

PowerWater

POWER AND WATER CORPORATION
ANNUAL REPORT 2005

“THE CORPORATION CONTINUES TO FOCUS ON PROVIDING POWER, WATER AND SEWERAGE SERVICES TO OUR MORE THAN 77 000 CUSTOMERS IN A COMPETITIVE, EFFICIENT, RELIABLE AND ENVIRONMENTALLY SUSTAINABLE MANNER IN FIVE MAJOR CENTRES, EIGHT SMALLER CENTRES, AND 103 REMOTE COMMUNITIES AND OUTSTATIONS THROUGHOUT THE NORTHERN TERRITORY.”



Letter to the Shareholder

The Hon Syd Stirling MLA
Treasurer
Legislative Assembly of the Northern Territory
DARWIN NT 0800

Dear Minister

It gives us great pleasure, on behalf of the Power and Water Corporation, to present the 3rd Power and Water Annual Report, for the year ended 30 June 2005, in accordance with the provisions of Section 44 of the *Government Owned Corporations Act*.

Yours sincerely

Neil Philip
Chairman

Kim Wood
Managing Director

13 October 2005



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Chairman's and Managing Director's Report

Power and Water entered its third year as a Government Owned Corporation and continued to produce a solid performance in its range of operations. This was achieved despite a number of factors that produced some very challenging circumstances for the Corporation. These included Category Five Cyclone Ingrid, severe wet season storms, the lowest wet season intake to Darwin River Dam in 30 years, a direct lightning strike on the Channel Island Power Station, increased power interruptions due to bats, and rising world oil prices.

Corporate Governance

The Corporation continues to meet standards agreed between the Board and the Northern Territory Government, our shareholder. Their standards are detailed in the Statement of Corporate Intent.

Although it is not required to comply with the principles published by the Australian Stock Exchange's Corporate Governance Council, the Corporation is guided by their principles. This report outlines our compliance and helps to ensure that the Corporation maintains high standards of governance and accountability.

Financial Performance

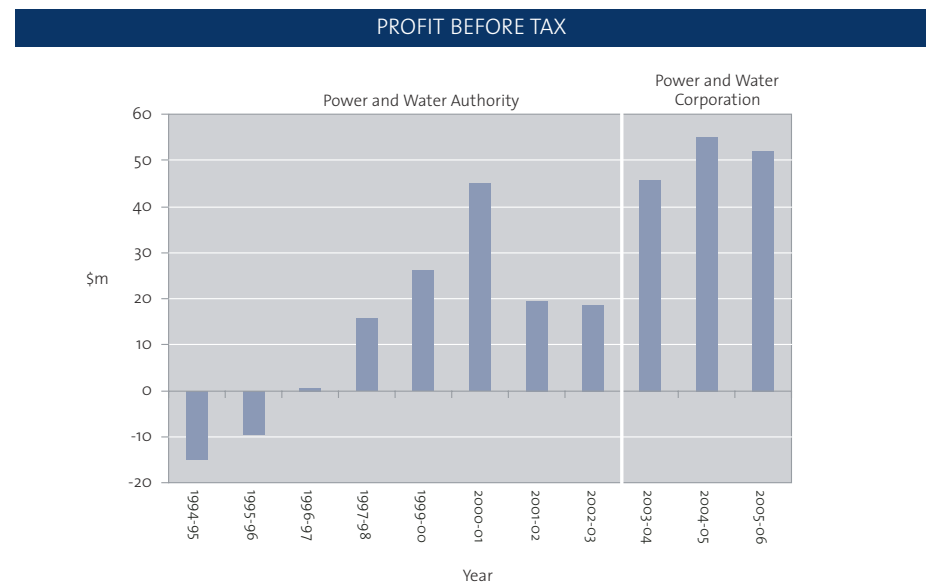
The Corporation continued to grow strongly in line with business activity in the Northern Territory. Total consolidated revenues for 2004-2005 was \$507.9 million, a 5.9% increase from the previous year.

The Corporation faced a difficult year in controlling operating costs with rising world oil prices causing higher than anticipated increases in the cost of diesel, and increased personnel costs being paid as a result of the Enterprise Bargaining Agreement that was concluded during the year and which will remain effective until August 2007.

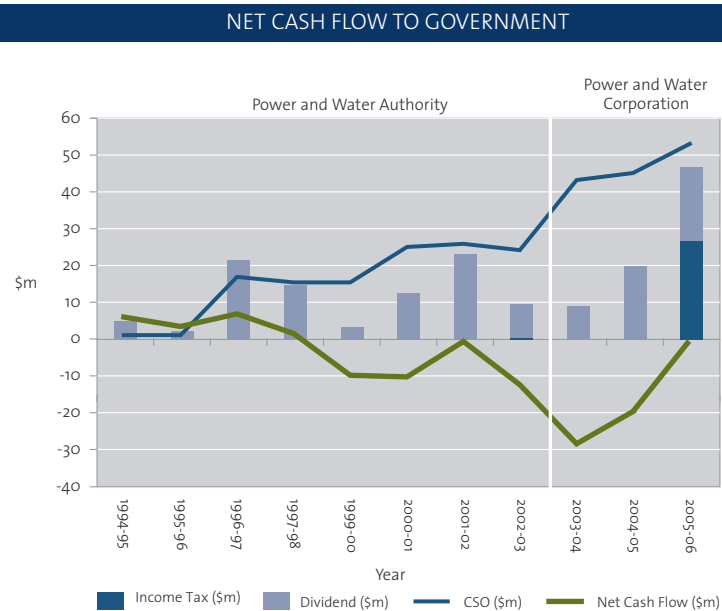
Despite these challenging issues the Corporation recorded strong net profit and shareholder equity results. Consolidated shareholder capital at year-end was \$649.2 million, 3% higher than for June 2004. Following scheduled loan repayments, the debt-to-equity ratio was 45.2% compared with 47.1% the previous year. Consolidated net profit after tax was lower

than anticipated at \$37.9 million, which was 5.9% lower than for 2003-2004. In accordance with the 50% dividend policy the dividend paid to the Northern Territory Government will be \$18.9 million.

While net profit was lower than anticipated the outcome continued the trend of higher and more stable profit results that have occurred since corporatisation, as shown in the following graph.



In addition, there has been a significant improvement in the cash flow trend from the Corporation to Government, as shown in the graph below.



Gas Supply

Negotiations continued during 2004-2005 to secure gas supplied on the expiration of the current contracts. It is anticipated that a contract for a reliable cost-effective gas supply will be concluded during 2005-2006.

Efficient Asset Management

The Corporation is committed to investing in and maintaining our asset base to ensure we meet future capacity and operational requirements. In the past three years Power and Water's annual capital investment program has grown from \$51.7 million in 2002-2003 to \$65.5 million in 2004-2005. Power and Water is forecasting a capital investment program for 2005-2006 of \$66 million.

During 2004-2005 the Corporation undertook a number of major projects including, increasing the generating capacity at the Ron Goodin Power Station in Alice Springs and the Tennant Creek Power Station, the Darwin Undergrounding and Dundee Beach Power Projects, water supply to Cox Peninsula, the Alice Springs Water Re-use Project and refurbishment of the Ben Hammond Complex.

In addition to its investment in new assets, during 2004-2005 Power and Water invested \$40.9 million in repairs and maintenance of our existing assets. It is forecast that \$39 million will be invested in the maintenance of our assets in 2005-2006.

Power and Water Customers

Power and Water is committed to continuously improving customer relations and services. A new retail management system was implemented in 2004-2005. There were some initial implementation problems, which have been overcome and the new system now provides our customers with a more comprehensive and versatile service. Improvements were also made to our call centre.

We continue to enhance relationships with our contestable customers by providing energy management advice and account management services.

Power and Water Supply Systems

In 2004-2005 a number of factors hampered the Corporation's ability to maintain its previous high standards in electricity supply reliability. These included severe wet season storms, increased power interruptions due to bats and a direct lightning strike on the Channel Island Power Station, which caused a major power interruption to many customers in the Darwin and Katherine regions.

Power and Water continued to investigate ways to minimise power supply interruptions including vegetation management programs and research into mitigating power interruptions caused by bats.

The high reliability and performance of water and sewerage systems continued throughout the year, with average outage duration times and frequencies within target.

Remote Operations

Enhancing the well being of Territorians in remote communities, through improvements to power, water and sewerage services continues to be a high priority for the Corporation. A number of significant projects were completed in 2004-2005. These included new power stations or generating capacity at Daly River, Docker River, Nyirripi, Yuendumu, Hermannsburg and Minyerri and major water services at Ltyentye Apurte, Gapuwiyak, Numbulwar, Oenpelli, Yirkala and Lajamanu. In addition, the Corporation responded very quickly to restore essential services to many Top End communities damaged by Cyclone Ingrid.

The training of Essential Service Operators continued, including 47 mostly Indigenous personnel attending workshops in Alice Springs and Katherine.

Outlook

The Corporation continues to focus on providing power, water and sewerage services to our more than 77 000 customers in a competitive, efficient, reliable and environmentally sustainable manner in five major centres, eight smaller centres, and 103 remote communities and outstations throughout the Northern Territory.

The purchase of long-term gas supplies post-2009 remains a high priority for the Corporation. Negotiations will conclude in 2005-2006.

Guided by our Statement of Corporate Intent and corporate governance principles, we have worked hard to meet all our regulatory obligations, maintain our assets, extend our relationships with customers, value and encourage our staff and improve our levels of service. For our shareholders and business partners, our customers and our employees we are confident we can continue to improve during 2005-2006.



A handwritten signature in black ink that reads "Neil Philip".

Neil Philip
Chairman



A handwritten signature in black ink that reads "Kim Wood".

Kim Wood
Managing Director

About Power and Water Corporation

The Board

Mr Neil Philip (Chairman)
 Dr Michael Vertigan AC
 (Deputy Chairman)
 Dr Michael Sargent AM
 Mrs Judith King
 Mr Kim Wood
 (Managing Director)

Auditor

Auditor-General
 for the Northern Territory

Internal Auditor

Ernst & Young Chartered
 Accountants

Financial Adviser

KPMG Chartered
 Accountants

Banker

Westpac Banking
 Corporation

Legal Advice

Clayton Ulz
 Minter Ellison
 Morgan Buckley

The Power and Water Corporation provides electricity, water and sewerage services to more than 77 000 customers across the Northern Territory. With total assets in excess of \$1 billion, Power and Water is one of the largest businesses in the Northern Territory employing over 700 Territorians.

On 1 July 2002 the Power and Water Authority became the Northern Territory's first Government Owned Corporation, created by the *Government Owned Corporations Act*.

Power and Water is required to follow government policy in the areas of:

- Fleet management
- Information technology
- Procurement
- Information management systems
- Employment under the *Public Sector Employment and Management Act*.

Power and Water is also involved in whole of government counter-terrorism programs and is represented on the Energy Infrastructure Assurance Advisory Group and the Water Infrastructure Advisory Group.

Power and Water has an integral role in the Northern Territory's counter disaster structure and response.

Nature and Scope of Activities

Power and Water operates within a framework of:

- 100% Northern Territory Government ownership
- Price and conduct regulation by the Utilities Commission
- Licensed in the Northern Territory electricity market as a generator network provider, system controller and retailer
- Licensed to provide water and sewerage services
- Subject to all laws affecting commercial businesses
- Subject to competition in the Northern Territory electricity market.

Power and Water purchases gas supplies for resale through its wholly owned subsidiary, Gasgo Pty Limited.

Power and Water holds a 2.5% interest in NT Gas Pty Limited, the lessee/operator of the Amadeus Basin to Darwin gas pipeline, and 2.5% of the units in the Amadeus Gas Trust, through its wholly owned subsidiary, Darnor Pty Limited.

Power and Water delivers electricity, water, sewerage and other services in remote Territory communities through its wholly owned subsidiary, Indigenous Essential Services Pty Limited.

Corporate Values

The activities of Power and Water are guided by the following values:

Safety is Paramount

Power and Water will protect the safety of its people, customers and the community. Zero harm is Power and Water's safety goal.

Our People

Power and Water values its people and encourages them to achieve their potential.

“POWER AND WATER’S MISSION IS TO DELIVER POWER, WATER AND SEWERAGE SERVICES TO THE PEOPLE OF THE NORTHERN TERRITORY IN A COMPETITIVE, EFFICIENT, RELIABLE AND ENVIRONMENTALLY SUSTAINABLE MANNER”



Growth

Power and Water's business will grow by fostering a performance-driven culture.

Our Customers

Power and Water strives for total customer satisfaction with its services.

Integrity

Power and Water is honest, consistent and fair in dealings with customers, suppliers and its people.

The Natural Environment

Power and Water will protect the natural environment by meeting its mandated environmental obligations and minimizing the impact of its operations.

Corporate Strategies

Power and Water's 14 key strategies are:

Customers and Community

1. Customer Management

GOAL: To ensure that our customers are satisfied with the products, pricing and service provided by the Corporation.

Power and Water will serve its customers by:

- Treating its customers fairly
- Communicating regularly with customers
- Implementing a comprehensive service response program
- Providing appropriate levels of service at efficient prices.

2. Being Socially Responsible

GOAL: To meet our social responsibilities to the communities in which we operate.

Power and Water will participate in the community by:

- Encouraging indigenous employment within Power and Water
- Supporting Territory-based businesses and community groups in line with Corporation policy and within the frameworks of NT Government policies
- Developing close ties with Charles Darwin University for training and research
- Undertaking a broad-based annual sponsorship program across the Territory.



Our Staff

3. Safety Management

GOAL: To consistently achieve "zero harm" targets for safety.

Power and Water will manage its safety responsibilities by:

- Committing to a zero harm workplace
- Undertaking AS 4801 Occupational Health and Safety Management systems accreditation
- Ensuring adequate supervision of workers and contractors
- Undertaking a comprehensive safety training and culture change program.

4. Employee Development

GOAL: To improve the satisfaction level, skills, motivation and performance of all employees.

Power and Water will manage its employees by:

- Treating its employees fairly
- Ensuring that every employee has a job description, performance appraisal and a training development plan
- Managing performance
- Implementing an “Action Needed” staff feedback program
- Managing employee crisis situations.

5. Leadership Development

GOAL: To develop a high achieving management team.

Power and Water will develop leaders by:

- Individually tailored development programs
- Developing specific goals
- Providing regular feedback
- Managing performance
- Encouraging all managers to gain a management qualification
- Opportunities for ongoing management “stretch” skill development.

6. Cultural Change

GOAL: To move to a high performance culture.

Power and Water will develop the organisation by:

- Developing and implementing a comprehensive cultural change program
- Implementing a flat management structure
- Providing a single senior management contact in each town/centre
- De-centralising the Executive Management team
- Establishing formal relationships with several Australian utilities to access expertise.

The Business

7. Capital Asset Management

GOAL: To optimise the cash committed to capital and operational expenditure by gaining a risk/consequence based understanding of the underlying capital needs of the business and the subsequent impact on maintenance expenditure.

Power and Water will manage its assets by:

- Developing rolling 1, 3 and 10 year asset management plans
- Regular communication of those plans to suppliers and the community
- Building and maintaining the most appropriate plant and equipment
- Improving physical security of Power and Water facilities and assets
- Developing a comprehensive facilities management plan.

8. Financial Management

GOAL: To operate all financial aspects of the Corporate in an efficient and timely manner.

Power and Water will manage its finances by:

- Achieving Statement of Corporate Intent financial targets
- Ensuring that appropriate financial policies and procedures are in place
- Developing strategies to improve financial performance
- Developing more accurate, appropriate and flexible forecasting models and techniques
- Ensuring that it complies with all necessary accounting standards.



9. Business Development

GOAL: To actively seek ways to minimise risk and to provide growth opportunities for the Corporation.

Power and Water will develop Power and Water's business by:

- Securing a reliable supplier of gas post 2009 at the best possible price
- Implementing new services which leverage off existing infrastructure and facilities
- Using existing competencies in new markets
- Actively seeking partnerships to share risk in new business ventures.

10. Productivity Improvement

GOAL: To improve returns to the Shareholder, and outcomes for customers by continuously pursuing opportunities for efficiency.

Power and Water will increase efficiency by:

- Seeking ways to minimise costs and improve operational outcomes
- Improving debtor management
- Ensuring timely implementation of audit recommendations
- Undertaking ISO 9001 Quality Management Systems accreditation.

11. Environmental Management

GOAL: To be seen as a leader in environmental management and compliance in the Territory.

Power and Water will manage its impact on the environment by:

- Complying with, and where possible exceeding, its legal and statutory obligations
- Undertake ISO 14001 Environmental Management systems accreditation
- Continuing the Annual Environmental Awards.

Accountability

12. Stakeholder Management

GOAL: To build a high level of trust with stakeholders.

Power and Water will manage its stakeholders by:

- Providing timely and appropriate information to the shareholding and portfolio Ministers
- Developing a consultative relationship with unions representing Power and Water employees
- Developing stronger ties with the Territory business community
- Developing closer relationships with electronic and print media in the Territory.



13. Crisis Management

GOAL: To respond gracefully to any reasonably foreseeable crisis.

Power and Water will manage crisis situations by:

- Implementing a risk-management regime to meet the ISO 9001 standard
- Developing and implementing crisis response and business continuity plans
- Developing a crisis communications strategy.

14. Performance Measurement

GOAL: To ensure timely compliance with all statutory reporting obligations, and to provide meaningful information to all stakeholders.

Power and Water will measure performance by:

- Reporting achievement against Statement of Corporate Intent targets
- Regular reporting of progress against the capital investment and repairs and maintenance programs
- Developing and regularly reporting Key Performance Indicators.

Power and Water's Business

“POWER AND WATER CORPORATION PROVIDES ELECTRICITY, WATER AND SEWERAGE SERVICES TO MORE THAN 77 000 CUSTOMERS AROUND THE NORTHERN TERRITORY. WITH TOTAL ASSETS IN EXCESS OF \$1 BILLION, POWER AND WATER IS ONE OF THE LARGEST BUSINESSES IN THE NORTHERN TERRITORY AND EMPLOYS OVER 700 TERRITORIANS.”

Business Overview

Power and Water is a wholly Government Owned Corporation under the terms of the *Government Owned Corporations Act 2001*, and is one of the Northern Territory's largest businesses with operations throughout the Territory.

Power and Water is mandated to operate at least as efficiently as any comparable business and to maximise the sustainable return to the Territory on its investment in power and water. To achieve this, Power and Water operates the following business units:

- Retail
- Power Networks
- Generation
- System Control
- Water Services (water supply and sewerage services)
- Gas
- Remote Operations
- Technology Services
- Business Services/Company Secretary
- Financial Services
- Human Resources
- Office of General Counsel.

Power and Water's wholly owned subsidiary companies are:

- Indigenous Essential Services Pty Limited
- Gasgo Pty Limited
- Darnor Pty Limited.

The Financial Performance of Power and Water

Financial performance in 2004-2005 was strong. Growth in electricity demand and increased developer activity resulted in consolidated revenue of \$507.9 million, 5.9% higher than in the previous year. Expenditure growth was largely due to increasing world oil prices throughout the year, upgrades to the Ben Hammond Complex and personnel costs resulting from the signing of the new Enterprise Bargaining Agreement. The resulting net profit before tax was \$52.03 million, a 5.5% decrease from 2003-2004.

Power and Water provided for taxation expense of \$14.2 million under the National Tax Equivalent Regime. In addition, a dividend of \$18.9 million, or 50% of net profit after tax, was declared from 2004-2005 profits under Power and Water's dividend policy.

The financial position of Power and Water improved due to profits retained and the repayment of \$22.957 million in debt in 2004-2005. Total equity grew to \$649.2 million, a 3% improvement from 2003-2004. Gearing, as measured by the debt-to-equity ratio, was 45.2% compared to 47.1% in June 2004.

Taxation

Power and Water pays income tax in accordance with the National Tax Equivalent Regime. Power and Water is subject to a notional tax rate of 30% and has recognised a \$14.2 million tax expense for the 2004-2005 financial year.

