POWER AND WATER CORPORATION

ANNUAL REPORT
2013-14

PowerWater

Purpose

The Power and Water Corporation's Annual Report 2013-14 provides a record of operations and achievements for the financial year.

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

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

Intended audience

The annual report is tabled in the Northern Territory Legislative Assembly as a reporting mechanism for Power and Water Corporation's Shareholding Minister and Northern Territory Parliament. It provides a statement of achievement, income and expenditure for the 2013-14 financial year.

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

This annual report relates to the Corporation prior to structural separation taking effect from 1 July 2014.

Our Values

Safety and Environment

Protecting the health and well-being of staff, contractors, general public and environment.

Accountability

Transparent and accountable for all our actions.

Commitment to Service

Leading by example, continually improving and working as a team to deliver our services with passion and purpose.

Communication

Open, positive, constructive interactions to achieve optimal individual and business outcomes.

Respect

Respect and treat all people with courtesy, working cohesively to achieve our goals in a supportive, engaged and enthusiastic manner.

2013-14 Highlights

Generation

Major maintenance and mid-life refurbishment continued on all equipment for the six older generation units at Channel Island Power Station, including support infrastructure to improve reliability and extend their life.

In 2014, the third LM6000PD was commissioned at Weddell Power Station. This 43MW unit on the Darwin-Katherine system supports the capacity of the system during the Channel Island Power Station equipment life extension.

System Control and Generation have worked together to save fuel through improved efficiencies resulting in reduced running costs. Peak efficiency has been achieved by better matching generation to the customer demand. With efficient generation plant selection and usage, the fuel burn to meet system load requirements can be reduced.

In 2013, PWC implemented an electronic permit-to-work system at Channel Island Power Station. The system streamlines the permitting process and will be rolled out Territory wide during the next couple of years.

Refurbishment work on an older generation unit

Sewerage

Capacity upgrades of the outlet sewer from Ludmilla Sewage Treatment Plant along East Point are underway and due to be complete at the end of 2014. These upgrades will allow a greater volume of sewage to be treated and discharged.

Following plant upgrades, the Alice Springs Water Recycling Plant is producing improved quality recycled water. This allows for provision of recycled water for commercial application, which includes the watering of street trees and public green spaces to south of Heavy Tree Gap, Alice Springs Cemetery and the new suburb of Kilgariff.

Ilparpa Sewage Treatment Ponds

Networks

Woolner Zone Substation was commissioned and Snell Street Zone Substation is now de-energised.

Switching stations are being upgraded with new 11kV switchgear and express feeder cables in Darwin's CBD.

The new Manton Zone Substation has been energised and will support a more reliable power supply to customers in Batchelor, Adelaide River, Lake Bennett and the Acacia area.

Bird protection devices have been fitted to network infrastructure in Tennant Creek to reduce bird strikes and improve network reliability.

A new 22kV switchboard has been installed for Manton, Acacia and surrounds, approximately 65kms south of Darwin.

Remote Operations

Water quality was improved in seven communities with new treatment plants brought online. Advanced water treatment plants in Ali Curung, Yuelamu and Kintore were commissioned, and Robinson River received water disinfection system upgrades. Angurugu and Umbakumba communities on Groote Eylandt are now receiving fluoridated water, joining Maningrida, Nguiu, Wadeye and Gunbalanya as remote Indigenous communities now having fluoridated water systems.

Four communities received new water supply infrastructure: Ngukurr, Lajamanu, Hermannsburg and Milingimbi, and new sewerage infrastructure in Angurugu, all completed as part of a water and sewer system augmentation program to improve reliability of services.

The Hermannsburg power line connection to Alice Springs was completed, which will bring 40 per cent savings on the cost of providing power to the Hermannsburg community over a 20 year period.

The $12.3M largely Australian Government funded 'Manymak' Energy and Water Efficiency Program commenced in East Arnhemland. The project met all milestones and received $4M of the $9.4M of funding from the Commonwealth. Key milestones included design and research on resident energy purchasing, usage patterns and common household appliances; installation of energy data logging equipment in 615 homes, scoping of 272 houses for priority energy efficiency retrofits and the employment and training of 15 part-time Yolngu energy workers in Milingimbi, the first of the six communities where workers will be trained to deliver efficiency education to other residents.

New water supply infrastructure at Milingimbi

Water

Living Water Smart is a community wide campaign that aims to reduce Darwin's water consumption by a quarter, 10 million litres over five years.

It is an initiative designed to manage the demand on Darwin's water supply and was launched in October 2013 during National Water Week.

Living Water Smart is a community wide campaign that aims to reduce Darwin's water consumption by a quarter (10GL per year) over five years.

A new source of ground water, located six kilometres from Mataranka, provides improved water quality and reliability to the community.

Investigating future water source options for the Darwin region.

Rehabilitation of sewer lines.

Letter to the Shareholder

The Hon Adam Giles MLA
Treasurer
Legislative Assembly of the Northern Territory
Darwin NT 0800

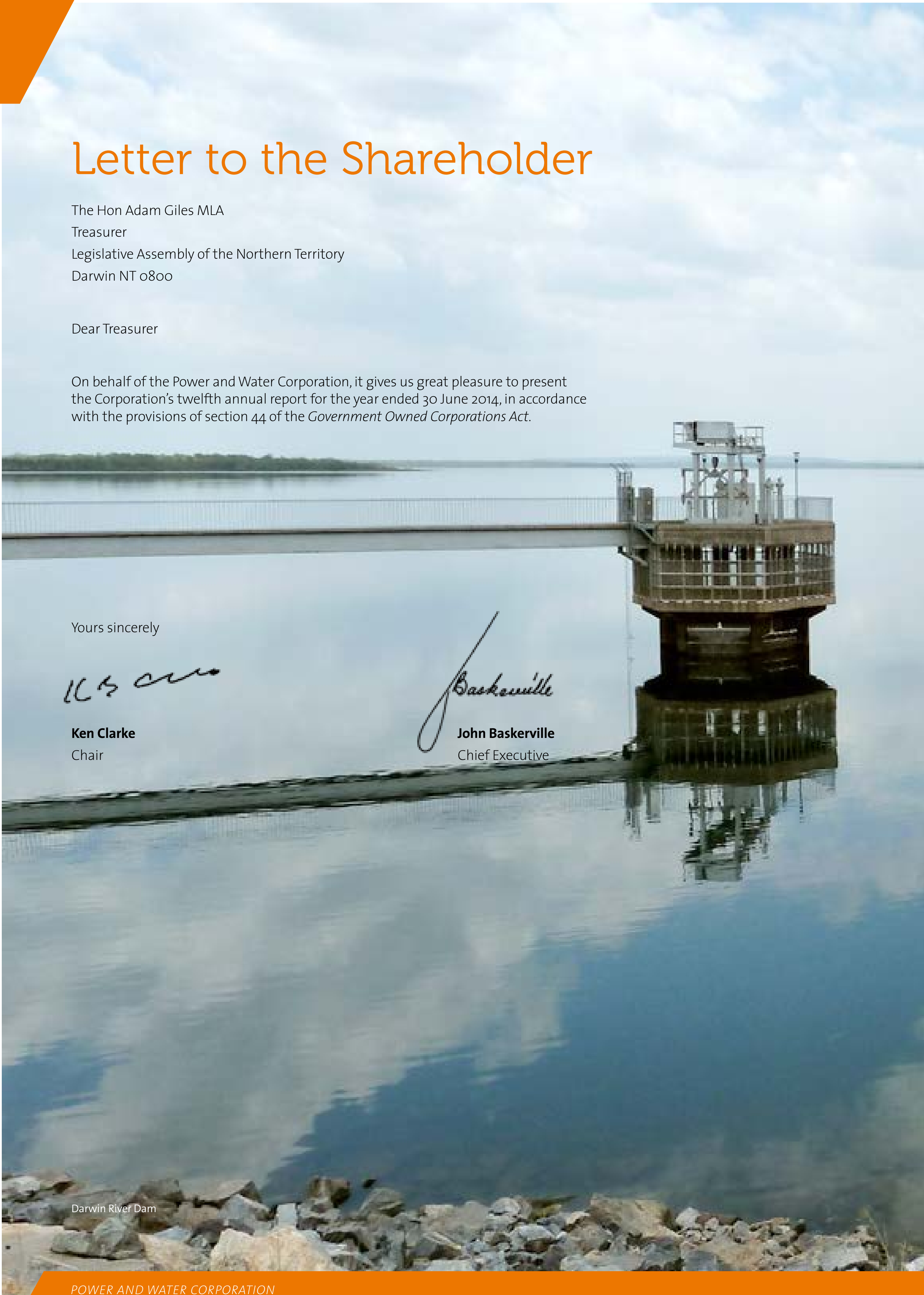
Dear Treasurer

On behalf of the Power and Water Corporation, it gives us great pleasure to present the Corporation's twelfth annual report for the year ended 30 June 2014, in accordance with the provisions of section 44 of the *Government Owned Corporations Act*.

Yours sincerely

Ken Clarke
Chair

John Baskerville
Chief Executive



Darwin River Dam

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Key Information

About Us

As a Government-owned Corporation, the Power and Water Corporation (PWC) meets the needs of its customers while acknowledging the expectations of its shareholder, the NT Government.

The Corporation provides electricity, water and sewerage services to four major regional areas including the capital city of Darwin, as well as 72 communities and 66 outstations.

The Corporation also supplies gas to the Territory's major power stations that are primarily gas-fuelled.

The Northern Territory's vast landscape stretches from the tropical savannah in the north to the deserts of Central Australia. The north experiences a monsoonal climate and torrential seasonal rains, floods and the threat of cyclones from October to May each year. The wet season is an inherently challenging time for staff and infrastructure. In Central Australia, the desert summers bring scorching temperatures while in winter they can frequently dip below freezing, creating a demanding work environment.

As one of the largest employers in the Northern Territory, PWC is contributing to the Northern Australia Development plan.

We have over 1 000 staff living and working in the Territory including 208 relief and full time contracted Essential Services Operators living in remote Indigenous communities who are supported by the Corporation's Remote Operations team.

PWC supports economic growth through the provision of safe, reliable, least cost essential services.

The Corporation is a key partner in whole-of-government critical infrastructure protection and resilience programs and a member of the national Trusted Information Sharing Network (TISN) – Energy Group and Water Services Group. The Corporation has an integral role in the Northern Territory's emergency management arrangements, leading the Public Utilities Group.

PWC is responsible for electricity generation, transmission and distribution and retail services, and it provides water and sewerage services across the Northern Territory.

Electricity Services

PWC generates, distributes and retails electricity in the Northern Territory, using gas, diesel and solar technologies to power major cities and remote communities spread across 1.3 million square kilometres.

More than 5 600km of overhead lines, 1 690km of underground cable and 37 500 poles and towers connect domestic and commercial customers to the Territory electricity network.

Total generation capacity is 592MW. PWC's Channel Island dual-fuel gas turbine power station is the Northern Territory's largest (310MW) and the second largest is Weddell (129MW).

For over 20 years, the Corporation has pioneered combined diesel-solar electricity generation and uses solar power in nine communities.

Some three quarters of the Northern Territory's electricity generation capacity powers the major population base in the Top End, with more than 400km of 132 000 volt line connecting Darwin to Katherine.

PWC operates eight minor power stations in smaller townships and 52 remote community power stations, largely diesel-powered. Ten remote communities are connected to regulated networks and two are connected to private networks. The remainder are mini-grid connected to large community power stations.

Generation

PWC's Power Generation is the largest electricity producer in the Northern Territory with 592MW of installed capacity and is responsible for:

- The operation and maintenance of power stations located in the Northern Territory, providing electricity to all regulated network cities and towns.
- Power Purchase Agreements with privately owned companies where the electricity produced is purchased by PWC.

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

Power Networks

PWC's Power Networks is a ring-fenced electricity transmission and distribution business within PWC, performing the role of the Network Operator as defined in the *Electricity Networks (Third Party Access) Act*.

Power Networks is the largest business unit in PWC with responsibility for planning, building and maintaining reliable electricity networks to transmit electricity between electricity generators and electricity consumers in the Northern Territory.

Water Services

PWC's Water Services provides water and sewerage services in the Northern Territory's five major centres. Water is also supplied in 13 minor centres and sewerage services in five of those.

