah Outfall.

Treated wastewater will be diverted to the East Point Outfall. A second sewer rising main to cater for the increased flow will be built in 2013-14 and detailed planning on the potential extension of the outfall continues.

In Katherine, three new major evaporative ponds provide capacity for the township to grow without needing to discharge to the environment during the wet season. The \$6m upgrade project was completed this year.

Reticulated sewerage will be introduced into parts of Borroloola this year. Pond upgrades, pump stations and most of the major new mains are in place and customers are being connected to the new system.

We continue to improve sewerage services through treatment upgrades and sewer relining programs in Darwin, Katherine, Tennant Creek and Alice Springs.

Communicating with our customers

Twitter

Social media is becoming an increasingly important way to help keep our customers connected, informed and most importantly, safe during critical periods.

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

It supports communication with our stakeholders - particularly during the wet season when outages and supply interruptions are most common and customers need quick, factual information. Importantly, our messages are re Tweeted by media and other followers potentially extending our reach to 10s of thousands of customers.

We also use it to advise of planned works, retail hours and other relevant messages.

Creating awareness

We have a number of tools to help our customers see how their power and water bills add up and where they can reduce their usage - saving money and reducing our impact on the environment.

The Green Guide, available online and in print, covers everything from home design and appliance choice to how much water evaporates from an uncovered pool.

The Virtual Energy Audit and Savewater audit can be customised to show where customers use the most water and electricity, so they can identify choices that can help reduce their bill.

In addition, the Corporation runs annual safety awareness campaigns in preparation for the tropical cyclone and storm season. These help customers prepare for the potential damage heavy rains or high winds may cause and minimise the risk of injury from power and water infrastructure if there is a major storm event.

Above all, our staff stay well informed across issues affecting our customers and are available to answer their questions in person. We have retail shopfronts in Darwin, Palmerston, Katherine and Alice Springs and a Darwin-based call centre staffed seven days a week.

We also have information stands at the annual show in each major centre and our staff are on hand throughout to talk with customers, explain their bills or answer questions about issues like connecting a rooftop PV system to the electricity grid.

Customers in need

We appreciate our domestic consumers might experience unexpected challenges such as unemployment or reduced income, ill health or disability. Through the 'stay connected' program we support customers fairly and respectfully while operating within commercial guidelines.

Seeking feedback

Feedback from our customers is important and provides the information which enables us to strive to continually provide excellent service. Regular surveys provide valuable information about our customer satisfaction levels. Overall, results of the 2012-13 survey indicate that satisfaction remains high at 85 per cent with residential customers and 83 per cent with business customers. This is a pleasing result amid public concerns regarding tariff increases, the tariff roll-back and subsequent rebilling from 1 January to June 30.

Community engagement

The Power and Water Corporation has embarked on a community engagement program with presentations given to various interest groups and audiences. These sessions provide helpful information on reducing water and energy consumption and saving money on utility bills.

Water and energy use audits have also been undertaken in some schools and businesses identifying where savings can be made and more sustainable practices adopted.

We work with remote communities to inform and educate residents about how to reduce their power consumption and make them aware that active steps to reduce consumption can help to reduce the financial impact.



ADVANCED WATER TREATMENT FOR THREE REMOTE INDIGENOUS COMMUNITIES

Residents of three remote communities are enjoying improved water quality following the installation of advanced water treatment plants.

In 2012-13 work on water treatment plants in Ali Curung, Kintore and Yuelamu was completed, making the water better to drink and use for everyone in the communities.

The technology being used is electrodialysis reversal and has been selected as it is robust and efficient, suiting the conditions in these communities.

The treatment removes naturally occurring mineral particles, improving the taste of the water and reducing calcium build up on infrastructure. The flow on from this is better health outcomes for residents and lower maintenance on taps, pipes and appliances in homes.

Noel Hayes has lived in Ali Curung for 35 years and welcomes the new water filter machine.

"The water looks clearer and tastes a lot better than it did before," he said.

"It's early days but when people get more used to it and it's summer time, they will probably drink gallons of it. It's good because less calcium in the taps means they won't leak as much and we won't have to keep getting them fixed."

Funding for the project was provided by the Northern Territory Government as part of the Water for Healthy Communities program.



SUPPORTING THE COMMUNITY

The power and water corporation is one of the territory's largest organisations with a proud history of supporting our communities through our sponsorship program. We support the arts, sports, education, environment, business and community, reflecting the diversity of our customers

COMMUNITY PARTNERSHIPS

We partner with many community focused organisations across the Territory.

Power and Water Corporation volunteers helping out in the toy room at the 2012 Special Children's Christmas Party.

Buying local

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

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

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

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

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

The Corporation advertises tender opportunities two months before they are released via the Government Tenders Online website and then provides industry briefings when needed.

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

Our performance

We recognise that our people are our greatest asset. Our focus is on developing our own employees whether through formal traineeships and graduate programs or through informal on-the-job training, job rotation opportunities and keeping our workforce safe. We have over 1 000 staff living and working in the Territory. There are also 155 relief and full-time Essential Services Operators who operate and maintain the supply systems in remote Indigenous communities through contracts with shires, councils or private contractors and are supported by Power and Water Corporation's Remote Operations team.

Essential Services Operators

Essential Services Operators (ESOs) play a key role in keeping electricity, water and sewerage services operating in major remote towns and remote communities.

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

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

In communities, Power and Water Corporation works with shires, councils, private contractors, pastoral companies, Indigenous incorporated bodies and community government councils to maximise Indigenous employment opportunities. At present 45 per cent of our ESOs are Indigenous.

Employee satisfaction

Our 2012-13 employee satisfaction survey showed that satisfaction remains high with 71 per cent of employees rating their overall satisfaction as six out of 10 or higher and 89 per cent rating Power and Water Corporation as the organisation they want to work for.

Employee satisfaction is broadly comparable to results from other companies in the energy sector and Australian industry in general. The percentage of employees recommending the Corporation as a good employer (89 per cent) is well above the national industry standard.

Safety

Protecting the health and well-being of staff, contractors and the general public is our highest priority. Our safety vision is zero harm - through reduced exposure to hazards and risks, achieved through a practical safety management system and governed by an effective safety structure with strong accountability and leadership across the organisation.

Health and safety performance -

The Corporation recorded six Lost Time Injuries (LTIs) this year, exceeding the target of four or less, with an average of six days lost per LTI. All reportable incidents were submitted to NT WorkSafe within the legislated timelines. There were eight incidents reported to the regulator.

We continue to be proactive about health and safety, with these key programs implemented this year:

- **Fatigue Policy** – ensuring fatigue risk is actively managed. Our emphasis is on changing practices in high-risk work areas such as operational staff that are on call or involved in shift work.
- **Fitness for Work Policy** – managing risks such as drugs and alcohol, stress, noise and heat. It helps staff and management recognise these issues and ensure the risks they present to the workplace are eliminated.
- **Single Person Task Procedure** – identifying specific tasks that are unsafe to undertake in isolation. We now encourage a number of ways, appropriate to the various tasks, to reduce the risks.
- **Manual Handling Training** – providing formal manual handling training to all staff during their corporate induction. This includes safe lifting techniques, stretching exercises and encouraging regular breaks from repetitive tasks to reduce the risk of injuries.
- **Contractor safety** – the Contractor Safety Team made 609 site visits/inspections and 31 audits during the 2012-13 reporting period.
- **Personal Protective Equipment (PPE) Streamlining and Efficiency Program** – the procurement of PPE has been streamlined, ensuring appropriate PPE availability and delivering cost savings.





Training and apprentices

In 2012 -13, Power and Water Corporation welcomed 16 new apprentices, bringing the total number to 88.

The Corporation's apprentices were recognised for their outstanding achievement with the following awards:

GTNT Awards

Alice Springs

Outstanding Apprentice Stage 1
David Kearns

Outstanding Apprentice Stage 2
Jaco De Wet

Outstanding Apprentice Stage 3
Joshua Starick

Training and development

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

This year, 82 employees accessed study assistance to complete vocational, undergraduate and post-graduate qualifications.

Leadership and management programs have been a strong focus over the last few years and have given us a good foundation for the future.

Our workplace acknowledges and recognises Indigenous culture and opportunities, and this will continue to be a priority building on our Indigenous Employment and Career Development Strategy.

A greater focus on planning for learning and development needs - and the efficiencies this will provide - is a priority. We are aspiring to build capacity and empower our experts to share their knowledge within the Corporation.

Darwin

Apprentice of the Year
Grant Walker

Outstanding Apprentice Stage 1
Hayden Kennaway

Gipps TAFE Awards

Outstanding Second Year Apprentice
Brody Gamble

In February 2012, seven new graduates from engineering and science disciplines commenced the Graduate program. February 2013 saw seven new graduates begin their first year of the program and join the graduates entering their second year of the program. In 2014 five graduate engineers will complete the program and take up permanent positions within Power and Water Corporation.

Environment and sustainability

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

Renewable energy legislative compliance

In June 2009, the Australian Government introduced Renewable Energy Target (RET) legislation to achieve 20 per cent electricity generation from renewable energy sources by 2020.

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

Power and Water Corporation met its 2012 obligation of 139 284 LGCs and 364 727 STCs totalling 504 011 RECs, up from 317 034 in 2011.

For 2013, the forecast obligation is 162 118 LGCs and 299 880 STCs. The targets are based on a calendar year.

Rooftop PV rollout

Five hundred and sixty Territory home owners installed rooftop photovoltaic (PV) systems and connected to the Corporation's grid in 2012-13. This is a considerable expansion in rooftop PV right across the Territory, attributable to a decrease in the cost and the solar credits legislation of June 2009.

By June 2013, there were 715 rooftop PV systems connected in Central Australia and 1350 in the Top End. Many larger systems have been installed on some commercial buildings and schools.

Rooftop PV now generates enough electricity in Alice Springs for it to be noticeable when cloud passes over the town. Small perturbations on the daily load curve at the power station were noticed in April 2010 and were found to result from cloud reducing the output from the solar generation.



WASTEWATER TREATMENT AT LEANYER AND SANDERSON PONDS

Power and Water Corporation is looking at ways to improve the quality of treated wastewater released from its Leanyer / Sanderson ponds and increase the potential for recycling.

We have worked continuously to improve the performance of the ponds.

Recent improvements include:

- modifying the channels to improve pond hydraulics;
- installing baffles in ponds to increase retention times;
- installing aerators in ponds to assist with nutrient removal; and
- accelerating the routine desludging program.

At Leanyer / Sanderson wastewater is treated in two parallel pond sets by a natural biological system, with natural ultra violet light on the ponds reducing pathogen levels.

This pond treatment is a low cost and energy efficient method of secondary treatment, particularly suitable for warm climates.

Some 400 million litres of effluent is further treated for irrigation use at North Lakes Golf course and Marrara Sporting fields. Treated wastewater is also released into Buffalo creek in accordance with regulatory licence requirements.

All wastewater treatment is in accordance with regulatory requirements.

Alice Solar City

Power and Water Corporation was a proud founding consortium member and stakeholder in the five-year Alice Solar City project, which concluded in June 2013.

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

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

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

Project achievements include:

- 2711 home energy efficiency surveys conducted (30 per cent of all homes);
- Businesses participation representing 47 per cent of the commercial sector's energy consumption;
- Installation of 277 rooftop photovoltaic systems and 908 solar hot water systems on homes;
- A total of 4MW of solar capacity installed meeting 3 per cent of total electricity needs and 10 per cent of daytime power requirements;
- Five iconic projects including the 1MW 'Uterne' solar power station;
- Over 800 residential smart meters installed;
- 600 participants in a cost-reflective tariff trial, the first major trial of its kind in the Northern Territory.

Outcomes:

- An average 16 per cent reduction in power bills from replacing household electric hot water with solar;
- 12GWh estimated energy savings, resulting in 9 000 tonnes greenhouse gas savings per annum.

Environmental sustainability

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

Power and Water Corporation will continue to study usage in 2013-14 to assess the impact of carbon pricing under the Australian Government's 'Clean Energy Future' policy.

Environmental compliance

Power and Water Corporation is committed to pursuing industry best practice to deliver services in an environmentally sustainable way and minimise any adverse effects on the environment from our operations.

We lodged an Energy Efficiencies Opportunities (EEO) Assessment Plan, as required, with the Australian Government. The program is intended to increase energy efficiency by improving the identification, evaluation and implementation of cost-effective energy saving opportunities.

Environmental Management System

Since 2006, Power and Water Corporation has operated under an ISO14001 certified Environmental Management System (EMS). Following a recent review the Power and Water Corporation Board made the decision to exit the certification program, however Power and Water Corporation continues to operate under the same business procedures and processes for environmental management. The Corporation remains committed to doing quality work at the highest standards of environmental management and a strong program of continual improvement, and is currently developing a new EMS tailored to business requirements. The new EMS will be based on the IOS 14001 standard

and will provide guidelines for the systematic identification, quantification and management of environmental risks through an effective risk assessment process.

Our Health, Safety, Environmental and Quality Policy can be viewed at www.powerwater.com.au

Environmental risk management

There is an inherent risk of environmental incidents in Power and Water Corporation's business and considerable planning goes into minimising our impact on the environment.

Operational risks are identified and classified through facility-based risk registers, which inform management's response. All operational environmental risk registers were reviewed in 2012-13.