International Financial Reporting Standards

For reporting periods starting on or after 1 July 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 26 to the financial statements.

The Environmental Performance of Power and Water

Power and Water uses natural gas in all of its major power stations, limiting the greenhouse emissions that would come from using coal fired burners. In the minor centres Power and Water is continuing to focus on renewable energy such as solar panels and trialing alternatives to diesel such as biodiesel.

The Social Performance of Power and Water

Power and Water has a commitment to community development and invests in the long-term growth of the Territory and its people through the community support and sponsorship program. During the year approximately \$290 000 was invested in the community through the program.

Indigenous Essential Services Pty Ltd



Indigenous Essential Services (IES) Pty Ltd is a wholly owned subsidiary of Power and Water that was established in June 2003 to support the provision of electricity, water and sewerage services to remote Northern Territory Indigenous communities. The Power and Water Board established IES as an independent vehicle to ensure the Corporation remained focussed on the provision of high quality infrastructure and services in this important area of our business. The IES Board members are the same as for Power and Water. More detailed information about IES is in the Indigenous Essential Services Pty Ltd Annual Report, available through Power and Water.

Cyclone Ingrid

Cyclone Ingrid developed from a tropical low into a cyclone on 6 March 2005, crossing the east coast of Queensland Cape York Peninsula into the Gulf of Carpentaria as a Category Four cyclone on 10 March. Ingrid intensified to a Category Five and fluctuated between a Category Four and Category Five as it crossed Croker Island, the Cobourg Peninsula and the Tiwi Islands in the Northern Territory between the 11 and 15 March. Ingrid finally impacted the West Australian Kimberley coast at Faraway Bay as a Category Five cyclone on 17 March.

Cyclone Ingrid affected all remote Northern communities, Yirrkala, Marn Garr, Elcho Island and Milingimbi suffered minor damage. More extensive damage occurred in Nguui, Goulburn Island and Croker Island where aerial conductors and power lines were damaged



DAMAGE CAUSED BY CYCLONE INGRID

by falling trees. The most damage occurred at Pirlangimpi and Milikapiti on Melville Island, where trees severely damaged large sections of lines and the powerhouse at both sites suffered minor damage resulting in interruption to supply.

The communities experienced no deaths from the cyclone, despite winds of up to 290 km/h, which is testament to their preparedness. Power, water and sewerage services were restored to all cyclone-affected communities within days and all repairs were completed by the start of April.



RON GOODIN POWER STATION



TITAN DUAL FUEL GAS TURBINE UNIT

New Generation Plant – Alice Springs

A significant increase in demand in the summers of 2002 and 2003 raised concern regarding Ron Goodin's installed capacity. As an interim measure, two 3.9 MW Solar Taurus gas turbine units were commissioned in October 2004. The generator had been replaced in January 2005 with a 10.1 MW Titan dual fuel gas turbine unit. One Taurus generator had been relocated to Tennant Creek by June 2005.

Power and Water's People



POWER AND WATER STAFF FROM DARWIN (TOP) AND
KATHERINE (BELOW) PARTICIPATING IN THE BUSINESS UNIT COMPETITIONS

Enterprise Bargaining Agreement

In February the Power and Water Enterprise Bargaining Agreement (EBA) was approved by the Commissioner for Public Employment and lodged with the Australian Industrial Relations Commission for certification. The annual salary increases negotiated were 5%, 3% and 3% over the three years of the agreement.

Human Resources

The Board decided that because of the importance of its people the Human Resources section would be established as an independent business unit. This occurred in December 2004 with a corporate business unit providing a single point of contact for recruitment, separation, case management, performance management, induction, coordination of training and other general human resource matters.

As part of the EBA, the Joint Consultative Committee (JCC) was established as a forum to regularly consult on implementing cultural change. The JCC is represented by managers from Power and Water's business units and union delegates throughout the Territory, who meet monthly and through specific project teams, to develop, report on and progress initiatives. Projects to date include the Job Model Review, Performance Management Review and Fitness for Work Review.

Staff Engagement

Power and Water staff continue to participate in sporting and social events throughout the Territory. This year staff have risen to the challenge of quarterly Business Unit Competitions where Business Units compete against each other in both fancy dress and sporting arenas. In addition to social events, many staff volunteer their time to assist with Corporation sponsorship activities.

Australian Water Association

At the May 2005 Australian Water Association (AWA) Board meeting, Power and Water's General Manager Water Services Darryl Day, was elected President of the Australian Water Association. This is an honorary position for a two-year term.

Darryl joined the AWA in 1983, served on the then Federal Council, and later became a board member for a number of years. Darryl is the 29th President of the Association. Darryl also serves on the Governing Board of the International Water Association (IWA) and was elected for a 3 year term to the IWA Strategic Council, representing the utility sector. The appointment is a recognition of the expertise and utility sector leadership at Power and Water.



DARRYL DAY, GENERAL
MANAGER WATER SERVICES
WAS ELECTED PRESIDENT
OF THE AUSTRALIAN
WATER ASSOCIATION



COLLECTION DEPOT FOR THE TSUNAMI APPEAL

Tsunami Appeal

Power and Water staff donated food and clothing to people affected by the December tsunami, and three staff took a more direct approach to helping out.

- **Michael Hodges**, Land Development Engineer, travelled to Indonesia for 12 months with the International Red Cross. Michael is assisting with water supply and sanitation. He is travelling up the coast of Aceh (Indonesia) and providing engineering support to villages along the way.
- **Paul Heaton**, Manager Water Facilities, travelled for six weeks to the East Coast of Sri Lanka with World Vision to help with restoring water and sanitation services.
- **Andrew Mills**, Senior Engineer Water Quality and Treatment, headed to Aceh and was on the island of Nias for three months with the United Nations High Commission for Refugees (UNHCR) as a Water Sanitation Engineer.

Front Line Management Training

Power and Water continued support for Front Line Management at Diploma and Certificate level. Coordinators now make regular visits to Katherine, Tennant Creek and Yulara to provide better support to the people under taking the course, with course delivery tailored to suit the location, workgroup and business needs.

Apprentice Program

Power and Water continued to demonstrate its commitment to employ apprentices. During the year, 36 apprentices and trainees were employed through the Group Training Program. Under the 2004 Enterprise Bargaining Agreement, 12 new apprentices will be taken on each year for the next three years.



MARK HARRISON, 2004 AUSTIN ASCE APPRENTICE OF THE YEAR

Apprentices and Trainees' Achievements

During 2004-2005 several of our apprentices and trainees were recognised for their accomplishments.

- **Mark Harrison**, Electrotechnology Systems Electrician/Instrumentation, Generation won the 2004 Austin ASCE Apprentice of the Year Award.
- **Mark Stansall**, Electrical Lineworker, Power Networks won the 2005 Group Training NT Apprentice of the Year for Alice Springs.
- **Chris Mowles**, Electrical Lineworker, Power Networks won Stage Three Apprentice of the Year for Alice Springs for 2005.
- **Sean Fagan**, Electrical Lineworker, Power Networks won Stage Three Apprentice of the Year in the Darwin Group Training NT Awards.
- **Nathan Heinrich**, ESI Distribution (Powerline), Power Networks won 2005 Apprentice of the Year in the Darwin Group Training NT Awards and has been nominated for Apprentice of the Year at the Group Training Australia Awards.
- **Michael Turner**, Trainee Certificate II (Diesel fitting), of Yulara won the Outstanding Achievement Award for a Trainee for Alice Springs for 2005.
- **Lisa Tanner**, Certificate III in Business, Human Resources won the Indigenous Trainee of 2005 in the Darwin Group Training NT Awards.



ESSENTIAL SERVICES OFFICERS GRADUATE IN AUGUST AT A CEREMONY AT PARLIAMENT HOUSE DARWIN

Essential Service Officers

Power and Water held its fourth Essential Service Officer (ESO) training course from 31 August to 2 September 2004 in Katherine and 10 to 12 May 2005 in Alice Springs. The three-day course includes sessions on mechanical, water and sewerage technical operations, fuel management, electrical basics and safety, as well as several field trips.

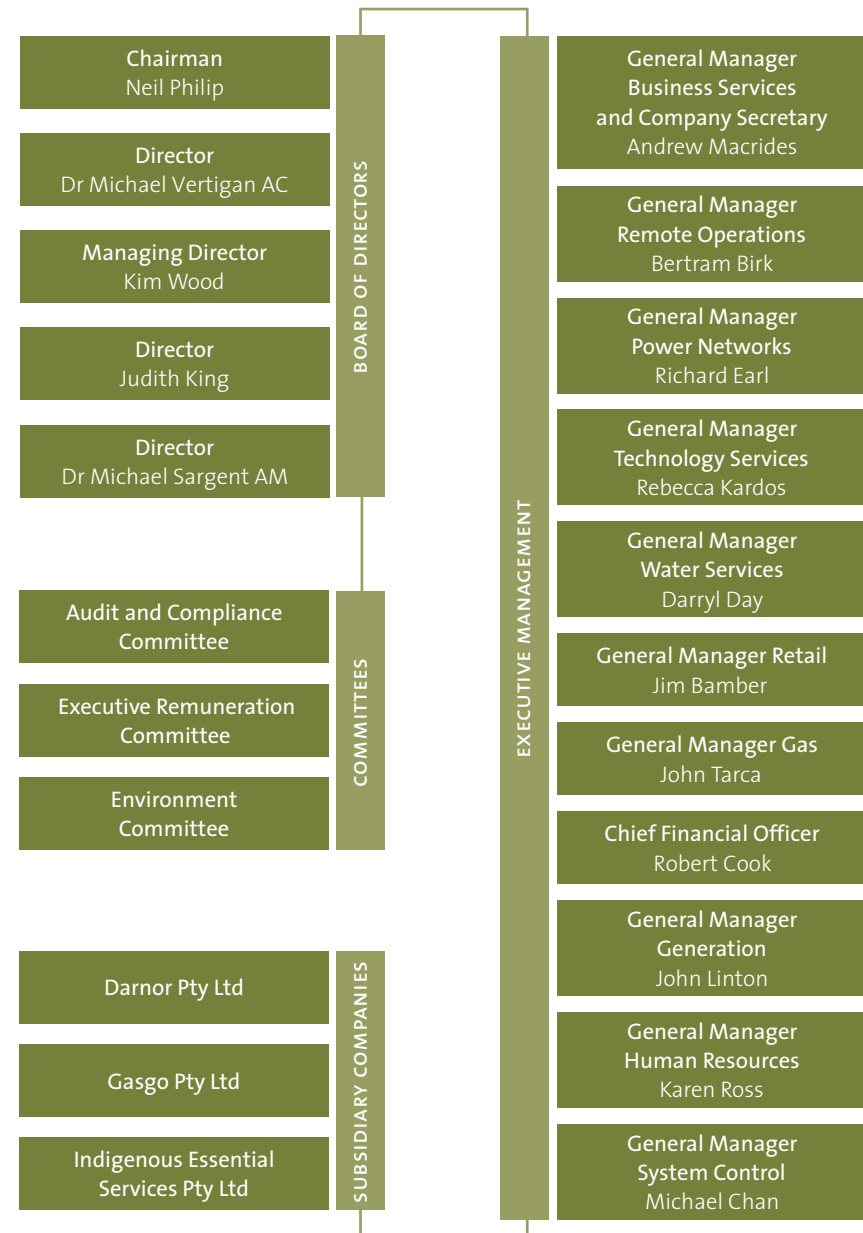
Graduation certificates for Certificate II in Electro-technology Remote Area Essential Service Operation were presented to 47 Essential Services Officers who had completed the qualification, of whom 25 were Indigenous. Power and Water has continued its program of Indigenous employment in communities, which has proven to be of benefit to the communities and to the Territory as a whole.

In an Indigenous community, the ESO is the primary contact for all essential services. The ESO is responsible for the continued running of generators, water pumps and tanks. This includes managing the power stations, ensuring safety, servicing engines and testing water.

To assist the ESOs in their work, Power and Water works with the training organisation Group Training NT to co-sponsor assistant ESOs to undertake a Certificate II in Remote Essential Service Operations.



Organisational Chart



Power and Water's Customers

Retail Management System

On 3 August 2004 the Retail Management System (RMS) went 'live', replacing the existing Customer Information System (CIS).

CIS had been Power and Water's customer interface since 1993 but was a custom-built mainframe application and lacked the capacity to provide for Power and Water's changing requirements.

RMS is a billing package specifically designed for utilities. It has been successfully integrated into the systems of 35 retailers worldwide, including nine in Australia. After a 12-month project to select and implement the Gentrack software package, train staff and transfer 20 years of historical data from the CIS system, RMS went 'live'.

The implementation and initial use of the system presented a number of issues that resulted in some customers receiving incorrect bills and in some instances receiving a credit letter without having been billed.

To address customers' concerns Power and Water implemented a program of media advertising and letter inserts with customer invoices that flagged billing delays and apologised for the inconvenience by allowing for flexible pay arrangements for accumulated bills. Additional staff were recruited to assist with the billing, in the call centre and with reconciliations. As a measure of good faith a one-off rebate of \$50 was made to customers with a billing error of more than one dollar or where a credit letter was issued without the bill arriving. By mid-August 2005, Power and Water had received 453 claims.



Call Centre Performance

Each year Power and Water sets high standards for Call Centre performance. This year the call centre team faced considerable challenges with implementation issues from the new billing system causing frustration for some customers and impacting the usual high performance provided by call centre staff.

In 2004-2005, the average length of time customers waited before their call was answered was 2 minutes and 12 seconds. On average, call centre staff answered 48% of calls within 20 seconds with 10% of customers abandoning their calls.

The reduction in average performance for the year was primarily due to a 30% increase in call volumes associated with the new billing system implementation. Staff numbers at the call centre were increased to cope with the influx until the billing problems were rectified. By the end of the year, call volumes had returned to normal levels and call centre performance was 85% of calls answered within 20 seconds and a 4% abandonment rate. Industry best practice is 80% and <3%, respectively.

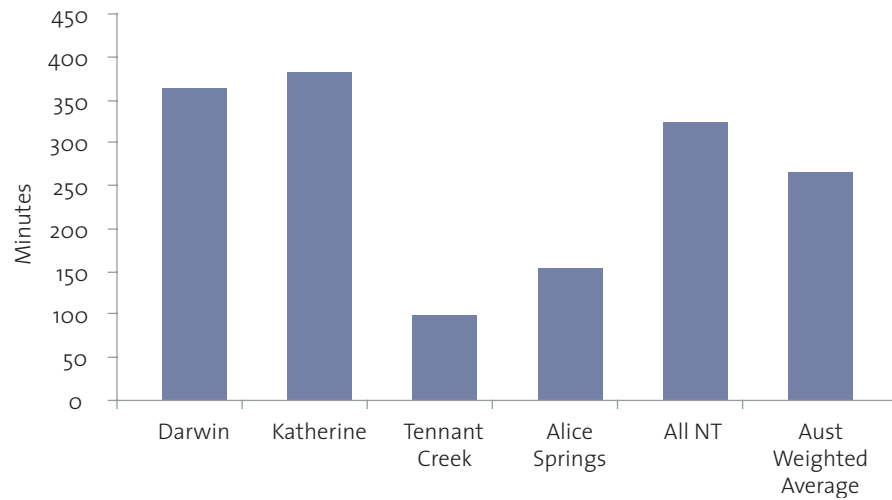


Electricity Supply Reliability

Power and Water is continuing to focus on electricity network performance throughout the Northern Territory.

Power and Water performed above duration and outage targets during the 2004-2005 financial year.

SADI – SYSTEM AVERAGE INTERRUPTION DURATION INDEX



Fruit bats in the Katherine, Mataranka and Larrimah areas continued to cause problems. To combat the problem Power and Water trialed an electronic device that emitted a high-pitch frequency to deter fruit bats from coming in contact with transformers. In addition shields are also being installed and insulators replaced.

With the exception of Darwin, response times were above targets:

POWER RESTORATION RESPONSE TIMES AND TARGETS

NETWORK	2004-2005	2004-2005
RESPONSE TIMES	CORPORATE TARGET	ACHIEVEMENT
Darwin	90% restored within 80 minutes	86.7%
Katherine	90% restored within 80 minutes	91.0%
Tennant Creek	90% restored within 80 minutes	96.6%
Alice Springs	90% restored within 80 minutes	94.9%



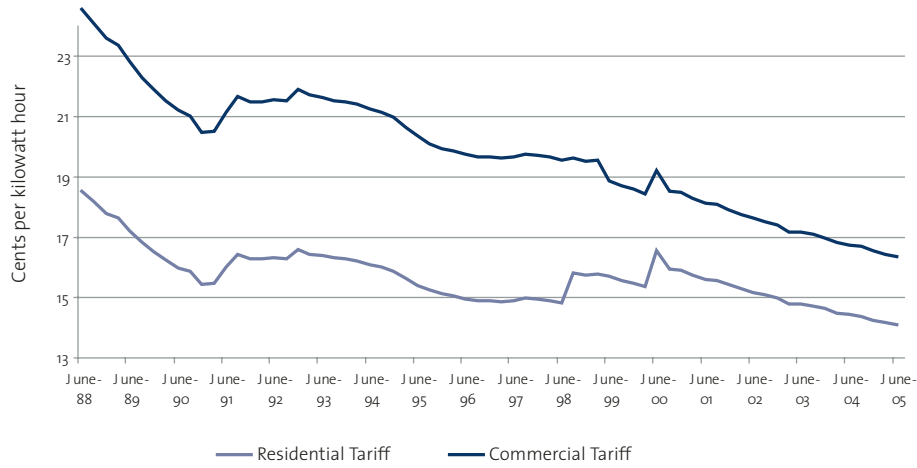
Price Comparisons

The following graphs compare prices for electricity and water in the Northern Territory with those of interstate retailers. Sewerage price comparisons between states are no longer appropriate for annual reporting purposes, due to the vastly different methods on which tariff structures are calculated between the states.

Power and Water's prices are among the lowest in Australian cities for water services and are average for residential electricity.