Drinking water supplies range from surface water catchments in the tropics to non-renewable groundwater sources in Central Australia.

All centres rely on groundwater. Darwin, Pine Creek and Katherine also have surface water supplies. Excluding Katherine and Yulara, major Northern Territory water supplies require limited treatment and in most cases are only disinfected prior to use.

In Adelaide River, Alice Springs, Batchelor and Yulara, non-potable water supplies are reticulated to parts of the towns for irrigation. In Darwin, recycled water is used to irrigate a sporting complex.

Across the Northern Territory, water is pumped through some 2 170km of mains to 18 centres. Sewer mains in ten centres stretch 1 080km. Sewage is typically treated using waste stabilisation ponds.

The Alice Springs Water Reuse Project recycles water for use in irrigation and aquifer recharge. Recycling 600 million litres a year, this is the first project of its kind in Australia. Water from the wastewater stabilisation ponds undergoes further tertiary treatment in a Dissolved Air Floatation and Filtration plant before it is pumped 6.2km to infiltration basins at the Arid Zone Research Institute where it recharges underground aquifers.

Retail

PWC's Retail unit provides electricity, water, sewerage retail services and support services such as call centre and billing, to approximately 85 000 customers throughout the Northern Territory, including electricity retail services to Indigenous Essential Services.

Remote Operations

PWC's not-for-profit subsidiary Indigenous Essential Services Pty Ltd (IES) provides electricity, water and sewerage services to 72 remote communities and 66 outstations under an Agreement with the Department of Community Services (DCS) to deliver the IES program. Remote Operations also provides services to a number of minor centres.

Centres are geographically isolated and dispersed across tropical and arid environments, requiring services that are resilient to the extremes of the harsh Northern Territory climate.

Rapid development in these regions requires a commitment to working with communities toward sustainable electricity and water use to meet future needs and aspirations.

PWC contracts and trains Essential Services Operators through local councils, Indigenous enterprises and private contractors, to run facilities day-to-day in remote communities.

Generation infrastructure includes highly efficient diesel and low emission gas and renewable power stations. All remote power stations are controlled by fully-automated systems, requiring a high degree of expertise by the staff involved in operation and maintenance.

Ninety per cent of potable water is groundwater, from some 227 production bores through 181 water storage tanks and 650km of reticulation. A multi-barrier approach is taken to providing drinking water consistent with Australian Drinking Water Guidelines.

Fifty-six remote towns and communities have full water-borne sewerage disposal systems with waste stabilisation ponds. The remainder have individual on-site systems maintained by the community.

04 OCTOBER 2013

Apprentice recognition

Certificate III Plumbing apprentice Grant Walker is the Runner Up of the Austin Asche Apprentice of the Year Award 2013 announced at the NT Training Awards.

Grant excelled in his training, winning the GTNT Apprentice of the Year in 2013 and was selected as the Today's Skills Tomorrow's Leaders program Ambassador in 2011. As well as studying for his Certificate III in Plumbing, he has completed various training courses to complement his job, including first aid, dog handling, breathing apparatus use and many others. He has also sought out work rotations that offer a range of experiences and opportunities for developing new skills.

Power and Water offers many apprenticeship opportunities with positions advertised in September and October each year, with successful applicants commencing their apprenticeship in January.

System Control

System Control has a statutory role in monitoring and controlling the operation of the power systems in the Northern Territory and is responsible for overseeing the safe, secure and reliable operation of the Northern Territory's regulated power systems.

The System Control Licence issued by the Utilities Commission determines PWC's statutory obligations.

System Control is responsible for the real time operations, planning, contingency development, system risk, power system technical assessments, incident reviews, and operational and technical regulatory reporting.

Gas Supply

The Gas Supply unit manages the purchase and sale of gas to electricity generators and other major gas users.

Shared Services

The Shared Services arm of Power and Water Corporation is responsible for a broad range of functions that support the operational business units including: business systems and information management; finance and economics; legal and governance; corporate strategy; business planning and reporting; regulatory compliance, audit and risk; human resources; health; safety and environmental management; quality assurance; emergency and security management; asset management capability; procurement; facilities; regional support; and change management and stakeholder liaison with Government, media, business and community.

Structural separation

In December 2013, the Northern Territory government announced that PWC would be restructured to improve efficiency as part of a suite of electricity market reforms. In February 2014, legislation was introduced in Parliament to separate PWC into three separate government owned corporations; Power Retail Corporation (Jacana Energy), Power Generation Corporation (Territory Generation) and Power and Water Corporation retaining residual functions.

Legislation for the new electricity generation and electricity retail corporations was passed on the 6 May 2014 by the Northern Territory Legislative Assembly, with operations due to commence on 1 July 2014.

Initially, PWC will support some Jacana Energy and Territory Generation operations via temporary transitional service agreements. The implementation of temporary transitional service agreements will ensure a smooth transition without disruption to customers or service levels. In 2014-15, Jacana Energy and Territory Generation will continue to establish themselves as stand-alone entities and with the assistance of PWC, wind back these transitional service agreements.

07 MAY 2014 - MEDIA RELEASE

Legislation passed to split Power and Water

From 1 July 2014, Power and Water Corporation will split with the electricity retail and generation components commencing operations as separate government owned corporations.

Structural separation of the Power and Water Corporation is an important step in realising the Northern Territory's potential on the national and international stage. It will also bring the Territory in line with the wider Australian energy sector, which has been in a process of reform since the early 1990s.

Power and Water Corporation Managing Director John Baskerville said customers will start to see changes from 1 July.

"As the new billing cycle rolls out, customers who currently receive a combined electricity, water and sewerage bill will receive two separate bills: one for electricity and one for water and sewerage," Mr Baskerville said.

"Water and sewerage services stay part of Power and Water with nothing changing in terms of service, or the way customers will receive and pay their water and sewerage bill.

"Electricity connections and disconnections can be processed through existing shopfronts, call centres and online.

"The electricity network will still be managed by Power and Water, so all faults and outages should be reported to Power and Water either via your smart phone or tablet, online or through the call centre on 1800 245 092.

"The Pensioner and Carer Concession Scheme, which is administered by the Department of Health, will continue to be available to both Power and Water customers and customers of the new RetailCorp," Mr Baskerville said.

The Northern Territory Government will continue to set retail electricity, water and sewerage tariffs.

Structural separation of Power and Water brings it in line with wider Australian energy sector, which has moved away from a vertically integrated government owned utility model for electricity and water services.

Chairperson's Message

The 2013-14 year was one of evolution for Power and Water Corporation.

During the year, the Northern Territory Government legislated for the structural separation of the generation and electricity retail functions of Power and Water Corporation and has given greater emphasis to competition in these areas.

These were substantial changes for the Corporation and involved an extensive commitment from staff to ensure its smooth implementation.

Legal separation was achieved and Jacana Energy and Territory Generation were able to commence operations on 1 July 2014. The Corporation supports this structural change as an important step toward improving efficiency and minimising price increases to our customers.

Apart from giving effect to the structural separation issues, focusing on the delivery of safe, reliable and least cost services to customers continued to be the central focus for the Corporation. Delivering essential services across the vast Northern Territory landscape in one of the harshest climatic zones in the world is a demanding task. Things don't always go smoothly. Extreme temperatures and severe conditions place considerable stress on equipment and people alike and occasionally, faults occur.

The system black event of 12 March 2014 was one such outcome and was the major contributor to not achieving the reliability target that was set at the start of the year. While regrettable, the event provided the opportunity for much valuable learning. In response, Power and Water Corporation has made key procedural changes and brought forward infrastructure upgrades in order to avoid a similar event. A strong foundation is now laid for a more reliable electricity supply into the future.

However, the reality remains that the Territory is more exposed to these types of outages than our counterparts in interstate as we are a largely stand-alone system operating in severe conditions.

Looking ahead, it's clear that the Northern Territory and Darwin in particular, are set to grow. Therefore, consideration must be given to how to best utilise our valuable natural resources as the population and subsequent development continues to expand.

The supply of quality water to residents and businesses is particularly under the spotlight.

Power and Water Corporation has developed the Darwin Region Water Supply Strategy to focus on this issue and within that, the Darwin Living Water Smart program plays a critical role in keeping a lid on water supply costs for the community and deferring the need for an additional expensive water source.

To put it in perspective, Darwin households currently use more water than households in Brisbane, Sydney and Melbourne combined and that use is increasing. This is unsustainable and I encourage everyone to participate in the Living Water Smart program and support the goal to reduce water use by 10 million litres over the next five years.

Finally, Power and Water Corporation continues to develop its strategies around long term energy supply for the Northern Territory. Gas sale opportunities have the potential to greatly benefit the Territory and drive further economic development.

2013-14 has been a mammoth year in terms of the demands on the staff to achieve structural separation as well as performing their normal roles. While the changes during the year have been considerable, the Corporation has responded and adapted. This has only been possible because of the staff. I congratulate Power and Water Corporation management and staff on their dedication and commitment to delivery of key outcomes over the year.

The Board and I look forward to working with Power and Water Corporation management and staff into the future.

Ken Clarke
Chair, Power and Water Corporation Board

Managing Director's Report

The 2013-14 financial year has been all about change; reshaping of the Corporation's structure; re-evaluating business unit practices and functions; a forensic assessment of asset management practices; and a renewed vision for the future.

This period of restructure has been challenging and we have strived to support our staff to meet these challenges. Importantly, this restructure has delivered a strong foundation from which Power and Water Corporation will grow and develop into the future.

From one to three

Power and Water Corporation supports the Northern Territory Government's Framing the Future policy and the implementation of its electricity market reform agenda to improve efficiency. Part of this agenda includes the structural separation of Power and Water Corporation into three government owned corporations with the aim of improving efficiency. This is part of a suite of electricity market reforms that are taking place across Australia and will bring the Territory in line with other states and jurisdictions. Preparation took place throughout 2014 and required a strong level of commitment from staff. I am pleased to say, everyone performed remarkably. From 1 July 2014, the three government owned corporations came into being: Jacana Energy Corporation; Territory Generation Corporation; and Power and Water Corporation.

Valuing staff

Clearly, staff are our most valued asset. They worked tirelessly throughout a challenging year. One of the ways Power and Water Corporation recognises their valuable contributions is through our Staff Recognition Awards. This year they were presented to over 180 employees.

Many of our staff are actively engaged in their local communities and regularly volunteer for a wide range of events. Power and water Corporation are enthusiastic supporters of the Red Cross Blood Service, regularly rolling up their sleeves and donating blood.

Delivering for Customers

Power and Water Corporation endeavours to provide safe, reliable, least cost electricity, water and sewerage services to our customers. We do this in one of the harshest and most challenging environments in the world and across a vast 1.3 million square kilometres of terrain.

For most of the time, we deliver on our goals despite the difficulties. However, there are moments when bigger challenges put us to the test this was certainly true of the system black event 12 March 2014. The power interruption on the Darwin/Katherine line saw customers without electricity for one and a half hours to over 12 hours. This was a clear failure of our asset management and training processes at the time.

As with all crises, an opportunity was provided to respond, assess and improve. Power and Water Corporation has worked tirelessly to identify issues contributing to the system outage and improve processes to ensure such a disruption is not repeated. This includes bringing forward the rollout of equipment replacement and the implementation of specific training programs with networks and system control staff. As a result of system black, we are accelerating our efforts to improve services now and into the future.

Positioning for the future

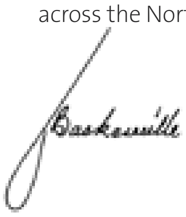
For Power and Water Corporation the future is all about strategy and innovation: strategic planning around key areas of gas provision, power networks, retail and business accountability as well as innovation in the way we interact with the market and stakeholders.

During 2014-15, Power and Water Corporation looks forward to working with Northern Territory Government departments and developers to improve consultation around infrastructure planning processes.

We have already done much in this space including opening a 'one stop shop' at the Ben Hammond Complex to support developers in understanding design and specification obligations. There is more to achieve here.

Positioning ourselves for the future also means making improvements to our asset management processes and technology as well as ensuring we are ready to adapt and change as circumstances require. This includes careful forward financial planning, lowering operating costs, increasing revenue, consolidating maintenance and repair regimes and balancing short-term business objectives with long term goals. We will continue to work productively with Jacana Energy Corporation and Territory Generation Corporation to deliver essential services to Territorians.