Power and Water also conducts environmental risk assessments of all its capital works projects. If a project creates a significant risk the Environmental Services Group conducts a full assessment. Compliance with the Environment Protection and Biodiversity Conservation Act is also assessed and, where required, a referral is made to the Federal Government.

The only project under formal assessment by the regulator in 2012-13 was the East Point Rising Main, part of the Larrakeyah Outfall Closure Project. This gained approval at the Public Environment Report (PER) level and is now under construction.

Incident reporting

Power and Water Corporation records all environmental incidents related to its projects and operations.

Under section 14 of the *Waste Management and Pollution Control Act (WMPCA)* Power and Water Corporation is required to formally report any incidents which cause, or threaten to cause, pollution resulting in material or serious environmental harm. The reports are required to be made to the Environmental Protection Authority (EPA).

The EPA was informed of all significant incidents in 2012-13 and none were deemed to require formal reporting. The majority related to wet season sewage overflows, remote site fuel spills and lost containment of transformer oil.

Sewage overflows are commonly caused by ingress of stormwater into the system, resulting in highly diluted, low-risk material being lost to the environment. Projects are underway to reduce the likelihood and consequences of spills including relining pipes to reduce ingress and upgrading treatment plants to increase capacity.

Remote community fuel spills have been caused by mechanical failure. Spills occurred at Milyakburra and Hermannsburg, but only affected the Power and Water Corporation compound. Remote Operations is working to deliver engineering solutions for secure storage, handling and transport of diesel.

A transformer at Pine Creek was found to be leaking oil. An investigation is being conducted in consultation with the EPA to determine the extent of the leak and any environmental impacts. This type of infrastructure is being progressively upgraded to reduce the risk of leakage.

National Greenhouse and Energy Reporting

Power and Water Corporation is required to be registered under the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*. Under the Act, we must report annually on greenhouse gas emissions, energy production and energy consumption from all facilities under our operational control.

In 2011-12 we reported emissions of 1 165 067 t CO₂-e, consuming 20 884 975 GJ (gigajoule) of energy and producing 6 206 706 GJ of energy. Our four largest power plants (Channel Island Power Station, Weddell Power Station, Ron Goodin Power Station and Owen Springs Power Station), generated more than 90 per cent of these emissions.



NEW WOOLNER ZONE SUBSTATION

The new Woolner Zone Substation is fully operational.

Woolner is replacing Snell Street Zone Substation, which is nearing the end of its operational life, supporting power services into the city, industrial areas and northern suburbs.

The new substation has all equipment indoors ensuring a protected environment from dust and extreme weather, reduced noise and greater security.

It has the gas insulated switchgear being rolled out across the Territory, addressing the impact of our harsh environment on the power network.

The substation transforms the 66kV power from the power station to 11kV before it is distributed to 10 000 customers in surrounding suburbs via overhead and underground powerlines. It is expected to have a 50-year lifespan.

Woolner Zone Substation is part of an extensive program to improve the power network across the Territory.

Additional reporting was required in 2012-13 in relation to Carbon Tax liability. Based on emissions the four above-mentioned sites were liable and required to submit an Interim Emissions Number (IEN – estimate of 75 per cent of facility emission/production figures).

Power and Water Corporation's NGER data and processes were subject to an external audit from the Clean Energy Regulator. PricewaterhouseCoopers conducted the audit, testing data collection, analysis and governance for Scope 1 emissions from Channel Island, Weddell, Ron Goodin and Owen Springs power stations. They found no non-conformances, demonstrating the Corporation's high level of performance in emissions measurement and reporting.

National Pollutant Inventory

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

The Corporation reports to the NPI annually. In 2011-12 we submitted data for 21 substances from 40 facilities. The report can be downloaded from www.npi.gov.au

Licence compliance

The Corporation holds Waste Discharge Licences (WDL) under the *Water Act* for discharges from wastewater treatment plants. These licences require monitoring of effluent quality along with the environment where the effluent is discharged.

The Environmental Services Group conducted an audit of Power and Water Corporation's performance against WDL requirements. They found the Corporation's activities and actions complied with licence conditions.

Prosecutions

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

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

KEY PERFORMANCE INDICATORS

Power and Water Corporation sets its own key performance indicator target for customer service and supply reliability. The following tables illustrate how our results compare with our targets in 2011-12.



Service key performance indicators (KPIs)					
Objective	Measure	2012-13 Target	2012-13 Result	Comments	
Drive improved asset performance, balancing both commercial and stakeholder perspectives	SAIDI¹ Networks Duration Interruption²			All values shown are adjusted in accordance with the current Electricity Standards of Service Code for Distribution Network Reliability only.	
	Darwin	< 220 min	168 min	Benign 2012 wet season. No cyclones or major weather incidents caused damage.	
	Katherine	< 401 min	286 min		
	Tennant Creek	< 411 min	487 min		
	Alice Springs	< 108 min	49 min		
	SAIFI³ Networks Frequency Interruptions²				All values shown are adjusted in accordance with the current Electricity Standards of Service Code for Distribution Network Reliability only.
	Darwin	< 4.2 min	3.2 min	Benign 2012 wet season. No cyclones or major weather incidents caused damage.	
	Katherine	< 9.6 min	5.2 min		
	Tennant Creek	< 9.8 min	11.7 min		
	Alice Springs	< 2.9 min	1.5 min		
	Water main breaks per 100km				Darwin and Alice Springs water main breaks are within the SCI target levels.
	Darwin	<= 40	17	The number of sewerage Breaks and chokes has reduced from the targeted figure due to proactive Trade waste Management and active re-lining programs.	
	Alice Springs	<= 40	18		
	Sewerage chokes and blockages per 100km				Achieved results within the SCI target levels.
	Darwin	<= 29	16	The number of water main breaks has reduced from the targeted figure due to the implementation of the AC replacement program over the last few years combined with the replacement of targeted mains with repeated failures	
	Alice Springs	< 35	9		
Water quality complaints per 1000 properties				Darwin and Alice Springs water quality complaints trends are within the SCI target.	
Darwin	<= 3	2			
Alice Springs	<= 3	1			

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

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

³ System Average Interruption Frequency Index (SAIFI): Reflects outcome of Utilities Commission's (UC) Standards of Service

1 Average duration (minutes) a customer is without supply of drinking water due to an unplanned water outage.

2 Frequency customers are without access to the water supply service (per 1 000) customers without 24 hours notice.

3 System Average Interruption Frequency Index (SAIFI): Reflects outcome of Utilities Commission's (UC)



Service key performance indicators (KPIs)				
Objective	Measure	2012-13 Target	2012-13 Result	Comments
Achieve high level of customer and employee satisfaction	Average call response time ⁴	>= 63%	39%	Retail introduced a call-back facility during November to help improve performance during high call volume periods. The 1 January 2013 tariff increase and subsequent tariff roll back announced on 28 March 2013 has seen the call centre significantly challenged to meet the high number of calls received. This has resulted in an increase in wait times and some abandoned calls.
	Average time taken to answer a call	<= 20 secs	180 secs	There has been a significant increase of 21% in call volumes from the previous year, which had recorded an increase of 14% from 2010-11. Increases were experienced from November 2012 and remained at sustained high levels to the end of June 2013.
	Customer Satisfaction Index: Domestic ⁵	>= 82%	85%	Levels of customer satisfaction have declined. This is attributed to tariff increases and issues with rebilling and bill confusion.
	Customer Satisfaction Index: Commercial ⁶	>= 98%	83%	
	Connections to existing electricity supply properties within 24 hours ⁷	>= 90%	99%	Over the past 12 month period there were 11 060 connections with 10 974 completed within the required 24 hr turn around timeframe.
	Connections to new subdivisions in major urban areas within five working days ⁸	>= 90%	92%	Connections to new subdivisions in major urban areas have shown a 4% improvement on 2011-12 and are meeting our target.
	Connections to new subdivisions in major urban areas where minor extensions or augmentation is required ⁹	>= 95%	96%	The target KPI has been met with the result showing a significant improvement on 2011-12 figures of 5%.

⁴ Call Response: Percentage of calls answered within 20 seconds reflecting the outcome of the Utilities Commission's Standards of Service Review to report performance.

⁵ Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population.

⁶ Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population.

⁷ Reflects outcome of Utilities Commission's Standards of Service and Electricity Retailer Incentive Scheme Reviews to revise reporting metrics and establish performance targets from 2012-13 onwards.

⁸ Percentage of new service connections to an electricity supply within five working days of receipt and verification of certificate of compliance from the contractor. Covers major urban areas.

⁹ Percentage of customers connected within 26 weeks of receipt of customer contributions in accordance with Power and Water's Capital Contributions Policy. Covers major urban areas.



Service key performance indicators (KPIs)				
Objective	Measure	2012-13 Target	2012-13 Result	Comments
Have a safe workplace	Lost Time Injuries (LTIs)	<= 4	6	While PWC did not reach the target of <=4 there has been significant improvement from the previous year of 11.
Develop an achievement oriented organisational culture	Staff Satisfaction Index	>= 81%	71%	<p>The results from our 11th annual staff satisfaction survey are giving us vital feedback to support a move to increased organisational effectiveness.</p> <p>71% of respondents rated their satisfaction as six or more out of 10 (10 being the highest). This is a decline of 7% on last year's results.</p> <p>89% of respondents said that Power and Water is an organisation they want to work for and 97% agreed that their team is committed to doing quality work.</p>
Meet our environmental and sustainability obligations in a commercially responsible fashion	Emission Performance kg CO ₂ -e per megawatt hours (MWh) sent out			<p>The slightly higher CO₂ emissions were a result of lower than planned plant efficiencies caused by:</p> <ul style="list-style-type: none"> • Unplanned outages on high efficiency aero engines at Channel Island Power Station; • Extended major maintenance on steamer block at Channel Island Power Station; • Constraints and issues with MAN Diesel units at Owen Springs Power Station which resulted in an increased utilisation of less efficient engines at Ron Goodin Power Station.
	Combined major and minor power stations	<= 563	566.7	
	Water Demand ¹⁰			Development and implementation of a water efficiency program for Darwin and regions will commence in 2013-14 with the aim to further reduce water demand.
	Darwin	<= 455	443	The Alice Springs Water Smart project is expected to continue to deliver demand reductions over the next 3 to 4 years.
	Alice Springs	<= 536	454	
	Real Water Losses ¹¹			Both centres' result increased compared to the previous year but remained within the variation of long term annual water losses of between 100 and 450 l/connection/day.
	Darwin	<= 370	416	
Alice Springs	<= 220	428	The water efficiency programs in both Darwin and Alice Springs have initiatives to reduce real water losses over the next 3 to 4 years.	

¹⁰ Water Demand expressed as kilolitres (KL) per property (3 year rolling average).

¹¹ Real water losses expressed as litres per service connection per day.



CORPORATE GOVERNANCE PRINCIPLES

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

Principle 1

Lay solid foundations for management and oversight

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

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

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

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

As required by under the *Government Owned Corporations Act*, there is an Audit and Risk Management Committee which oversees our financial management, external reporting, audit, risk management and statutory and other compliance. KPMG provided internal audit services throughout the financial year. The committee met five times during the year.

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

The Corporation's Board receives performance reports from each of the business units which report progress against Key Result Areas and Key Performance Indicators from the Statement of Corporate Intent. Various Board and Committee papers and briefings are provided as required. The Company Secretary/ General Counsel provides administrative and legal support to the Corporation's Board, its subsidiary Board and the Managing Director, including advice on corporate governance related issues.

Principle 2

Structure the Board to add value

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

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

Principle 3

Promote ethical and responsible decision making

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

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

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

Principle 4

Safeguard integrity in financial reporting

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

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

Internal audit provides assurances that:

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

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

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

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

Principle 5

Make timely and balanced disclosure

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

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

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

The Corporation's Chairman and Managing Director appeared before the Government Owned Corporation's Scrutiny Committee on 27 June 2013 to answer questions on the activities, performance, practices and financial management of the Corporation.

Principle 6

Respect the rights of shareholders

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

The *Government Owned Corporations Act* gives the shareholding minister and the portfolio Minister a right to direct the Corporation under certain circumstances. A copy of any such statutory directions must be tabled in the Legislative Assembly within six sitting days. There were no statutory directions during 2012-13.

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

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

Principle 7

Recognise and manage risk

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

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

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

Principle 8

Remunerate fairly and responsibly

Director's remuneration is disclosed in Note 26 to the financial statements. Conditions of service and remuneration arrangements for executive contract officers are in accordance with the *Public Sector Employment and Management Act*.

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



Water tank at Wurrumiyanga Bathurst Island

Economic

2014 Network Price Determination

– The NT Electricity Networks (Third Party Access) Code requires the Commission, in consultation with interested parties, to set electricity network prices for the next regulatory control period ie. 1 July 2014 to 30 June 2019. This review and consideration of the price regulation methodology to apply from 1 July 2014 is referred to as the ‘2014 Network Price Determination’ (2014 NPD).

This process is important for Power and Water Corporation as it sets Power Networks’ revenue for the five years commencing 1 July 2014. This revenue is required by the Corporation to cover its capital and operating requirements relating to the electricity networks business, including earning an appropriate return on and of (depreciation) assets, and meeting the distribution and transmission network performance target standards approved by the Commission to apply from 1 July 2014.