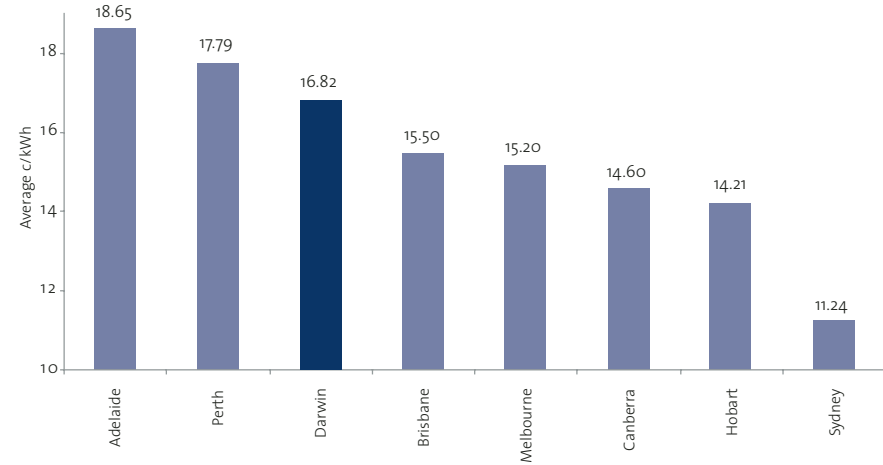
ELECTRICITY TARIFFS

Adjusted for inflation - constant June 2005 dollars
(Tariff from 1 July 2000 includes 10% GST)



COMMERCIAL ELECTRICITY TARIFF COMPARISON

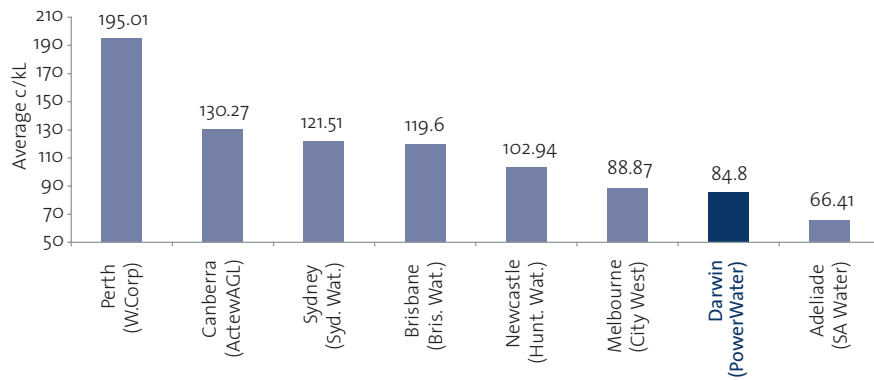
As at 30 June 2005
Based on 2500 kWh per month (ESAA Average)
(Average NT Franchise Commercial consumption is 4008 kWh per month)



Source: Retailers Published Tariffs

COMMERCIAL WATER TARIFF COMPARISON AS AT 30 JUNE 2005

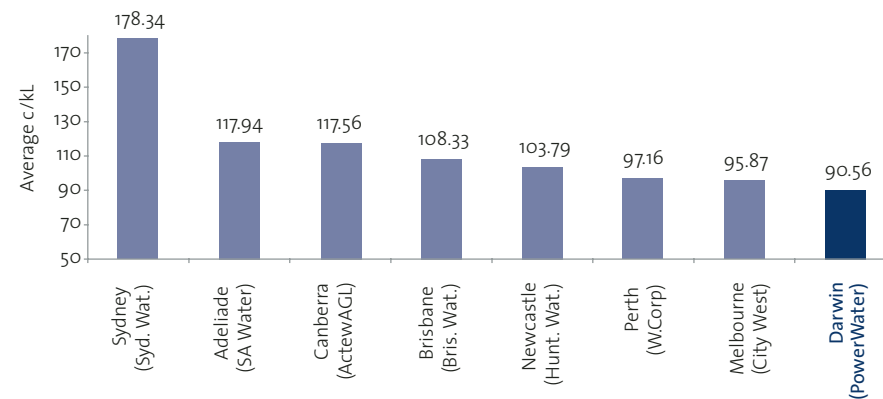
Based on 2400kL per annum
(Average Darwin Commercial consumption is 2364 kL per annum)



Source: Retailers Published

DOMESTIC WATER TARIFF COMPARISON AS AT 30 JUNE 2005

Based on 450 kL per annum
(Average Darwin Domestic consumption is 437 kL per annum)



Source: Retailers



Community Service Obligations

Community Service Obligation payments are made to Power and Water in recognition of the impact of government policy on Power and Water's financial performance.

In 2004-2005 the Northern Territory Government funded Power and Water \$52.04 million for Community Service Obligations, including pensioner concessions, tariff equalisation (ensuring all customers pay the same rate no matter where they live in the Territory), and Tranche Four electricity policy.

Woolianna Line

The Northern Territory Government and Power and Water set aside \$1.26 million for the relocation of the powerhouse at Nauiyu (Daly River), and \$1.44 million to extend the high voltage distribution system to the Woolianna area.

Construction of the new power station started on 15 December 2004 and the new facility was commissioned on 22 April 2005.

Stage One construction of the Woolianna line was completed in late July 2005 and Stage Two is due to start at the end of August 2005.

It is anticipated that electricity will be available to the end of Woolianna Road by September 2005.



STAGE ONE CONSTRUCTION OF THE WOOLIANNA LINE

Power Surge at Humpty Doo

On 20 April 2005 an incorrect low voltage connection was made during routine maintenance on a substation. This caused a voltage spike, which affected some customers at Humpty Doo. Some household appliances were damaged and affected customers were invited to submit claims for compensation.

Water Supply Interruptions at Adelaide River

Adelaide River township experienced several hours of interruption to supply in April 2005 due to a pipe failure of the main in Dorat Road. Investigations revealed the pipe was damaged by rocks, which pierced the pipe after recent works in the area. Unfortunately this is a recurring issue over which Power and Water has little control.

Power Failure – Darwin to Katherine Interconnected System

On 17 December 2004 the gas supply to the Channel Island Power Station sustained a direct lightning strike, resulting in the total loss of gas to all units at the power station. The Darwin interconnected system experienced a stage four load shed resulting in 100 minutes being added to the System Average Interruption Duration Index (SAIDI).

Cox Peninsula

Imarluk Spring is the sole water source for the Cox Peninsula community. Each Dry Season it dries up, necessitating the carting of water from the Darwin River Dam. A new borefield and rising main costing \$1.7 million was commissioned in January 2005. The system is a swipe card operated water supply system that enables customers to purchase water at the borefield after having signed up with Power and Water. Customers can now access water 24 hours a day and are billed quarterly.



SWIPE CARD OPERATING SYSTEM AT COX PENINSULA

Late Dry Season Water Demand

As temperatures soared, the consumption of water in some communities increased beyond the availability of supply. The Remote Operation's Community Liaison Group worked closely with these communities to provide further education and reiterate the need to conserve precious water supplies.

All staff in the water group are focused on carefully managing these at-risk supplies. Communities affected included Daly River, Milikapiti, Oenpelli and Barunga.



AERATION OF GROUND WATER AT THE KATHERINE WATER TREATMENT PLANT HELPS IMPROVE WATER QUALITY

Improved Internet Site

On 4 February 2005 Power and Water launched its new internet site. The site gives customers enhanced information about Power and Water's activities and becomes a "one-stop-shop" for customer services.

Trade Waste Forum

Power and Water's Water Services hosted the second successful Trade Waste Forum in Darwin on 5 August 2004 and a second forum in Alice Springs on 9 August 2004. About 60 delegates attended the Darwin forum providing the suppliers of pre-treatment equipment the opportunity to demonstrate their products to a diverse range of industry, government and business representatives.

Wastewater Treatment, Reuse and Discharge Report



This year, for the first time, Power and Water published the *Wastewater Treatment, Reuse and Discharge Report*. It outlines what we're doing now and in the future, including details of our current wastewater discharges.

The Trade Waste Management System is a major component of our wastewater treatment and reclaimed water quality management system. It essentially makes sure that substances that could damage our infrastructure and the environment are treated and disposed of in a safe and appropriate way – because protecting public health and safety is and will remain our first priority.

Community Support and Sponsorships



BARKLY MAY DAY
MUSTER – YOUTH RODEO PARTICIPANTS

Youth Rodeo Training and Barrel Race Challenge – Tennant Creek

The best of the Barkly's up-and-coming rodeo riders made their way to Tennant Creek for the Power and Water Corporation's Youth Rodeo Training and Barrel Race Challenge at the Barkly May Day Muster.

Riders travelled from the Gulf, outback stations and the desert for the event to help young riders improve their skills and compete.

The Barkly May Day Muster began on Friday 29 April and finished on Sunday 1 May 2005. Other events included Bronco Branding, a Stockman's Challenge and the annual Black Tie Ball.



IAN LOCKE, REMOTE OPERATIONS,
PRESENTS TO CHILDREN AT THE
KATHERINE CROC FESTIVAL

Croc Festival

The Croc Festival is a national organisation that fosters healthy activity in remote parts of Australia, conducting CrocFests in many locations each year. School groups from Indigenous communities, rural and urban schools travel to the festival venue for three days of workshops, a career and health program and rehearsals for the major concerts. These concerts provide professional sound and lighting production.

Power and Water has participated at the Tennant Creek and Katherine festivals over the past two years, conducting a water conservation workshop for over 500 children. The workshop includes displays, presentation and interactive games and is devised and presented by Power and Water staff.



AWARD CEREMONY FOR
THE 2004 YOUNG ACHIEVERS

Young Achiever Award, Science and Technology Category

Power and Water are proud sponsors of the Science and Technology category of the Young Achiever Award, which honours young scientists and engineers working hard to make a difference.

These young Territory scientists and engineers are responsible for many innovative ideas that benefit our community.

Power and Water employs a number of young engineers and scientists to help us develop and implement exciting new ideas on a range of projects.



TOYS DONATED AND DISTRIBUTED AT THE
SPECIAL CHILDREN'S CHRISTMAS PARTY

Special Children's Christmas Party

The Special Children's Christmas Party is held for children and their parents who need a break because they live every day with the challenges of a life-threatening illness, physical or intellectual disability or because they're battling to have the advantages most Territorians enjoy.

Power and Water staff volunteers run the toy room on the day, packing and distributing large bags of toys that had been provided by the Variety Children's Charity.

Business and Government Partnerships



SOLAR DISHES AT HERMANSBURG

Solar Dish – Hermannsburg

In April 2005 the assembly of 30 dishes, rated at 20kW each, were completed at Hermannsburg, Yuendumu and Lajamanu. The \$6 million project is being funded jointly by Solar Systems Pty Ltd and the Australian Greenhouse Office. Power and Water has a power purchasing agreement with Solar Energy to buy the generated electricity for use by surrounding communities. Depending on the success of the initial 30 dishes, the project may extend to 200 dishes.

Landfill Management Services

In May 2005 a 10-year Power Purchase Agreement (PPA) between Power and Water and Landfill Management Services (LMS) was signed. Under the agreement, LMS will generate electricity using landfill gases at the Shoal Bay Waste Depot and sell the electricity to Power and Water. Power and Water will also purchase the accompanying Renewable Energy Certificates (RECs) to help it meet its Mandatory Renewable Energy Target. As part of the arrangement, a fibre optic cable connecting LMS's plant to Power and Water's communication system will be installed. LMS is expected to start supply from late 2005.

Renewable Energy Industry Briefing

In February 2005 an industry briefing was held at the Darwin Central Hotel for potential stakeholders in the renewable energy industry in the Northern Territory. Power and Water continue to look for cost-effective solutions that satisfy renewable energy legislation and deliver good environmental and business outcomes.

Following the briefing, six proposals were submitted by industry and these are being examined in conjunction with Power and Water's overall renewable energy plans.

Dundee Beach Power Supply

In May 2004, the Northern Territory Government announced the allocation of \$3.8 million for the first stage of the project to provide electrification to the Dundee Beach and Lodge areas with Power and Water committing \$2.7 million. The main 22kV line is expected to be complete to the Dundee area by the end of 2005, with power to about 1 000 lots completed by late 2006.



STAGE ONE OF THE DUNDEE BEACH POWER PROJECT

Undergrounding Overhead Powerlines

The Undergrounding Power Project is well under way in Nightcliff and Rapid Creek, the first of 15 suburbs to be undergrounded over the next 20 years. The project is being funded jointly by the Northern Territory Government to the amount of \$3 million per year with Power and Water Corporation contributing \$1 million per year.

Civil works started in May 2004. Electrical works are nearing completion to the first 329 properties, of which 150 have been changed over to the new underground system.

Significant consultation is also being undertaken with stakeholders. Regular discussions are held with the Darwin City Council to ensure community and technical requirements are met with minimal disruption. The project involves constructing extensive sections of new footpath, which will be gifted to the Council for ownership and maintenance.

Territory businesses have won contracts worth more than \$6.5 million under the project.

Environment

Fuel Spills

Environment management is a priority for Power and Water. However, the number of fuel storage locations, their geographic dispersion and operational context mean that incidents involving fuel sometimes occur:

- In January 2005, 18 900 litres of diesel fuel was spilled at the Milingimbi Power Station due to an overflow of the day tank during a suspected attempted fuel theft. The diesel overflowed into a cleared buffer area around the fence line. The spill was contained and, as the site is distant from waterways, residences, potable water supplies and sensitive flora and fauna, no environmental harm was evident.
- In January 2005, 20 000 litres of diesel overflowed from a storage tank at Elcho Island while fuel was being gravity transferred from a larger tank.
- In May 2005, 88 500 litres of fuel leaked from Tank One at the Tennant Creek Power Station - 10 500 litres were recovered from the bunds and 18 000 litres of contaminated fuel was disposed of at the Tennant Creek Sewerage Ponds. The remaining 60 000 litres was located in the soil of an adjacent stormwater drain. Advice sought from the Department of Infrastructure Planning and Environment indicated that no useable ground water is in the area and there is minimal risk of environmental harm to water resources.

Formal notifications under Section 14 of the *Waste Management and Pollution Control Act* were filed in relation to these incidents.

Alice Springs Water Conservation Strategy

Power and Water introduced a Water Conservation and Efficiency Strategy. The strategy, which is based upon research reported in the Institute for Sustainable Futures Water Efficiency Study (2003), sets out a plan and timeframe to address water conservation and efficiency in Alice Springs.

The strategies included radio and print media advertising, together with addressing public forums and targeting of the top 200 water users. The program is scheduled to run until October 2005, after which it will be reviewed.



SOLAR AND WIND POWERED STREETLIGHTS CURRENTLY BEING TRIALLED

Solar and Wind Powered Streetlights at Murray Downs

Seven solar and wind powered streetlight units are currently being trialled at Murray Downs outside of Tennant Creek. These units have a small solar panel, which charges a battery accompanied by a small wind turbine. The light source is provided by high intensity light emitting diodes. While the initial set-up costs are high, Power and Water aims to extract efficiencies from the units that make them a viable alternative to mains powered units.

Biodiesel at Daly Waters

Power and Water has prepared the Daly Waters Power Station for a six-month trial using 100% biodiesel. Biodiesel is a clean burning alternative fuel produced from domestic, renewable resources such as vegetable oil. It can be blended with petroleum diesel to create a biodiesel blend that can then be used in our generators without having to make major modifications to the units.

“ENVIRONMENTAL MANAGEMENT IS A PRIORITY FOR POWER AND WATER.”



WINNERS OF THE 2005 ENVIRONMENTAL EXCELLENCE AWARDS

Environmental Excellence Awards

For the third year Power and Water proudly hosted the Environmental Excellence Awards to give recognition to Territorians who actively care for and develop solutions to environmental issues. Territorians continue to show their enthusiasm for the awards, with 18 highly innovative entries received from individuals, schools, business and community groups. The winners were announced at a ceremony at Parliament House in June 2005.

The 2005 winners were:

CATEGORY	WINNER
Community and Local Government	Bradshaw Primary School – Focus on Water Issues
Commercial/Industry	Casuarina Square – Trade Waste Management
Domestic	Bennett Design Pty Ltd and Overlander Homes – Darwin Green House
Rural/Remote	Centre for Appropriate Technology – Mutitjulu Rainwater Tank Trial
Small Business	J&B Tyre Recycling – Recycling and Reducing Tyre Waste
Environmental Grants	Alice Springs High School – Hot Logs Project

Cabomba Weed

Cabomba, a noxious aquatic weed, was discovered in Darwin River, downstream from the Darwin River Dam Wall. The weed posed a real threat to Darwin's drinking water supply as well as an environmental risk to the surrounding waterways.

Power and Water put into action quarantine measures to ensure the weed did not enter Darwin River Dam and managed environmental flows from the dam into the river. Power and Water worked with the relevant stakeholders on measures to eliminate the weed.

Environmental Management



Power and Water aims to minimise our impact on the environment. A number of documents available on our website at www.powerwater.com.au demonstrate our commitment to responsible environmental management, including:

- Environment Vision Statement
- Environment, Quality, Health and Safety Policy
- Environment Strategy
- Environment Action Plan.

Renewable Energy Certificates

The Commonwealth Government has mandated that 2% of the nation's electricity must be generated by renewable energy sources by 2010. Power and Water is working towards achieving the goals set out by the national Renewable Energy Program.

To help meet the 2% renewable target, Power and Water buys energy certificates from customers who have installed solar hot water systems. Power and Water actively encourages Territorians to convert to solar hot water so they contribute to protecting the environment and save money on energy bills at the same time.

Power and Water's target for 2004 was 15 800 renewable energy certificates. A total of 24 244 renewable energy certificates were either purchased or created by Power and Water's investment in solar panels in 2004.

Renewable Energy Roadmap

Power and Water is developing a Renewable Energy Roadmap to assist in meeting our Mandated Renewable Energy Targets. Energy sources could include additional dish concentrator systems, wind turbines in the Barkly and at Tennant Creek, use of *Mimosa pigra* as a fuel, and extended use of biodiesel.

Efficient Asset Management



STAGE ONE OF THE BEN HAMMOND COMPLEX REFURBISHMENT

Ben Hammond Complex

The Ben Hammond Complex is the major operational depot for the Darwin/Palmerston region. The site had Occupational Health and Safety issues associated with asbestos and galbestos. In addition, no substantial work had been carried out on the site in over 30 years because of tenure uncertainty.

The Stage One refurbishment of the main workshop and office areas began in September 2004 and was completed over an eight month period with staff occupying the refurbished facility on 1 April 2005.

A master plan for the Ben Hammond Complex is being developed and will guide the up-grades to other buildings on the Ben Hammond site. The Stage Two refurbishment will remove asbestos, provide structural up-grades to meet relevant codes and provide accommodation and storage.

Capital Investment

Power and Water is committed to investing in its asset base. Over the past four years the annual Capital Investment program (excluding IES Pty Ltd) has grown from \$49.3 million to \$65.5 million and is dependent on annual operational requirements. Power and Water is forecasting a \$66 million Capital Investment program in 2005-2006.

	2001-2002	2002-2003	2003-2004	2004-2005
Capital Investment (\$'000)	49 300	51 700	60 800	65 500

Repairs and Maintenance

As well as investing in new assets, Power and Water invests in repairing and maintaining its existing assets. Over the past four years the Repairs and Maintenance program has ranged from \$37.3 million to \$40.9 million (excluding IES Pty Ltd). Power and Water is forecasting a \$39 million Repairs and Maintenance program in 2005-2006.

	2001-2002	2002-2003	2003-2004	2004-2005
Repairs & Maintenance (\$'000)	37 301	36 680	44 430	40 900

Water Supply in Darwin

Power and Water formally reviews water levels in Darwin River Dam each year and forecasts potential variations in water levels over the coming several years. At the start of June 2005, Darwin River Dam was at 73% capacity. The previous wet season saw 965mm of rainfall at Darwin River Dam - half the historical average and the lowest in the 30 years since the dam was constructed.



DARWIN RIVER DAM

Power and Water is reviewing the yield of Darwin River Dam under current and projected future climatic conditions and is developing plans to ensure a continuing safe and reliable water supply for the Darwin region. A public strategy discussion document for water use efficiency and future source development is planned for release in 2005-2006.



Frances Bay Zone Substation

The Darwin CBD is fed at 11kV from the City Zone Substation where an incident such as a major fire has the potential to leave the entire CBD without power for an extended period. While such incidents are rare, events such as the extended power outage in Auckland have shown disastrous consequences can occur.

The risk of such an outage has been mitigated in the short-term by replacing the 11kV bulk oil circuit breakers at City Zone substation with vacuum circuit breakers. This has removed a major source of ignition in the event of a failure.

The long-term solution is the construction of the Frances Bay Zone Substation to provide an alternative point of supply into the Darwin CBD.

The design phase of this project started in 2004-2005 and the first construction contract was awarded in March 2005. The project is scheduled for completion in September 2006 at an estimated cost of \$12.8 million.

Hudson Creek Control Centre SCADA System Replacement

The current Supervisory Control And Data Acquisition (SCADA) system, which enables the control room operator to monitor and operate remote substations and power stations, is 18 years old and is no longer supported by the manufacturer.

Planning started for the replacement of the old system with an Energy Management System (EMS) with contemporary features and facilities. The project, set for completion in 2006-2007 includes:

- The replacement of the current SCADA system
- A new control room at Hudson Creek
- A backup control room at a second site for contingencies.

Network Reliability

The Northern Territory has some of the most difficult conditions in which to provide a reliable electricity network. These include 30 000 lightning strikes a year in the Darwin region, significant problems caused by bats and extremes of temperatures in Central Australia.

Improving reliability of the electricity network continues to be a high priority for Power and Water. Initiatives to achieve improvements in network reliability included:

- Systematic preventive inspections and maintenance program
- Installation of longer post-top insulators
- Replacement of wooden cross-arms
- Continuing an effective vegetation management program.