The future for Power and Water Corporation is one of opportunity based on strategic planning and sound management. We have a renewed corporate structure and a highly dedicated and professional team. I look forward to continuing to work with staff to deliver safe and reliable essential services to communities across the Northern Territory.



John Baskerville
Managing Director

Statistics summary

Inputs

1049
EMPLOYEES

$2B
ASSET BASE

$165.4M
CAPITAL INVESTMENT
(INCLUDING REMOTE OPERATIONS)

10 265KM
POWERLINES

2915KM
WATER PIPES

Vision

Respected and reliable utility provider, living within our means

Purpose

Provide safe, reliable electricity, water and sewerage services to our customers at least cost over the life of the assets

Values

Safety and environment
Accountability
Commitment to service
Communication
Respect

Outputs

99 800
ELECTRICITY CUSTOMERS
(INCLUDING REMOTE COMMUNITIES)

49 041
WATER CUSTOMERS

52 422
SEWERAGE CUSTOMERS

7 900kWh
AVG HOUSEHOLD ENERGY USE

337kL
AVG HOUSEHOLD WATER USE

1.9
NETWORK POWER OUTAGES PER CUSTOMER

192 977
CUSTOMER CALLS

Statement of Corporate Intent report

The following table provides a summary of performance against the operational key performance indicators contained in the 2013-14 SCI. The Corporation's performance against financial key performance indicators is provided on page 30. Our actual performance results measured against our targets:

Strategic Objective		Manage operations and assets effectively to reliably deliver the required standards of services		
Measure		2013-14 Actual	2013-14 Target	Comment
SAIDI[1] Networks duration interruption (mins)	Darwin	398	220	All values shown are adjusted in accordance with the current Electricity Standards of Service Code for Distribution Network Reliability only.
	Katherine	346	401	
	Tennant Creek	123	411	Benign 13/14 wet season. No cyclones or major weather incidents caused damage. A system black event was experienced in Darwin and Katherine in March.
	Alice Springs	20	108	
SAIFI[2] Networks frequency interruptions	Darwin	2.2	4.2	As above.
	Katherine	2	9.6	
	Tennant Creek	3.4	9.8	
	Alice Springs	0.4	2.9	
Water main breaks per 100km Darwin and Alice Springs		D: 20.5 A: 11.2	35	Achieved within SCI target levels. Results due to implementation of the AC replacement program combined with the replacement of mains with repeated failures.
Sewerage chokes and blockages per 100km	Darwin	8.5	28	Achieved within SCI target levels. Results due to proactive trade waste management and active re-lining programs.
	Alice Springs	1.4	30	
Water quality complaints per 1 000 properties Darwin and Alice Springs		D:1.8 A: 0.1	3	Achieved within SCI target levels.
Darwin Generation EAF[3] (%)		85.57	92	Results do not meet SCI targets due to significant planned maintenance as part of the approve Channel Island life extension program.
Alice Springs Generation EAF (%)		88.36	92	Results do not meet SCI targets due to significant planned maintenance as part of a program to improve the reliability of Owen Springs Power Station.
Darwin Generation EFOF[4] (%)		3.10	2.0	Results do not meet SCI targets and reflect a higher number of unplanned outages.
Alice Springs Generation EFOF (%)		2.79	2.0	Results do not meet SCI targets due to reliability issues associated with bringing Owen Springs to fully operational status, as well as outages on aged plant at Ron Goodin.
Strategic Objective		**Safe workplace**		
Lost time injuries[5]		9	<4	LTIs exceeded the 2013-14 target. The Corporation remains committed to achieving zero harm through safety leadership and an effective safety management system.
Number of incidents reported in GRACE[6] (%)		298	495	SCI target levels not achieved for reporting of hazards, near misses and injuries. However, it is noted that there was an overall reduction in injury reports by 24.5% in 2013-14 from the previous year.

Strategic Objective		**Skilled, capable and competent workforce. Achievement oriented culture**		
Staff Satisfaction Index[7] (%)		NC	82	Annual staff survey was not conducted in 2013-14.
Strategic Objective		**Meet environmental obligations commercially**		
Emission intensity kg (CO_2-e / MWh) sent out combined major and minor power stations		571	569	Results due to higher than targeted diesel use in Alice Springs and Yulara and higher gas usage due to operational and system constraints.
Water demand (kL / household)	Darwin	407	427	Living Water Smart is expected to deliver further demand reductions in future years.
	Alice Springs	466	507	Alice Springs Water Smart is expected to deliver further demand reductions over the next 2 to 3 years.
Real water losses (L / service connection/day) Darwin and Alice Springs[8]		D: 268 A: 291	270	Both centres results decreased compared to previous year and remain within the variation of long term annual water losses.
Strategic Objective		**Enhance engagement with customers, interest groups**		
Average call response time[9] (%)		25.4	63	Results do not meet the SCI target due to sustained high call volumes associated with tariff increases. Extra staff were employed in the latter half of the period to meet customer demand and a review of processes and systems is currently being undertaken to identify opportunities to meet customer expectations.
Customer Satisfaction Index: Domestic & Commercial[10] (%)		71	80	Results do not meet the SCI targets. The decrease in customer satisfaction is mainly attributed to tariff increases and a decline in customer confidence due to the impact of the system black event in March 2014.
New connections in CBD and urban areas within 5 working days[11] (%)		96	90	Results exceed SCI target levels showing a slight improvement on 2012-13 results.

1 SAIDI: System Average Interruption Duration Index for average distribution network reliability performance. Note that this is the Network performance only and does not include generation outages. Reflects outcome of UC's Standards of Service Review to report performance for periods 2011-12 to 2013-14 to establish targets for average distribution network reliability performance; with the setting of targets from 2014-15 onwards concurrent with Networks Regulatory Reset Review.

2 SAIFI: System Average Interruption Frequency Index. Reflects outcome of UC's Standards of Service Review to report performance for periods 2011-12 to 2013-14 to establish targets for average distribution network reliability performance; with the setting of targets from 2014-15 onwards concurrent with Networks Regulatory Reset Review.

3 Equivalent availability factor measures plant capability for energy generation (MWh max minus MWh loss x100)/ MWh max)

4 Equivalent forced outage factor measures percentage of energy lost due to all forced outages. (All MWh losses forced & partial x 100/ MWh max)

5 In accordance with the Safety Incentive Scheme contained in the 2010-2013 Enterprise Agreement. These figures are not inclusive of contracted apprentice or contractor statistics.

6 Increased reporting of all incidents in GRACE (hazards, near misses and injuries). 10% improvement on previous year.

7 This target relates to a satisfaction rating of 6 or better. Percentage of staff rating satisfaction of 6/10 or better, measured annually over the survey period. Covers all of the Corporation's staff and is based on the number of survey respondents. NC: Not conducted – staff satisfaction survey not undertaken in 2013-14.

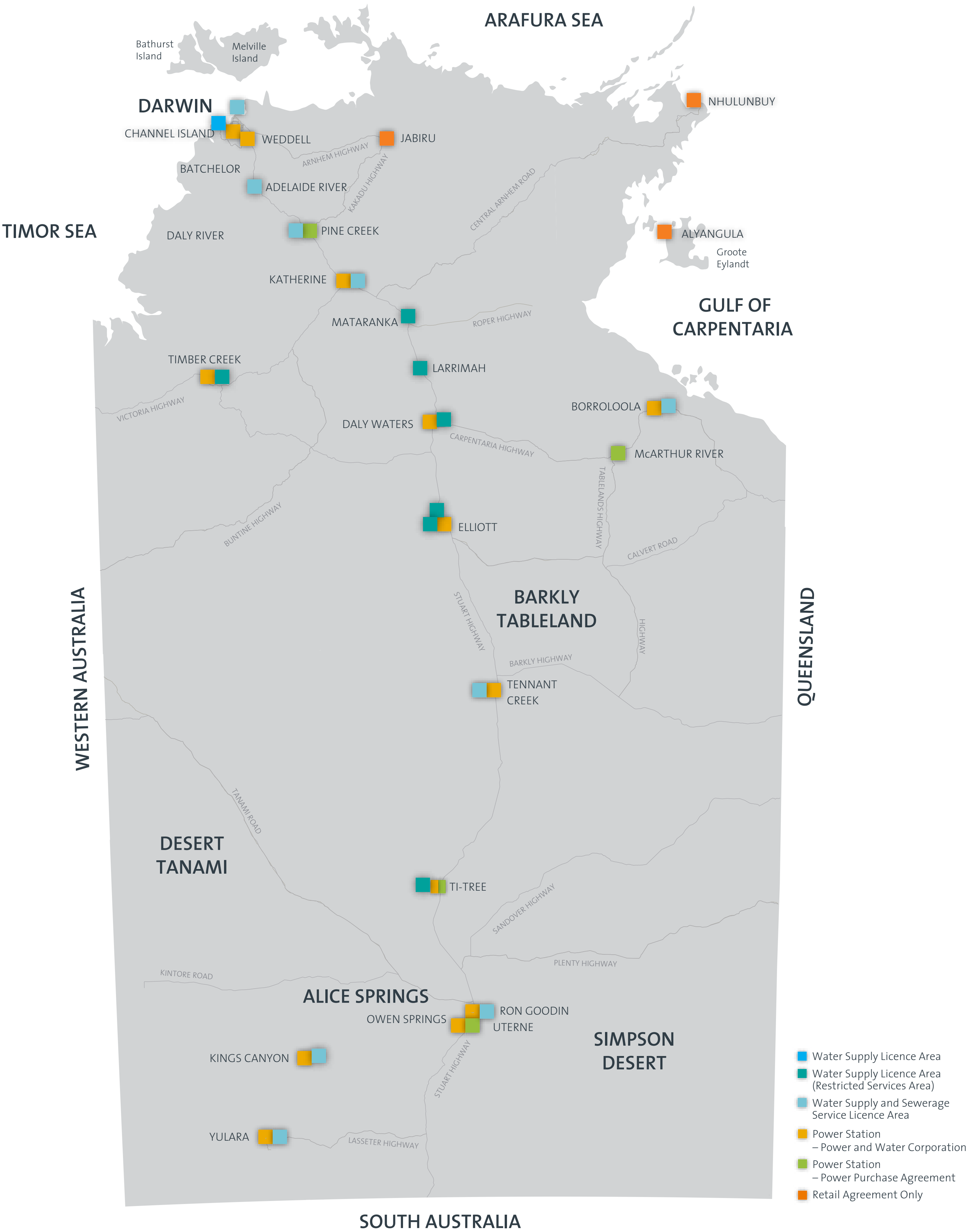
8 Please note that 13/14 Actuals differ to those reported in the 14/15 SCI due to late data returns.

9 Call Response: Percentage of calls answered within 30 seconds reflecting the outcome of UC's Standards of Service Review to report performance.