The 2014 NPD process requires Power and Water Corporation to submit a detailed proposal and supporting documentation which specifies Power

Networks’ revenue requirements over the regulatory period 2014-15 to 2018-19. The Commission will review Power and Water Corporation’s submission and issue a draft determination which will include a public consultation process. Following the consultation process the Commission will issue a final determination.

Standards of Service – The Commission promulgated a new Electricity Standards of Service Code (ESS Code) in December 2012. The new ESS Code establishes a number of reliability and customer service performance measures and benchmarks, requiring Power and Water Corporation to report its actual performance against the targets annually.

From 2013-14, the Commission has advised that reporting by Power and Water Corporation against the new ESS Code may be undertaken on a voluntary and best endeavours basis.

NT Electricity Ring-fencing Code – The intent of the Ring-fencing Code is to create an environment where the price, quantity and quality of electricity is not biased as a result of Power and Water Corporation’s vertical

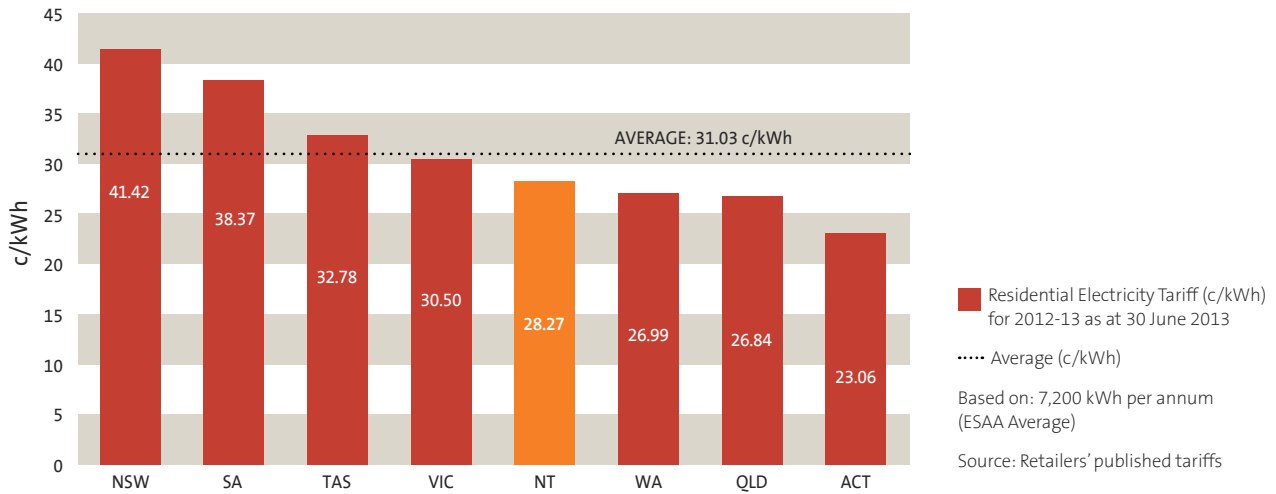
integration. The Code ensures that prescribed monopoly businesses, such as Generation and Power Networks, in regulated industries do not discriminate against a competitor of their related contestable businesses, such as Generation and Retail.

Regulated Retail Tariffs – The NT Government announced revised tariff increases on 14 March 2013. These are:

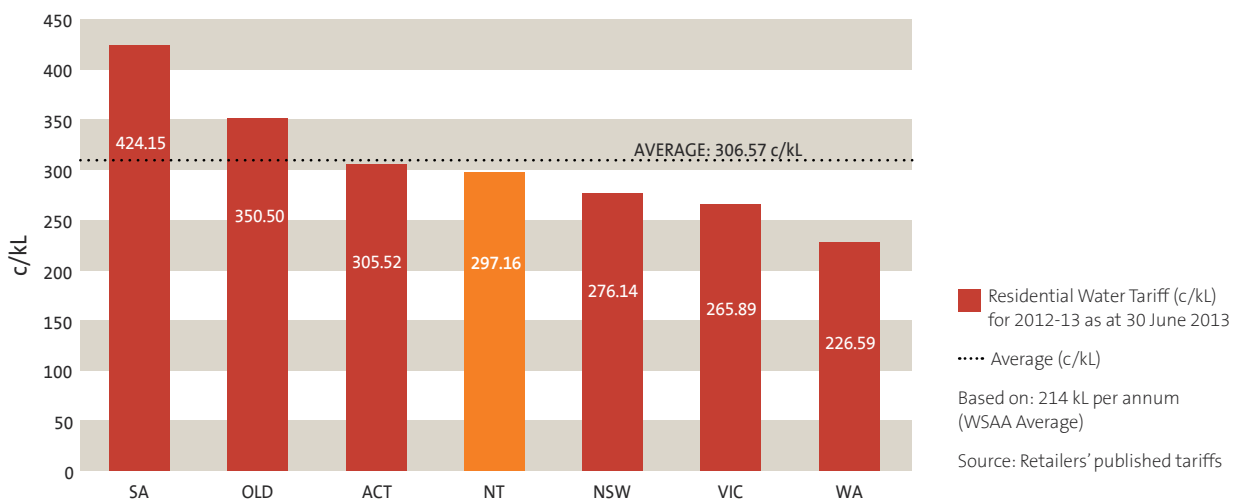
1. tariff increases being phased in over three years rather than commencing in full on 1 January 2013;
2. the increases that took effect on 1 January 2013 were:
 - a) 20 per cent (rather than 30 per cent) for electricity;
 - b) 30 per cent (rather than 40 per cent) for water; and
 - c) 15 per cent (rather than 25 per cent) for sewerage services; and
3. the remainder of the approved total increases being as follows:
 - a) on 1 January 2014, regulated retail utility tariffs are to increase by a further 5 per cent; and
 - b) on 1 January 2015, regulated retail utility tariffs are to be further increased by 5 per cent.

The following charts compare prices for residential electricity, water and sewerage in the Northern Territory with states across Australia, as at 30 June 2013.

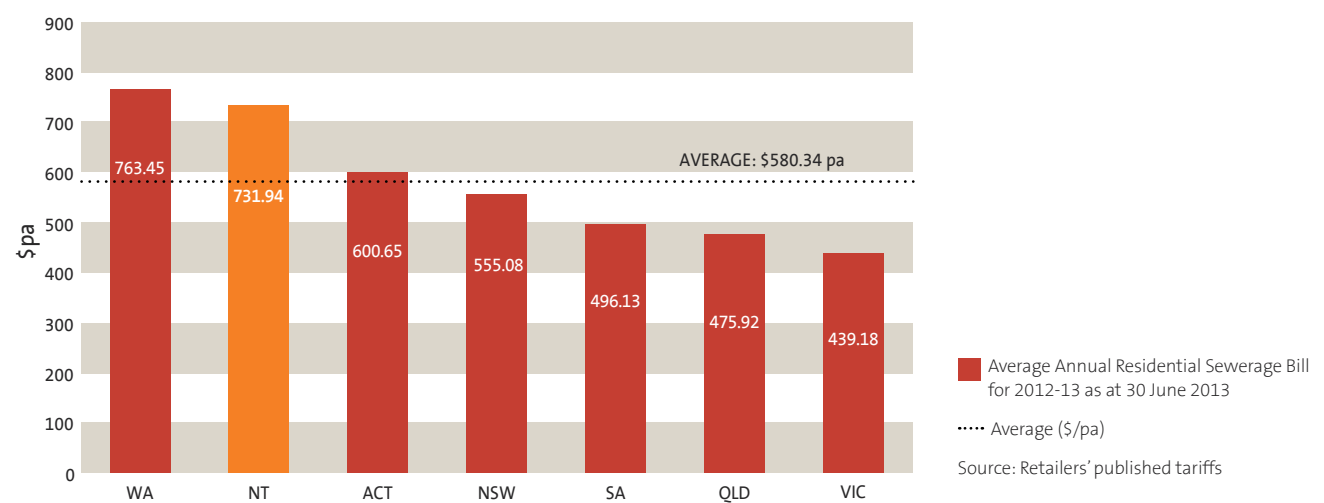
Residential Electricity Tariff (c/kWh) for 2012-13 as at 30 June 2013



Residential Water Tariff (c/kL) for 2012-13 as at 30 June 2013



Average Annual Residential Sewerage Bill for 2012-13 as at 30 June 2013



Community Service Obligations

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

Northern Territory Government contributions enable Power and Water Corporation to offer uniform tariffs regardless of where customers live, give pensioner concessions and apply the Tranche 4 electricity policy. In 2012-13, the Northern Territory Government paid the Corporation \$77.7 million in Community Service Obligations, of which \$16.3 million was for customers receiving the Northern Territory Government's Pensioner and Carer Concession Scheme.

Financial SCI key performance indicator (KPI)

Financial KPIs give an insight into the Power and Water Corporation's return to the Northern Territory and our financial sustainability. A summary of targets and results is provided in the adjacent table.

The current year increase in the retail tariffs for electricity, water and sewerage have assisted to move the Corporation closer to financial sustainability in the 2012-13 financial year with the Corporation recording an improvement on each of the Statement of Corporate Intent target KPIs. A detailed explanation of the year's result can be found in the directors' reports from page 45.

Financial sustainability and accountability continue to be key priorities for the Corporation as discussed in both the Chairman's and Managing Director's reports. As such, the Corporation has been focused on improving business efficiencies and maintaining a strong capital infrastructure to support the growing demand for utilities in the Northern Territory.

KPI	KPI target	KPI result	
Sustainable return			
Return on assets	4.8%	5.5%	<i>Above target earnings due to the retail tariff increases and the Corporation's deferment of some capital work has led to higher than targeted return on assets</i>
FFO to interest (times)	1.6 times	2.4 times	<i>Finance costs were slightly below estimate due to rate resets on several loans. Additionally, higher than targeted earnings increased funds from operations.</i>
Gearing	70.1%	69.2%	<i>Net Debt was better than targeted as a result of below budget borrowings for the year.</i>
Capital investment	\$293.6m	\$225.5m	<i>The Corporation has deferred the delivery of a portion of the capital works program as part of its increased focus on financial sustainability while still maintaining a strong and reliable infrastructure base.</i>
Operating efficiency			
EBITDA	\$151.1m	\$190.0m	<i>Total Revenue was up 11% against target largely due to the increase in retail tariffs.</i>
NPAT	\$8.6m	\$29.9m	<i>Capitalised finance costs and subsequent below target interest expense combined with increased tariffs led to improved EBIT. This was partially offset by higher than target depreciation.</i>

NOTE 1:
Direct comparisons with data sourced from the financial statements may differ in some cases due to methodological differences and accounting standards.

NOTE 2:
Results are unconsolidated and exclude any impairment write-offs.

Compliance

The Power and Water Corporation is a responsible organisation and operates under a number of government acts and accreditation programs.

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

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

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

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

customerservice@powerwater.com.au

Applicants must provide:

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

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

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

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

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

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

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

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

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

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

We are reviewing our major legal obligations and developing processes and plans to mitigate risks and ensure proper management of these obligations.

POWER AND WATER CORPORATION

Statistical Summary As at 30 June 2013

ELECTRICITY	Units	2007	2008	2009	2010	2011	2012	2013
Generation								
Power and Water Installed Capacity (based on Gross Maximum Capacity)	MW	379	428	473	473	452	546	559
IPP Contracted Capacity (based on Site Rating)	MW	64	64	57	64	58	58	58
Electricity Generated	GWh	1,440	1,475	1,525	1,599	1,582	1,612	1,695
Electricity Sent Out (incl Purchases from Private Suppliers)	GWh	1,790	1,821	1,868	1,946	1,918	1,939	1,996
Independent Power Purchases - Electricity Sent Out	GWh	385	382	385	376	371	366	341
Networks								
Transmission (33kV & above)								
132kV Overhead	km	340	344	344	344	343	351	351
66kV Overhead	km	314	314	314	302 *	332	380	392
66kV Underground	km	17	17	17	17	34	35	38
33kV Overhead	km	55	55	55	0	0	0	0
Distribution (22/11kV & below)								
HV Overhead	km	3,062	3,147	3,202	3,237 *	3,243	3,285	3,315
HV Underground	km	618	627	637	651 *	670	734	765
LV Overhead	km	1,749	1,774	1,758	1,782 *	1,801	1,820	1,804
LV Underground	km	1,750	1,763	1,781	1,873 *	1,936	2,120	2,179
Sales	MWh	1,596,452	1,704,377	1,748,225	1,806,781	1,800,495	1,801,483	1,866,024
Customers (ie. Services)	No. of Installations	73,753	74,097	72,327	74,004	76,603	77,708	82,545
WATER								
System Capability	ML/day	322	322	322	322	322	322	334
Production	ML	56,842	57,823	60,707	58,870	52,269	56,994	58,412
Length of Mains	km	2,090	2,130	2,173	2,146	2,157	2,196	2,231
Sales	ML	51,481	52,206	53,291	49,083	43,593	48,203	48,467
Customers (ie. Services) ¹	No. of Meters	40,738	41,606	42,219	42,670	43,733	44,514	44,669
WASTEWATER								
Total Sewerage Collected	ML	18,897	19,745	19,549	22,131 *	26,375	21,474	19,884
Length of Sewer Mains	km	1,036	1,042	1,083	1,075	1,094	1,125	1,126
Total Recycled Water Supplied	ML	1,623	1,612	1,854	1,233	737	1,083	1,854
Customers (ie. Services)	No. of Installations	48,661	51,217	53,661	50,800	51,829	52,371	53,407
STAFF								
Male		580	601	677	697 *	736	778	778
Female		208	215	242	266 *	297	311	313
TOTAL PERSONNEL		788	816	919	963	1,033	1,089	1,091