Programs are also under way to continue to replace and upgrade critical components of the system such as circuit breakers and zone substation batteries. Remotely controllable reclosers and switches are being installed on the longer feeders so that, when faults do occur, the problem area can be isolated faster, reducing the impact on customers.

Unlike other jurisdictions (except Western Australia) the Northern Territory is not connected to the national grid. If generation interruptions occur load shedding may take place while fast-start generators are switched on and supply is restored; typically within a short time.



LONGER POST TOP INSULATORS ARE BEING INSTALLED TO REDUCE OUTAGES CAUSED BY BATS



TREE-TRIMMING FORMS PART OF POWER AND WATER'S VEGETATION MANAGEMENT PROGRAM

Safety

Zero Harm

The Zero Harm Campaign launched in 2003-2004 continued to be a priority. Power and Water is committed to continuously improving Occupational Health and Safety performance so workplace injury and illness can be eliminated.

EQUALS

The Environment, Quality and Safety (EQUALS) project started in 2004-2005 with the primary objective of gaining certification in the following standards:

- ISO 14001 Environment Management Systems
- ISO 9001 Quality Management Systems
- AS 4801 OH&S Management Systems.

The project will ensure that all three standards are incorporated consistently across Power and Water, and verified by an accredited external audit body. This will include the implementation of an Integrated Management System (IMS) across all aspects of Power and Water's business.



For Power and Water's staff it means:

- One set of procedures and policies for all staff
- Key information will be recorded, shared and easily found
- The job will be done the same way across the organisation
- We will better safeguard our environment.

Electric Shocks

In December 2004 a member of the public received a shock while simultaneously touching a streetlight and a street sign in Mitchell Street Darwin. The voltage at the column was subsequently measured at 180 volts. Following the incident all 20 000 streetlights maintained by Power and Water were audited. The fast track program to measure each street light column was completed on 31 March 2005 and 15 streetlight columns were identified with voltage in excess of the extra low voltage limit defined in the Australian Standard Wiring Rules. These were repaired immediately and a revised inspection and repair program put in place to mitigate the risk.

Safety Committees

Power and Water is committed to safety and to actively involve staff in ensuring a safe workplace. To this end, 21 safety committees have been created throughout the organisation. Each region and workplace has a safety committee who brings to the attention of management safety issues, whether they are in the field or in Power and Water's facilities.

Safe Act Observation

To continue a safe working environment, in 2004-2005 staff at the supervisor and manager levels undertook three days of safety training with DuPont Safety Resources. As part of the safety training, over 150 staff were taught to carry out safe act observations in the workplace and the work environment.

“POWER AND WATER'S VISION FOR SAFETY IS THAT THERE SHOULD BE ZERO HARM, ZERO INCIDENTS AND ZERO UNSAFE ACTS AND PRACTICES IN OUR WORKPLACES.”



REGULAR WATER QUALITY SAMPLING AND TESTING ARE UNDERTAKEN

A Safe Act Observation is an informal but structured process where members of the management team and other designated employees, regularly visit work areas to observe work practices and conditions, and discuss the safety of the job with employees.

Chlorination of Water Supply in Tennant Creek

In October 2004 Power and Water was formally directed by the Essential Services Minister not to undertake continuous chlorination of the Tennant Creek water supply. This direction resulted from a referendum and the community's decision that they did not want their water supply chlorinated.

To ensure that the drinking water is safe, and that the bacteriological performance criteria set out in the 2004 Australian Drinking Water Guidelines are met, Power and Water has implemented:

- A more extensive sampling and testing program
- Hand chlorination when necessary
- Development of a Hazard Analysis and Critical Control Point plan for the water supply.

Gas Supply

Current Gas Supply

The Amadeus Basin fields of Palm Valley and Mereenie continue to be the primary source of gas for Power and Water. The current long-term gas contracts are due to expire in 2009.

Future Gas Supply

The challenge for Power and Water is to obtain cost-effective long-term gas supplies to enable the generation of reasonably priced electricity for the Territory.

Negotiations are under way for a 20-year gas supply agreement from 2009, with a potential value of more than \$1.5 billion.

Negotiations will continue in 2005-2006 to finalise a gas supply contract which we are confident will provide a reliable gas supply at a cost effective price. The following fields have the potential to fulfil Power and Water's gas needs:

- Bayu-Undan (Timor Sea)
- Mereenie (Amadeus Basin)
- Sunrise (Timor Sea)
- Petrel and Tern (Joseph Bonaparte Gulf)
- Blacktip (off Port Keats).

“THE CHALLENGE FOR POWER AND WATER IS TO OBTAIN COST-EFFECTIVE LONG-TERM GAS SUPPLIES TO ENABLE THE GENERATION OF REASONABLY PRICED ELECTRICITY FOR THE TERRITORY.”

Corporate Governance

Although Power and Water is not required to comply with the Australian Stock Exchange's (ASX) Corporate Governance Statement, the following section reports on the 10 corporate governance principles outlined in the statement.

Principle 1

Lay solid foundations for management and oversight by the Board

Power and Water's Board has four independent non-executive members, including the Chair, and one executive member, Power and Water's Managing Director. In April 2004 the non-executive directors were reappointed for two years to April 2006.

The Board is responsible to the shareholding Minister for ensuring strategic direction, accountability of management, corporate performance and corporate governance of Power and Water and its subsidiary entities. The primary document setting out Power and Water's annual performance targets for agreement with the shareholding Minister is the Statement of Corporate Intent.

The Board operates according to a Board of Directors' Charter, which clearly identifies the role of the directors and outlines the matters that are considered by the Board.

The Northern Territory *Government Owned Corporations Act* and the *Corporations Act* largely set the Board's duties.

The Board met seven times in 2004-2005 with an additional teleconference meeting. Board meetings include briefings from Corporation staff, stakeholders and expert advisers as required. Directors also attend some Corporation activities.

The Board has established committee structures and corporate policies that address Power and Water's specific areas of focus along with governance principles developed to maintain the integrity of its stewardship. Board committees have been structured to address critical aspects of Power and Water's activities that require more detailed examination and involvement.

The committees advise the Board and operate primarily by:

- Determining priority issues in their areas
- Examining selected topics to provide appropriate diligence on behalf of the Board
- Either confirming the appropriateness of established policies and processes or determining with management how best to improve arrangements.

The **Audit and Compliance Committee** oversees Power and Water's and its subsidiaries' financial management, external reporting, audit, risk management and statutory and other compliance. Ernst & Young are Power and Water's internal audit provider. The 2004-2005 internal audit plan included 1 400 hours of audits focused on high and medium risk areas across the organisation. The committee met three times during the year.

The **Executive Remuneration Committee** is responsible for:

- Evaluating the performance of the Managing Director and determining and recommending his or her remuneration package to the Board
- Reviewing and approving the remuneration proposals from the Managing Director for the Corporation's senior executive contracts under the *Public Sector Employment and Management Act*
- Informing the Board about executive remuneration matters in general.

The committee met three times during the year.

The **Environment Committee** oversees the Corporation's environmental performance and compliance with regulatory requirements. Power and Water strives to protect the environment through managing the impact of its operations. The committee met three times during the year.

Power and Water does not have a Nomination Committee as the shareholding Minister recommends the appointment of new directors.

Gasgo Pty Ltd is a wholly owned subsidiary of the Corporation. Gasgo purchases gas on behalf of the Corporation. The Board for Gasgo comprises three directors from Power and Water, with one serving as Chairman, plus three independent non-executive Directors.

Darnor Pty Ltd is a wholly owned subsidiary of the Corporation. Darnor is the holder of Power and Water's 2.5% interest in NT Gas Pty Ltd, the lessee/operator of the Amadeus Basin to Darwin gas pipeline and 2.5% of the units in the Amadeus Gas Trust. The Board for Darnor comprises three directors from the Corporation, with one serving as Chairman, plus three independent non-executive Directors.

Indigenous Essential Services Pty Ltd is a wholly owned subsidiary of Power and Water. IES Pty Ltd provides electricity, water and sewerage services to remote communities in the Territory. The Board for IES Pty Ltd comprises all directors from the Corporation.

“POWER AND WATER HAS A SET OF VALUES THAT COVER SAFETY, GROWTH, OUR CUSTOMERS, INTEGRITY, THE NATURAL ENVIRONMENT AND OUR PEOPLE.”

Principle 2

Structure the Board to add value

Directors are appointed by the Administrator of the Northern Territory on the recommendation of the shareholding Minister. A director may resign by written notice to the shareholding Minister.

The Administrator may, on the recommendation of the shareholding Minister, terminate the appointment of all or any directors at any time.

Directors' fees are determined by the shareholding Minister. Refer to Note 24 to the Financial Statements. Directors are not eligible for retirement benefits.

For 2004-2005 the directors of Power and Water Corporation were:

Non-Executive Directors

Mr Neil Philip – Chairman

Mr Philip has been the Chairman since the establishment of Power and Water on 1 July 2002. Mr Philip, former senior partner of law firm Clayton Utz, Darwin is also Chairman of Nexus Energy Limited, a Melbourne based public listed company. Mr Philip has been involved as a legal adviser to private sector and public organisations in many of the recent largest and most complex commercial, development and infrastructure transactions to occur in the Northern Territory across a range of industry sectors.

Dr Michael Vertigan AC – Deputy Chairman

Dr Vertigan has been the Deputy Chairman since the establishment of Power and Water. Dr Vertigan held the position of Secretary of the Department of Treasury and Finance in Victoria from 1993 to 1998 and was closely involved with the electricity industry and government financial reforms during that time.

Dr Vertigan also held the position of Secretary of the Department of Treasury and Finance in Tasmania from 1989 to 1993. He is currently the Chancellor of the University of Tasmania and a Director of a number of companies in the energy and finance and investment industries. Dr Vertigan was awarded a Companion of the Order of Australia in the 2004 Australia Day honours list.

Dr Michael Sargent AM

Dr Sargent has been a non-executive director since the establishment of Power and Water. Dr Sargent was the Chief Executive Officer of ACTEW Corporation during its transition from a statutory authority to a Corporation between 1991 and 1997. More recently he was Chief Executive Officer of Transfield Energy.

Dr Sargent is currently the co-Chair of the Australian Electric Energy Industry Export Council, and has 36 years of engineering experience in Australian utilities. He was made a Member of the Order of Australia in 1993.

Mrs Judith King

Mrs King has been a non-executive Director of Power and Water since its establishment, and is Chair of the Environment Committee. Mrs King is currently Chairman of AUSeMED, Information City Australia and a director of Federation Square Management Ltd. She is Deputy Chair of the Victorian Commission for Gambling Regulation.

Mrs King has previous experience in an extensive range of service businesses including the water and electricity industries. She is member of the Council of Swinburne University of Technology and an Adjunct Professor of the University.

The Deputy Chairman, Dr Michael Vertigan, and Dr Michael Sargent tendered their resignations and these became effective on 31 July 2005 and 23 July 2005 respectively.

Executive Director

Mr Kim Wood – Managing Director

Mr Wood took up the position of Managing Director with Power and Water on 1 August 2002. Mr Wood was the inaugural Managing Director of City WestWater from 1995 to 1998 and Managing Director of Sydney-based GEC-Plessey in the early 1990's. He also led Victorian electricity transmission business GPU PowerNet from 1998 to 1999. Before taking up the Managing Director's position at Power and Water he was Chief Executive of a listed dot com business. Mr Wood holds a Masters of Business Administration, is a Chartered Professional Engineer and is a Fellow of the Institution of Engineers, Australia.

Principle 3 **Promote ethical and responsible decision-making**

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

Power and Water has a set of values that cover safety, growth, our customers, integrity, the natural environment and our people. Communication strategies are in place to embed these values into everything Power and Water does.

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

Principle 4 **Safeguard integrity in financial reporting**

Power and Water's internal auditor, Ernst & Young, has direct access to the Chair of the Audit and Compliance Committee, the Managing Director and the Board Chairman.

Ernst & Young provide specialist professional audit services to Power and Water and its subsidiaries. In this role it gives Power and Water confidence that it is achieving its commercial goals consistent with proper practice and processes. Power and Water has a policy of contracting its internal audit services every five years through an open tender process.

Internal Audit performs an important review role by providing assurance that:

- Financial and operational information is reliable
- Laws, regulations, policies and procedures are complied with
- Appropriate procedures are in place to safeguard assets and revenue
- Appropriate procedures are in place to ensure effective use of resources.

Power and Water also contracts the services of KPMG Chartered Accountants as financial advisers when specialist expert advice is required.

In accordance with the *Government Owned Corporations Act*, external audit of Power and Water's financial statements is conducted by auditors appointed by the Auditor-General of the Northern Territory.

Power and Water has in place internal monthly business reporting and quarterly and annual reporting to the Shareholder on the targets (including financial) contained in the Statement of Corporate Intent.

The Chief Financial Officer attends Board meetings and reports on the financial performance of Power and Water.

Principle 5 **Make timely and balanced disclosure**

The *Government Owned Corporations Act* requires that the shareholding Minister must be immediately notified of matters that may prevent Power and Water from achieving the targets contained in the Statement of Corporate Intent.

Power and Water provides quarterly reports to the shareholding Minister, which includes a face-to-face briefing by the Chairman and Managing Director. Regular informal updates are provided to NT Treasury.

Power and Water's Chairman, Managing Director and Company Secretary appeared before the parliamentary Government Owned Corporations Scrutiny Committee on 7 July 2005 to answer questions on the activities, performance, practices and financial management of the Power and Water Corporation.

Principle 6 **Respect the rights of shareholders**

The Northern Territory Government is the Corporation's only shareholder. As a Government Owned Corporation, Power and Water makes an annual dividend payment to the Northern Territory Government. The Board's recommendation on the dividend is made after due consideration of end of year financial results, the Corporation's existing and target capital structure, future 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 for the year.

The *Government Owned Corporations Act* provides the shareholding Minister and the portfolio Minister with a right to direct Power and Water under certain circumstances. A copy of any such statutory directions must be tabled in the Legislative Assembly within six sitting days after the direction is given. Power and Water has received only one direction. This relates to the chlorination of the Tennant Creek water supply and was received in October 2004. A copy of the direction is at the end of this chapter.

Power and Water maintains strong relationships with all Northern Territory Government departments, collaborating on major projects and providing regular briefings as requested.

Copies of Power and Water's Statement of Corporate Intent and Annual Report are available to the public and are published on Power and Water's website www.powerwater.com.au.

Power and Water seeks to provide as many opportunities as possible to engage with Territorians. Information brochures on Power and Water's services are made available to customers, in addition to regular campaigns such as information on the wet season, trees and powerlines and dialling before you dig. Power and Water also takes part in the Northern Territory show circuit to give the public access to the organisation in all regions.

Principle 7 Recognise and manage risk

Power and Water established an enterprise-wide risk-management model in conjunction with Ernst & Young. Power and Water uses the Ernst & Young risk management-rating tool that separates 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 Compliance Committee. The annual plan provides for an integrated approach to audits that combines, wherever possible, audits of safety, health, environment and compliance assurance.

A comprehensive corporate risk register has been compiled and the Audit and Compliance Committee conducts regular reviews of the key risks identified. Decisions within Power and Water are made with due consideration of the potential risk impact. Mitigation strategies are developed to reduce the likelihood and consequence of events that would have adverse implications for the business and its stakeholders.

Principle 8 Encourage enhanced performance

The Board receives monthly business reports from each of the General Managers of the business units in Power and Water, in addition to specialised briefings when required. The directors have access to the Company Secretary to obtain additional information or to seek independent expert advice.

Directors and Corporation management are encouraged to broaden their knowledge of the Corporation's business and to keep abreast of developments in the business by attending industry seminars, conferences and courses. Power and Water meets the expense of these training activities.

All Corporation staff are bound by the Northern Territory Public Sector Principles and Code of Conduct, which require that employees "shall perform their official duties with skill, impartiality, professionalism and integrity". Power and Water operates a Performance Management System, which requires that each employee has an annual performance plan. Targets in performance plans are linked to salary progression each year.

The Board conducts an annual review of its performance on a biennial basis. This review is conducted by an external party.

Executive Solutions Pty Ltd was appointed to undertake the 2004 Board Performance Review. At the Board meeting of 4 October 2004, the board met 'in camera' with Ms Townsend to discuss the findings of the review. A copy of the review report was provided to the shareholding Minister.

Power and Water Disclosure Line

Power and Water's disclosure line started on 19 January 2004 to:

- Encourage all employees to report any concerns about fraud and misconduct in the organisation
- Permit the confidential reporting and discussion of issues of concern to individual employees about potential fraud and misconduct
- Provide a forum for staff to obtain relevant information on Power and Water policies and procedures
- Help employees with ethical dilemmas and concerns.

The line has been monitored on a continuous basis since its establishment.

The disclosure hotline complies with Australian Standard 8000. Power and Water is an early adopter of this initiative. The recent Senate Committee review of the Corporate Law Economic Reform Program – CLERP 9 Bill strongly supported private sector whistleblower protection and favourably referred to Australian Standard 8004 as a model to promote whistle blowing protection schemes as an important feature of good corporate governance. The disclosure line implemented by Power and Water is an important component of this model.

To 30 June 2005 Ernst & Young received one inquiry on the disclosure line. Following the preliminary assessment and discussion with the anonymous informant, it was agreed that the matter should be finalised with no further action warranted. In addition to the single complaint a number of calls were received on the hotline number but these were the result of the wrong telephone number dialled.

Principle 9
Remunerate fairly and responsibly

Directors' remuneration is disclosed in this report. The Executive Remuneration Committee makes recommendations to the Board concerning senior managers' remuneration. Conditions of service and remuneration arrangements for executive contract officers are in accordance with the *Public Sector Employment and Management Act*.

An Enterprise Bargaining Agreement is in place between Power and Water and its employees. The agreement was renegotiated in 2004-2005 for three years.

Principle 10
Recognise the legitimate interests of stakeholders

Power and Water conducted its second Annual General Meeting on 9 December 2004 with the shareholding Minister's representative.

Power and Water also conducted its second stakeholders meeting on 9 December 2004 for major customers, business partners, industry and government representatives. A summary of Power and Water's annual performance was presented at the meeting.

Power and Water presents the following reports to interested stakeholders during the year:

- Water Quality Report
- Environment Report
- Annual Report (including a report on performance against the Statement of Corporate Intent).



MINISTERIAL DIRECTION – TENNANT CREEK WATER SUPPLY

Regulatory, Compliance and Legal



Network Pricing – Off-ramp Review

As part of the 2004 Electricity Networks Pricing Regulatory Reset, the Utilities Commission undertook an off-ramp review in which it questioned the appropriateness of the Depreciated Optimised Replacement Cost method for valuing assets in all instances and the validity of the asset valuation underlying the reset.

On 19 April 2005 Power and Water received from the Commission the final decision, which establishes an initial regulatory asset value of \$350 million (excluding gifted assets) for regulated network assets as at 1 July 2002. This regulatory asset value is approximately equivalent to a \$73 million write-down in the value of total regulated network assets.

The results of the Commission's review were incorporated in the 2005-2006 Regulated Network Tariffs, which were published in the NT Government Gazette on Monday, 30 May 2005.

Generation Price Oversight

In September 2003, the Northern Territory Government approved the introduction of price oversight for Power and Water Corporation's electricity generation business. The Utilities

Commission is responsible for the oversight of these prices and reporting results to the regulatory Minister.

In April 2005, the Commission started a review of the generation component of electricity prices paid by contestable customers and undertook to report to the regulatory Minister on the results by the end of June 2005.

Power and Water provided information and comment to the Utilities Commission for its review.

National Water Initiative

At the Council of Australian Governments meeting on 25 June 2004, the Chief Minister signed the Intergovernmental Agreement on a National Water Initiative.

The National Water Initiative includes obligations for urban water supplies and sewerage services including, pricing policies including progression towards consumption based pricing, sufficient cost recovery to ensure business viability and consistency of pricing policies with other jurisdictions.