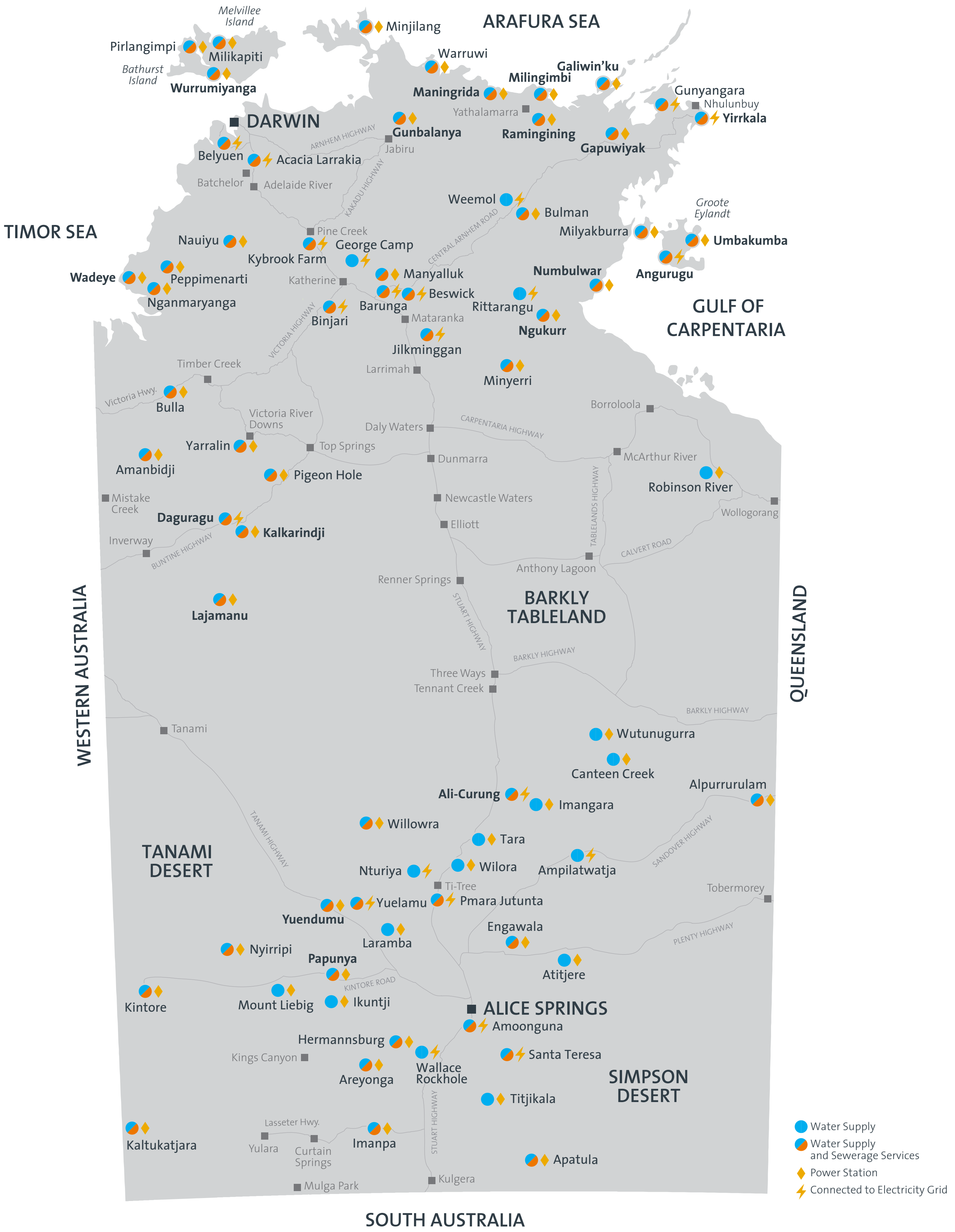
10 Percentage of customers that rate their overall satisfaction with the Corporation's services as good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population.

11 New Connections: Reflects outcome of UC's Standards of Service Review to report performance for periods 2011-12 to 2013-14 to establish targets for average distribution network reliability performance; with the setting of targets from 2014-15 onwards concurrent with Networks Regulatory Reset Review.

Power and Water's Services



Indigenous communities' power, water supply and sewerage services



Board profiles

Directors

The directors of the Power and Water Corporation at the end of the financial year are:

Mr Ken Clarke

(Chairperson)

BCom(Hons), Grad Dip (Mgt – Stanford USA)

Mr Clarke has had an extensive career in public administration, with particular experience in public finance and governance. A former Under Treasurer in the Northern Territory Government, he also has experience working in Canberra as well as in the United Kingdom and Papua New Guinea. He has had various board appointments, including the NT Power and Water Authority, In Motion Technologies Pty Ltd, Northern Territory University and the Northern Territory Mango Industry Association. He works as a consultant and has board and executive roles in a company developing software and content for the education industry in Australia and overseas. He has been a Director of Energex Limited since July 2012 and serves as a member of their Technical, Regulatory and Remuneration Committees. Mr Clarke joined the Power and Water Corporation Board in December 2013.

Mr George Roussos

LLB, BEcon, MBA

Mr Roussos is a legal advisor to businesses in a number of industries on a range of issues which combine legal, strategic and commercial. Mr Roussos has degrees in law, economics and business administration. He is a Vincent Fairfax Fellow and has completed the Harvard Law School Negotiation Workshop and Advanced Negotiation Workshop. Mr Roussos has served on many committees and business associations, including as President of the Northern Territory Chamber of Commerce. In 2014, Mr Roussos was partner in a project team that carried out major Review of the Northern Territory Workers Compensation Scheme. Mr Roussos joined the Power and Water Corporation Board in December 2013.

Mr Richard Griffiths

Mr Griffiths arrived in Darwin in 1959 with RAAF working in Darwin and Tindal. From 1965 to 1967, he worked as a Disposals officer for the Department of Transport and Works, after which he worked as a life insurance agent for MLC until 1974. In 1975, Mr Griffiths opened the Bradlaw Agencies which manages national franchises such as Sony, Westinghouse, Simpson, Chef, Dishlex, AEG & Kelvinator. His primary customers are The Good Guys, Harvey Norman, Oasis and Murray Oakley. Mr Griffiths is still the CEO of the company and runs the business along with his four children. He is a patron of the Chung Wah Society and a life member of the Warratah Football Club. Mr Griffiths was also a past president of the Carbine Club. He joined the Power and Water Corporation Board in January 2014.

Ms Helen Stanton

BE GAICD

Ms Stanton brings strategy, risk and governance expertise to the Corporation's board through a career spanning operational, leadership and commissioning roles in the mining industry, and more recently as a consultant supporting organisations to formulate strategies for bottom line improvement and the execution of their plan to ensure results are sustainable. Ms Stanton is a Non-Executive Director of Ergon Energy. She chairs Ergon Energy's Operational Risk Committee and is a member of Ergon Energy's Regulatory Committee. Ms Stanton is also a non-executive director of Townsville Mackay Medicare Local, Mater Health Services North Queensland and Townsville Enterprise and is a member of the Townsville Regional Committee for the Australian Institute of Company Directors. Ms Stanton joined the Power and Water Corporation Board in April 2014 and chairs the Audit and Risk Committee.

Emeritus Prof MaryAnn Bin-Sallik

EdD (Harvard), Assoc. Dip. SW (SAIT) RSN, JP

Emeritus Prof Bin-Sallik was the Dean of Indigenous Research at Charles Darwin University until she retired in 2008. She was also the Dean of the College of Indigenous Education and research at University of South Australia prior to returning to Darwin in 2001. She has both her masters degree and doctorate in education from Harvard University. She graduated from general nursing at the Darwin Hospital and spent 17 years in the nursing profession in the Northern Territory, before moving into higher education. She has served on a number of national committees and councils. An active researcher her book, Aboriginal Women by Degrees, was published by UQP in 2000 and records the journeys of 13 Indigenous women on their road to achievement. Prof Bin-Sallik joined the Power and Water Corporation Board in April 2014.

Mr Mervyn Davies

BEng(Elec – Power & Control) (Hons 1st class), MEngSc, BCom(Econ)

Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has previously held senior management positions at Energy Australia (now Ausgrid), Australia's largest electricity distribution company. Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in the engineering and economics of the electricity distribution industry. He currently holds directorships in electricity distribution businesses in Western Australia, Queensland and Tasmania. He holds honours and masters degrees in engineering and a Bachelor of Commerce (economics). Mr Davies left the Power and Water Corporation Board in March 2013 and rejoined in April 2014.

Mr John Baskerville

Mr Baskerville joined Power and Water Corporation as Managing Director in March 2013. He has extensive operational and technical experience relevant to the Corporation. After managing the Ben Hammond workshops for the NT Electricity Commission, he led the establishment of the Power and Water Authority (PAWA) in Alice Springs in 1984. During his 25 years in Central Australia, he served 22 years as the Chief Minister's regional Executive Director. This role required leadership across several key agencies including PAWA, the Department of Transport and Works and the Department of Chief Minister with a strategic focus on the regions. More recently, Mr Baskerville played a pivotal role in the 'Alice in 10' initiative, which led to the development of the Alice Springs Convention Centre and Desert Knowledge Australia.

Corporate governance

Framework and Organisational Structure

On 13 December 2013, the Northern Territory Government announced the structural separation of the Power and Water Corporation effective from 1 July 2014. The organisational structure below relates to the Corporation prior to structural separation.

Organisational structure as at 30 June 2014

BOARD

- Chair — **Mr Ken Clarke**
- Director — **Mr George Roussos**
- Director — **Mr Richard Griffiths**
- Director — **Emeritus Prof MaryAnn Bin-Sallik**
- Director — **Mr Mervyn Davies**
- Director — **Ms Helen Stanton**
- Managing Director/Director — **Mr John Baskerville**

EXECUTIVE LEADERSHIP

- Managing Director — **Mr John Baskerville**
- Governance and Corporate Services — **Ms Lisa Watson**
- Strategy, Economics and Regulation — **Ms Djuna Pollard**
- Financial Services — **Mr Robert Csar**
- Retail — **Ms Mary-Anne Gomatos**
- Water Services — **Mr John Pudney**
- Generation — **Mr Robert Ross**
- Power Networks — **Mr John Greenwood**
- System Control — **Mr Malcolm Conway**
- Remote Operations — **Mr Jim Bamber**

SUBSIDIARY COMPANIES

- Indigenous Essential Services Pty Ltd
- BGP Tenure Holdings Pty Ltd

Corporate governance principles

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

Principle 1

Lay solid foundations for management and oversight

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

The Board is responsible to the shareholding minister for providing strategic direction, accountability of management, corporate performance and corporate governance of the Corporation and its subsidiary entities.

The Corporation's Statement of Corporate Intent sets out our annual performance targets for agreement with the shareholding minister.

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

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

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

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

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

Principle 2

Structure the Board to add value

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

The Board's performance is subject to external review. Directors' fees are determined by the shareholding minister and provided at Note 27 to the Financial Statements. Directors are not eligible for retirement benefits.

Principle 3

Promote ethical and responsible decision making

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

The Northern Territory Public Sector Principles and Code of Conduct bind all Power and Water Corporation staff, which require employees to perform their official duties with skill, impartiality, professionalism and integrity.

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

Principle 4

Safeguard integrity in financial reporting

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

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

Internal audit provides assurances that:

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

The services of other accountants as financial advisers are contracted when specialist expert advice is required.

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

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

Principle 5

Make timely and balanced disclosure

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

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

PWC reports regularly to Northern Territory Treasury representing the Shareholding Minister. The annual report of operations, including financial statements and Auditor General's report, is provided to the shareholding minister and tabled in the Legislative Assembly each financial year. Regular informal updates are also provided as required by the Chairperson and Managing Director.

Principle 6

Respect the rights of shareholders

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

The *Government Owned Corporations Act* gives the Shareholding Minister and the portfolio Minister a right to direct the Corporation under certain circumstances. A copy of any such statutory directions must be tabled in the Legislative Assembly within six sitting days. There was one statutory directive during 2013-14.

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

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

Principle 7

Recognise and manage risk

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

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

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

Principle 8

Remunerate fairly and responsibly

Directors' remuneration is disclosed in Note 26 to the financial statements.

Conditions of service and remuneration arrangements for executive contract officers are in accordance with the *Public Sector Employment and Management Act*.

In addition, Power and Water Corporation's employees have individual annual performance plans and targets, which are linked to salary progression. The 2010-13 Power and Water Enterprise Agreement: Working together to meet the challenge was agreed in December 2010.

Risk and Compliance

PWC is subject to a wide range of legal requirements as a result of its diverse operations. This includes Commonwealth and Northern Territory legislation, regulations, licences, standards, codes and other legal instruments.

The nature of PWC's operations and the locations in which it operates also exposes it to a wide range of risks. Effective risk management and compliance with PWC's legal obligations is important in achieving strategic objectives, reducing organisational risks and avoiding the potential significant consequences associated with non-compliance.

PWC's enterprise-wide Governance, Risk and Compliance (GRC) framework is based on the relevant standards: *AS/NZS ISO 31000 Risk Management Standard* and *AS 3806- Compliance Programs*. The framework is designed to ensure that key risks and compliance obligations are identified, assessed, managed and monitored.

Corporate Strategic risks fall into 16 categories that are regularly reviewed, assessed and reported to the Audit and Risk Management Committee.

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

- internal audit
- work health and safety management
- environmental management
- legal obligations.

PWC assesses risk in all key business decisions. This supports the proactive management of opportunities and threats by linking risk management with strategic planning. It also supports an organisational culture aimed at systematically managing risk and major legal obligations.

Privacy

PWC is committed to providing fair and responsible handling of personal and corporate information, and follows the *Australian Privacy Principles (APPs)* as prescribed in the *Privacy Act 1988 (Commonwealth)* and the relevant *Information Privacy Principles (IPPs)* set out in the *Information Act (NT)*.