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

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

INDIGENOUS ESSENTIAL SERVICES

Statistical Summary As at 30 June 2013

ELECTRICITY	Units	2007	2008	2009	2010	2011	2012	2013
Generation								
Installed Capacity (including solar)	MW	51	56	60	69	71	74	78
- Installed Capacity (solar only)	MW	0.7	0.7	0.8	0.8	0.8	0.8	1.5
Electricity Generated (including solar)	GWh	95	97	106	112	103	108	115
- Electricity Generated (solar only)	GWh	1.6	1.0	0.8	0.7	0.3	0.2	0.6
Electricity Sent Out (including Solar, Purchases from PWC and Purchases from Private Suppliers) ¹	GWh	93	97	123	129	119	125	134
- Purchases from PWC (electricity purchased from PWC electricity grids & sent out to IES communities) ¹	GWh	n/a	n/a	11	12	9	10	12
- Purchases from Private Suppliers	GWh	8	8	8	8	8	9	9
Distribution (22/11 kV & Below) ²								
HV Overhead ³	km	373	349	473	513	579	579	876
HV Underground	km	1	5	5	5	7	7	8
LV Overhead	km	278	278	278	278	325	325	319
LV Underground	km	1	4	3	3	3	3	2
SWER All Voltages	km	87	87	87	87	87	87	121
Sales ^{4,5}	MWh	60,574	63,665	104,501	112,030	112,726	119,540	119,250
Customers (ie. Services)	No. of Installations	7,373	7,421	7,540	8,116	8,478	8,507	9,179
WATER								
Total Sourced Water	ML	9,250	9,846	9,848	9,792	9,002	9,680	10,306
Length of Mains ²	km	649	649	652	654	654	654	623
Customers (ie. Services) ⁶	No. of Meters	567	783	1,341	2,175	2,213	2,549	2,563
WASTEWATER								
Volume of Sewage Treated	ML	3,552	3,835	3,940	3,917	3,601	2,897	3,337
Length of Sewer Mains ²	km	303	303	305	307	303	310	334
Volume of Effluent Reused	ML	-	-	-	-	-	-	-
Customers (ie. Services) ^{6,7}	No. of Installations	847	899	1,122	1,467	1,793	1,834	2,292

¹ Electricity Sent Out and Purchases from PWC are estimated as this data is not metered. This was not included prior to 2008-09.

² Due to issues gaining data for 2011-12, figures were estimated. Due to improved reporting, actual figures are now available for 2012-13.

³ Increased HV Overhead distribution is due to the interconnection of a number of communities.

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

⁵ Due to system issues prepayment token sales were utilised rather than prepayment metered consumption for 2012-13.

⁶ Due to changes to the calculation methodology, historical data for 2010-11 and prior years have been re-stated.

⁷ Increase is due to the impact of ongoing revenue assurance programs which have identified additional customers.

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Darwin River Dam

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

DIRECTORS' REPORT

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 2013 and the Auditor's report thereon.

Directors

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

Name	Experience and Special Responsibilities
Mr Michael Burgess (Chairman) BEng, FIE(Aust)	Mr Burgess has over 30 years experience working in the Territory and has expertise across water and electricity supply, wastewater and sustainable natural resource management. Living and working in Darwin, Katherine and Alice Springs, Mr Burgess has been involved in the development of major infrastructure projects and strategies to improve essential services in urban and remote areas of the Northern Territory. In recent years, he served as the Chief Executive of the Department of Chief Minister, the Department of Local Government, Housing and Sport, the Department of Business Economic and Regional Development and the Department of Business Industry and Resource Development. He has also served on the boards of various NT authorities and research institutions, including the Darwin Waterfront Corporation, the Tropical Savannas Cooperative Research Centre (CRC), the Darwin Port Corporation, the NT Land Development Corporation, the Major Events Company, the Conservation Land Corporation and the Tourism NT Advisory Board. Mr Burgess joined the Power and Water Corporation Board in March 2013.
Mrs Jennifer Prince	Mrs Prince commenced with the Department of Health in 1979 where she worked in health policy and hospital management. She transferred to Treasury in 1985 and was responsible for intergovernmental finance and budget policy. In 1997 she was appointed as Deputy Under Treasurer and was the Territory's Under Treasurer from 2002 until 2012. In this role, Mrs Prince was the prime advisor to the Northern Territory Government on financial, economic, and intergovernmental financial issues as well as economic regulatory matters. She joined the Power and Water Corporation Board in March 2013.
Mr Alastair Shields CPA, BBus(Acctg), LLB, EMPA	Mr Shields has over 30 years of public sector experience across the Territory, contributing to commercial negotiations for the development of major Territory projects such as the AustralAsia Railway, Darwin City Waterfront and the Marine Supply Base. Mr Shields has been the Deputy Chief Executive at the Department of Attorney-General and Justice since 2011. He joined the Power and Water Corporation Board in March 2013.
Mr Scott Perkins MBA, GAICD	Mr Perkins spent 12 years in the agricultural and mining sectors prior to being appointed as Chief Executive of the NT Department of Mines and Energy in February 2013. His career in managing organisations includes a long period as an Army Officer and General Manager of a Correctional Centre. Mr Perkins also has management and board level experience in the corporate sector. He joined the Power and Water Corporation Board in August 2013.
Mr Gary Barnes	Mr Barnes has extensive public sector experience in Queensland and the Northern Territory. After four years as the Chief Executive of the Northern Territory Department of Education and Children's Services, he was appointed as Chief Executive of the Department of Chief Minister. Mr Barnes joined the Power and Water Corporation Board in March 2013 and resigned in July 2013.
Mr John Baskerville	Mr Baskerville joined Power and Water Corporation as Managing Director in March 2013. He has extensive operational and technical experience relevant to the Corporation. After managing the Ben Hammond workshops for the NT Electricity Commission, he led the establishment of the Power and Water Authority (PAWA) in Alice Springs in 1984. During his 25 years in Central Australia, he served 22 years as the Chief Minister's regional Executive Director. This role required leadership across several key agencies including PAWA, the Department of Transport and Works and the Department of Chief Minister with a strategic focus on the regions. More recently, Mr Baskerville played a pivotal role in the 'Alice in 10' initiative, which led to the development of the Alice Springs Convention Centre and Desert Knowledge Australia.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

DIRECTORS' REPORT

- Ms Judith King BA, Foundation Fellow AICD
Ms King was Board Chairman until her resignation and was a Director of Power and Water Corporation Board since its establishment. With extensive board experience in the private and public sector, she was formerly a Director of Melbourne Water Corporation and Citipower and closely involved in the restructure and reform of the Victorian utility sector. Ms King's current appointments include National Ageing Research Institute and the Victorian Commission for Gambling Regulation. Ms King was awarded an Australian Centenary Medal in 2003. She resigned from the Power and Water Corporation Board in October 2012.
- Mr Mervyn Davies BEng(Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)
Mr Davies joined the Power and Water Corporation Board in May 2009. He has worked in all areas of electricity distribution, gaining extensive experience managing the business's financial and technical performance. He has held senior management positions at Energy Australia, the country's largest electricity distribution company and his résumé includes periods as Managing Director. Since leaving Energy Australia in 2002, Mr Davies has established a small engineering consultancy specialising in electricity distribution system management. He has spent time developing and negotiating long term capital expenditure plans and performance outcomes affecting the security of electricity supply to Sydney. He has University of New South Wales qualifications in engineering and economics. Mr Davies left the Power and Water Corporation Board in March 2013.
- Mrs Linda Mackenzie BCom(Hons), CA
Appointed to the Power and Water Corporation Board in March 2007, Mrs Mackenzie worked for the Northern Territory Treasury for nine years until she resigned from her position of Assistant Under Treasurer (Commercial) in January 2007. Mrs Mackenzie was appointed as a Director of Energex Limited in July 2012. Mrs Mackenzie is a former member of the Darwin Port Corporation Advisory Board and she previously worked for Macquarie Bank Limited in Sydney. She is a chartered accountant and holds a Bachelor of Commerce (Hons) majoring in finance from the University of Queensland. Mrs Mackenzie left the Power and Water Corporation Board in March 2013.
- Mr Andrew Macrides DipBus(Mgt), BBus(Acc), MBA, FCPA, FAICD
Mr Macrides was appointed Managing Director of the Power and Water Corporation in June 2007. Born and raised in Darwin, Mr Macrides has extensive government and management experience, beginning his career in the accounting field in 1978. Prior to joining Power and Water Corporation in 1998, he worked across a range of sectors in the NT Government, including health, housing, community services and tourism. Following corporatisation on 1 July 2002, Mr Macrides was appointed General Manager Business Services and Chief Financial Officer with the Power and Water Corporation, and in May 2003 was appointed Company Secretary in addition to his role as General Manager Business Services. He left the Corporation in March 2013.
- Mr Michael Hannon AM
Mr Hannon was appointed to the Power and Water Corporation Board in August 2009. Mr Hannon is Chairman of the Hannon Group of Companies, a family-owned group operating public transport, property development, crocodile farming and exporting businesses. Mr Hannon was born and permanently resides in Darwin and developed his career in the Northern Territory. The Hannon Group also has business interests in Queensland, Victoria and New South Wales. They employ more than 300 Territorians and that number again interstate. Mr Hannon left the Power and Water Corporation Board in March 2013.
- Mr Steve Margetic FAICD
Mr Margetic is Managing Director and co-owner of Sitzler Pty Ltd, a Territory construction and development contractor with operations in the Northern Territory, South Australia and Western Australia. A long-term Fellow of the Australian Institute of Company Directors, Mr Margetic has served on numerous industry Boards and working groups. He served as Chairman of the Northern Territory Land Development Corporation from its inception in 2004 to his retirement in 2010 and was a member of the Territory 2030 Steering Committee. Mr Margetic has considerable experience delivering major infrastructure works under public-private partnerships, alliancing and joint ventures. He left the Power and Water Corporation Board in March 2013.
- Prof Rob Skinner BEng(Civil), MSc, FIE(Aus), FIWA, MAICD
Prof Skinner is a Professorial Fellow at Monash University and CEO of Monash Water for Liveability. He is also Deputy Chair of the CRC for Water Sensitive Cities. He was Managing Director of Melbourne Water Corporation from 2005 to 2011, leading the Corporation and working with government to deliver critical water supply augmentations and water conservation measures. He is Chairman of Water Aid Australia and has served on the Board of the Water Services Association of Australia. His experience also includes 10 years as CEO of Kingston City Council, CEO of the Dandenong Valley Authority and executive roles in the Victorian Department of Water Resources and the Victorian Department of Premier and Cabinet. Mr Skinner left the Power and Water Corporation Board in March 2013.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**DIRECTORS' REPORT****Review of Operations**

Summarised financial information

	Consolidated	
	June 2013	June 2012
	\$ Million	\$ Million
Total revenue	789.6	680.7
Total expenses (excl impairment write-off)	(584.0)	(536.7)
Impairment write-off	-	(0.4)
EBITDA	205.6	143.6
Depreciation	(95.2)	(79.7)
Interest expense	(69.4)	(64.7)
Net profit/(loss) before income tax	41.0	(0.7)
Income tax (expense)/benefit	(11.1)	(0.1)
Net profit/(loss) after income tax	29.9	(0.8)
Impairment write-off	-	(0.4)
Tax effect of impairment adjustments and Northern Territory Government capital contributions	-	0.1
Underlying net profit/(loss) after income tax	29.9	(0.5)
Total assets	2,409.3	2,211.4
Total liabilities	1,813.9	1,645.9
Total equity	595.4	565.5

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

DIRECTORS' REPORT

Principal Activities

The principal activities of Power and Water Corporation and its subsidiaries are the provision of electricity, water and sewerage services to the people of the Northern Territory.

Changes in the State of Affairs

There were no significant changes in the nature of the activities conducted by the Corporation or its subsidiaries during the financial year.

Review of Operations

The Corporation continued its major re-investment program and its commitment to improved standards and reliability during 2012-13.

In November 2012, the Northern Territory Government determined that it would significantly increase, on a one-off basis, retail tariffs for electricity, water and sewerage to improve the Corporation's financial sustainability. However, in March 2013, the Government decided that the increases for electricity would be phased in over a longer time period and as a consequence the tariff increases that had already been implemented needed to be rolled back. The Corporation's Retail business unit was required to implement a complex re-billing process as a result. The billing software utilised by the Corporation is similar to that used by other utilities and is not designed to calculate partial tariff roll-backs. Therefore a full reversal and re-billing process was required. As a result, a delay in cash collections was experienced and is reflected in the \$57.4 million increase in the Service Receivables and Unbilled Revenue balances as at June 2013 (see note 7), compared to the prior year.

In terms of asset valuations, the Corporation and the Northern Territory Government have agreed for 2013-2014 to change the basis of valuation to fair value, consistent with other commercially based entities. Consequently, an impairment test of assets at 30 June 2013 has not been undertaken. Whilst tariff increases introduced from 1 January 2013 would result in the reversal of some impairment losses recognised in prior periods, the Corporation is expected to be subject to further change in its operations in the future, rendering the forecasted cash flows to be included in the impairment test potentially unreliable. Notwithstanding, the Corporation has continued to focus on moving to more efficient and cost effective outcomes in its business operations.