Contestable Customer Complaint

In July 2004, a Tranche One contestable customer made a complaint to the Utilities Commission under section 48(1)(b) of the *Electricity Reform Act*. The complaint alleged that in reference to the customer's proposed average price increase for the supply of electricity, Power and Water engaged in electricity pricing conduct contrary to the objectives of the *Electricity Reform Act* and the *Utilities Commission Act*.

An investigation by the Commission found that the complaint could not be substantiated. Both parties advised the Commission that they accepted the Commission's finding and the reasoning underlying the finding.

Retail Licence Application Renewal

In March 2005 the Utilities Commission renewed Power and Water's Retail licence to sell electricity to customers in the Northern Territory, pursuant to section 15 of the *Electricity Reform Act*. The major change to the licence was a change from a five-year term to an opened ended licence dependent on the licence being surrendered by Power and Water or cancelled by the Utilities Commission.

ITS Pty Ltd vs Power and Water Corporation

ITS Pty Ltd commenced an action against the Power and Water Authority (as it then was) in the Supreme Court of the Northern Territory claiming unspecified damages arising from the non-awarding to it of the solar panel generation projects at Kings Canyon and Bulman.

Power and Water is defending this action and it is anticipated that the matter will go to trial in early to mid 2006.

Electronic Document and Integrated Management Systems

In moving towards full compliance with the NT Government Record Management Standards and NT *Information Act*, Power and Water has started implementing an Electronic Document Management System (EDMS) and an Integrated Management System for all records management and archive requirements.

The Integrated Management System will ensure that the requirements for document management conform to ISO 14001 (Environment Management System), ISO 9001 (Quality Management System) and AS/NZ 4801 (Occupational Health and Safety Management System) requirements.

EDMS will provide a standard of document control to enable triple certification for the Integrated Management System and ensure compliance with the NT *Information Act* (part 9 – Records and Archives Management), which includes creation, identification, storage, protection, retrieval and retention and disposal.

EDMS is the third phase of the Information Governance Project. Phase One began with in-sourcing of registry functions to ensure compliance with the NT *Information Act*. Phase Two involved an audit on Power and Water information through the Clear Desk policy. This saw kilometres of shelf space sent to secondary storage or destroyed.

The rollout of EDMS began in February 2005 and by June had covered Yulara, Alice Springs, Tennant Creek, Katherine and part of Darwin. All areas are expected to be rolled out by December 2005.

The benefits of EDMS include:

- Enhanced compliance with the *Information Act* and *Evidence Act*
- Quality, Safety and Risk triple certification
- Reduction in the overall cost of managing paper records from creation to disposal
- Enhanced disaster recovery and back-up – currently there are about 60 000 paper files, about 5% of which are business critical with poor back-up in case of fire or water damage
- Information is available to staff from their desktop.

Privacy and Information Acts

In compliance with the *Privacy Act 1988* (Cth) and *Information Act 2002* (NT) there were 2 379 inquiries regarding customers received during the year. There were no requests for changes to information. The Corporation's privacy and information handling policy can be found at <http://www.powerwater.com.au/powerwater/privacy.html>.



“IN MOVING TOWARDS FULL COMPLIANCE WITH THE NT GOVERNMENT RECORD MANAGEMENT STANDARDS AND *NT INFORMATION ACT*, POWER AND WATER IS IMPLEMENTING AN ELECTRONIC DOCUMENT MANAGEMENT SYSTEM.”

2004-2005 Cost Recovery – Water and Sewerage Services

2004-2005 Cost Recovery

The following tables show the 2004-2005 unaudited costs and revenue for water supply and sewerage services. This table is in accordance with the Council of Australian Governments (CoAG) Strategic Framework for Water Reform.

The minimum boundary for cost recovery through user charges, as defined in the national framework for reform of water policy, requires charges for water services to recover, as a minimum, the efficient operational and maintenance costs; the cost of debt servicing; and the cost of asset consumption.

The service centres as shown in the tables include major and minor urban service centres but exclude services delivered in Indigenous communities.

Community Service Obligations (CSOs) are received in all centres for provision of subsidised water supply and sewerage services to customers who are in receipt of the Territory Government's Pensioner Concession Scheme. In addition, Power and Water received a CSO of \$5 million for water and sewerage as compensation for maintaining Territory-wide uniform tariffs.



2004-2005 FINANCIAL DATA (UNAUDITED)

CoAG MINIMUM COST RECOVERY CHECK	DARWIN	KATHERINE	TENNANT CREEK	ALICE SPRINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000
Water					
Operations, Maintenance, Administration	12,395	2,675	1,106	8,011	24,186
Debt Servicing	3,341	367	318	1,569	5,595
Asset Consumption*	5,752	554	433	2,681	9,420
Minimum Viability Costs	21,489	3,596	1,857	12,261	39,202
Total Revenue – from Trading (excl CSO)	31,178	2,874	1,289	14,364	49,705
Surplus/Deficit (excl CSO)	9,690	-722	-568	2,103	10,503
Surplus/Deficit (incl CSO)	10,913	-597	1,985	3,421	15,721

*Replacement value Depreciation as at 30 June, 2005

2004-2005 FINANCIAL DATA (UNAUDITED)

CoAG MINIMUM COST RECOVERY CHECK	DARWIN	KATHERINE	TENNANT CREEK	ALICE SPRINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000
Sewerage					
Operations, Maintenance, Administration	11,104	997	590	5,068	17,759
Debt Servicing	1,180	203	108	675	2,166
Asset Consumption*	2,418	301	123	872	3,714
Minimum Viability Costs	14,702	1,502	821	6,615	23,640
Total Revenue – from Trading (excl CSO)	19,637	949	608	5,659	26,852
Surplus/Deficit (excl CSO)	4,935	-553	-213	-957	3,212
Surplus/Deficit (incl CSO)	5,142	-553	-213	-957	3,420

*Replacement value Depreciation as at 30 June, 2005

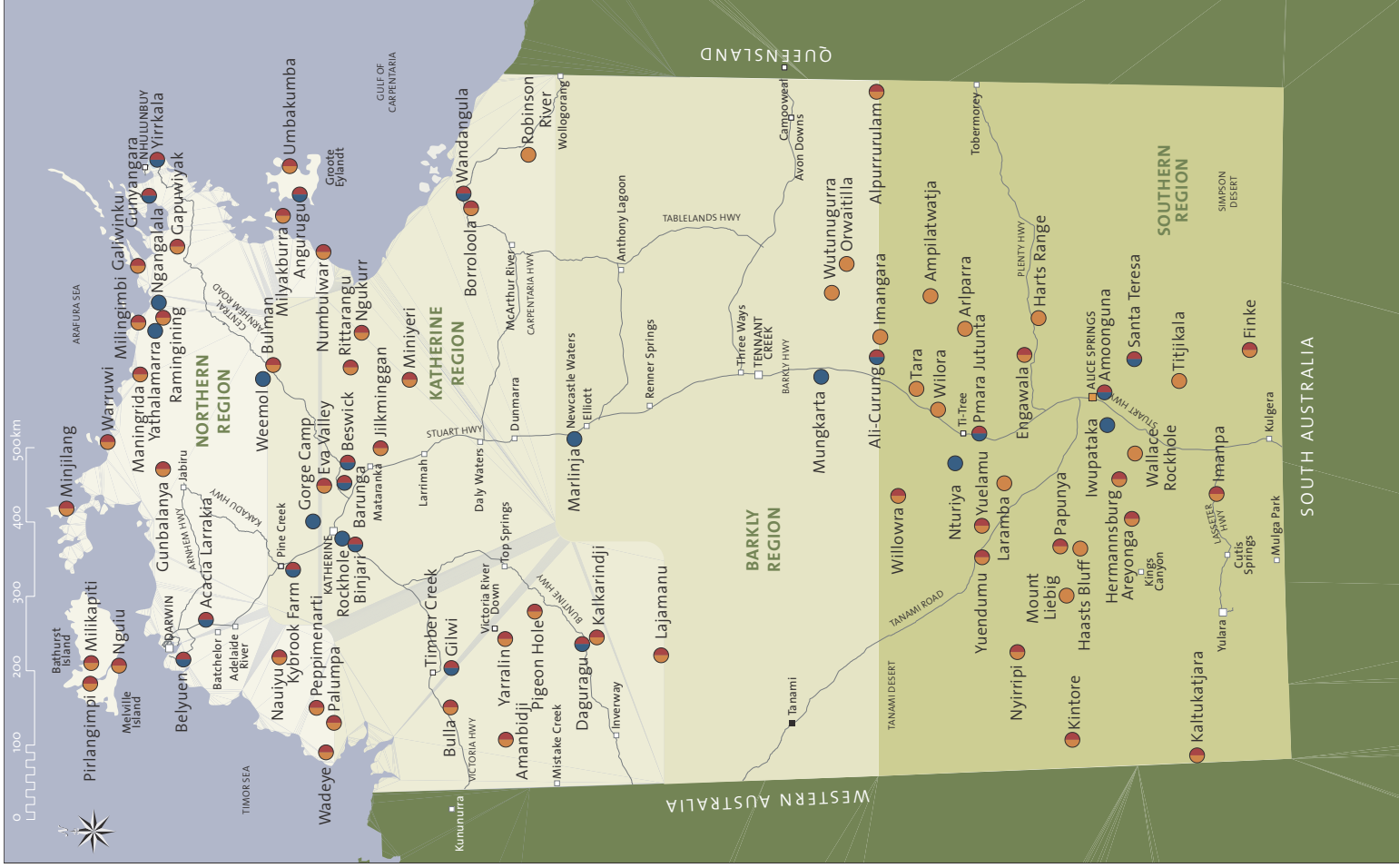
NT GENERATION, POWER NETWORKS AND ELECTRICITY RETAIL LOCATIONS

(RETAIL LICENCES FOR REMOTE INDIGENOUS COMMUNITIES ARE NOT SHOWN ON THIS MAP)



- Power Station - Power and Water Corporation
- Power Station - Power Purchase Agreement
- Retail Agreement Only
- Transmission Lines
- Distribution Lines

NT INDIGENOUS COMMUNITIES ELECTRICAL, WATER SUPPLY AND SEWERAGE SERVICES



NT WATER SUPPLY AND SEWERAGE SERVICES

(LICENCE AREAS FOR REMOTE INDIGENOUS COMMUNITIES ARE NOT SHOWN ON THIS MAP)



- Water Supply Licence Area
- Water Supply Licence Area (Restricted Service Area)
- Water Supply and Sewerage Service Licence Area
- Major Urban
- Minor Urban

Statistics to June 2005

POWER AND WATER

STATISTICAL SUMMARY AS AT 30 JUNE 2005

		2001	2002	2003	2004	2005
ELECTRICITY						
GENERATION						
Power and Water Installed Capacity	MW	389	389	389	391	375
Contracted Capacity	MW	72	71	71	47	71
Generated	GWh	1,513	1,611	1,656	1,664	1,558
Sent Out (inc Purchases from Private Suppliers)	GWh	1,475	1,576	1,681	1,627	1,712
Bulk Deliveries (to IES)	GWh	NA	NA	NA	NA	NA
Purchases from Private Suppliers	GWh	67	51	59	45	400
NETWORKS						
Transmission (35kV & above)						
132kV Overhead	km	339	374	340	340	340
66kV Overhead	km	311	311	311	315	314
66kV Underground	km	21	21	21	17	17
33kV Overhead	km	114	115	55	56	56
Distribution (22/11kV & below)						
HV Overhead	km	2,798	2,989	2,879	2,906	2,965
HV Underground	km	600	607	614	598	601
LV Overhead	km	1,760	1,813	1,755	1,751	1,752
LV Underground	km	1,607	1,637	1,655	1,636	1,677
SWER All Voltages	km	9	12	12	12	NA
SALES						
Customers (ie Services)	MWh	1,388,716	1,431,904	1,538,053	1,548,560	1,571,788
		65,510	66,872	67,413	68,679	69,709
WATER						
System Capability	ML/day	346	306	327	336	336
Production	ML	54,202	55,039	55,764	54,447	58,436
Length of Mains	km	1,939	1,988	1,945	2,010	2,003
SALES						
Customers (ie Services)	ML	44,623	45,835	51,242	50,468	51,225
		37,953	38,602	38,631	39,192	39,780
WASTE WATER						
Volume of Sewerage Treated	ML	16,547	16,087	18,461	20,579	15,626
Length of Sewer Mains	km	993	1,002	996	997	1,007
Volume of Effluent Reused	ML	1,146	1,444	1,715	1,559	2,096
Customers (ie Services)						
		43,793	44,377	44,731	45,612	46,296
Notes: U/A = Data unavailable SWER = Single Wire Earth Return						
STAFF						
Male		526	535	527	536	564
Female		158	179	192	203	213
Total Personnel						
		684	714	719	739	777

* Sales figures and customer numbers estimated.

INDIGENOUS ESSENTIAL SERVICES

STATISTICAL SUMMARY AS AT 30 JUNE 2005

		2001	2002	2003	2004	2005
ELECTRICITY						
GENERATION						
Power and Water Installed Capacity	MW	36	36	43	42	51
IPP Contracted Capacity	MW	0	0	0	0	0
Generated	GWh	64	69	79	84	85
Sent Out (inc Purchases from Private)	GWh	64	68	83	78	79
Efficiency (based on Net Heat Value)	GWh	NA	NA	NA	NA	NA
Purchases from Private Suppliers	GWh	6	6	7	7	4
NETWORKS						
Distribution (22/11kV & below)						
HV Overhead	km	277	255	470	506	526
HV Underground	km	0	0	0	0	1
LV Overhead	km	259	267	251	260	265
LV Underground	km	0	0	1	1	1
SWER All Voltages	km	0	0	81	81	81
SALES						
Customers (ie Services)	MWh	61,500	52,968	61,514	58,023	58,893
		6,625	6,905	6,710	6,717	6,818
WATER						
Production	ML	8,059	8,134	7,977	9,970	10,104
Length of Mains	km	702	719	719	667	675
Customers (ie Services)						
		758	783	522	522	530
WASTEWATER						
Volume of Sewage Treated	ML	U/A	U/A	U/A	U/A	U/A
Length of Sewer Mains	km	294	309	309	340	346
Volume of Effluent Reused	ML	0	0	0	0	0
Customers (ie Services)						
		400	396	396	401	407

* Sales figures and customer numbers estimated.

Key Performance Indicators against Statement of Corporate Intent Targets

KEY PERFORMANCE INDICATORS 2005 ACHIEVEMENTS AND ANALYSIS

FINANCIAL PERFORMANCE	2003-2004 ACHIEVEMENT	2004-2005 SCI TARGET	2004-2005 ACHIEVEMENT	ANALYSIS
Total revenue (\$m)	431	435	451	Revenue was \$16 million above target predominantly driven by strong demand from franchise electricity customers and increase in Gifted Assets of \$6 million.
Operations and Maintenance (\$M)	310	311	334	Operating costs were \$23 million above forecast which reflects increased personnel costs as a result of the new EBA agreement, continued use of distillate, and the adverse impact of increasing global oil prices.
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$M)	121	123	118	\$5 million below target. Higher operating costs have affected EBITDA despite solid revenue growth.
Earnings before interest and taxes (EBIT) (\$M)	80	80	76	\$4 million below target. Depreciation and amortisation expense is \$1 million lower than forecast, partially affecting EBITDA being \$5 million below forecast.
Net profit before tax (\$M)	55	56	52	\$4 million below target. Interest expense in line with forecast.
Net profit after tax (NPAT) (\$M)	40	39	37	\$2 million below target. Lower than expected tax expense due to lower net profit.
Net capital Expenditure (\$M)	61	59	65	\$6 million above target. Predominantly due to the purchase of the \$6.8 million Titan Generator Set.
Dividend provided for (\$M)	20	20	19	\$1 million below target. Revenue growth was not sufficient to offset higher than expected operating costs.
Return on equity (%)	6.4	6.12	5.86	Result affected by increased pressures from increases in raw materials and personnel costs.
Debt/equity (%)	47.1	44.65	45.2	Results affected by lower NPAT for the year.
CUSTOMER SERVICE IMPROVEMENT	2003-2004 ACHIEVEMENT	2004-2005 SCI TARGET	2004-2005 ACHIEVEMENT	ANALYSIS
Customer satisfaction (%)	88	85	66%	The result this year is not comparable to previous years due to a change in assessment methodology.
Connections to existing supply properties within 24 hours (%)	97.1	98	100	A change of procedure from July 2004 has led to this target being exceeded

Connections to new Subdivisions in major urban areas within five working days (%)	93.7	98	94.8	A shortage of field staff was attributable to the target not being met.																								
Connections to new Subdivisions where minor extensions or augmentation is required (%)	67.3	95	68.6	Process delays associated with minor projects as well as a shortage of field staff was the cause of the target not being met.																								
Average call response time (%)	62.5	80	48.45	Issues associated with the new billing system contributed to this target not being met.																								
STAFF INDICES	2003-2004 ACHIEVEMENT	2004-2005 SCI TARGET	2004-2005 ACHIEVEMENT	ANALYSIS																								
Lost time injuries	13	<8	18	These results above targets may be attributed to the increase in reporting of incidences as a result of Power and Water wide safety campaign in 2004-05.																								
Lost time injury Frequency rate (number/hours)	10	<4	13																									
Staff satisfaction	29% of staff rate their satisfaction as 8/10 or better	81%	NA	No survey was undertaken in 2004-05 due to a delay in the contract for supply of analysis, which had to be re-issued.																								
ENVIRONMENTAL PERFORMANCE	2003-2004 ACHIEVEMENT	2004-2005 SCI TARGET	2004-2005 ACHIEVEMENT	ANALYSIS																								
Significant pollution incident zero	Zero	Zero	Zero	There were no significant incidents or incidents that resulted in environmental harm																								
Implementation of efficiency Program for Ron Goodin and Channel Island Power Stations	Investigations Continuing	Action plans for emissions management and reduction in place.	Consultation with Australian Greenhouse Office took place. The action plan submission deadline was extended to September 2005.	Work progressed in the identification and analysis of emission reduction actions. Action plan submission deadline to be achieved in 2005/06.																								
Annual ESAA Code of Practice for Environmental Management Audit	To be done in 2004-2005	Complete by end November 2004	Target achieved	The most marked change since the last audit (2002) is an improvement in the Social Responsibility Policy area. This reflects Power and Water's commitment to community support through sponsorships, and through the Environment Awards program.																								
				Policy Area <table> <tbody> <tr> <td>2002 Score</td> <td></td> </tr> <tr> <td>Sustainable Development</td> <td>4.1</td> </tr> <tr> <td>Social Responsibility</td> <td>3.5</td> </tr> <tr> <td>Environmental Management</td> <td>3.27</td> </tr> <tr> <td>Resource Management</td> <td>3.75</td> </tr> <tr> <td>Average</td> <td>3.65</td> </tr> <tr> <td>2004 Score</td> <td></td> </tr> <tr> <td>Sustainable Development</td> <td>4.0</td> </tr> <tr> <td>Social Responsibility</td> <td>4.08</td> </tr> <tr> <td>Environmental Management</td> <td>3.27</td> </tr> <tr> <td>Resource Management</td> <td>4.0</td> </tr> <tr> <td>Average</td> <td>3.84</td> </tr> </tbody> </table>	2002 Score		Sustainable Development	4.1	Social Responsibility	3.5	Environmental Management	3.27	Resource Management	3.75	Average	3.65	2004 Score		Sustainable Development	4.0	Social Responsibility	4.08	Environmental Management	3.27	Resource Management	4.0	Average	3.84
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Environmental Management	3.27																											
Resource Management	4.0																											
Average	3.84																											

Greenhouse gas emissions				
Channel Island	Channel Island 581 kg of Co ₂ per MWh at 60% of full load	Annual Target @60% FL ffi 672	580 kg of Co ₂ per MWh at 60% of full load	NA (to be sent out to tender)
Ron Goodin	713 kg of CO ₂ per MWh at 70% of full load	Annual Target @50% FL ffi 1051	NA	
ISO 14001 International standard for environmental systems	Environmental Management System implemented that aligns with ISO 14001. Not yet accredited.	Undertake ISO 14001 Environmental Management systems accreditation.	Accreditation preparatory work 95% finalised	Accreditation has 3 steps: <ul style="list-style-type: none"> • preparatory work to document corporate procedures and processes • implementation of procedures, including training of all staff • audit by external body to establish accreditation The preparatory work has required extensive consultation across all business units.