PWC's Privacy Policy explains in general terms how personal information is collected, stored, used and disclosed, and explains a person's rights to access and correct their personal information. The Privacy Policy is available online at powerwater.com.au

PWC has procedures in place for accessing and correcting personal information held by the Corporation. Applications can be made in person at any Power and Water Retail outlet, by calling 1800 245 092 or by submitting an application to:

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

customerservice@powerwater.com.au

Applicants must provide:

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

Records management and archives management

PWC complies with the obligations, standards and management of records and archives as set out in Part 9 of the *Information Act*. PWC has well established records management policies and processes that achieve compliance with these provisions.

NT Electricity Ring-fencing Code

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

29 MAY 2014

New Manton substation goes live

The new Manton Zone Substation has been energised and will support a more reliable power supply to customers in Batchelor, Adelaide River, Lake Bennett and the Acacia area.

This new infrastructure is part of Power and Water Corporation's planned program to upgrade zone substation equipment. Commissioned on 19 May 2014, the new substation replaces the end of life 22kV indoor switchboard.

Future plans include the installation of a new feeder from the Manton Zone Substation to Darwin River Dam.

Power and Water Corporation's infrastructure upgrades are improving power services throughout the Territory.

21 OCTOBER 2013

Living Water Smart – to save millions of litres

Businesses and residents of Darwin now have a great opportunity to become more water efficient without changing their lifestyles or affecting their bottom line.

The Living Water Smart program works with residents, businesses and other organisations to identify and implement better ways to use water.

The Sailing Club, like most businesses, is mindful of the cost of its water use and recently undertook a water audit with Power and Water. Water savings of over $10 000 per year were identified.

The Living Water Smart program aims to save 25 per cent of Darwin's average annual usage over a period of five years and everyone, from individuals to big business and Government departments are being asked to reduce the amount of water wasted.

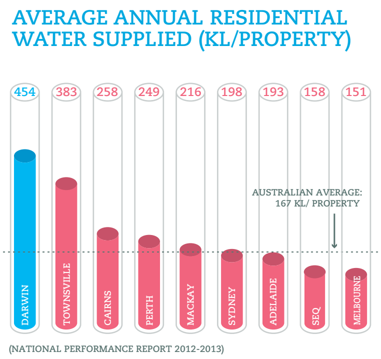
Annual demand for water is nearing sustainable capacity and with significant growth in both residential and commerce anticipated, it makes sense to save the cheapest water first.

Being more water efficient will defer the need for expensive new infrastructure and save businesses and households money on their utility bills.

Living Water Smart provides opportunities to businesses and residents to take part in water audits and develop water efficiency plans to identify leaks, save water and save money.

It's about adopting good habits, and not changing your lifestyle.

Small measures can have a big impact in helping conserve this precious resource and allow the community to grow sustainably.



LIVING WATER SMART
Darwin Region

Performance

Safety

Power and Water Corporation strives for the highest work health safety standards and is committed to achieving its safety vision of zero harm: a workplace free from injury to employees, contractors and members of the public.

PWC closely monitors the occurrence of injury, near miss and hazard incidents with the aim to mitigate and prevent future recurrence. The following table contains the safety performance for 2013-14.

Safety Performance	2013-14
Lost time injury count	9
Lost time injury frequency rate	4.27
Lost time injury severity rate	7.89
Reports to the safety regulator	10
Total number of injury reports	65

PWC recorded nine Lost Time Injuries (LTIs) in the 2013-14 period, exceeding the target of four or less. The Lost Time Injury frequency rate has increased from 2.8 to 4.3 LTIs per million hours worked. These figures are not inclusive of contracted apprentice or contractor statistics.

Encouragingly, the severity of the recorded LTIs dropped from an average of 11.6 days off per LTI to 7.9 and the total recordable injury frequency rate, which includes medically treated and lost time injuries, dropped from 10.0 to 7.6. Furthermore there was an overall reduction in injury reports by 24.5 per cent in 2013-14 from the previous year.

Safety improvement

Substantial progress was made in the drive to refresh PWC's safety management system (SMS) in the 2013/2014 financial year. The project has simplified the underpinning SMS documentation by replacing 115 corporate procedures with 41 corporate guidelines and providing a solid foundation for underlying work instructions and procedures.

This significant step has propelled PWC into the 2014/2015 financial year with a renewed focus on safety management and has better positioned the Corporation to achieve its commitment to protect staff, contractors and members of the public from injury.

Executive Health Safety and Environment Committee

A new Executive Health, Safety and Environment committee was formed by the Managing Director to discuss significant issues and initiatives for safety and the environment and elevate the emphasis on PWC's commitment in these highly important areas.

Contractor safety

PWC recognises that contractors are an integral part of its workforce. Accordingly, we commit resources to ensure that safety measures are in place for contractors. PWC safety specialists recorded 699 site inspections and meetings with contractors to discuss safety related topics during the 2013-14 reporting period.

People

Developing people

PWC recognises that our people are our greatest asset. Focus is placed on developing employees through formal traineeships and graduate programs, via informal on-the-job training, job rotation opportunities and workforce safety initiatives. PWC has over 1 000 staff living and working in the Northern Territory. There are also 208 relief and full-time Essential Services Operators who operate and maintain the supply systems in remote Indigenous communities through contracts with shires, councils or private contractors and are supported by PWC's Remote Operations team.

During 2013-14, PWC supported staff to achieve qualifications that align to core business objectives and strategic direction. This included the following Certificate IV and diploma level qualifications in:

- Training and Assessment
- Project management
- Occupational Health and Safety
- Customer Contact
- Business
- Instrumentation and Control

Learning and development

PWC's learning and development function was restructured at the beginning of the year to improve the overall effectiveness and efficiency of this area. As a result of centralising the management of key administrative processes, including training records, the Learning and Development group has been able to audit the data in the training management system resulting in improved reporting and skills gap identification. Greater scrutiny and control of training schedules has seen improved efficiency and cost reductions.

PWC's Learning and Development group works closely with line management and supervisory staff across the Corporation to identify development needs, knowledge gaps and legislative requirements. These needs are monitored and assessed during employees' annual performance reviews.

A greater focus on planning for learning and development needs, and the efficiencies this will provide, remains a priority.

A Corporate Capability Framework is under development to support staff and provide clarity on the behaviours, core and mandatory skills requirements to ensure that all staff are equipped to perform their role effectively. Study assistance continues to be a favourable option for employees who want to complete vocational, undergraduate and post-graduate qualifications.

PWC's workplace acknowledges and recognises Indigenous culture and opportunities, and this continues to be a priority, building on the Indigenous Employment and Career Development Strategy.

Apprentice and graduate recruitment remains an important capability building policy within the workforce.

Apprentices

Apprentices are an integral part of PWC's recruitment strategy and are invaluable in ensuring skills retention in trade technical areas. This year the amount of training delivered locally increased, providing the opportunity to support local training providers, reduce costs and ensure that training is relevant to PWC's operating environment. Commitment to increasing the diversity in this area has seen the recruitment of three female apprentices this year (2014) from a total intake of 16.

In 2013-14, PWC welcomed 19 new apprentices and trainees, bringing the total number to 113 (as at 30/06/14). The three female apprentices who commenced this year saw two join Power Networks and one join Generation. There are also two school based apprentices.

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

Group Training NT (GTNT) Awards

Central Australia

Apprentice of the Year
Shawn Du Venage (Generation South)

First Year Apprentice of the Year
Matt Shadforth (Generation)

Second Year Apprentice of the Year
Tim Childs (Networks Alice Springs)

Supervisor of the Year
Gavin Kahl (Networks Alice Springs)

Darwin

Apprentice of the Year
Rowan Lee (Networks)

Outstanding Apprentice Stage 2
James Pearce (Networks)

Outstanding Apprentice Stage 3
Oliver Schinkel (Networks)

In February 2013, seven new graduates from engineering and science disciplines commenced the Graduate program.

In 2014 four graduate engineers completed the program and have taken up permanent positions within PWC.


Alice Springs apprentices

Essential Services Operators

Essential Services Operators (ESOs) are vital partners in the delivery of power, water and sewerage services in remote communities. ESOs manage assets on a daily basis and provide the first response to unscheduled supply interruptions and emergencies.

PWC continues to build local capacity by providing training and developing opportunities in partnership with contractors, to provide real jobs in remote communities.

Part of this process is the development of the ESO career pathway, which provides a framework for trainees and ESOs to develop their skills, knowledge and capabilities while working in their remote community. The career path enables people to progressively obtain appropriate national qualifications and skills to carry out the role of an ESO. The program commences from secondary school (Kormilda College) with Certificate I in Remote Area Essential Services and progresses to a Certificate II Remote Area Essential Services Traineeship and ultimately to an ESO Technician at a Certificate III qualification level.

Power Networks crew in Central Australia

There are currently 208 ESOs employed in remote communities with 30 undertaking training in 2012-13.

Staff recognition

Service Recognition Awards were celebrated this year recognising the valuable contributions made by staff who have worked with PWC for periods of 5 years, 10 years or more. During 2012-13, over 180 staff were recognised for their contribution to PWC, with their length of service spanning between five and 40 years.

PWC's quarterly Staff Recognition Awards acknowledge exceptional performance, behaviour and the outputs of individuals and teams who have made a difference in achieving business goals, going 'above and beyond' in their roles. Over 100 individuals and teams were nominated over 2013/14.

Financial performance

2014 Network Price Determination

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

Retail electricity prices currently paid by customers comprise a number of cost components: electricity generation costs; electricity network costs; system operation and control costs; and customer retail services.

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

The Utilities Commission released their 2014 NPD Final Determination on 24 April 2014, which determined that increases to Power Networks' revenue above CPI of:

- 29.78 per cent in 2014-15;
- 8 per cent in 2015-16;
- 3 per cent in 2016-17;
- 2 per cent in 2017 18; and
- 2 per cent in 2018-19

These were required to ensure that Power Networks meet all legislated service requirements.

Power and Water Corporation's Shareholding Minister subsequently directed Power Networks to apply an alternative revenue requirement incorporating revenue increases above CPI of:

- 7.7 per cent in 2014-15;
- 8 per cent in 2015-16; and
- 0 per cent from 2016-17 to 2018-19.

PWC developed 2014-15 network tariffs based on this ministerial direction and these tariffs were approved by the Department of Treasury and Finance in June 2014.

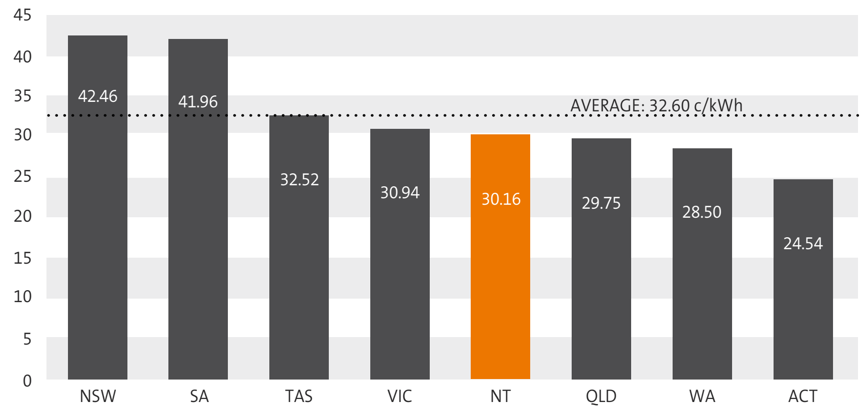
Residential and small to medium sized business customers, however, are not currently impacted by network tariff pricing decisions, as they are subject to an Electricity Pricing Order issued by the NT Government.