In July 2012, the Corporation became liable for the carbon tax under the Clean Energy Futures program. The obligations require the payment of \$23 per tonne for carbon emissions generated by the Corporation in the first year. The impact on the Corporation is an increase in costs of approximately \$24.6 million for direct emissions and an increase in fuel related costs of an additional \$5.0 million. The revenue impact is neutral as the Corporation is required to pass through costs to tariffs for electricity, water and sewerage.

The consolidated entity's result at the end of June 2013 was a profit after tax of \$29.9 million, compared to a loss after tax of \$0.8 million for the prior year. The improvement in performance is mainly driven by additional revenue received from the increases in tariffs. The following paragraphs discuss the full year result in more detail.

Revenue

Overall consolidated revenue increased by \$108.9 million to \$789.6 million.

The Corporation's electricity sales improved by \$70.4 million resulting from a 4.6 percent increase in kilowatts sold to franchise customers and a 2.8 percent tariff increase from 1 July 2012 followed by a further 20 percent increase from 1 January 2013. Additional revenue was also received from contestable and franchise customers due to the pass through of the carbon tax charge.

Water sales for the Corporation increased by \$10.5 million as a result of two tariff increases, 2.8 percent from 1 July 2012 followed by a further increase from 1 January 2013 of 30 percent. There was minimal increase in consumption compared to the prior year.

The Corporation's sewerage revenue increased by \$6.5 million as a result of two tariff increases, 2.8 percent from 1 July 2012 followed by a further increase from 1 January 2013 of 15 percent.

The increase in capital contributions of \$3.9 million to \$11.5 million was mainly associated with the infrastructure works required for the Inpex projects at Blaydin Point and Howard Springs. Gifted assets increased substantially by \$9.9 million to \$25.6 million reflecting the level of development occurring mainly in and around Darwin. These included the new suburbs of Zuccoli, Johnston Stage 2, Muirhead, Bellamack, and industrial subdivisions in Berrimah and Coolalinga. Developments in Alice Springs included Emily Valley Estate and Kilgariff Estate.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

DIRECTORS' REPORT

Expenses

Overall consolidated expenditure, excluding tax, increased by \$67.2 million to a total of \$748.6 million.

Energy and materials expense for the Corporation increased by \$40.9 million due primarily to the introduction of the carbon tax which was \$24.6 million for the year. This expense was not incurred in previous financial years as the Federal Government introduced a carbon pricing scheme which was implemented on 1 July 2012.

The increase in the consolidated depreciation and amortisation expenses of \$15.5 million to \$95.2 million reflects completion of several large infrastructure and systems projects over the last 12 months which are now being depreciated through the asset registers.

Capital Expenditure

Capital expenditure increased by \$12.2 million to \$287.9 million for the year to 30 June 2013. Major project spending in 2012-13 included:

Larrakeyah Outfall Closure \$15.9 million; Woolner Zone Substation Upgrade \$14.3 million; Leanyer Zone Substation & 66kV Line \$12.3 million; Asset Management Capability Project \$11.8 million; Weddell - Archer 66kV Line Rebuild \$10.1 million; and Frances Bay Zone Substation Transformer & 66kV Line \$7.6 million.

Cash Position

The consolidated entity's cash balance at the end of June 2013 was \$65.7 million. This balance includes \$50.9 million held by the Corporation's wholly owned subsidiary, Indigenous Essential Services Pty Limited being funding received in advance for capital programs.

The increase in receipts from customers of \$43.3 million did not fully reflect the larger increase in sales revenue from tariff increases as cash collections slowed significantly following the re-billing process.

The Corporation borrowed \$125.0 million to assist with funding capital expenditure.

Achievements in 2012-13

During 2012-13 the Corporation continued to undertake a substantial capital works program (as outlined above in Capital Expenditure) resulting in improved reliability of service and infrastructure augmentation to meet the growing demands of the Northern Territory.

The Corporation transitioned to the new asset management software in August 2012. While further enhancements are still required, the new system will enable the Corporation to improve planning, scheduling and monitoring of asset maintenance and construction.

Dividends

The Directors have not declared a dividend due to advice received from the Corporation's shareholder, the Northern Territory Government, stating that no dividend was required to be declared for the 2012-2013 financial year. No dividends have been paid during the current financial year.

Economic dependency and going concern

Aligning revenue with costs is essential to meet the objectives of the Corporation as outlined in the *Government Owned Corporations Act*. Achieving ongoing financial sustainability for the Corporation requires a combination of cost-reflective pricing of services, effective revenue management, prudent and effective investment in capital works, appropriate maintenance programs and control of operational expenditure.

While the Corporation's commercial sustainability has improved, it remains exposed to considerable downside risks including the inability to generate sufficient revenue to cover costs, unanticipated environmental obligations and the escalating cost of capital program delivery. Until commercial sustainability is achieved Power and Water relies on the support of its sole shareholder, the Northern Territory Government.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

DIRECTORS' REPORT

Future Developments

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

Other than the matters discussed at Note 28, at the date of this report, there are no other developments in the operations of the consolidated entity that, in the opinion of the directors, are likely to significantly impact the Corporation during the 2014 financial year or future financial periods.

Environmental Regulation

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

Subsequent Events

Other than the matters discussed in Note 28, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Corporation, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Indemnification and Insurance of Directors and Officers

Indemnification

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

Insurance premiums

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

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

Rounding Off

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

Auditor's Independence declaration

The auditor's independence declaration is included in the Independent Audit Opinion included in this annual report.

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 2013.



Mr Mike Burgess
Director and Chairman



Mr John Baskerville
Managing Director

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**Directors' Declaration**

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

- (a) the financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2(a) to the financial statements.

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

Dated at Darwin this 30th day of September 2013.



Mr Mike Burgess
Director and Chairman



Mr John Baskerville
Managing Director



Auditor-General

**Independent Auditor's Report to the Board of Directors
Power and Water Corporation
Year ended 30 June 2013**

Page 1 of 2

I have audited the accompanying financial report of Power and Water Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Auditor-General

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Auditor's Opinion

In my opinion:

- a) the financial report gives a true and fair view of the financial position of the Corporation and consolidated entity, as at 30 June 2013, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the *Government Owned Corporations Act*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

F McGuinness

Auditor-General for the Northern Territory
Darwin, Northern Territory

30 September 2013

Statement of Profit and Loss and Other Comprehensive Income**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**

	Note	Consolidated		Corporation	
		June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
Continuing Operations					
Revenue from sale of goods	3 (a)	528,717	438,286	495,494	412,088
Revenue from rendering of services	3 (a)	128,742	121,023	57,389	50,621
Finance revenue	3 (a)	3,104	5,259	1,854	3,162
Other income	3 (b)	129,008	116,103	128,279	116,280
Inter-Group sales		-	-	9,612	8,156
Total revenue and income		789,571	680,671	692,628	590,307
Energy and materials		(283,823)	(242,888)	(246,241)	(208,349)
Repairs and maintenance expense	3 (f)	(94,577)	(88,232)	(79,527)	(72,169)
Employee benefits expense	3 (e)	(100,297)	(102,280)	(89,881)	(92,625)
External service agreements		(34,751)	(31,574)	(23,350)	(21,915)
Impairment of non-current assets	11	-	(374)	-	(374)
Other expenses	3 (g)	(70,567)	(71,691)	(63,603)	(63,916)
Depreciation and amortisation expenses	3 (d)	(95,167)	(79,681)	(79,643)	(66,225)
Finance costs	3 (c)	(69,388)	(64,673)	(69,382)	(64,673)
Profit/(loss) before tax		41,001	(722)	41,001	61
Income tax equivalent benefit/(expense)	4 (a)	(11,133)	(82)	(11,133)	(41)
Profit/(loss) for the year from continuing operations		29,868	(804)	29,868	20
Profit/(loss) for the year		29,868	(804)	29,868	20
Other comprehensive income					
Other comprehensive income for the year (net of tax)		-	-	-	-
Total comprehensive income for the year		29,868	(804)	29,868	20
Profit/(loss) attributable to the equity holder of the parent		29,868	(804)	29,868	20
Comprehensive income attributable to the equity holder of the parent		29,868	(804)	29,868	20

The Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**

	Note	Consolidated		Corporation	
		June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
CONTRIBUTED EQUITY					
Balance at beginning of year		152,582	110,922	152,582	110,922
Equity contributions from the Northern Territory Government	18	-	41,660	-	41,660
Balance at end of year		152,582	152,582	152,582	152,582
RETAINED EARNINGS					
Balance at beginning of year		412,906	413,709	412,871	412,851
Net profit/(loss) for year		29,868	(804)	29,868	20
Balance at end of year	19	442,774	412,906	442,739	412,871
TOTAL EQUITY		595,356	565,488	595,321	565,453
Total equity attributable to owners of the parent		595,356	565,488	595,321	565,453

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

Statement of Financial Position**Power and Water Corporation and its Controlled Entities as at 30 June 2013**

	Note	Consolidated		Corporation	
		June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
CURRENT ASSETS					
Cash and cash equivalents	6 (a)	65,715	149,267	14,780	94,000
Trade and other receivables	7	142,284	87,794	152,399	87,545
Intangible assets	12 (a), (b)	4,057	5,460	4,057	5,460
Inventories	8	40,077	30,348	33,048	23,549
Prepayments		2,363	1,777	2,333	1,758
Total current assets		254,496	274,646	206,617	212,312
NON-CURRENT ASSETS					
Trade and other receivables	7	10	17	10	17
Investments	9	3	3	3	3
Property, plant and equipment	11	1,954,897	1,769,306	1,684,884	1,539,622
Intangible assets	12 (a), (b)	58,585	21,503	58,539	21,432
Deferred tax assets	4 (b)	141,301	145,914	141,301	145,914
Total non-current assets		2,154,796	1,936,742	1,884,737	1,706,988
Total assets		2,409,292	2,211,388	2,091,354	1,919,300
CURRENT LIABILITIES					
Trade and other payables	13, 30	113,202	106,453	100,492	96,209
Borrowings	14	44,190	2,034	44,190	2,034
Provisions	16, 30	51,173	43,530	51,173	43,530
Government grants	17	23,189	21,726	119	155
Finance lease liabilities	15	714	-	-	-
Total current liabilities		232,468	173,743	195,974	141,928
NON-CURRENT LIABILITIES					
Borrowings	14	1,276,705	1,195,895	1,276,705	1,195,895
Deferred tax liabilities	4 (b)	18,178	11,658	18,178	11,658
Provisions	16	5,176	4,366	5,176	4,366
Government grants	17	274,089	260,238	-	-
Finance lease liabilities	15	7,320	-	-	-
Total non-current liabilities		1,581,468	1,472,157	1,300,059	1,211,919
Total liabilities		1,813,936	1,645,900	1,496,033	1,353,847
Net assets		595,356	565,488	595,321	565,453
EQUITY					
Contributed equity	18	152,582	152,582	152,582	152,582
Retained earnings	19	442,774	412,906	442,739	412,871
Total equity		595,356	565,488	595,321	565,453

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

Please see note 30 for details of prior year restated Statement of Financial Position.

Statement of Cash Flows**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**

	Note	Consolidated		Corporation	
		June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		636,888	593,551	592,624	574,686
Payments to suppliers and employees		(652,144)	(629,875)	(563,435)	(537,874)
Income tax paid	4 (c)	-	-	-	-
Community Service Obligations received		77,763	72,873	77,763	72,873
Receipt of Government grants		85,916	100,476	(36)	(65)
Interest received		3,346	5,484	2,016	3,421
Interest paid		(69,410)	(64,416)	(69,404)	(64,416)
Net cash provided by operating activities	6 (b)	82,359	78,093	39,528	48,625
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		293	4,715	267	4,675
Payments for property, plant and equipment and intangibles		(287,897)	(275,651)	(241,981)	(238,232)
Distribution from trust		-	149	-	30
Net cash used in investing activities		(287,604)	(270,787)	(241,714)	(233,527)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(3,307)	(1,888)	(2,034)	(1,888)
Proceeds from borrowings		125,000	159,000	125,000	159,000
Dividends paid	5	-	-	-	-
Net cash provided by financing activities		121,693	157,112	122,966	157,112
Net increase/(decrease) in cash and cash equivalents		(83,552)	(35,582)	(79,220)	(27,790)
Cash and cash equivalents at beginning of year		149,267	184,849	94,000	121,790
Cash and cash equivalents at end of year	6 (a)	65,715	149,267	14,780	94,000

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

1 Corporate information

Power and Water Corporation (the Corporation) is a corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2013 comprises the Corporation and its controlled entities.

The financial report was authorised for issue by the directors on 30 September 2013.

The Corporation is a Government Owned Corporation.

2 Statement of significant accounting policies

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

(a) Statement of compliance

These financial statements are general purpose financial statements, which have been prepared in accordance with Accounting Standards and Interpretations and the *Government Owned Corporations Act 2001*, and comply with other requirements of the law. The *Government Owned Corporations Act 2001* requires the financial statements of the Corporation and the consolidated entity to comply with the requirements of the *Corporations Act 2001*. The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Corporation is a for-profit entity.

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

Adoption of new and revised Accounting Standards

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

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

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

Standard or Interpretation

AASB 101 "Presentation of Financial Statements"

Nature of Change to Accounting Policy

Under the Amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit and loss and other comprehensive income. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit and loss, other comprehensive income and total comprehensive income

There are no new or revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective. The consolidated entity does not intend to adopt any of these pronouncements before their effective dates.