	2003-2004 ACHIEVEMENT		2004-2005 SCI TARGET	2004-2005 ACHIEVEMENT	ANALYSIS	
ELECTRICITY SUPPLY RELIABILITY						
Number of Interruptions						
Darwin	3.2		3.4	4.8	The fruit bat problem in July 2004 at Katherine and the wet season storms in the northern regions and Alice Springs caused the number of interruptions to be higher than targets. In Darwin and Katherine the wet season storms have increased interruptions from lightning and tree branches blown into overhead mains.	
Katherine	4.8		4.8	9.0		
Tennant Creek	2.6		3.4	1.2		
Alice Springs	1.7		2.0	3.2		
System minutes lost						
Darwin	149		160	215		
Katherine	209		180	303		
Tennant Creek	72		100	41		
Alice Springs	79		80	123		
WATER SUPPLY RELIABILITY						
Water supply restored within five hours of unplanned interruption						
Darwin	100%			99.6	Unexpected water main breaks during the year	
Alice Springs	98%			98.4		
Planned interruptions hours lost						
Darwin	1.8		3.1	1.32	Targets exceeded	
Alice Springs	1.6		3.1	2.18		
Unplanned interruptions hours lost						
Darwin	0.9		2.0	0.90	Targets exceeded	
Alice Springs	0.8		2.0	1.81		
SEWERAGE SERVICE RELIABILITY						
Sewerage services restored within five hours of unplanned interruption (%)						
Darwin	96			98.25	An unexpected sewer main collapse occurred during the year	
Alice Springs	99			91.67		
Unplanned interruptions to sewerage services hours lost						
Darwin	1.7		3.0	1.89	Targets exceeded	
Alice Springs	1.9		3.0	1.53		

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 2005 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	AGE	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mr Neil Philip , LLB (Hons) Chairman Independent Non-Executive Director	51	Mr Philip, former senior partner of Clayton Utz, Darwin is Chairman of Nexus Energy Limited, a Melbourne based public listed company. Mr Philip has been involved as a legal adviser to both private sector and public organizations in many of the recent largest and most complex commercial, development and infrastructure transactions to occur in the Northern Territory across a range of industry sectors. Director and Chairman since 2000.
Dr Michael Vertigan AC, B.Ec (Hons), Ph.D, FAICD Deputy Chairman Independent Non-Executive Director	62	Dr Vertigan is currently Chancellor of the University of Tasmania, and holds appointments in a number of organisations involved in energy, finance and investment. Dr Vertigan is a former Secretary of the Department of Treasury and Finance in Victoria, and Secretary of the Department of Treasury and Finance in Tasmania. Director and Deputy Chairman since 2000. Dr Vertigan also chairs the Audit and Compliance Committee. Resigned: 31 July 2005

NAME (continued)	AGE	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mrs Judith King , BA Foundation Fellow AICD	62	Mrs King is currently Chairman of AUSeMED, Information City Australia and a director of Federation Square Management Ltd. She is Deputy Chair of the Victorian Commission for Gambling Regulation. Mrs King has previous experience in an extensive range of service businesses including the water and electricity industries. She is a member of the Council of Swinburne University for Technology and an Adjunct Professor of the University. Director since 2000 Mrs King also chairs the Environment Committee.
Dr Michael Sargent AM, B.Eng, Ph.D, FAICD Independent Non-Executive Director	61	Dr Sargent was formerly Chief Executive Officer of ACTEW Corporation, previously the ACT Electricity and Water Corporation, and Chief Executive Officer of Transfield Energy. Currently the co-chair of the Australian Electric Energy Industry Export Council and has held numerous appointments in national industry and government organizations. Dr Sargent has 36 years of engineering experience in the utilities industry. Director since 2000. Resigned: 23 July 2005

NAME (continued)	AGE	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mr Kimley (Kim) Wood B.Eng, DipEng, MBA, FIEAust Executive Director	51	Managing Director since 2002. His previous roles included Managing Director of Datafast Telecommunications, Chief Executive Officer of Victorian electricity transmission business GPU PowerNet, and Managing Director of City West Water. Prior to that, Mr Wood was Managing Director of GEC Plessey Telecommunications. Mr Wood has also held senior roles with BellSouth Australia and Hewlett-Packard. He initially commenced work as an engineer with the Victorian State Electricity Commission.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Corporation during the financial year are:

DIRECTOR	BOARD MEETINGS		AUDIT AND COMPLIANCE COMMITTEE MEETINGS		EXECUTIVE REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
Mr Neil Philip	7	7	3	3	3	3
Dr Michael Vertigan	6	7	2	3	3	3
Mrs Judith King	6	7	3	3	2	3
Dr Michael Sargent	7	7	3	3	3	3
Mr Kim Wood	7	7	3	3	3	3

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Principal activities

The principal activities of the consolidated entity during the course of the financial year were to supply electricity, gas, water and sewerage services, and to undertake other business activities in a commercial manner.

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

Review and results of operations

Summarised financial information

	CONSOLIDATED	
	2005 MILLION	2004 MILLION
Total assets	1,056.6	1,051.2
Total liabilities	407.4	421.0
Total equity	649.2	630.2
Total revenue	507.9	479.7
Net profit	52.03	55.0
Individually significant items	-	-
Net profit before income tax	52.03	55.0
Income tax	14.1	14.8
Net profit after income tax	37.9	40.2
Dividends provided or paid	18.9	20.0

State of Affairs

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

The Corporation's consolidated total assets increased to \$1,056.6 million (2004: \$1,051.2 million) over the year. The increase in total assets principally comprised of a net upward movement in fixed assets and offset against a decrease in cash assets.

The consolidated cash at bank is \$2.4 million with the Corporation's cash holdings in overdraft by \$2.3 million. The 2004-2005 financial year cashflows were impacted by a number of circumstances that resulted in a significantly different situation from previous years. From 2004-2005, the Corporation commenced paying tax and as a consequence paid \$18.7 million in January 2005. In addition, the Corporation paid \$8.7 million in April 2005 of the first of 2004-2005 quarterly tax instalments. There were also increased salary costs brought about by the new enterprise agreement, higher energy costs due largely to increased cost of diesel, and the incremental increase in capital spending by \$4.6 million. The Corporation's fiscal position was tested by the disruption of cash collection during the January to May 2005 period.

This fundamental change in the cashflow regime of the Corporation led to the uneven movement in cash balances, which is typical of a comparative commercial operation. The Corporation prudently saw the need to use an overdraft facility in order to manage its short term funding gaps. In March 2005, the Corporation sought an overdraft facility of \$5 million. The facility was temporarily increased to \$10 million from June to September 2005.

The consolidated Statement of Financial Performance reflects a consolidated net profit after tax of \$37.9 million compared with \$40.2 million in 2004. The decrease is mainly due to the increase in energy and salary costs.

The Corporation's revenue from the sale of electricity and related facilities increased by 2.5%, primarily due to increased demand by franchise customers. Revenue from the sale of water, provision of sewerage services and from consolidated gas sales achieved only marginal variations from the previous year.

Individually significant items include gifted assets as a result of developments of \$14.02 million (2004: \$15.6 million), a decrease of \$1.6 million from the previous year.

The Corporation's new Retail Management System (RMS) was commissioned on 3 August 2004 after a twelve month project to select and implement the Gentrack software package, train staff and transfer twenty years of historical data from the old mainframe-based system. There are approximately 77 000 customers and on average 2,000 invoices are issued each working day, catering for domestic, commercial and contestable billing of electricity, water and sewerage services. Power and Water replaced

the thirteen year-old custom-built mainframe-based system as it was becoming too costly and complex to maintain for changes such as GST and the contestable environment. The new system is a specialised utility billing package successfully used by 35 utilities and retailers worldwide including nine in Australia.

Power and Water experienced a number of issues with the initial implementation and use of the system including billing delays stemming from data and human processing problems, not the billing system itself. While every effort was made during the implementation to clean and convert the data from the old system, not all data issues were apparent until the new system was commissioned. The new system is more prescriptive in its processing of data and has been identifying data anomalies that we have been following up on.

Additional focus on staff training, processing the system exception reports and on applying adequate system- and human-based supervisory controls has greatly improved the quality of processing in the system.

Recently Power and Water made a decision that it would give customers a once of rebate where customers have identified a billing error greater than one dollar, or where a credit letter was issued without the bill arriving. Power and Water have estimated that the claims could be in the vicinity of \$250,000. After eight weeks of the scheme though, only 453 claims had been received.

Capital expenditure increased to \$65 million as compared to \$60.8 million in the previous year. The capital expenditure for the year includes the purchase of the \$6.8 million Titan Generator Set in November 2004 and the \$2.3 million replacement of the Hot Section of Set 7 at Channel Island. The Corporation also undertook upgrades to its SCADA system and renovations to the Ben Hammond Complex.

The major operating expense of the Corporation continues to be raw materials and consumables used (primarily gas and distillate purchases) being \$178.3 million (2004: \$160.5 million). This can be attributed to increased production levels and the sustained use of distillate, which also attracted a higher unit cost reflecting the surge in world oil prices. Repairs and maintenance expenditure stood at \$25.2 million (2004: \$28.8 million) due to the reclassification to capital of the replacement costs of the Hot Section of Set 7, which was originally part of this year's repairs and maintenance program.

The Corporation has continued its positive financial performance and has raised an income tax expense of \$14.1 million. The Corporation and its controlled entities are under the National Tax Equivalents Regime, which require income tax be subject to Australian Taxation Office Administration. The income tax payable by the Corporation will be paid direct to the NT Government.

Dividends

During the year, the Corporation declared a dividend of 50% of net profits after tax for the year. Subsequent to reporting date the directors have confirmed the declared dividend of \$18.9 million, equivalent to 50% of the Corporation's net profit after tax. Dividends of \$20 million were provided for in the previous financial year and paid during the year.

Likely 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.

At the date of this report, there are no developments in the operations of the consolidated entity that, in the opinion of the directors, are likely to significantly impact the Corporation during the 2006 financial year.

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.

Events Subsequent to Reporting Date

For dividends confirmed after 30 June 2005 refer to the *Dividends* section above.

For reporting periods starting on or after 1 July 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 26 to the financial statements.

The Board has announced the resignations of two of the Corporation's directors Dr Michael Vertigan and Dr Michael Sargent. Drs Vertigan and Sargent ceased to be directors of the Corporation on 31 July 2005 and 23 July 2005, respectively.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, 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*.

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

Insurance premiums

The following insurance policies were purchased to cover the directors and officers of the Corporation:

Group Personal Accident Insurance:

The Insurer will indemnify the Insured in relation to any injury, permanent disability or death which occurs whilst the insured persons are actually engaged on the insured's business.

Professional Indemnity Insurance:

The Insurer will indemnify the Insured against any claim that may be made against the Insured for actual or alleged breach of professional duty by reason of act, error or omission committed or allegedly committed by or on behalf of the Insured.

In addition, the Insurer will pay the costs and expenses incurred in the defence, settlement or investigation of any such claim.

Directors and Officers Liability:

The Insurer will indemnify the Insured against claims for wrongful acts committed by a director or officer in connection with their duties and responsibilities as a director or officer. The policy will reimburse all expenses incurred in defending these actions.

Rounding Off

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

Dated at Darwin this 13th day of October 2005.

Signed in accordance with a resolution of the directors:



Neil Philip
Director and Chairman



Kim Wood
Managing Director



AUDITOR-GENERAL

Auditor-General's report to the Board of Directors
Power and Water Corporation
Year ended 30 June 2005

Page 1 of 2

Scope

The financial report and the Directors' responsibility

The financial report comprises the directors' declaration and statements of financial position, financial performance and cash flows and accompanying notes to the financial statements, for both Power and Water Corporation (the 'Corporation') and Power and Water Corporation and its controlled entities (the 'consolidated entity') for the year ended 30 June 2005.

The consolidated entity comprises both the Corporation and the entities it controlled during the year.

The board of directors of the Corporation is responsible for the preparation and presentation of the financial report in accordance with the requirements of the *Government Owned Corporations Act*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I conducted an independent audit in order to express an opinion to the directors of the Corporation. My audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control systems and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements or control deficiencies have been detected.

I performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and with the requirements of the *Government Owned Corporations Act*, a view which is consistent with my understanding of the Corporation's and the consolidated entity's financial position and their financial performance as represented by the results of their operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of accounting estimates made by the board of directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

My audit did not involve an analysis of the prudence of business decisions made by the board of directors or management.

I have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.



Page 2 of 2

Independence

I am independent of the Corporation and, in conducting my audit, I followed applicable independence requirements of the *Audit Act* and of Australian professional ethical pronouncements.

Qualification

As disclosed in Note 10 "Property, Plant and Equipment" to the financial statements, the directors have reviewed the carrying amount of property, plant and equipment measured using the fair value basis to ensure there is no material difference between their fair value and carrying amount at reporting date. Australian Accounting Standard AASB 1041 "Revaluation of Non-Current Assets" requires where assets are recorded at fair value, revaluations must be made with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date. I was unable to obtain sufficient appropriate audit evidence to support the fair value of the property, plant and equipment assets and, accordingly I am unable to determine whether the fair value is at least equal to the carrying amount. In the event that the carrying amount of the property, plant and equipment assets exceeds the fair value, it would be necessary for the carrying amount of these assets to be written down to fair value on a class by class basis.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of such adjustments to the values of property, plant and equipment, if any, as might have been determined to be necessary had the limitation on the scope referred to in the qualification paragraph not existed, the financial report of Power and Water Corporation:

- presents fairly the financial position of the Corporation and the consolidated entity at 30 June 2005, and their financial performance for the year ended on that date; and
- is presented in accordance with the *Government Owned Corporations Act*, Accounting Standards and other mandatory financial reporting requirements in Australia.

Frank McGuinness
Auditor-General for the Northern Territory
Darwin, Northern Territory
13 October 2005

Directors' Declaration

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

- the financial statements and notes, set out on pages 49 to 82, are in accordance with the *Government Owned Corporations Act*, including:
 - giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - complying with Accounting Standards in Australia; and
- there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Dated at Darwin this 13th day of October 2005.

Signed in accordance with a resolution of the directors:

Neil Philip
Director and Chairman

Kim Wood
Managing Director

Statements of Financial Performance

Power and Water Corporation and its Controlled Entities For the year ended 30 June 2005

	Note	Consolidated		Corporation	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from sale of goods		341,034	326,142	272,208	264,819
Revenue from rendering of services		82,121	74,377	26,779	26,086
Other revenues from ordinary activities	2	84,752	79,189	152,535	140,117
Total revenue from ordinary activities		507,907	479,708	451,522	431,022
Raw materials and consumables used		(223,513)	(201,332)	(178,349)	(160,522)
Cost of sales		(517)	(1,886)	(20,013)	(23,297)
Repairs and maintenance expense		(35,761)	(39,415)	(25,289)	(28,809)
Employee expenses		(57,364)	(46,960)	(57,828)	(47,892)
Property costs		(3,209)	(2,780)	(3,324)	(2,903)
Information technology and communications expense		(8,513)	(9,361)	(8,815)	(9,660)
Insurance costs		(3,452)	(3,323)	(3,458)	(3,328)
Community contract fees		(5,431)	(4,137)	(5,431)	(4,137)
Recoverable amount write down	3	(12,951)	(14,142)	-	-
Other expenses from ordinary activities		(31,486)	(29,018)	(31,330)	(29,240)
Earnings before borrowing costs, tax, depreciation and amortisation		125,710	127,354	117,685	121,234
Borrowing costs	3	(24,458)	(25,368)	(24,131)	(24,972)
Depreciation and amortisation expenses	3	(49,219)	(46,940)	(41,997)	(41,352)
Profit from ordinary activities before related income tax expense		52,033	55,046	51,557	54,910
Income tax expense relating to ordinary activities	5(a)	(14,164)	(14,818)	(14,164)	(14,818)
Net profit		37,869	40,228	37,393	40,092
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		37,869	40,228	37,393	40,092

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

Statements of Financial Position

Power and Water Corporation and its Controlled Entities as at 30 June 2005

	Note	Consolidated		Corporation	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets		2,388	57,097	-	38,903
Receivables	7	69,753	49,203	67,521	59,974
Inventories	8	7,578	7,634	7,579	7,634
Prepayments		2,943	9,211	2,893	9,139
Total current assets		82,662	123,145	77,993	115,650
Non-current assets					
Receivables	7	52	12	9,300	5,060
Investments	9	3	3	-	-
Property, plant and equipment	10	943,915	899,515	943,913	899,510
Deferred tax assets	5(d)	15,542	8,213	15,542	8,213
Other	11	14,440	20,372	-	-
Total non-current assets		973,952	928,115	968,755	912,783
Total assets		1,056,614	1,051,260	1,046,748	1,028,433
CURRENT LIABILITIES					
Payables	12	43,376	48,646	38,910	35,077
Interest-bearing liabilities	13	24,207	22,550	25,037	21,000
Current tax liabilities	5(b)	14,466	18,665	14,466	18,665
Provisions	14	36,098	35,290	36,098	35,290
Other	15	789	789	789	789
Total current liabilities		118,936	125,940	115,300	110,821
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	13	269,496	274,109	265,929	268,587
Deferred tax liabilities	5(c)	16,712	18,038	16,712	18,038
Provisions	14	1,471	1,356	1,471	1,356
Other	15	789	1,577	789	1,577
Total non-current liabilities		288,468	295,080	284,901	289,558
Total liabilities		407,404	421,020	400,201	400,379
Net assets		649,210	630,240	646,547	628,054
EQUITY					
Contributed equity	16	-	-	-	-
Reserves	17	381,770	381,770	381,770	381,770
Retained profits	18	267,440	248,470	264,777	246,284
Total equity		649,210	630,240	646,547	628,054

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

Statements of Cash Flows

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Note	Consolidated		Corporation	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		422,449	447,388	359,309	389,810
Cash payments in the course of operations		(375,693)	(363,772)	(314,836)	(344,415)
Income tax paid	5(b)	(27,019)	-	(27,019)	-
Community service obligations received		50,464	44,141	50,464	44,141
Interest received		2,113	3,943	2,061	3,669
Borrowing costs paid		(24,613)	(25,492)	(24,183)	(25,096)
Net cash provided by operating activities	22	47,701	106,208	45,796	68,109
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of non-current assets		259	151	259	151
Payments for property, plant and equipment		(78,975)	(75,020)	(65,497)	(60,875)
Payments for development expenditure		(1,287)	(7,109)	-	-
Repayment of loans by controlled entities		-	-	3,404	509
New loans issued to controlled entities		-	-	(4,200)	-
Trust distribution received		596	253	-	-
Net cash used in investing activities		(79,407)	(81,725)	(66,034)	(60,215)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(22,957)	(20,629)	(21,000)	(19,467)
Proceeds from borrowings		20,000	-	20,000	-
Dividends paid		(20,046)	(20,000)	(20,046)	(20,000)
Net cash used in financing activities		(23,003)	(40,629)	(21,046)	(39,467)
Net increase in cash held		(54,709)	(16,146)	(41,284)	(31,573)
Cash at the beginning of the financial year		57,097	73,243	38,903	70,476
Cash at the end of the financial year		2,388	57,097	(2,381)	38,903

The statements of cash flows are 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 2005

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1 Statement of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Government Owned Corporations Act. The Government Owned Corporations Act requires the financial statements of the Power and Water Corporation (the Corporation) and the consolidated entity to comply with the requirements of the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

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

(b) Principles of consolidation

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer. Sale of goods includes estimates for unbilled consumption of electricity and water as at reporting date.