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

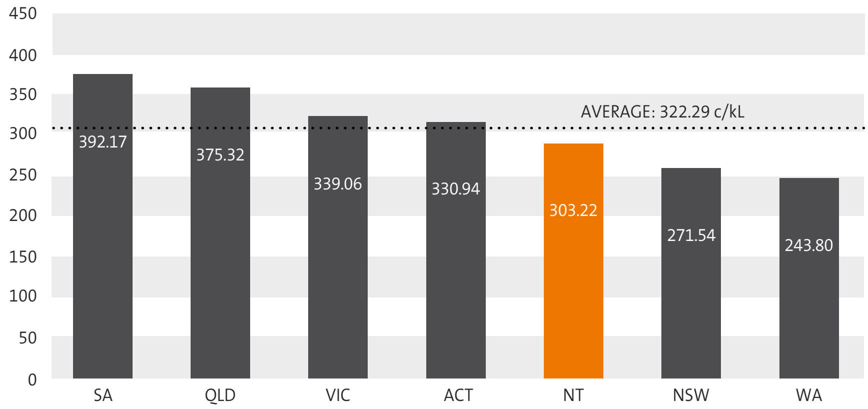
1. Tariff increases being phased in over three years rather than commencing in full on 1 January 2013.
2. The increases that took effect on 1 January 2013 were:
   a) 20 per cent (rather than 30 per cent) for electricity
   b) 30 per cent (rather than 40 per cent) for water
   c) 15 per cent (rather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

The following charts compare prices for residential electricity, water and sewerage in the Northern Territory with states across Australia, as at 30 June 2014.

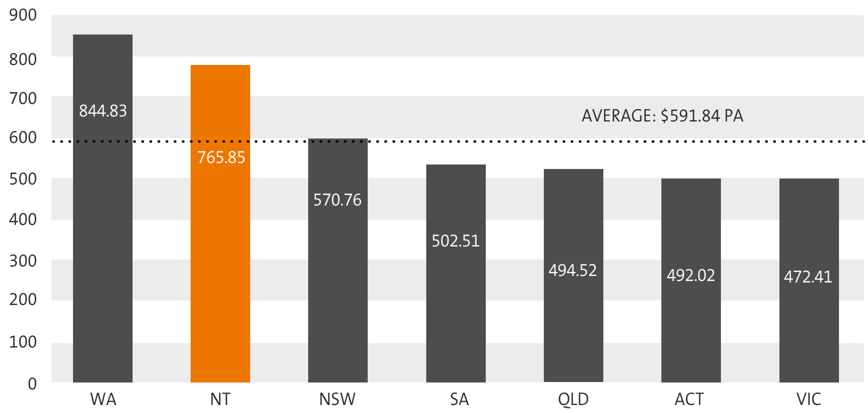
Residential Electricity Tariff (c/kWh) for 2013-14 as at 30 June 2014



Residential Water Tariff (c/kL) for 2013-14 as at 30 June 2014



Average Annual Residential Sewerage Bill for 2013-14 as at 30 June 2014



Community Service Obligations

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

Northern Territory Government contributions enable PWC to offer uniform tariffs regardless of where customers live, give pensioner concessions and apply the pricing order policy. In 2013-14, the Northern Territory Government paid the Corporation $81.7 million in Community Service Obligations, of which $19.0 million was for customers receiving the Northern Territory Government's Pensioner and Carer Concession Scheme.

Minimum Cost Recovery (Water and sewerage)

The table below shows 2013-14 costs and revenue for water supply and sewerage services in accordance with the National Water Initiative blueprint for water reform. This blueprint is the principal Council of Australian Governments water policy agreement, through which governments across Australia have agreed on actions to achieve a more cohesive national approach to the way Australia manages, measures, plans for, and prices, water.

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

Both major and minor urban service centres are included and Indigenous communities are excluded.

	Darwin $000	Katherine $000	Tennant Creek $000	Alice Springs and Yulara $000	Total $000
Water					
Operations, maintenance, administration	47,998	8,887	4,767	21,652	83,304
Debt servicing	10,209	980	688	3,086	14,962
Asset consumption	10,081	949	489	3,497	15,016
Minimum viability costs	68,287	10,816	5,944	28,236	113,283
Total Revenue – from Trading (excl. CSO)	75,778	6,939	2,979	17,236	102,931
Surplus/(deficit) (excl. CSO)	7,490	(3,877)	(2,965)	(11,000)	(10,353)
Surplus/(deficit) (incl. CSO)	11,502	(2,579)	(2,170)	(6,860)	(106)
Sewerage					
Operations, maintenance, administration	34,497	3,101	641	10,944	49,182
Debt servicing	6,314	1,029	112	2,250	9,706
Asset consumption	6,104	271	120	1,078	7,573
Minimum viability costs	46,915	4,401	873	14,272	66,460
Total Revenue – from Trading (excl. CSO)	59,854	2,905	1,391	10,836	74,986
Surplus/(deficit) (excl. CSO)	12,939	(1,496)	519	(3,436)	8,526
Surplus/(deficit) (incl. CSO)	14,823	(1,496)	519	(3,436)	10,410

Financial SCI key performance indicator (KPI)

Financial KPIs give an insight into the Power and Water Corporation's financial sustainability and are also a guide to the Corporation's capacity to achieve targets it sets at the start of the year.

A summary of targets and results is provided here.

The performance against the KPI's shows an overall improved cash and operating position.

Revenues were materially higher than expected due to a mix of one-off events, (including the receipt of a major insurance claim) and what are likely to be more permanent adjustments to the base with growth in electricity and sewerage revenue. This increased revenue was partly offset by increases in operating expenditure, particularly energy costs. This was mainly due to unbudgeted costs of acquiring gas at a higher price when Blacktip was shut down for nine days. Management also pursued savings opportunities, which reduced the impact of the cost increases.

The overall cash position was better than expected for the above reasons plus a large reduction in planned capital expenditure. The size of the gap between planned and actual capital expenditure needs improvement and in 2014-15, there will be an increased effort on capital works forecasting, planning and implementation.

As a result of the above influences, borrowings and Net Debt were well below the levels originally projected.

KPI	KPI target	KPI result	
Revenue from Services	$672.3m	$687.5m	Up 2.3% against target largely due to higher than expected electricity sales ($12m) and sewerage services ($6m). Revenue from services includes Electricity Sales ($446.8m), Water Sales ($97.8m), Sewerage Services ($61.2m), and Community Service Obligations ($81.7m).
Operating Costs	$486.4m	$494.0m	Up 1.6% against target primarily due to increases in energy and subsidy expenses, particularly $7.7m increased energy due to an unbudgeted 9 day maintenance shutdown at Blacktip in July and a further $3m in one off payments made because of the March system black.
EBITDA	$229.4m	$249.4m	Mainly the result of total revenue being up against target largely due to the increase in revenue from services and two unbudgeted revenue amounts namely $10m from an insurance settlement in respect of Casuarina Zone sub-station and a $12.5m government grant for the Borroloola Sewerage project.
NPAT	$7.6m	$57.6m	Net profit after tax is higher largely due to full effect of tariff increase.
Capital investment	$217.3m	$156.2m	Each business unit is below target on capital investment this year as follows: Water Services $31.0m; Corporate Support $9.1m; Networks $8.3m; Generation $12.8m. Greater emphasis will be placed in improving planning, forecasting and delivery in 2014-15.
Net Borrowings	$80.8m	$15.8m	Repayment of borrowings were to budget however there was a reduction of $65m in new borrowings against target primarily as a result of the higher revenue and lower capital program.
Net Debt	$1,380.4m	$1,270.8m	Net Debt improved against target also as a result of the higher revenue and lower capital expenditure.
Gearing (%)	41%	67%	The SCI target was based on replacement cost methodology for assets. Actual asset values based on historical cost methodology.
Interest Cover(times)	1.1	1.8	Earnings before interest and tax (EBIT) was higher than SCI by 57%.
Return on Total Assets	2.8%	7.3%	The SCI target was based on replacement cost methodology for assets. Actual asset values are based on historical cost methodology.

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

Note 2: Results are unconsolidated.

Customer service and stakeholder engagement

Servicing customers

PWC works diligently to meet stakeholder expectations and actively engages with them to ensure their needs and expectations are understood.

Engaging regularly with stakeholders promotes a proactive approach to doing business. A sustainable organisation learns from its stakeholders through continuous consultation, improvement, measurement and reporting.

PWC's stakeholders are the people it does business with, the communities it works in and provides services to, employees, government shareholders and industry regulators, suppliers and allied industry associates.

It is important to the Corporation that customers see it as competent and providing reliable services. Continuing to develop and improve the Corporation is important to ensure it is responding to customer requirements, risks and managing assets in a constantly changing operating environment. Involving stakeholders, who may be affected by decisions or can influence the implementation of these decisions, is a key aspect of the process.

PWC's customer charter commits to service delivery levels in every area of the business. It is also committed to open and honest communication with customers.

PWC's Retail team has worked diligently to ensure the success of the structural separation of the Corporation, focusing on 'no negative impact' to its customers. The team has concentrated on developing new Customer Service and Call Centre processes, separating bills, creating new bill formats and testing, setting up new credit paths and ensuring customer payment channels are not compromised. This body of work has been a priority for the Retail team since structural separation was announced by the Northern Territory Government. The structural separation project will continue for PWC Retail into the next financial year, with the next stages of separation.

Communicating with our customers

Social media continues to be an increasingly important way to help keep customers connected and informed.

10 JULY 2013

Helping children with special needs

Power and Water is proud to support Variety NT's Goanna Park Adventure Camp for children with special needs during the school holidays.

Two groups of 20 children attended the camp having travelled from all over Australia to participate in the life changing experience.

Many of the children have never spent time away from their families nor been camping, yet they have thrived in the warmth of the Top End's dry season while enjoying the great variety of activities on offer.

The Goanna Park facility was established thanks to Terry Baldwin, a well known local station owner, who in 1985 donated 36 acres of land for the development of the Junior Police Rangers program.

The Junior Police Rangers help Variety by providing buddies for the children for the duration of the camp. They keep them company while the children learn to rock climb, abseil, horse ride, experience the flying fox and swim – just a few of the activities available during their fun filled adventure.

The program helps the children gain self esteem and confidence, challenges their 'comfort zones', develops life skills and fosters lasting friendships.

With the support of Power and Water, Variety has upgraded aging tents, lent some welcome assistance to the numerous volunteers who give their time and allow the special needs children to experience activities which most families take for granted.

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

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

Twitter is also used to advise of planned works, retail hours and public safety messages and marketing campaigns.

Helping build awareness

PWC endeavours to help customers understand their power and water usage and billing and identify where reductions can be made. To support this, a number of user-friendly interactive tools have been developed: the Virtual Energy Audit and Savewater audit can be customised to show where customers use the most water and electricity and enable them to identify opportunities that can help reduce their bill. This helps customers save money and has the added benefit of reducing environmental impacts. In addition, the Green Guide, available online and in print, covers everything from home design and appliance choice to how much water evaporates from an uncovered pool.

Following the successful Alice Water Smart water efficiency campaign, the Alice Water Smart website contains useful tips for saving water in Alice Springs and provides helpful information for designing and maintaining water schedules for gardens in the central region.

PWC runs annual safety awareness campaigns in preparation for the tropical cyclone and storm season. These help customers prepare for the potential damage heavy rains or high winds may cause as well as minimising the risk of injury from power and water infrastructure as the result of a major storm event.

Above all, PWC's staff are well informed of issues affecting customers and are available to answer their questions in person. There are retail shopfronts in Darwin, Palmerston, Katherine and Alice Springs and a Darwin-based call centre staffed seven days a week. Information stands at specific community events and annual shows in each major centre, provide the opportunity for PWC staff to talk with customers about their bills or answer questions on a range of matters.

Customers in need

On occasions, some domestic consumers can experience unexpected challenges such as unemployment or reduced income, ill health or disability. PWC appreciates that this can cause hardship and through the 'Stay Connected' program, the Corporation aims to support customers fairly and respectfully while operating within commercial guidelines.

Seeking feedback

Seeking feedback from customers helps to provide important information that enables PWC to continually provide excellent service.

05 JULY 2013

Building local capacity in remote communities

Indigenous trainees commenced Certificate I in General Construction at the Centre for Appropriate Technology in Alice Springs.

Seventeen participants from Central Desert, Barkly and MacDonnell shires attended a week of training at the Centre for Appropriate Technology in Alice Springs in June.

The Indigenous trainees commenced their Certificate I in General Construction, which focuses on numeracy and literacy, workplace communications and equipment, grounds and housing repairs, and maintenance.

The certificate aims to provide the trainees in remote communities with a national qualification and the confidence to do their daily Essential Services Officer duties.

Successful participants will undertake their Certificate II in Remote Area Essential Services.

This course will involve OH&S, White Card and the nationally accredited course 'Work Safely at Heights'. It will also cover aspects such as water and sewerage, generation, metering and ground maintenance.