<i>Standard or Interpretation</i>	<i>Effective annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and related AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2015
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016

(b) Basis of preparation

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

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated; as the company is of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998. Amounts have been rounded off in accordance with the class order.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its controlled entities as at 30 June each year (the consolidated entity). A list of controlled entities appears in note 25 to the financial statements. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

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

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

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

Critical accounting judgements

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

Qualifying assets

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

Key sources of estimation uncertainty

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

Impairment write-off

Determining whether an asset is impaired requires analysis of internal and external indicators. If such indication exists, the value in use of the individual asset requires estimation. The value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value.

Unbilled revenue

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

(e) Changes of the presentation of the Statement of Financial Position

To provide more meaningful information the Corporation has changed its presentation of the Statement of Financial Position to disclose the Renewable Energy Certificate Liabilities under Provisions together with the Carbon Permit Liability. See Note 16 for further detail on provisions.

(f) Revenue recognition

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

Sale of goods

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

Rendering of sewerage services

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

Community service obligation revenue

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

Government grants

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

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received.

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

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

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

Investment revenue

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

Interest revenue

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

Contribution of assets

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

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

(g) Goods and services tax

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

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

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

(h) Finance costs

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. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

(i) Income tax equivalents

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 Commonwealth tax that would be payable if it were not a Government Owned Corporation.

Income tax equivalent payments are made pursuant to section 155(4) of the *Government Owned Corporations Act 2001* and are based on rulings set out in the National Tax Equivalent Regime's manual. The National Tax Equivalent Regime manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997*.

Indigenous Essential Services Pty Limited is not subject to taxation as it is a not-for-profit entity.

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 and 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 are recognised for all taxable temporary differences except:

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

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Current and deferred tax for the period

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

Tax consolidation

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

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

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

(j) Cash and cash equivalents

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

(k) Financial assets

Investments

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

Loans and receivables

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

Loans and receivables are measured at cost less any impairment. Impairment is recorded through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Profit and Loss and Other Comprehensive Income.

Interest income is recognised by applying the effective interest rate.

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

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

Impairment of financial assets

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

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

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Profit and Loss and Other Comprehensive Income.

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

Derecognition of financial assets

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

Effective interest method

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

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

(l) Inventories

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

(m) Leased assets

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

Finance leases

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases.

Finance leases are capitalised as at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership by the end of the lease term.

Operating leases

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

(n) Property, plant & equipment

Acquisition of assets

Freehold land, buildings and plant and equipment are originally stated at cost less accumulated depreciation (apart from Freehold Land as this is not depreciated) and any accumulated impairment losses. Such cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Corporation's accounting policy. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Corporation. Ongoing repairs and maintenance is expensed as incurred.

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

Depreciation and amortisation

Complex Assets

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

Useful Lives

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

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

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

	June 2013	June 2012
Plant and equipment	1-100 years	1-100 years
Buildings	3-93 years	3-93 years

Depreciation and amortisation for assets related to finance leases have been calculated based on the estimated useful lives used for each class of asset as follows:

Building, plant and equipment situated on finance leased

land	June 2013	June 2012
Plant and equipment	8 to 40 years	8 to 60 years
Buildings	1 to 40 years	1 to 99 years
Finance Leases	12 to 40 years	n/a

Impairment of assets

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

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

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

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

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment loss is recognised immediately in the Statement of Profit and Loss and Other Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss and Other Comprehensive Income.

Derecognition and disposal

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

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

(o) Intangible assets

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

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

	June 2013	June 2012
Purchased Software	1-21 years	1-21 years
Make-up gas	23 years	24 years
Renewable Energy Certificates	indefinite	indefinite

Purchased software

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

Make-up gas

The Corporation has entered into a Take-or-Pay Gas Purchase Agreement that came into effect during the 2010-2011 financial year. Make-up gas paid for under the terms of the contract but not physically taken is recorded as an intangible asset. The residual value of the make-up gas asset equals the asset's carrying amount.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

Renewable Energy Certificates

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

(p) **Financial liabilities**

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest-bearing borrowings

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

(q) **Employee benefits**

Short-term employee benefits

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

Wages and Salaries

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

Annual Leave

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

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 and Loss and Other Comprehensive Income.

Superannuation plans

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

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

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

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

Termination benefits

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

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013****(r) Provisions**

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

The amount recognised as a provision is the best estimate of the considerations required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the amount of the receivable can be measured reliably.

(s) Dividends

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
3 Revenue and expenses				
<i>Revenue and expenses from continuing operations</i>				
(a) Revenue				
Sale of goods	528,717	438,286	495,494	412,088
Rendering of services	128,742	121,023	57,389	50,621
Finance revenue	3,104	5,259	1,854	3,162
	660,563	564,568	554,737	465,871
<i>Breakdown of rendering services:</i>				
IES capital government grants	14,323	13,288	-	-
IES recurrent government grants	54,495	55,042	-	-
Services rendered	59,924	52,693	57,389	50,621
	128,742	121,023	57,389	50,621
<i>Breakdown of finance revenue:</i>				
Bank interest	3,104	5,259	1,854	3,162
	3,104	5,259	1,854	3,162
(b) Other income				
<i>Community Service Obligations:</i>				
Uniform tariffs	61,430	59,757	61,430	59,757
Other	16,333	13,116	16,333	13,116
	77,763	72,873	77,763	72,873
<i>Developer, customer and other capital contributions:</i>				
Gifted assets	25,589	15,688	25,589	15,688
Other	11,541	7,653	11,541	7,654
	37,130	23,341	37,130	23,342
Net gain on disposal of property, plant and equipment	-	3,682	-	3,761
Recoverable works	1,224	1,321	785	1,011
Insurance settlement	2,627	3,405	2,627	3,405
Other revenue	10,264	11,481	9,974	11,888
Total other income	129,008	116,103	128,279	116,280
(c) Finance costs				
Interest Expense - Other	24	-	18	-
Interest Expense - Government	80,109	74,887	80,109	74,887
	80,133	74,887	80,127	74,887
Less: Capitalised finance costs	(10,745)	(10,214)	(10,745)	(10,214)
	69,388	64,673	69,382	64,673

The weighted average capitalisation rate on funds borrowed generally is 6.28% per annum (2012: 6.66%).

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
(d) Depreciation and amortisation				
<i>Depreciation</i>				
Buildings	6,241	6,585	4,823	5,436
Plant and equipment	71,963	70,248	58,802	57,957
Total depreciation	78,204	76,833	63,625	63,393
<i>Amortisation</i>				
Intangible assets	16,043	2,848	16,018	2,833
Finance leases	920	-	-	-
Total amortisation	16,963	2,848	16,018	2,833
Total depreciation and amortisation	95,167	79,681	79,643	66,225
(e) Employee benefits expense				
Personnel direct	145,167	139,210	130,211	125,064
Contract and apprentice labour	11,662	9,158	11,587	9,007
	156,829	148,368	141,798	134,071
Capital and maintenance labour recovery	(56,532)	(46,088)	(51,917)	(41,446)
	100,297	102,280	89,881	92,625
(f) Repairs and maintenance expense				
Materials	56,844	60,362	44,177	46,445
Labour	37,733	27,870	35,350	25,724
	94,577	88,232	79,527	72,169
(g) Other expenses				
Gifted assets expense	-	130	-	130
Grants and subsidies	1,406	2,662	1,407	2,663
Bad and doubtful debts	4,327	1,329	4,239	1,239
Net loss on disposal of property, plant and equipment	2,899	-	2,766	-
Write down in value of inventories	1,411	(2,477)	1,411	(2,477)
Other expenses	60,524	70,047	53,780	62,361
	70,567	71,691	63,603	63,916

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
4 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
<i>Current income tax</i>				
Current income tax charge	1,783	(5,615)	1,783	(5,141)
<i>Deferred income tax</i>				
Under/(over) from prior years	(1,168)	-	(1,168)	-
Relating to origination and reversal of temporary differences	10,518	5,697	10,518	5,182
Income tax expense reported in profit or loss	11,133	82	11,133	41
Numerical reconciliation between tax expense and pre-tax net profit				
Profit/loss before income tax from continuing operations	41,001	(722)	41,001	61
At the consolidated entities' statutory income tax rate of 30% (2012: 30%)	12,300	(216)	12,300	18
Under/(over) provision from prior years	(1,168)	-	(1,168)	-
Expenditure not allowable for income tax purposes	21	23	21	23
Income not assessable for income tax purposes	(20)	275	(20)	-
Income tax expense/(benefits) on pre-tax profit/(loss)	11,133	82	11,133	41
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Prepayments	84	81	84	81
Unbilled consumption	18,094	11,577	18,094	11,577
Gross deferred income tax liabilities	18,178	11,658	18,178	11,658
<i>Movements:</i>				
Opening balance at 1 July	11,658	10,887	11,658	10,887
Credited/(charged) to profit or loss	6,520	771	6,520	771
Closing balance at 30 June	18,178	11,658	18,178	11,658

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013 \$'000	June 2012 \$'000	June 2013 \$'000	June 2012 \$'000
<i>Deferred tax assets</i>				
Employee provisions	13,292	12,580	13,292	12,580
Unearned revenue	50	78	50	78
Allowance for doubtful debts	1,345	390	1,345	390
Obsolete stock provision	483	60	483	60
Carbon and renewable energy provision	1,816	-	1,816	-
Accrued expenses	405	429	405	429
Non-capital tax losses carried forward	19,406	21,317	19,406	21,317
Impairment of other non-current assets	1,321	38,700	1,321	38,700
Property, plant and equipment	103,183	72,360	103,183	72,360
Gross deferred income tax assets	141,301	145,914	141,301	145,914
<i>Movements:</i>				
Opening balance at 1 July	145,914	145,226	145,914	144,030
Under/(over) provision from prior years	1,168	-	1,168	-
Credited/(charged) to profit or loss	(3,998)	(4,926)	(3,998)	(4,411)
Non-capital tax losses credited to profit or loss	(1,783)	5,614	(1,783)	5,615
Transfer from subsidiary on windup	-	-	-	680
Closing balance at 30 June	141,301	145,914	141,301	145,914
Net deferred tax assets and deferred tax liabilities	123,123	134,256	123,123	134,256
Deferred tax income/(expense)	10,518	5,697	10,518	5,182
(c) Income tax payable				
Opening balance at 1 July	-	-	-	-
Income tax paid	-	-	-	-
Current year income tax expense	1,783	(5,141)	1,783	(5,141)
Subsidiary income tax obligation	-	(473)	-	(473)
Non-capital tax losses taken to deferred tax assets	-	5,614	-	5,614
Prior year non-capital tax losses utilised	(1,783)	-	(1,783)	-
Closing balance at 30 June	-	-	-	-
(d) Equity contributions to subsidiaries in relation to current income tax payable				
Darnor Pty Limited			-	32
Gasco Pty Limited			-	(506)
			-	(474)
(e)	The potential deferred tax asset arising from capital losses has not been recognised as an asset because recovery of capital tax losses is not probable. The future tax asset relating to capital losses carried forward is \$571,298 (2012: \$591,488).			
(f)	The deferred tax assets arising from non-capital losses are \$19.4 million (2012: \$21.2 million). These have been recognised as an asset because the recovery of non-capital tax losses is probable as stated in the Group's Statement of Corporate Intent.			

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000

5 Dividends

Declared and paid during the year:

Dividends on ordinary shares:	-	-	-	-
	-	-	-	-

Final dividend paid in 2013 \$NIL (2012: \$NIL)

The Directors have not declared a dividend due to advice received by the Corporation's shareholder, the Northern Territory Government, stating that no dividend was required to be declared for the 2013-2013 financial year. No dividends have been paid during the current financial year.

6 Cash and cash equivalents**(a) Reconciliation of cash**

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

Cash assets	65,715	149,267	14,780	94,000
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(b) Reconciliation of net profit after tax to net cash flows from operations

Net profit/(loss) 29,868 (804) 29,868 20

Adjustments for:

Depreciation and amortisation	95,167	79,680	79,643	66,225
Distribution from trust	-	(149)	-	(30)
Impairment reversal less impairment writedown	-	374	-	374
Contributed assets provided free of charge	(25,589)	(15,688)	(25,589)	(15,688)
Net (profit)/loss on disposal of property, plant and equipment	2,899	(3,682)	2,766	(3,761)

Changes in assets and liabilities:

(Increase)/decrease in inventories	(9,729)	(5,966)	(9,499)	(5,059)
(Increase)/decrease in trade and other receivables	(54,483)	(12,634)	(64,847)	(3,069)
(Increase)/decrease in current intangible assets	1,402	(1,906)	1,403	(1,906)
(Increase)/decrease in prepayments	(587)	717	(576)	737
(Decrease)/increase in net deferred tax payable	11,133	82	11,133	2,462
(Decrease)/increase in trade and other payables	8,511	(541)	6,809	1,921
(Decrease)/increase in government grants	15,314	32,145	(36)	(65)
(Decrease)/increase in provisions	8,453	6,464	8,453	6,464

Net cash flows from operating activities 82,359 78,093 39,528 48,625

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

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$25.6 million (2012: \$15.7 million) by means of a gift. These acquisitions are not reflected in the statement of cash flows.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
7 Trade and other receivables				
Current				
Service receivables	80,095	44,371	79,917	36,250
Allowance for doubtful debts	(4,484)	(1,299)	(4,484)	(1,299)
Unbilled consumption	60,314	38,591	60,314	38,591
	135,925	81,663	135,747	73,542
Other receivables	6,359	6,131	6,246	5,947
Loans and advances to controlled entities	-	-	10,406	8,056
Total current receivables	142,284	87,794	152,399	87,545
Non-current				
Development loans	10	17	10	17
Total non-current receivables	10	17	10	17

(a) Service receivables

The average credit period on sales of goods and rendering of services is 51 days (2012: 23 days). An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined on an individual receivable basis, and by reference to past default experience.