Rendering of services

Revenue from rendering of services is recognised when the service is provided, having regard to the stage of completion of the contract.

In respect of the Corporation's wholly owned subsidiary, Indigenous Essential Services Pty Limited, revenue from rendering of services is recognised when the service is provided, having regard for the costs incurred in providing those services.

Community Service Obligation revenue

Revenue in the form of Community Service Obligations (CSO) 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 the Corporation gains control of the funds.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

Investment revenue

Revenue from distributions from investments are recognised when control of the right to receive consideration has been attained.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Deferred gain on sale and lease back of non-current assets

Net gains realised on the sale and lease back of non-current assets are amortised over the lease term of the respective assets.

Contribution of assets

Contributions of assets and contributions to assist in the acquisition of assets from 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; the balance is recognised as a liability.

Sale of non-current assets

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(d) Cost of sales

Cost of sales are those energy costs attributable to the integrated manufacturing process involved in the generation and transformation of electricity, and the transformation of water, into saleable goods.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

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

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

(f) Borrowing costs

Borrowing costs include interest. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(g) Taxation

The Corporation and its controlled entities are subject to the National Tax Equivalent Regime, which requires income tax be subject to Australian Taxation Office administration.

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

Tax Consolidation

The Corporation is the head entity in the tax-consolidated group comprising all its wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 July 2002.

The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). The wholly-owned subsidiaries do not make any contributions to the head entity.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

(h) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

(i) Cash assets

Cash assets include cash on hand and at bank.

(j) Receivables

Service debtors are on 21 days terms and other debtors are on 30 days terms and are carried at amounts due. The collectibility of debts is assessed at the reporting date and specific provision is made for any doubtful accounts. In addition, a general provision, dependent upon the age of debts, is maintained and reviewed on a regular basis throughout the financial year.

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

(k) 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 is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(l) Investments

Investments in controlled entities and unlisted entities are carried in the financial statements at the lower of cost and recoverable amount.

(m) Leased assets

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

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(n) Recoverable amount of non-current assets

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value.

(o) Revaluations of non-current assets

Subsequent to initial recognition as assets, freehold land and buildings and electricity, water and sewerage system assets are measured at fair value. These classes of non-current assets are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date.

Assessments will be made by directors at least every three years. Where current market prices are available, that price represents the fair value of the asset. Where current market prices are not available for the individual assets forming a cash-generating operation, fair value is estimated as the present value of net cash inflows discounted at the weighted average cost of capital.

Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

(p) Deferred development expenditure

Under a Gas Purchase Agreement entered into by a controlled entity, gas producers are reimbursed for reasonably incurred costs relating to the development of gas fields. Such costs are capitalised when due and payable, and amortised over the expected life of the gas field.

The unamortised balance of field development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written off in the financial period the decision is made.

(q) Acquisitions of assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed or internally generated by the consolidated entity include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(f).

Expenditure, including that on internally generated assets, is only recognised as an asset when the consolidated entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years, otherwise, the costs are expensed as incurred.

Remote communities

On 1 July 2003 the Corporation transferred the Remote Services – property, plant and equipment to Indigenous Essential Services Pty Limited at its carrying value of nil, being its fair value. Indigenous Essential Services Pty Limited is a wholly owned controlled entity of the Corporation formed on 26 June 2003 for the purpose of providing electricity, water and sewerage services to remote communities in the Northern Territory.

From 1 July 2003, Indigenous Essential Services Pty Limited is responsible for, and the nominal owner of, plant and equipment that is located at remote communities for the primary purpose of providing electricity, water, and sewerage services to the indigenous population of the Northern Territory.

Property, plant and equipment provided for this use (primarily situated at remote communities) was valued at a recoverable value of nil (2004: nil) at reporting date.

(r) 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 leased plant and equipment and deferred development expenditure which are amortised over the term of the relevant lease/agreement.

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

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

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

	2005	2004
Buildings, plant and equipment		
Electricity system	3-99 years	3-99 years
Leased electricity system	20 years	20 years
Water system	3-99 years	3-99 years
Sewerage system	3-99 years	3-99 years
Non-system related		
Building and improvements	10-50 years	10-50 years
Plant and equipment	3-99 years	3-99 years
Other non-current assets		
Deferred development expenditure	4 years	4 years

(s) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed. Trade accounts payables are normally settled within 30 days.

(t) Interest bearing liabilities

Government loans are recognised at their principal amount. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

Commercial bills are recognised at their principal amount and have an average maturity of 180 days. Any prepaid or deferred interest calculated at the contracted rate is respectively included in "Prepayments" or "Other creditors and accruals".

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

(u) Employee benefits

Wages, salaries, annual leave and airfares

Liabilities for employee benefits for wages, salaries, annual leave and airfares expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates and airfare costs that the consolidated entity expects to pay as at reporting date including related on-costs.

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history. Amounts that are not expected to be settled within 12 months are discounted using the rates attaching to national government bonds at reporting date that most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

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.

(v) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, most closely matching the expected future payments, except where noted below. The difference between the discounted value and the nominal value is treated as part of the expense related to the particular provision.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and the recovery is measured on a basis consistent with the measurement of the related provision.

In the statements of financial performance, the expense recognised in respect of a provision is presented net of the recovery. In the statements of financial position, the provision is recognised net of the recovery receivable only when the entity:

- has a legally recognised right to set-off the recovery receivable and the provision; and
- intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared. The Northern Territory Government's dividend policy requires the Corporation to provide for a dividend payable, generally at the rate of 50% of net profit after income tax (see Note 18(i)).

(w) Renewable Energy Credits Scheme

The Renewable Energy Credits (REC) Scheme is a Commonwealth Government initiative to promote alternative means of energy generation. Under the scheme, utility production entities are required to hold an appropriate number of RECs for the production year to meet the annual production figures for the year. RECs are currently obtained through the provision of a rebate paid by the Corporation to householders installing solar hot water systems. RECs are expensed once purchased, and any surplus RECs are recorded as an asset at their estimated market value at reporting date.

(x) Rounding off

Unless otherwise shown in the financial statements, amounts have been rounded off to the nearest thousand dollars (\$000).

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

Note	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2 Revenue from ordinary activities				
Sale of goods revenue from operating activities	341,034	326,142	272,208	264,819
Rendering of services revenue from operating activities 1(c)	82,121	74,377	26,779	26,086
Other revenues:				
From operating activities				
Community service obligations:				
Uniform tariffs	48,939	41,189	48,939	41,189
Other	3,100	2,956	3,100	2,956
	52,039	44,145	52,039	44,145
Investment revenue	596	253	-	-
Interest:				
Controlled entities	-	-	680	495
Other parties	1,762	3,910	1,172	3,141
Deferred gain on sale and lease back of generation plant and equipment	789	789	789	789
Developer and customer contributions:				
Gifted network assets	14,019	15,608	14,019	15,608
Remote Services	-	-	-	-
Other	8,046	5,017	8,046	4,937
Recoverable works	964	1,951	24,391	27,035
Other revenue	6,054	7,365	50,985	43,816
From outside operating activities				
Gross proceeds from sale of non-current assets	483	151	414	151
Total other revenues	84,752	79,189	152,535	140,117
Total revenue from ordinary activities	507,907	479,708	451,522	431,022

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3 Profit from ordinary activities before income tax expense				
Profit from ordinary activities before income tax expense has been arrived at after charging/ (crediting) the following items:				
Borrowing costs:				
NT Treasury loans	24,131	24,972	24,131	24,972
Other parties:				
Bank loans	327	396	-	-
Total borrowing costs	24,458	25,368	24,131	24,972
Depreciation of:				
Buildings	3,054	4,355	3,054	4,355
Plant and equipment	34,610	32,663	34,608	32,662
	37,664	37,018	37,662	37,017
Amortisation of:				
Development expenditure	7,220	5,587	-	-
Leased plant and equipment	4,335	4,335	4,335	4,335
	11,555	9,922	4,335	4,335
Total depreciation and amortisation	49,219	46,940	41,997	41,352
Write-down in value of inventories	252	1	252	1
Recoverable amount write-down of assets of subsidiary	(12,951)	(14,142)	-	-
Net bad and doubtful debts (write back)/expense including movements in provision for:				
Doubtful service debts	(2,415)	1,497	(2,415)	1,497
Doubtful other debts	(301)	5	(301)	5
Operating lease rental expense:				
Minimum lease payments	8,321	8,393	8,321	8,393
Net (gain) on disposal of non-current assets:				
Property, plant and equipment	(328)	(21)	(259)	(21)

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4 Audit costs				
Audit services:				
Auditors of the Corporation – NT Auditor-General (paid to Consolidated Revenue)	304	239	281	215
Other Services	-	-	-	-
	304	239	281	215
5 Taxation				
(a) Income tax expense				
Prima facie income tax expense calculated at 30% (2004: 30%) on the profit from ordinary activities	15,610	16,514	15,467	16,473
Increase/(decrease) in income tax expense due to:				
Net deferred tax balances recognised by controlling entity in relation to wholly-owned subsidiaries within the tax consolidated group upon implementation of Tax Consolidation	-	-	143	(1,424)
Non-assessable capital income	(236)	(236)	(236)	(236)
Depreciation of property, plant and equipment	(1,213)	(1,465)	(1,213)	-
Sundry items (net)	3	5	3	5
Income tax expense attributable to profit from ordinary activities	14,164	14,818	14,164	14,818
Income tax expense attributable to profit from ordinary activities is made up of:				
Current income tax provision	18,641	5,520	13,422	6,942
Deferred income tax provision	(1,326)	(14,046)	150	(14,046)
Future income tax benefit	(7,329)	10,200	449	10,202
Tax-related payable to controlled entities	-	-	143	(1,424)
Under provision in prior year	4,178	13,144	-	13,144
	14,164	14,818	14,164	14,818
(b) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at beginning of year	18,665	-	18,665	-
Income tax paid	(27,019)	-	(27,019)	-
Current year's income tax expense on profit from ordinary activities	18,641	5,521	13,422	6,942
Income tax expense related to wholly-owned subsidiary transactions in a tax consolidated group	-	-	9,398	(1,421)
Under provision in prior year	4,179	13,144	-	13,144
	14,466	18,665	14,466	18,665

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

Note	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
5 Taxation (continues)				
(c) Deferred tax liabilities				
<i>Provision for deferred income tax</i>				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	8,664	8,518	8,664	8,518
Difference in amortisation of development expenditure for accounting and income tax purposes	608	2,084	608	2,084
Income not currently assessable for tax	7,362	7,291	7,362	7,291
Sundry items	78	145	78	145
	16,712	18,038	16,712	18,038
(d) Deferred tax assets				
<i>Future income tax benefit</i>				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provisions and accrued employee benefits not currently deductible	5,464	4,849	5,464	4,849
Expenditure not currently deductible	8,402	783	8,402	783
Other provisions and accruals not currently deductible	1,676	2,581	1,676	2,581
	15,542	8,213	15,542	8,213
<i>Future income tax benefit not taken to account</i>				
The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:				
Capital tax losses carried forward	1,720	1,720	1,720	1,720

The potential future income tax benefit will only be obtained if:

- (i) the head entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the head entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the head entity in realising the benefit.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

6 Segment reporting

	Power		Water		Sewerage		Commercial		Gas		Investment		Non Commercial		Eliminations		Consolidated	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
External segment revenue	297,929	282,694	55,435	57,286	27,600	25,585	2,511	4,107	56,960	50,179	1,265	785	68,087	60,601	(1,880)	(1,528)	507,907	479,709
Inter-segment revenue	5,211	5,832	954	905	36	37	-	-	-	-	-	-	-	-	(6,201)	(6,774)	-	-
Total revenue	303,140	288,526	56,389	58,191	27,636	25,622	2,511	4,107	56,960	50,179	1,265	785	68,087	60,601	(8,081)	(8,302)	507,907	479,709
Profit from ordinary activities before income tax	37,669	38,251	12,526	15,383	964	1,258	396	19	-	83	478	53	-	-	-	-	52,033	55,047
Income tax expense																	(14,164)	(14,818)
Net profit																	37,869	40,228
Depreciation and amortisation	27,294	27,229	10,022	9,487	4,205	4,136	476	501	7,220	5,586	2	2	-	-	-	-	49,219	46,940
Non-cash expenses other than depreciation and amortisation																		
- allocated													12,951	14,142			12,951	14,142
- unallocated																		
Assets																		
Segment assets	464,096	518,815	393,933	359,816	130,727	113,141	11,076	10,162	21,075	25,970	2,246	1,842	3,890	16,920	(14,963)	(13,005)	1,012,080	1,033,661
Unallocated assets																	44,534	17,600
Consolidated total assets																	1,056,614	1,051,261
Liabilities																		
Segment liabilities	223,825	219,291	70,956	64,885	47,687	43,546	5,325	6,400	20,578	25,473	79	153	3,890	16,920	(14,963)	(13,005)	357,377	363,663
Unallocated liabilities																	50,028	57,358
Consolidated total liabilities																	407,405	421,020
Acquisitions of non-current assets	40,699	19,345	16,851	16,198	9,038	11,759											66,588	47,302
Unallocated acquisitions of non-current assets																	20,431	8,778
Consolidated acquisitions of non-current assets																	87,019	56,080

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

6 Segment reporting (continued)

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The consolidated entity comprises the following main business segments, primarily based on the consolidated entity's management reporting system:

<i>Power</i>	Generation, transmission and distribution of electricity
<i>Water</i>	Extraction, storage, treatment and transportation of water
<i>Sewerage</i>	Treatment and disposing of sewage waste collected by the reticulation network
<i>Commercial</i>	Investment in telecommunication infrastructure
<i>Gas</i>	Purchase and sale of natural gas by a controlled entity
<i>Investment</i>	Equity holdings in a gas related entity

Geographical segments

The consolidated entity operates predominantly in Australia.

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
7 Receivables				
Current				
Service debtors	47,260	23,773	41,703	20,982
Less: Provision for doubtful service debtors	(3,125)	(5,540)	(3,125)	(5,540)
Unbilled consumption	24,540	24,302	25,540	24,302
	68,675	42,535	63,118	39,744
Other debtors	1,078	6,969	3,065	15,825
Less: Provision for doubtful other debtors	-	(301)	-	(301)
	1,078	6,668	3,065	15,524
Loans to controlled entities	-	-	1,338	4,706
	69,753	49,203	67,521	59,974
Non-current				
Loans to controlled entities	-	-	9,248	5,048
Development loans	52	12	52	12
	52	12	9,300	5,060

Interest-free development loans generally arise where customers are required to make cash contributions for the use of new network services. Collateral is generally not obtained.

Other debtor amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is generally not obtained.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
8 Inventories				
Materials and stores – at cost	4,880	5,578	4,880	5,578
Less: Provision for diminution in value	(2,002)	(2,254)	(2,002)	(2,254)
	2,878	3,324	2,878	3,324
Distillate – at cost	4,664	4,284	4,664	4,284
Gas – at cost	36	26	37	26
	7,578	7,634	7,579	7,634
9 Investments				
Non-current				
2,500 \$1 unlisted units, at cost, in Amadeus Gas Trust beneficially held by Darnor Pty Limited	3	3	-	-

Unlisted shares, at cost, are also held as follows:

- 10 (2004: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 10 (2004: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2004: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 15 (2004: 5) ordinary shares of \$1 each held by Darnor Pty Limited in NT Gas Pty Limited.

The Corporation owns 100% of Darnor Pty Limited, Gasgo Pty Limited and Indigenous Essential Services Pty Limited companies incorporated in Australia.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

10 Property, plant and equipment

Consolidated Type	As at 30 June 2004				Movements During Year						As at 30 June 2005			
	At Cost \$'000	At Fair Value \$'000	Accum Depn \$'000	Written Down Value \$'000	Additions \$'000	Transfer from Capital WIP \$'000	Internal Transfers \$'000	Net Value Written Back \$'000	Disposals \$'000	Depreciation \$'000	At Cost \$'000	At Fair Value \$'000	Accum Depn \$'000	Written Down Value \$'000
Electricity system assets	-	854,952	(466,849)	388,103	3,124	37,575	-	320	(940)	(21,082)	-	895,031	(487,931)	407,100
Leased electricity system assets	-	133,747	(122,481)	11,266	-	-	-	-	-	(4,335)	-	133,747	(126,816)	6,931
Water system assets	-	536,191	(206,780)	329,411	8,606	8,245	-	-	-	(9,416)	-	553,042	(216,196)	336,846
Sewerage system assets	-	160,941	(65,159)	95,782	3,276	5,761	-	-	-	(3,724)	-	169,978	(68,883)	101,095
Remote services assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-system related:														
Freehold land	-	2,759	-	2,759	-	-	-	-	-	-	-	2,759	-	2,759
Building and improvements	-	2,229	(236)	1,993	-	6,739	-	-	-	(408)	-	8,968	(644)	8,324
Plant and equipment	22,249	-	(4,025)	18,224	-	11,774	-	-	-	(3,034)	34,023	-	(7,058)	26,964
Capital work in progress (1)	51,977	-	-	51,977	72,013	(70,094)	-	-	-	-	53,896	-	-	53,896
	74,226	1,690,819	(865,530)	899,515	87,019	-	-	320	(940)	(41,997)	87,905	1,763,525	(907,518)	943,915
Corporation														
Electricity system assets	-	854,952	(466,849)	388,103	3,124	37,575	-	320	(940)	(21,082)	-	895,031	(487,931)	407,100
Leased electricity system assets	-	133,747	(122,481)	11,266	-	-	-	-	-	(4,335)	-	133,747	(126,816)	6,931
Water system assets	-	536,191	(206,780)	329,411	8,606	8,245	-	-	-	(9,416)	-	553,042	(216,196)	336,846
Sewerage system assets	-	160,941	(65,159)	95,782	3,276	5,761	-	-	-	(3,724)	-	169,978	(68,883)	101,095
Remote services assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-system related:														
Freehold land	-	2,759	-	2,759	-	-	-	-	-	-	-	2,759	-	2,759
Building and improvements	-	2,229	(236)	1,993	-	6,739	-	-	-	(408)	-	8,968	(644)	8,324
Plant and equipment	22,235	-	(4,016)	18,219	-	11,774	-	-	-	(3,032)	34,009	-	(7,048)	26,961
Capital work in progress	51,977	-	-	51,977	72,014	(70,094)	-	-	-	-	53,896	-	-	53,897
	74,212	1,690,819	(865,521)	899,510	87,020	-	-	320	(940)	(41,997)	87,905	1,763,525	(907,518)	943,913

(1) Capital work in progress is net of recoverable amount write-downs associated with the Corporation's subsidiary, Indigenous Essential Services Pty Ltd.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

10 Property, plant and equipment (continued)

Valuations of freehold land, buildings and system assets

During the year ended 30 June 2002 the Corporation carried out an indexed revaluation, primarily based on independently obtained valuations. The recoverable amount of the property, plant and equipment was also determined and involved ascertaining values on a segmented business line basis using future net cash flows expected to be derived from those assets, discounted to their present value. In assessing the required return on capital, the Corporation used rates that reflect the risks associated with operating the different business lines. Where this resulted in a lower asset valuation than the current book value or independently based written down current replacement cost valuation, the assets were revalued to their recoverable amount.

Other significant factors influencing the 2002 valuation include:

- Electricity, water and sewerage charges are regulated by the Northern Territory Government, which subsidises the Corporation for the regulated shortfall incurred against the costs for providing these goods and services. As the regulated price does not provide for the full commercial return on capital, the resulting cash flows substantially impact on the values assigned to property, plant and equipment.
- The valuations are based on assumptions about future events that may or may not occur as anticipated and some of these events are not fully under the control of the management of the Corporation. Any differences between anticipated and actual events will impact on the carrying values of the revalued property, plant and equipment in the future.

The directors have reviewed the carrying amount of property, plant and equipment measured using the fair value basis to ensure that there is no material difference between their fair value and carrying amount at reporting date.