These courses are part of the Corporation's commitment to building local capacity and provide training and development opportunities so essential services continue to be delivered in remote communities.

Regular surveys provide valuable information about customer satisfaction levels. Overall, results of the 2013-14 survey indicate that 71 per cent of residential and business customers are satisfied with their services.

Community engagement

PWC regularly engages with the community by giving presentations to various interest groups and audiences. These sessions provide helpful information on reducing water and energy consumption and saving money on utility bills.

Water and energy use audits are undertaken in schools and businesses, identifying where savings can be made and more sustainable practices adopted.

Working with remote communities, PWC informs and educates residents about how to reduce their power consumption and make them aware that active steps to reduce consumption can help to reduce the financial impact.

There are a number of valuable projects being facilitated in remote communities where locals are employed to work with residents and help them become more aware about their use water and energy use and ways of being more efficient.

Over the next two years, the Manymak Energy Efficiency Project will deliver energy efficiency retrofits to 440 households and employ up to 20 local people to deliver energy and water efficiency education to those households in six East Arnhem communities. Comprehensive evaluation will enable the development of a best practice model for achieving improved energy (and water) efficiency with low income families in remote indigenous communities.

Community support

PWC is one of the Northern Territory's largest organisations with a proud history of supporting communities through its sponsorship program, which supports education, environment, business, arts, sport and community, reflecting the diversity of customers.

Community partnerships

PWC partners with many community focused organisations across the Northern Territory.

Staff regularly volunteer their time at community events such as the 2013 Special Children's Christmas party. This worthwhile event is supported each year and its aim is to give children with special needs the opportunity to attend a Christmas event in a safe environment.

Many staff support the Australian Red Cross Blood Service, rolling up their sleeves and giving blood on a regular basis.

Other community events where PWC staff participate and volunteer time include the Alice Springs ABC Half Marathon, the Todd River Regatta and the Tropical Garden Spectacular.

Supporting local industry participation

The Corporation strengthens the Northern Territory's private sector through industry development, capacity building and the procurement of local goods and services.

PWC has developed and implemented its own Procurement Policy Framework designed to effectively and efficiently meet the needs of the Corporation both now and into the future.

The new Procurement Policy Framework includes new commercial market approaches and a stronger focus on procurement risk management and supplier performance and engagement. As one of the largest buyers of goods, works and services in the Northern Territory, PWC's procurement activities play an important role in the health of the economy and the Procurement Policy Framework supports a new approach to local industry participation through focusing on building capacity and opportunity awareness.

With a contribution of over $300 million each year to the Northern Territory's economy, it is in PWC's best interests and to the benefit of customers, that business is equipped and prepared to competitively tender for all its goods, works and services.

To inform business about the changes, a series of seminars was conducted in partnership with Department of Business in city and regional areas during May and June. These were well received with interest so high that additional seminars have been scheduled.

Further support and information for business is provided through an Industry Engagement Officer and a redesigned internet presence through the PWC website.

PWC looks forward to working with business to deliver high quality, fair, competitive and commercially based tenders that will ensure greater efficiency and value for money.

Operational performance

PWC works to provide increasingly reliable electricity, water and sewerage services to customers.

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

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

Infrastructure development programs

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

PWC has made significant progress towards commercial sustainability through implementation of streamlined business processes and identification of measures for to ensure we are living within our means. These early reforms have moved the Corporation toward a financially sustainable footing.

Electricity supply demand

PWC estimates that electricity demand on the Darwin to Katherine grid will increase from a temperature corrected peak of approximately 300 megawatts (MW) in 2013-14 to approximately 307MW 2014-15. To meet this demand, a third electricity generation unit at Weddell Power Station on the Darwin to Katherine grid is fully commissioned. This extra capacity allows PWC to continue a program of preventative, corrective and specific maintenance and replacement at Channel Island Power Station while continuing to meet electricity demand.

The forecast growth in economic activity in the Northern Territory will manifest itself in increasing energy consumption. The impact of growth on the network is not driven by energy consumption, rather by increasing demand.

As a result, the forecast demand growth in this system is expected to average 2.7 per cent.

In common with other network service providers, PWC is faced with maintaining and renewing a suite of network assets that is progressively ageing.

Additional challenges are caused by the extreme climatic and environmental conditions, which can often lead to the accelerated deterioration of assets.

The majority of the network's 1960/70s vintage equipment is being replaced with modern equipment, using different technologies. This will greatly reduce the risk of failure and significantly lower maintenance requirements.

Major maintenance and mid-life refurbishment continued on all equipment for the older units at Channel Island Power Station including the support infrastructure to improve reliability and extend their life.

The Alice Springs power system is a small network that is interlinked and contains multiple generation points. This, together with recent significant changes to the network, transmission and generation in the system, has created challenges in accurately determining the maximum load at a given point within the network. Overall, system forecasts based on generation loads are reliable.

Three dual-fuel high efficiency engines at Owen Springs Power Station, 25km south of Alice Springs, are now covering increased loads and allowing for the retirement of the ageing infrastructure at Ron Goodin Power Station.

Gas supply

More than 90 per cent of the electricity generated for customers, comes from natural gas.

In 2012-13, PWC sourced close to 100 per cent of its natural gas from Eni Australia BV's Blacktip gas field in the Joseph Bonaparte Gulf, which lies some 110km off the Territory's north-west coast. The balance was secured from Darwin LNG pursuant to PWC's contingency gas supply arrangements.

Designs for the construction and commissioning of the Wickham Point pipeline adjacent to INPEX's LNG facilities concluded, allowing tender development for the construction phase.

An agreement was reached to procure critical materials through INPEX's procurement process to minimise lead times. Construction of the gas pipeline and associated infrastructure remains targeted for completion by 30 April 2015.

PWC has continued to look at opportunities to sell surplus natural gas to displace diesel as a fuel for electricity generation and to satisfy market demand.

PWC is focused on increasing the use of gas for electricity generation in remote communities traditionally fuelled by diesel, with a key focus on Wadeye in the short term. To this end, PWC is working closely with contractors in providing project management oversight and coordination for the design and construction of the gas delivery system to the gas fired Wadeye Power Station. The milestone for gas delivery is September 2015. Converting Wadeye Power Station from diesel to gas generation is expected to save 57 000 tonnes of carbon over the life of the project and reduce diesel fuel consumption by over 2.5 million litres per annum.

The Dingo Gas Supply Agreement was concluded with Magellan Petroleum, whose onshore Australian assets were subsequently bought by Central Petroleum Limited. The agreement allowed PWC to coordinate the tie-in of Central Petroleum's Gas Supply pipeline into the Owen Springs Power Station for the supply of high methane content gas, which will help improve efficiency to the power station's generators.

Investigations are also continuing into using Compressed Natural Gas (CNG) as a means to providing fuel to customers in remote locations.

Improving reliability

Electricity

In March 2014, a malfunction on a circuit breaker at Hudson Creek Substation triggered a cascade of automatic and manually operated commands, which resulted in a loss of all electricity supply (known as a 'system black') in the Darwin-Katherine System. Approximately 65 000 customers were affected by the incident, experiencing power outages between one and a half hours and 14 hours in duration.

The Utilities Commission conducted an investigation into the incident and produced a report outlining recommendations, which are now being undertaken. An independent Project Management Office (PMO) has been established to implement recommendations outlined in both System Control's and the Utilities Commission's reports on the system black event. AECOM has been engaged as the PMO to oversee, review and manage report recommendations and to validate completed actions.

The recommendations and actions encompass Power Generation, Power Networks, System Control and corporate business units and 33 of the 35 recommendations have been completed or commenced. These include the review of black start procedures for power stations, replacement of major circuit breakers at the Hudson Creek switchyard, works to install additional circuit breakers to further improve security of supply and System Control centre emergency generator and main switchboard upgrades. Consistent with the Utilities Commission recommendations, there is a focus on capability building at System Control through the development of enhanced situational awareness support tools to improve operational decision making in emergency situations and a review of processes, procedures and work instructions used for development of switching programs, including the checking process.

05 JULY 2013

Minister launches Katherine Wastewater Plant upgrade

A reduction in the amount of treated waste will flow into the Katherine River as a result of three new major evaporative ponds.

Power and Water's John Pudney joined Essential Services Minister Willem Westra van Holthe at the official launch of the $6 million upgrade of the Katherine Wastewater Plant.

Less treated waste will flow into the river as a result of three major evaporative ponds and associated hydraulic structures built at the plant.

Minister Westra van Holthe said the plant's major upgrades were vital due to rapid growth of Katherine.

"Katherine's population is steadily increasing and Power and Water Corporation has expanded this plant to help meet the increasing demand for this service," he said.

"The installation of the three extra ponds minimises effluent discharges into the river and provides many more years of capacity for the town's population and industry growth."

Mr Pudney said the upgrade is part of Power and Water's commitment to minimising its environmental impact.

"During extreme rainfall and flood conditions treated effluent must be discharged into the river," he said.

"However, the upgrade will reduce discharges overall and ensure there is no treated effluent discharged to the river throughout the dry season.

"This upgrade will ensure ongoing health of the river."

Territory contractor DAC Enterprises completed the works for Power and Water Corporation.

PWC's John Pudney with Essential Services Minister Willem Westra van Holthe

System Control has also identified a number of risk areas and has commenced a risk mitigation program aimed at reducing the probability of recurrence.

The Top End's extreme weather patterns that include high winds, lightning strikes and monsoonal rains, present a challenge to maintain a constant power supply.

Trees, branches and palm fronds touching or falling onto powerlines cause many power outages. To reduce the likelihood of this, the program of professional vegetation management around powerlines in the urban and rural areas has been increased. Specialised and sophisticated trimming equipment is used to minimise damage to vegetation. This significantly improves accessibility and allows work to continue during the wet season when access can be difficult.

Networks' infrastructure is vulnerable to wildlife including birds, snakes and fruit bats. Composite fibre crossarms, longer insulators, vermin guards and bat covers improve electrical insulation on power poles and these have been installed in an effort to reduce the likelihood of outages.

Helicopters are used periodically to patrol and inspect powerlines and identify maintenance needs in more remote and hard-to-access areas. Thermal scanning and insulation resistance testing is used to schedule maintenance and repairs.

Underground power has significantly reduced the risk of third party power outages as the infrastructure is not as vulnerable to wildlife, vegetation and bad weather. New urban suburbs are built with underground power supply.

Zone substations have received significant investment over recent years. These substations transform power from high transmission voltages to lower voltage for distribution into the suburbs.

Woolner Zone Substation is now fully commissioned. The substation project is part of the substation replacements and refurbishments program and replaces the Snell Street Zone Substation.

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

System reliability will improve with the construction of the Darwin and Strangways zone substations, replacing ageing substations.

Construction of the new powerline to Ntaria (Hermannsburg) is complete, connecting the community to power generation in Alice Springs. This will allow the decommissioning of the diesel power station at Ntaria and will ensure a long-term, least-cost, reliable power supply for the region, with capacity for future growth.

10 MARCH 2014


Manton Dam spillway

New equipment is being installed at the Tennant Creek switchyard as part of PWC's maintenance and upgrades program designed to improve the reliability of the electricity network. Some of the important changes include the automation of the Ali Curung Line Feeder 2, replacement of old HV pot heads and the fitting of bird protection devices to the start of Feeder 3 in order to reduce bird strikes around the town area.

PWC's service performance is highly dependent on environmental and weather conditions throughout the year.

This financial year $36.6m was spent on repairs and maintenance on the power network.

Standards of Service

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

Systems

Asset Management Capability (AMC) systems were introduced in 2012. These systems aim to support PWC's monitoring of infrastructure maintenance programs.

A review of the Asset Management Process and Systems was undertaken in November 2013 and finalised in February 2014. It provided a roadmap for future progress with the system and asset management processes. A new Asset Management Capability program is underway that will greatly improve PWC's Asset Management processes.

An Executive Management Information and Communication Technology (ICT) Committee was established in late 2013 to lead IT governance across PWC. It ensures that a strategic direction is set for ICT in alignment with the Corporate Strategy and suitable governance and management of ICT investments. Key decisions already taken have addressed oversight of ICT investment decisions to reduce risks. The current focus is on preparing a new Corporate IT Strategy.

The Corporation IT function has managed the transition of several services and systems to Territory Generation and Jacana Energy as part of the Structural Reform Agenda. Some IT services have been transferred to the Department of Corporate and Information Services while others continue to be provided by PWC on shared services basis.