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

Ageing of individually determined impaired service receivables:

0-30 days	528	68	528	68
30 - 60 days	572	77	572	77
60 - 90 days	176	64	176	64
90 + days	3,208	1,090	3,208	1,090
Impairment	4,484	1,299	4,484	1,299

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$12.0 million (2012: \$4.0 million) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Corporation generally does not hold collateral over these balances. The average age of these receivables is 76 days (2012: 79 days).

Ageing of past due but not impaired service receivables:

30 - 60 days	3,217	1,581	3,217	1,581
60 - 90 days	4,140	742	4,140	742
90 + days	4,655	1,689	4,655	1,689
Total	12,011	4,012	12,011	4,012

Movement in the allowance for doubtful debts:

Balance at beginning of year	1,299	1,535	1,299	1,535
Impairment losses recognised on receivables	4,327	1,329	4,327	1,329
Amounts written off as uncollectible	(1,726)	(2,190)	(1,726)	(2,190)
Written off debts subsequently collected	585	624	585	624
Balance at end of year	4,484	1,299	4,484	1,299

(b) Development loans

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

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
8 Inventories				
Materials and stores	29,100	19,165	29,087	19,165
Fuel stocks	10,579	10,781	3,563	3,982
Gas stocks	68	69	68	69
Tokens	330	333	330	333
Total inventories	40,077	30,348	33,048	23,549

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$10.4 million (2012: \$7.9 million).

9 Investments

2,500 \$1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation	3	3	3	3
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Unlisted shares held as follows:

- 0 (2012: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 0 (2012: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2012: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 50 (2012: 50) ordinary shares of \$1 each held by the Corporation in BGP Tenure Holdings Pty Limited
- 5 (2012: 5) ordinary shares of \$1 each held by the Corporation in NT Gas Pty Limited

Within 2012, the Corporation owned 100% of Darnor Pty Limited, Gasgo Pty Limited and Indigenous Essential Services Pty Limited and 50% of BGP Tenure Holdings Pty Limited. All companies are incorporated in Australia.

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

Principal activities of the subsidiary companies

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

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

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

10 Investment in subsidiaries

	June 2013	June 2012	June 2013	June 2012
	\$	\$	\$	\$
Indigenous Essential Services Pty Limited	-	-	10	10
Darnor Pty Limited	-	-	-	10
Gasgo Pty Limited	-	-	-	10
Total investment in subsidiaries	-	-	10	30

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

11 Property, plant and equipment

June 2013						Total Property, Plant and Equipment
Consolidated	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Finance Leases \$'000	Work in Progress \$'000	\$'000
Cost						
Opening Balance	14,746	258,080	2,135,103	-	418,899	2,826,828
Transfer/Restructure/Adjustments	(357)	(23,332)	(84,537)	-	111,021	2,795
Additions	38	3,112	27,089	9,309	277,627	317,175
Transfer From WIP	2,807	45,070	330,032	-	(427,475)	(49,566)
Disposals	(1,992)	-	(2,426)	-	-	(4,418)
Closing Balance	15,242	282,930	2,405,261	9,309	380,072	3,092,814
Accumulated Depreciation						
Opening Balance	-	(99,800)	(957,722)	-	-	(1,057,522)
Transfer/Restructure/Adjustments	-	(386)	(2,543)	-	-	(2,929)
Depreciation	-	(6,241)	(71,963)	(920)	-	(79,124)
Disposals	-	-	1,658	-	-	1,658
Closing Balance	-	(106,427)	(1,030,570)	(920)	-	(1,137,917)
Written Down Value						
Opening Balance	14,746	158,280	1,177,381	-	418,899	1,769,306
Transfer/Restructure/Adjustments	(357)	(23,718)	(87,080)	-	111,021	(134)
Additions	38	3,112	27,089	9,309	277,627	317,175
Depreciation	-	(6,241)	(71,963)	(920)	-	(79,124)
Transfer From WIP	2,807	45,070	330,032	-	(427,475)	(49,566)
Disposals	(1,992)	-	(768)	-	-	(2,760)
Closing Balance	15,242	176,503	1,374,691	8,389	380,072	1,954,897

June 2013						Total Property, Plant and Equipment
Corporation	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Finance Leases \$'000	Work in Progress \$'000	\$'000
Cost						
Opening Balance	14,725	214,155	1,767,575	-	386,299	2,382,754
Transfer/Restructure/Adjustments	(357)	(23,332)	(84,511)	-	110,995	2,795
Additions	38	3,112	27,089	-	230,952	261,191
Transfer From WIP	2,807	43,667	318,053	-	(414,093)	(49,566)
Disposals	(1,982)	-	(1,675)	-	-	(3,657)
Closing Balance	15,231	237,602	2,026,532	-	314,153	2,593,517
Accumulated Depreciation						
Opening Balance	-	(74,753)	(768,382)	-	-	(843,135)
Transfer/Restructure/Adjustments	-	(366)	(2,563)	-	-	(2,929)
Depreciation	-	(4,823)	(58,802)	-	-	(63,625)
Disposals	-	-	1,056	-	-	1,056
Closing Balance	-	(79,942)	(828,691)	-	-	(908,633)
Written Down Value						
Opening Balance	14,725	139,402	999,193	-	386,299	1,539,619
Transfer/Restructure/Adjustments	(357)	(23,698)	(87,074)	-	110,995	(134)
Additions	38	3,112	27,089	-	230,952	261,191
Depreciation	-	(4,823)	(58,802)	-	-	(63,625)
Transfer From WIP	2,807	43,667	318,053	-	(414,093)	(49,566)
Disposals	(1,982)	-	(619)	-	-	(2,601)
Closing Balance	15,231	157,660	1,197,840	-	314,153	1,684,884

Note: The Corporation and the Northern Territory Government have agreed for 2013-2014 to change the basis of fixed asset valuation to fair value, consistent with other commercially based entities. Consequently, an impairment test of assets at 30 June 2013 has not been undertaken. See Directors' Report for further information.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

11 Property, plant and equipment

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

12 (a) Intangibles

June 2013	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Consolidated				
Cost				
Opening Balance	27,200	5,460	11,263	43,923
Transfer/Restructure/Adjustments	(331)	-	-	(331)
Additions	-	14,600	3,729	18,330
Transfer From WIP	49,726	-	-	49,726
Disposals	-	(16,003)	-	(16,003)
Closing Balance	76,594	4,057	14,993	95,644
Accumulated Amortisation				
Opening Balance	(16,960)	-	-	(16,960)
Transfer/Restructure/Adjustments	(10,302)	-	-	(10,302)
Amortisation	(5,741)	-	-	(5,741)
Closing Balance	(33,003)	-	-	(33,003)
Written Down Value				
Opening Balance	10,240	5,460	11,263	26,963
Transfer/Restructure/Adjustments	(10,633)	-	-	(10,633)
Additions	-	14,600	3,729	18,330
Amortisation	(5,741)	-	-	(5,741)
Transfer From WIP	49,726	-	-	49,726
Disposals	-	(16,003)	-	(16,003)
Closing Balance	43,592	4,057	14,993	62,642

June 2013	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Corporation				
Cost				
Opening Balance	27,090	5,460	11,263	43,813
Transfer/Restructure/Adjustments	(331)	-	-	(331)
Additions	-	14,600	3,729	18,330
Transfer From WIP	49,726	-	-	49,726
Disposals	-	(16,003)	-	(16,003)
Closing Balance	76,485	4,057	14,993	95,535
Accumulated Amortisation				
Opening Balance	(16,921)	-	-	(16,921)
Transfer/Restructure/Adjustments	(10,302)	-	-	(10,302)
Amortisation	(5,716)	-	-	(5,716)
Closing Balance	(32,939)	-	-	(32,939)
Written Down Value				
Opening Balance	10,169	5,460	11,263	26,892
Transfer/Restructure/Adjustments	(10,633)	-	-	(10,633)
Additions	-	14,600	3,729	18,330
Amortisation	(5,716)	-	-	(5,716)
Transfer From WIP	49,726	-	-	49,726
Disposals	-	(16,003)	-	(16,003)
Closing Balance	43,546	4,057	14,993	62,596

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

12 (a) Intangibles

June 2012				
Consolidated	Other Intangible Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Cost				
Opening Balance	30,319	3,554	6,466	40,338
Additions	-	12,338	4,797	17,135
Transfer From WIP	2,332	-	-	2,332
Disposals	(5,451)	(10,432)	-	(15,883)
Closing Balance	27,200	5,460	11,263	43,923
Accumulated Amortisation				
Opening Balance	(19,563)	-	-	(19,563)
Amortisation	(2,848)	-	-	(2,848)
Disposals	5,451	-	-	5,451
Closing Balance	(16,960)	-	-	(16,960)
Written Down Value				
Opening Balance	10,756	3,554	6,466	20,776
Additions	-	12,338	4,797	17,135
Amortisation	(2,848)	-	-	(2,848)
Transfer From WIP	2,332	-	-	2,332
Disposals	0	(10,432)	-	(10,432)
Closing Balance	10,240	5,460	11,263	26,963

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
12 (b) Intangible Assets				
Current				
Renewable energy certificates	4,057	5,460	4,057	5,460
Total current intangible assets	4,057	5,460	4,057	5,460
Non-current				
Other intangible assets	43,592	10,240	43,546	10,169
Make up gas	14,993	11,263	14,993	11,263
Total non-current intangible assets	58,585	21,503	58,539	21,432

13 Trade and other payables

Service creditors	59,351	43,877	50,475	36,316
Other creditors and accruals	53,851	62,575	50,017	59,893
Total payables	113,202	106,452	100,492	96,209

The policy of the consolidated entity is to settle trade payables within 30 days. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14 Interest bearing borrowings

Current				
Government loans - unsecured	44,190	2,034	44,190	2,034
Total current borrowings	44,190	2,034	44,190	2,034
Non-current				
Government loans - unsecured	1,276,705	1,195,895	1,276,705	1,195,895
Total non-current borrowings	1,276,705	1,195,895	1,276,705	1,195,895

The government loans in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$44.2 million (2012: \$2.0 million).

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

15 Finance lease liabilities

	Consolidated			
	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
not later than one year	748	-	715	-
1 to 5 years	2,993	-	2,550	-
later than 5 years	9,778	-	4,770	-
	13,520	-	8,035	-
less future finance charges	(5,485)	-	-	-
Total Present Value of Minimum Lease Payments	8,035	-	8,035	-

Leasing arrangements

The controlled entity Indigenous Essential Services Pty Limited leased land for its existing infrastructure assets in 38 Indigenous Communities throughout the Northern Territory. The lease terms vary between 12 and 40 years with most of them providing Indigenous Essential Services Pty Limited with lease extension options.

The present value discount factor used for the minimum lease payments was 4.72% at the inception of the leases in 2013.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
16 Provisions				
Current				
Employee benefits	39,109	37,598	39,109	37,598
Employee related provisions	552	476	552	476
Renewable Energy Certificates	5,553	5,456	5,553	5,456
Carbon Permits	5,958	-	5,958	-
Total current provisions	51,172	43,530	51,172	43,530
Non-current				
Employee benefits	5,176	4,366	5,176	4,366

Reconciliations

Reconciliations of the carrying amounts for each class of provision, except for employee benefits are set out below:

Employee related provisions

Carrying amount at beginning of year	476	881	476	881
Provisions made during the year	9,753	11,327	9,753	11,327
Payments made during the year	(9,677)	(11,732)	(9,677)	(11,732)
Carrying amount at end of year	552	476	552	476

Renewable Energy Certificates

Carrying amount at beginning of year	5,456	3,235	5,456	3,235
Provisions made during the year	16,003	10,432	16,003	10,432
Payments made during the year	(15,906)	(8,211)	(15,906)	(8,211)
Carrying amount at end of year	5,553	5,456	5,553	5,456

Carbon Permits

Carrying amount at beginning of year	-	-	-	-
Provisions made during the year	21,386	-	21,386	-
Payments made during the year	(15,428)	-	(15,428)	-
Carrying amount at end of year	5,958	-	5,958	-

17 Government grants

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

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

Operational grants	7,664	8,271	119	155
Capital grants	289,614	273,693	-	-
Total government grants	297,278	281,964	119	155
Provided for in the financial statements as:				
Current	23,189	21,726	119	155
Non-current	274,089	260,238	-	-
	297,278	281,964	119	155

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
18 Contributed equity				
Share capital				
1 Share (2012: 1 Share)	-	-	-	-
Debt to equity swap	152,582	152,582	152,582	152,582
Total contributed equity	152,582	152,582	152,582	152,582

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

From 2011, a series of Debt-Equity swaps were agreed to between the Northern Territory Government and the Corporation. These swaps ended in the 2011-2012 financial year.