Recoverable amount of plant and equipment

The recoverable amount of plant and equipment valued using the cost basis has been determined using the expected net cash flows discounted to their present value. The discount rate used in determining recoverable amount was 8.12% (2004: 8.38%), which represents the respective cash generating operation's weighted average cost of capital. Where this resulted in a lower asset valuation than the carrying value, the assets were written down to their recoverable amount.

Prepaid Capital Expenditure

During the financial year, the Corporation prepaid capital expenditure of \$nil (2004: \$6.9 million), which is excluded from the capital works in progress total.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

Note	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
11 Other non-current assets				
Deferred development expenditure	53,938	52,651	-	-
Less: Accumulated amortisation	(39,498)	(32,279)	-	-
	14,440	20,372	-	-
12 Payables				
Service creditors	32,409	24,599	28,328	21,418
Other creditors and accruals	10,967	24,047	10,582	13,659
	43,376	48,646	38,910	35,077
13 Interest-bearing liabilities				
Current				
Bank overdraft	-	-	2,380	-
Government loans	22,657	21,000	22,657	21,000
Commercial bill facility	1,550	1,550	-	-
	24,207	22,550	25,037	21,000
Non-current				
Government loans	265,929	268,587	265,929	268,587
Commercial bill facility	3,567	5,522	-	-
	269,496	274,109	265,929	268,587

Bank overdraft, government loans and commercial bill facility

The bank overdraft, government loans and commercial bill facility in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$24 million (2004: \$23 million). The non-current balance of interest-bearing liabilities represents the portion of the consolidated entity's borrowings not due within one year.

The total bank overdraft facility available at the reporting date is \$10 million. The unused bank overdraft facility available at the reporting date is \$7.6 million. Interest on bank overdraft is charged at prevailing market rates. The bank overdraft is payable on demand.

Government loans at the reporting date have been fully utilised.

The total commercial bill facility available at the reporting date is \$5.12 million (2004: \$7.07 million). The unused commercial bill facility available at the reporting date is \$nil (2004: \$nil).

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Note	Consolidated		Corporation	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
14 Provisions					
Current					
Employee benefits	23	16,743	14,807	16,743	14,807
Employee related provisions		455	437	455	437
Dividends		18,900	20,046	18,900	20,046
		36,098	35,290	36,098	35,290
Non-current					
Employee benefits	23	1,471	1,356	1,471	1,356
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		437	373	437	373
Provisions made during the year		4,162	3,691	4,162	3,691
Payments made during the year		(4,144)	(3,627)	(4,144)	(3,627)
Carrying amount at end of year		455	437	455	437
Dividends					
Carrying amount at beginning of year		20,046	20,000	20,046	20,000
Provisions made during the year		18,900	20,046	18,900	20,046
Payments made during the year		(20,046)	(20,000)	(20,046)	(20,000)
Carrying amount at end of year		18,900	20,046	18,900	20,046
15 Other liabilities					
Deferred gain on sale and lease back of generation plant and equipment:					
Net gain		15,793	15,793	15,793	15,793
Less: Accumulated amortisation		(14,215)	(13,427)	(14,215)	(13,427)
		1,578	2,366	1,578	2,366
Provided for in the financial statements as:					
Current		789	789	789	789
Non-current		789	1,577	789	1,577
		1,578	2,366	1,578	2,366

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

Note	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
16 Contributed equity				
Share capital				
1 share (2004: 1 share)	-	-	-	-
The Government Owned Corporations Act 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 Territory. The Corporation's Constitution specifies the share capital to be one share. No value is assigned to this share.				
17 Reserves				
Asset revaluation	381,770	381,770	381,770	381,770
There were no movements during the year.				
18 Retained profits				
Retained profits at beginning of year	248,471	228,288	246,284	226,238
Net profit from ordinary activities after related income tax expense	37,869	40,228	37,393	40,092
	286,340	268,516	283,677	266,330
Dividends:				
Dividends recognised during the year (i)	(18,900)	(20,046)	(18,900)	(20,046)
Total dividends	(18,900)	(20,046)	(18,900)	(20,046)
Retained profits at the end of the year	267,440	248,470	264,777	246,284

(i) Dividends recognised in the current year by the Corporation are:

2005	\$'000
2005 dividend	18,900
2004	\$'000
2004 dividend	20,046

Subsequent events

Subsequent to reporting date the directors have confirmed the declared dividend of \$18.9 million.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

19 Additional financial instruments disclosure

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

Fixed interest maturing in:

	Weighted average interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
2005							
<i>Financial assets</i>							
Cash assets (including bank overdraft)	5.08%	2,363	-	-	-	25	2,388
Receivables	-	-	-	-	-	66,359	66,359
Investments	-	-	-	-	-	3	3
		2,363	-	-	-	66,387	68,750
<i>Financial liabilities</i>							
Payables	-	-	-	-	-	39,449	39,449
Government loans	8.37%	13,744	-	-	-	274,843	288,587
Commercial bill facilities	5.73%	5,116	-	-	-	-	5,116
Dividends payable	-	-	-	-	-	18,900	18,900
Employee benefits	-	-	394	777	257	16,786	18,214
		18,860	394	777	257	349,978	370,266
2004							
<i>Financial assets</i>							
Cash assets	4.8%	57,070	-	-	-	27	57,097
Receivables	-	-	-	-	-	49,215	49,215
Investments	-	-	-	-	-	3	3
	57,070	-	-	-	49,245	106,315	
<i>Financial liabilities</i>							
Payables	-	-	-	-	-	48,642	48,642
Government loans	8.32%	21,497	-	-	268,090	-	289,587
Commercial bill facilities	5.54%	7,073	-	-	-	-	7,073
Dividends payable	-	-	-	-	-	20,046	20,046
Employee benefits	-	-	289	860	207	14,807	16,163
		28,570	289	860	268,297	83,499	381,515

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

19 Additional financial instruments disclosure (continued)

(b) Credit risk exposures

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 on the statement of financial position is the carrying amount net of any provision 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.

(c) Net fair values

Net fair values of financial assets and liabilities approximate carrying values except for Government loans, which have a net fair value of \$300.8 million (2004: \$319.7 million).

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
20 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable: within one year	15,144	18,925	12,005	16,332
Purchase, lease and hire expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Plant and equipment	70,662	86,669	70,662	86,669
Electricity purchase	73,999	86,187	73,999	86,187
Gas purchase	242,320	293,392	242,320	293,392
Gas transportation	183,127	211,312	183,127	211,312
	570,108	677,560	570,108	677,560
Payable:				
Within one year	160,050	93,119	160,050	93,119
One year or later and no later than five years	245,908	344,966	245,908	344,966
Later than five years	164,150	239,475	164,150	239,475
	570,108	677,560	570,108	677,560

The consolidated entity has non-cancellable purchase, lease and hire expenditure contracts expiring from 1 to 13 years. 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

21 Contingent liabilities

Litigation

On 6 October 2004, the High Court of Australia upheld an appeal by NT Power Corporation Pty Limited (NTPG) and set aside a previous judgement in favour of the Corporation and its controlled entity. Costs were awarded to NTPG and the issue of damages referred back to the Federal Court for assessment.

The NT Government continues to meet the legal costs of the Corporation and its controlled entity arising from this action. The Directors, therefore, are of the opinion that no provision for contingent liability is required.

Note	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
22 Notes to the statements of cash flows				
Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	37,869	40,228	37,393	40,092
Add/(less) items classified as investing/ financing activities:				
Distribution from trust	(596)	(253)	-	-
(Profit)/loss on sale of non-current assets	(328)	20	(259)	20
Deferred gain on sale and lease back of generation plant and equipment	(789)	(789)	(789)	(789)
Contributed assets provided free of charge	(14,019)	(15,608)	(14,019)	(15,608)
Add/(less) non-cash items				
Asset writedown	12,951	14,142	-	-
Amortisation and depreciation	49,219	46,940	41,997	41,352
Amounts set aside to provisions	(666)	1,193	(666)	1,193
Movement in provision for diminution in value of inventories	(252)	1	(252)	1
(Decrease)/increase in income tax payable	(4,199)	18,665	(4,199)	18,665
(Decrease)/increase in net deferred taxes payable	(8,655)	(3,846)	(8,655)	(3,846)
Other (net)	497	397	(61)	397
Net cash provided by operating activities before change in assets and liabilities	71,032	101,090	50,490	81,477
Change in assets and liabilities				
Decrease in inventories	308	444	308	444
(Increase)/decrease in receivables and prepayments	(18,448)	(839)	(8,835)	(10,189)
Increase/(decrease) in payables	(5,191)	5,513	3,833	(3,623)
Net cash provided by operating activities	47,701	106,208	45,796	68,109

Non-cash investment activities

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$14.02 million (2004: \$15.6 million) by means of gift. These acquisitions are not reflected in the statements of cash flows.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
23 Employee benefits				
Aggregate liability for employee benefits, including on-costs				
Current	17,198	15,244	17,198	15,244
Non-current	1,471	1,356	1,471	1,356
	18,669	16,600	18,669	16,600
The present values of employee benefits not expected to be settled within twelve months of the reporting date have been calculated using the following weighted averages:				

	Consolidated		Corporation	
	2005	2004	2005	2004
Assumed rate of increase in wage and salary rates	3%	3.0%	3%	3.0%
Discount rate	6.5%	5.7%	6.5%	5.7%
Settlement term (years)	10	10	10	10
Number of employees				
Number of employees at year end	731	696	731	696

24 Director and executive disclosures

Remuneration of specified directors and specified executives by the consolidated entity

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

The following table provides the details of all directors of the Corporation ("specified directors") and the nature and amount of the elements of their remuneration for the year ended 30 June 2005.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

24 Director and executive disclosures (continued)

Remuneration of specified directors and specified executives by the consolidated entity (continued)

		Primary		Post employment	Other compensation		Total
		Salary & Fees \$	Non-monetary benefits \$	Superannuation benefits \$	Termination benefits \$	Insurance premiums * \$	
Specified directors							
<i>Non-executive</i>							
Mr Neil Philip (Chairperson)	2005	76,732	-	6,005	-	-	82,737
	2004	60,000	-	4,500	-	-	64,500
Dr Michael Vertigan	2005	30,000	-	2,700	-	-	32,700
	2004	30,000	-	2,700	-	-	32,700
Mrs Judith King	2005	37,288	-	3,355	-	-	40,643
	2004	24,920	-	2,243	-	-	27,163
Dr Michael Sargent	2005	37,500	-	2,475	-	-	39,975
	2004	41,160	-	2,475	-	-	43,635
Total, all non – executive directors	2005	181,520	-	14,535	-	-	196,055
	2004	156,080	-	11,918	-	-	167,998

* Directors' remuneration excludes insurance premiums of \$57,475 (2004: \$57,475) paid by the Corporation in respect of directors' and officers' liabilities and personal accident insurance, in accordance with common commercial practice. The insurance premiums have not been allocated due to impracticality.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

24 Director and executive disclosures (continued)

Executives' remuneration

The number of executive officers of the Corporation and of controlled entities, whose remuneration from the Corporation and from entities in the consolidated entity, falls within the following bands:

	Consolidated		Corporation	
	2005 Number	2004 Number	2005 Number	2004 Number
\$60,000 - \$69,999	1	-	1	-
\$80,000 - \$89,999	1	-	1	-
\$110,000 - \$119,999	-	1	-	1
\$130,000 - \$139,999	-	1	-	1
\$140,000 - \$149,999	-	3	-	3
\$150,000 - \$159,999	4	2	4	2
\$160,000 - \$169,999	3	-	3	-
\$170,000 - \$179,999	1	-	1	-
\$260,000 - \$269,999	-	1	-	1
\$280,000 - \$289,999	1	-	1	-
\$290,000 - \$299,999	-	1	-	1
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Total income in respect of the financial year received, or due and receivable, from the Corporation or entities in the consolidated entity by executive officers of the Corporation and of controlled entities whose income is \$100,000 or more	1,580	1,559	1,580	1,559

Executive officers are those officers who are involved in the strategic direction, general management or control of business at Corporation or business division level, including the chief financial officer.

Other transactions with specified directors and specified executives

Apart from the details disclosed in this note, no specified director or specified executive 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 specified directors and specified executives of the Corporation or its controlled entities, or their related entities, may purchase goods and services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity 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 2005

25 Non-director related parties

Non-director related parties are considered to be the Corporation's wholly-owned controlled entities.

Transactions

All transactions with non-director related parties are on normal terms and conditions. Loans to non-director related parties are repayable over 4 years. Interest is charged monthly at 5.68% p.a. (2004: 5.31% p.a.) on the outstanding balance.

The Corporation purchases electricity, water and sewerage from Indigenous Essential Services Pty Limited and recharges the controlling entities operating expenses and administration fees for providing capital resources and other services in the normal course of business and on normal terms and conditions.

Directors of related parties (not being directors of the entity or their director-related entities)

From time to time, directors of related parties or 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.

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:				
Wholly-owned controlled entities				
Interest revenue	-	-	679	495
Aggregate amount of other transactions with non-director related parties:				
Other revenue	-	-	49,637	47,005
Recharges	-	-	6,894	11,814

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
25 Non-director related parties (continued)				
Receivables				
Aggregate amounts receivable from non-director related parties:				
Total amounts receivable other than trade debts				
Wholly-owned controlled entities				
Current	-	-	1,392	4,706
Non-current	-	-	9,248	5,048
Total amounts receivable other than trade debts	-	-	10,640	9,754
Amounts receivable including trade debts				
Wholly-owned controlled entities				
Current	-	-	435	13,676
Non-current	-	-	-	5,058
Total amounts receivable including trade debts	-	-	435	18,734
Payables				
Aggregate amounts payable from non-director related parties:				
Total amounts payable other than trade creditors				
Wholly-owned controlled entities				
Current	-	-	-	-
Non-current	-	-	-	-
Total amounts payable other than trade creditors	-	-	-	-
Amounts payable including trade creditors				
Wholly-owned controlled entities				
Current	-	-	1,223	2,101
Non-current	-	-	-	-
Total amounts payable including trade creditors	-	-	1,223	2,101

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

26 Impact of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. Power and Water Corporation's first annual report prepared under AIFRS will be for the year ended 30 June 2006.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending 30 June 2005.

Transition management

The board has established a formal implementation project, monitored by the Audit and Compliance Committee, to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestone and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The Corporation considers the assessment and planning phase to be complete in most respects as at 30 June 2005.

Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase included various project teams working on areas such as application of impairment requirements and transitional elections.

The design phase incorporated:

- formulation of revised accounting policies and procedures for compliance with AIFRS requirements
- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;
- development of revised AIFRS disclosures;
- formulation of accounting and business processes to support AIFRS reporting obligations;
- identification of required changes to financial reporting and business source systems; and
- development of training programs for staff.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

26 Impact of adopting AIFRS (continued)

The design phase is in progress as at 30 June 2005.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the consolidated entity to generate the required reconciliations and disclosures of AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

This phase is in progress and will be completed by 30 June 2006.

Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Corporation's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the Corporation's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report;
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction; and
- changes to the Corporation's and consolidated entity's operations.

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations. The uncertainty relating to the accounting guidance is disclosed in the relevant accounting policy note and where practicable, the expected impact of the alternative interpretation is also disclosed.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

(a) Reclassifications

AASB 101 prohibits the presentation of items of income or expense as extraordinary, either on the face of the income statement or in the notes. The nature and amount of material items will be disclosed separately in 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 2005

26 Impact of adopting AIFRS (continued)

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale will be presented separately from other assets and liabilities on the balance sheet. A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

The expected impact on the consolidated entity and the Corporation on transition has yet to be quantified.

(b) Property, plant and equipment

Property, plant and equipment will be measured at cost under AIFRS. However, as permitted by the election available under AASB 1, at transition date certain items of property, plant and equipment are expected to be recognised at deemed cost.

Any asset revaluation reserve balance relating to these assets will be derecognised at transition date and adjusted against retained earnings.

Property, plant and equipment of the Corporation's subsidiary, Indigenous Essential Services Pty Limited, are carried at a value of nil, being its fair value in line with A-GAAP. Under AIFRS, these assets will be measured at depreciated replacement cost, being its value in use.

The expected impact of the change in the carrying values of the property, plant and equipment under AIFRS is a works-in-progress and will be determined in the 2005-2006 financial year.

(c) Leased assets

Classification

At the date for transition to AIFRS leases will be classified as operating leases or finance leases on the basis of circumstance existing at inception of the lease. Under Australian GAAP certain leases were classified as operating leases that are classified as finance leases under AIFRS due to differences in the classification criteria. AIFRS requires consideration of the probability of expected risks and benefits not just the possible risks and benefits.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

Make good provisions

The consolidated entity has certain operating leases that require the asset to be returned to the lessor in its original condition. The operating lease payments do not include an element for the repairs / overhauls.

Under current Australian GAAP the costs of refurbishment are not recognised until the expenditure is incurred, whereas under AIFRS a provision for refurbishment costs must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

(d) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a fair value and cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

Under current Australian GAAP the collectibility of receivables is assessed at each reporting date and a provision is raised based on the age of the outstanding overdue balance to allow for doubtful accounts.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

26 Impact of adopting AIFRS (continued)

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding deferred tax assets, will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

Calculation of recoverable amount

Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using discounted cash flows.

Under AIFRS the recoverable amount of the consolidated entity's receivables carried at amortised cost will be calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

Reversals of impairment

Under current Australian GAAP impairment losses have not been reversed.

Under AIFRS an impairment loss in respect of other assets will be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss will be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

(e) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences will not be provided for: the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Under UIG Abstract 52, *Income Tax Accounting under the Tax Consolidation System*, the head entity in the tax consolidation group recognised both current and deferred taxes in relation to the wholly-owned subsidiaries in the group. However under UIG Interpretation 1052, *Tax Consolidation Accounting*, the subsidiaries will initially recognise both current and deferred taxes before recognising the head entity's assumption of the current tax liability (asset) and tax losses/credits. Thus subsidiaries will be required to recognise deferred taxes relating to temporary differences and the head entity's assumption of balances arising from subsidiaries will be accounted for as a contribution by or distribution to equity participants.

The expected impact on the Corporation at 1 July 2004 in relation to Darnor Pty Limited and Gasgo Pty Limited, of the change in basis and the transitional adjustments on deferred tax balances is decrease in deferred tax asset of \$8,634, decrease in deferred tax liability of \$2,086,116, and an increase in retained earnings of \$2,077,482.

The expected impact of the changes in basis on the tax expense for the financial year ended 30 June 2005 is a decrease in tax expense of \$143,301. Deferred tax assets are expected to increase \$22,377 and deferred tax liabilities are expected to decrease by \$1,459,521 as at 30 June 2005 and investments in controlled entities will increase by \$1,631,844.

The expected impact on the Corporation in relation to its subsidiary, Indigenous Essential Services Pty Limited, has yet to be determined as this is contingent upon the determination of the carrying value of its property, plant and equipment. A determination of the changes to the current and deferred tax assets and liabilities will be undertaken in the 2005-2006 financial year.

(f) Government grants

The current proposed amendments to AIFRS will result in consistent treatment with current Australian GAAP.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2005

26 Impact of adopting AIFRS (continued)

(g) Borrowing costs

Current Australian GAAP requires borrowing costs relating to qualifying assets to be capitalised as part of the cost of the asset.

Under AIFRS borrowing costs may either be recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition, construction or production of a qualifying asset they may be capitalized as part of the cost of the asset.

The Corporation expects to apply the allowed alternative treatment under AASB 123 and therefore will continue to capitalise borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

(h) Financial instruments

The Corporation expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement*. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

The consolidated entity has followed Australian GAAP in accounting for financial instruments within the scope of AASB 132 and AASB 139 as described in Note 1 Statement of significant accounting policies.

The impact on the consolidated entity and the Corporation on transition has yet to be quantified.

27 Events subsequent to reporting date

Dividends

For dividends confirmed after 30 June 2005 see Note 18 Retained Profits.

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