19 Retained earnings				
Retained earnings at beginning of year	412,906	413,709	412,871	412,851
Net profit/(loss) for the year	29,868	(804)	29,868	20
Retained earnings at end of the year	442,774	412,906	442,739	412,871

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

20 Risk management objectives

(a) Financial risk management objectives and policies

The consolidated entity's principal financial instruments are government loans and cash.

The main purpose of these financial instruments is to raise finance for the consolidated entity's operations. The consolidated entity has various other financial instruments such as trade receivables and trade payables. It is the consolidated entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

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

The consolidated entity's overall strategy remains unchanged from 2012.

(b) Market risk

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

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

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

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

Services either regulated or open to competition are:

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

There has been no change 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 a fixed rate debt.

The following table shows the consolidated entity's debt and interest obligations to the Northern Territory Government and the impact of a change in interest rates:

Loan term	Consolidated			Corporation		
	Fixed and Variable Rate Loans	Average Interest Rate	Increase in annual interest expense if interest rates rise by 1.00%	Fixed and Variable Rate Loans	Average Interest Rate	Increase in annual interest expense if interest rates rise by 1.00%
	\$'000	%	\$'000	\$'000	%	\$'000
< 1 to 2 years	347,453	6.87%	1,090	347,453	6.87%	1,090
2 to 5 years	615,345	5.46%	4,148	615,345	5.46%	4,148
5 years +	873,537	6.63%	7,970	873,537	6.63%	7,970
	1,836,335		13,208	1,836,335		13,208

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

20 Risk management objectives

(d) Credit risk management

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

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

(e) Liquidity risk management

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of government loans and finance leases.

Each year the consolidated entity prepares a Statement of Corporate Intent (SCI) which is tabled with the Shareholding Minister for approval. The SCI is a detailed 4 year projection of the consolidated entity's financial position. The current year actual results are reported against the SCI budget.

The consolidated entity seeks approval from the Shareholding Minister for funding requirements for the forthcoming year on an annual basis based on the SCI. If the consolidated entity is unable to meet SCI targets it is able to apply to the Northern Territory Government for additional loan funding.

(f) Foreign currency risk management

The consolidated entity has transactional currency exposures. Such exposure arises from purchases in currencies other than the functional currency.

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

The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was NIL (2012: NIL).

(g) Commodity price risk

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

(h) Capital risk management

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

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in note 14, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital and retained earnings as disclosed in notes 18 and 19 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

21 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 \$1,366.4 million (2012: \$1,250.9 million).

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

Interest rate risk

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

Consolidated	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Fixed and floating interest maturing in:			Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2013							
Financial Assets							
Cash assets	2.92%	65,715	-	65,715	-	-	65,715
Receivables	-	-	-	-	-	142,294	142,294
Investments	-	-	-	-	-	3	3
		65,715	-	65,715	-	142,297	208,012
Financial Liabilities							
Payables	-	-	-	-	-	113,202	113,202
Government loans	6.28%	-	1,320,895	44,190	335,705	941,000	1,320,895
Finance lease liability	4.72%	-	8,035	715	2,550	4,770	8,035
		-	1,328,930	44,905	338,255	945,770	1,442,132
2012							
Financial Assets							
Cash assets	4.12%	149,267	-	149,267	-	-	149,267
Receivables	-	-	-	-	-	87,811	87,811
Investments	-	-	-	-	-	3	3
		149,267	-	149,267	-	87,814	237,081
Financial Liabilities							
Payables	-	-	-	-	-	111,909	111,909
Government loans	6.66%	-	1,197,929	2,034	124,090	1,071,804	1,197,929
		-	1,197,929	2,034	124,090	1,071,804	1,111,909
							1,309,838

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

21 Financial instruments (cont'd)

Corporation	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Fixed and floating interest maturing in:			Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2013							
Financial Assets							
Cash assets	2.92%	14,780	-	14,780	-	-	14,780
Receivables	-	-	-	-	-	152,409	152,409
Investments	-	-	-	-	-	3	3
		14,780	-	14,780	-	152,412	167,192
Financial Liabilities							
Payables	-	-	-	-	-	100,492	100,492
Government loans	6.28%	-	1,320,895	44,190	335,705	941,000	1,320,895
		-	1,320,895	44,190	335,705	941,000	1,421,387
2012							
Financial Assets							
Cash assets	4.12%	94,000	-	94,000	-	-	94,000
Receivables	-	-	-	-	-	87,562	87,562
Investments	-	-	-	-	-	3	3
		94,000	-	94,000	-	87,565	181,565
Financial Liabilities							
Payables	-	-	-	-	-	101,665	101,665
Government loans	6.66%	-	1,197,929	2,034	124,090	1,071,804	1,197,929
		-	1,197,929	2,034	124,090	1,071,804	1,299,594

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013**

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
22 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable within one year:	115,970	112,708	96,749	98,715
Lease and hire expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Property, Plant and Equipment	28,538	48,882	28,538	48,882
Purchase expenditure commitments				
Contracted but not provided for:				
Electricity purchase	38,697	51,112	38,697	51,112
Gas purchase	4,187,983	4,332,676	4,187,983	4,332,676
Gas transportation	1,489,364	1,513,780	1,489,364	1,513,780
	5,716,044	5,897,568	5,716,044	5,897,568
Payable:				
Within one year	313,616	311,958	294,395	297,965
One year or later and no later than five years	1,016,102	995,817	1,016,102	995,817
Later than five years	4,530,834	4,751,383	4,530,834	4,751,383
	5,860,552	6,059,158	5,841,331	6,045,165

The consolidated entity has non-cancellable purchase, lease and hire expenditure contracts expiring between 1 to 25 years from the date of the contract. These contracts generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Payments usually comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

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

Remuneration commitments:

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

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$	\$	\$	\$
Within one year	18,291,291	17,369,783	18,291,291	17,369,783
After one year but not more than five years	21,012,658	21,236,001	21,012,658	21,236,001
	39,303,949	38,605,784	39,303,949	38,605,784

23 Operating lease arrangements

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$'000	\$'000	\$'000	\$'000
Payments recognised as an expense				
Minimum lease payments	11,462	10,697	10,596	9,859
	11,462	10,697	10,596	9,859

24 Contingent liabilities and contingent assets

Depending on notification from a third party, the Corporation may be responsible for decommissioning and removal of a gas pipeline and Tie-In on the expiration of a Gas Sales Agreement in December 2022. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

25 Related party information

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

Name	Country of Incorporation	% Equity Interest		Investment	
		June 2013 %	June 2012 %	June 2013 \$	June 2012 \$
Darnor Pty Limited*	Australia	0%	100%	0	10
Gasgo Pty Limited*	Australia	0%	100%	0	10
BGP Tenure Holdings Pty Limited	Australia	50%	50%	0	0
Indigenous Essential Services Pty Limited	Australia	100%	100%	10	10
				10	30

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2013 owned 100% (2012: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

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

*Company deregistered with ASIC 8 August 2012. See note 9 for further information.

Transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. The Corporation is the only provider of electricity, water and sewerage services in populated areas in the Northern Territory, and therefore provides these services to all Northern Territory Government departments and related entities. It is not practical to list separately related party transactions that occurred between the Corporation and these entities, and therefore, these transactions have been aggregated as shown below:

Related Party		Sales to related parties \$'000	Purchases from related parties (1) \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties (2) \$'000
The parent entity including all entities that are associated with the parent entity being the Northern Territory Government - see explanation above.	June 2013	196,230	88,330	33,209	1,350,284
	June 2012	164,480	82,582	104,256	1,230,195
Indigenous Essential Services Pty Limited (subsidiary)	June 2013	101,697	826	51,011	27,856
	June 2012	94,525	779	62,488	45,045

(1) For the year ended 30 June 2013, purchases from the Northern Territory Government include interest paid on borrowings of \$0 (2012: \$74,887,654) refer to note 3(c).

(2) For the year ended 30 June 2013, the amount owed to the Northern Territory Government includes borrowings of \$1,320,895,680 (2012: \$1,197,929,591) refer to note 14.

There were no related party transactions relating to the subsidiaries Darnor Pty Limited and Gasgo Pty Limited in the 2011-2012 or the 2012-2013 financial years. These companies have now been wound up. See note 9 for further information.

The consolidated entity receives grants from the Northern Territory Government in the form of Community Service Obligations and other miscellaneous grants. See note 2(f), 3(a) and note 17 for further details of this form of revenue.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

25 Related party information (continued)

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

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

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

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$	\$	\$	\$
Expense transactions with key management personnel	721,287	2,234,317	721,287	2,234,317

For the year ended 30 June 2013, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$0.0 million (2012: \$0.0 million).

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

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$	\$	\$	\$

26 Auditor's remuneration

Audit services:

Auditors of the Corporation - NT Auditor-General	410,060	324,831	374,120	295,515
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Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

27 Director and executive disclosures

Remuneration of key management personnel

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

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

		Short-term employee benefits	Post employment benefits	
		Salary & Fees	Superannuation	Total
		\$	\$	\$
Non-executive directors				
Mr Mike Burgess (Chairperson) (Term commenced March 2013)	June 2013	-	-	-
	June 2012	-	-	-
Mr Gary Barnes (Term commenced March 2013)	June 2013	-	-	-
	June 2012	-	-	-
Mrs Jennifer Prince (Term commenced March 2013)	June 2013	-	-	-
	June 2012	-	-	-
Mr Alastair Shields (Term commenced March 2013)	June 2013	-	-	-
	June 2012	-	-	-
Ms Judith King (Term expired October 2012)	June 2013	27,231	2,451	29,682
	June 2012	77,349	7,509	84,858
Mrs Linda Mackenzie (Term expired March 2013)	June 2013	44,569	4,011	48,580
	June 2012	59,499	5,215	64,714
Mr Mervyn Davies (Term expired March 2013)	June 2013	44,569	4,011	48,580
	June 2012	59,499	5,215	64,714
Mr Michael Hannon (Term expired March 2013)	June 2013	50,585	4,553	55,138
	June 2012	47,307	4,276	51,583
Mr Rob Skinner (Term expired March 2013)	June 2013	36,546	3,289	39,835
	June 2012	48,789	5,230	54,019
Mr Steve Margetic (Term expired March 2013)	June 2013	36,546	3,289	39,835
	June 2012	48,789	5,230	54,019
Total non-executive directors	June 2013	240,046	21,604	261,650
	June 2012	341,231	32,674	373,905

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

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013****27 Director and executive disclosures (continued)****Executives' remuneration**

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

	Consolidated		Corporation	
	June 2013	June 2012	June 2013	June 2012
	\$	\$	\$	\$
Short-term employee benefits	4,316,336	3,733,190	4,316,336	3,733,190
Other long-term benefits	1,134,812	775,799	1,134,812	775,799
Total compensation of key management personnel (excluding non-executive directors)	5,451,148	4,508,989	5,451,148	4,508,989

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

Other transactions with key management personnel

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

28 Events after the reporting period

The Director Gary Barnes has resigned from the Corporation's Board as at 12 July 2013 and his vacancy has been filled by Scott Perkins.

After the reporting period and before the date of this report, one further finance lease has been executed between the Corporation's subsidiary Indigenous Essential Services Pty Limited and the Office of Township Leasing on behalf of the Angurugu community.

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

29 Economic dependency and going concern

Aligning revenue with costs is essential to meet the objectives of the Corporation as outlined in the Government Owned Corporations Act. Achieving ongoing financial sustainability for the Corporation requires a combination of cost-reflective pricing of services, effective revenue management, prudent and effective investment in capital works, appropriate maintenance programs and control of operational expenditure.

While the Corporation's commercial sustainability has improved, it remains exposed to considerable downside risks including the inability to generate sufficient revenue to cover costs, unanticipated environmental obligations and the escalating cost of capital program delivery. Until commercial sustainability is achieved Power and Water relies on the support of its sole shareholder, the Northern Territory Government.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2013

30 Restatement of comparatives

The Corporation has changed its presentation of financial position to disclose the Renewable Energy Certificate Liabilities as Provisions.

To provide meaningful comparisons to the June 2013 figures, the following tables restate the 2012 figures for both the Corporation and the consolidated entity in relation to the above change.

June 2012	Consolidated			Corporation		
	Original	Restated	Change	Original	Restated	Change
Statement of Cash Flow	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
TOTAL CURRENT ASSETS	274,646	274,646	-	212,312	212,312	-
TOTAL NON-CURRENT ASSETS	1,936,742	1,936,742	-	1,706,988	1,706,988	-
TOTAL ASSETS	2,211,388	2,211,388	-	1,919,300	1,919,300	-
Total Trade and Other Payables	(111,909)	(106,453)	5,456	(101,665)	(96,209)	5,456
Total Provisions	(38,075)	(43,531)	(5,456)	(38,075)	(43,531)	(5,456)
TOTAL CURRENT LIABILITIES	(173,743)	(173,743)	-	(141,928)	(141,928)	-
TOTAL NON-CURRENT LIABILITIES	(1,472,157)	(1,472,157)	-	(1,211,919)	(1,211,919)	-
TOTAL LIABILITIES	(1,645,900)	(1,645,900)	-	(1,353,847)	(1,353,847)	-
NET ASSETS	(565,488)	(565,488)	-	(565,453)	(565,453)	-
EQUITY	(565,488)	(565,488)	-	(565,453)	(565,453)	-

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