Power and Water marks renewable energy milestone

Hydro-electric power is being generated in the Northern Territory thanks to Power and Water's investment in diverse renewable energy sources.

A micro-hydro generator was commissioned at Manton Dam in February 2014 marking a milestone in the history of renewable energy in the Northern Territory.

The project uses an available, renewable resource that had previously not been utilised.

The micro-hydro generator is registered with the Clean Energy Regulator as an accredited renewable energy power station. It will be the first grid-connected hydro power station in the Northern Territory.

The generator will run 24/7 year round using the environmental flow discharged from the dam and will produce enough energy to power four average Darwin homes.

Charles Darwin University's Centre for Renewable Energy was involved in the very early stages of the project, exploring the feasibility of hydro-power at Manton Dam.

A future stage 2 of the project will aim to use the potential of wet season spill from the dam.

Interpretive signage is installed at the hydropower station explaining its operation to visitors to the site, which is located near the entrance gate to Manton Dam.

The micro-hydro generator is an example of Power and Water's commitment to exploring diverse renewable energy sources.

Power and Water's renewable energy portfolio now includes solar PV, landfill gas, wind and hydro power as well as solar hot water generation at a customer level.

Additional core business systems are being prepared for use by Territory Generation and Jacana Energy and the delivery of these is being managed by the PWC's IT function.

A number of key systems are in place in support of business improvement and efficiency including the Water Quality Management System and Living Water Smart initiatives. While engaged with a number of strategic long-term projects including Distribution Management System and Asset Management System, a strong focus upon improvements to core business processes has resulted in more frequent and reliable releases of improvements to business systems in support of continual improvement.

Water

Water for the future in the Top End

PWC is working to ensure continued reliable, quality water supplies into the future.

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

Even in a region with reliable wet season rainfall, managing water needs is a priority given increasing demand from development and population growth. Current annual demand in the Darwin region is approximately equivalent to the region's annual sustainable supply limit. Focus is on driving more efficient water use in the community to extend the life of existing water resources.

PWC is currently implementing a comprehensive demand management program, Living Water Smart, aiming to reduce water use in the Darwin region. The program includes works to minimise water loss from PWC's water supply infrastructure.

In parallel with efforts to better manage demand for water, PWC is investigating future water source options in the region including:

- The return to service of Manton Dam, and the potential augmentation of its storage.
- An in-stream dam built on the upper Adelaide River.
- A seasonally charged off-stream storage area adjacent to the Adelaide River in the Marrakai region.

PWC is undertaking a range of planning studies over the next two years to identify a preferred option. When complete, a comparative assessment and prioritisation of the options will be undertaken and a recommendation made to take forward through a formal environmental assessment and design process.

Living Water Smart

Residents in the Darwin region are among the highest water users in Australia. While many other large cities in Australia have reduced their water use in the last five years, the Darwin region has increased its water use. An average household in Darwin uses 454 000 litres of water per year. That's around 1 244 litres of water per household each day.

Living Water Smart program is a community focused, multi-objective, multi-purpose integrated program of practical initiatives that aims to save water and reduce water losses both within the supply infrastructure and with customers.

The non-residential water efficiency initiative of Living Water Smart was launched in October 2013 as part of National Water Week, and the residential water efficiency and rebates initiatives were launched in June 2014. The Living Water Smart program aims to save 10 000 million litres of water over the five years.

The program provides opportunities for businesses and residents to take part in free water efficiency consultations, receive rebates and develop water efficiency plans to identify leaks, employ practical methods to save water and save money, while still maintaining their lifestyle and fixed costs.

The remote communities of Ali Curung, Kintore and Yuelamu are receiving improved water quality through the commissioning of three advanced water treatment plants and an upgrade to the ultraviolet water disinfection system in Robinson River.

The supply and reliability of potable water has increased in Gunbalanya, Lajamanu and Hermannsburg with new bores and improved water storage infrastructure.

Sewerage

Rehabilitation of sewer lines

A program of works is underway to rehabilitate sewers that are in poor condition by relining the sewer. Rehabilitation of the sewer reduces the amount of stormwater entering the sewers as well as reducing the number of chokes and blockages and spills. Sewage treatment

Capacity upgrades are underway for the outfall sewer from Ludmilla Sewage Treatment Plant along East Point. These upgrades will allow a greater volume of sewage to be treated and discharged.

Sewerage services at Angurugu improved through the installation of a section of a full gravity sewer. A new prefabricated panel system innovation in sewerage pond construction has also seen Lajamanu receive improved sewage treatment services.

Environment

Environmental compliance

PWC submits a range of notifications on potential environmental incidents to the Northern Territory and Commonwealth governments as a measure of environmental compliance and commitment to pursuing industry best practice.

Environmental Management System

PWC remains committed to providing essential services at the highest standards of environmental management. The Corporation maintains a strong program of continual improvement, and is currently developing a restructured Environmental Management System (EMS) tailored to business requirements.

The EMS is to provide a structured approach to managing the environmental performance of the organisation. By providing a framework upon which PWC's approach to environmental management is based, the Environmental Management System will enable the processes and procedures for identifying, assessing, and minimising risk of environmental harm to be supported and maintained.

PWC's Health, Safety, Environment and Quality Policy can be viewed at powerwater.com.au

Environmental risk management

There is an inherent risk of environmental incidents in PWC's operational activities and considerable planning goes into minimising our impact on the environment.

A review of all environmental risk registers commenced in 2013-14. The review is due for completion in October 2014.

PWC also conducts capital works environmental risk assessments. Capital works projects with potential for significant environmental impact are referred to the NT Environment Protection Agency (NT EPA) for consideration under the *Environmental Assessment Act*. In conjunction with referral to the NT EPA, some projects may also require referral to the Commonwealth Government for assessment under the *Environment Protection and Biodiversity Conservation Act*.

Ilparpa Sewage Treatment Ponds

Ludmilla Wastewater Treatment Plant

In the 2013-14 year, PWC submitted the Maningrida Pond Upgrade project for consideration under the *NT Environmental Assessment Act* to the NT EPA in June 2014. The NT EPA confirmed that this project does not require further assessment. Environmental risks within the project will be managed through an Environmental Management Plan.

Incident reporting

PWC records all environmental incidents related to projects and operations. During 2013-14, the NT EPA was informed of 22 environmental incidents. One incident, associated with a wet season sewage overflow, required formal reporting under Section 14 of the *Waste Management and Pollution Control Act*. Reports made under Section 14 are published on the NT EPA website.

Investigation identified that stormwater ingress and a local area power outage during a storm event resulted in a discharge of effluent. PWC has subsequently continued its sewer network relining program to reduce water ingress, and reviewed and modified its sewage overflow response processes.

National Greenhouse and Energy Reporting

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

In 2012-13, PWC reported emissions of 1,038,579 t CO_2-e, consuming 21,161,153 GJ (gigajoule) of energy in the form of gas and diesel and producing 6,341,522 GJ of energy or 1,761,534 MWh of electricity for customers. Our four largest power plants (Channel Island Power Station, Weddell Power Station, Ron Goodin Power Station and Owen Springs Power Station), generated more than 90 per cent of our greenhouse gas emissions.

27 AUGUST 2013

Duplication of the East Point Rising Main

The closure of the Larrakeyah outfall has seen the diversion of sewage from Darwin's CBD and Larrakeyah to the recently upgraded Ludmilla Wastewater Treatment Plant.

The next stages of the project are duplicating the existing rising main that will transport flow from Ludmilla Wastewater Treatment Plant to the East Point Outfall and extending the outfall further out to sea, in order to take better advantage of strong currents and tidal movement.

Work has commenced to construct the 3.2km pipeline which will run from Ludmilla Wastewater Treatment Plant, behind the Waratah Oval and Lake Alexander.

The project is part of Power and Water Corporation's broader Darwin sewerage strategy to increase capacity for a growing population and lessen its impact on the environment.

Additional reporting was required in 2013-14 in relation to Carbon Tax liability. Based on emissions from Channel Island Power Station, Weddell Power Station, Ron Goodin Power Station plus the embodied emissions in the natural gas sold, PWC was liable and required to submit an Interim Emissions Number (IEN – estimate of 75 per cent of facility emission/production figures). The IEN is 664 107.

National Pollutant Inventory

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

PWC reports to the NPI annually. In 2012-13 PWC submitted data for 21 substances from 43 facilities. The report can be downloaded from www.npi.gov.au

Wastewater Discharge Licence compliance

PWC holds a number of Waste Discharge Licences (WDL) in accordance with the *Water Act*. WDLs allow for discharge of treated effluent from sewage treatment facilities and requires monitoring of effluent quality and the receiving environment.

PWC undertakes all monitoring and reporting required by the WDLs. The NT EPA undertook an audit of reporting requirements of some facilities and determined that while a small number of non-conformances were found, they were assessed as being of low environmental impact.

PWC continues to work closely with the NT EPA to identify and undertake the appropriate monitoring regimes.

Enforcement and Prosecutions

PWC is subject to a range of Northern Territory and Commonwealth environmental legislation. The principal of these is *The Waste Management and Pollution Control Act*.

The NT EPA took no enforcement actions or prosecution actions against PWC during the reporting period.

The principal Commonwealth environmental legislation is the *Environment Protection and Biodiversity Conservation Act (EPBC Act)*. Power and Water was subject to two compliance actions under the *EPBC Act* during the reporting period. The compliance action was related to breaches of approval conditions associated with the East Point Rising Main Duplication project. PWC was fined a total of $20 400 by the Commonwealth Department of Environment.

The Corporation has an increased commitment to sustainability in line with community attitudes and global scientific concern.

Renewable energy legislative compliance

From January 2011 the *Federal Government's Renewable Energy (Electricity) Act* introduced the Large Renewable Energy Target and the Small Renewable Energy Scheme to drive deployment of renewable energy technology. The legislation creates a market for Renewable Energy Certificates (RECs). PWC owns and operates renewable energy generators that are eligible to produce a locally generated source of RECs and generate additional revenue by selling the RECs to obligated parties under the scheme.

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

PWC met its 2013 obligation of 156 247 LGCs and 289 020 STCs totalling 445 267 RECs.

Rooftop PV

Eight hundred and thirty-five Northern Territory home owners installed rooftop photovoltaic (PV) systems and connected to PWC's grid in 2013-14; this equates to 4.5MW.

By June 2013, there were 950 rooftop PV systems connected in Central Australia and 1950 in the Top End. Many larger systems have been installed on commercial buildings and schools.

PWC now has more than 15MW of installed capacity of solar energy generated from domestic rooftop PV systems in the Top End.

PWC undertakes a range of sustainable energy projects to improve energy management and reduce greenhouse emissions for customers. Energy and water efficiency programs are also in place or being implemented in remote communities. Energy audits and demand management support services are also provided to major customers in urban areas.

PWC is undergoing a staged upgrading of its facilities to improve energy efficiency through the installation of low energy lighting and is also investigating alternative energy sources to feed into the power grid.

Future

New technologies

A change from the traditional electricity supply model is being driven by advancements in new energy related technologies. In particular, there is a significant uptake in customer installed generation and associated energy efficiency and demand response technologies. This trend is expected to continue. The Corporation views the emergence of new energy related technologies as an opportunity to reduce peak demand and provide demand response products and service offerings to customers.

Additional corporate reporting

Power and Water Corporation Statistical Summary As at 30 June	Units	2009	2010	2011	2012	2013	2014
Electricity							
Generation							
PWC Installed Capacity (based on Gross Maximum Capacity)	MW	472	473	453	545	559	592
Darwin Katherine Line – Maximum Installed Capacity	MW	376	377	355	433	466	479
Tennant Creek – Maximum Installed Capacity	MW	18	18	20	20	19	19
Alice Springs – Maximum Installed Capacity	MW	78	78	78	92	94	94
IPP Contracted Capacity (based on Site Rating)	MW	57	64	58	58	58	114
Electricity Generated	GWh	1,525	1,599	1,582	1,612	1,695	1,681
Electricity Sent Out (incl Purchases from Private Suppliers)	GWh	1,868	1,946	1,918	1,939	1,996	1,953
Purchases from Private Suppliers (Independent Power Purchases only)	GWh	385	376	371	366	341	346
Networks							
Transmission (33kV and above)							
132kV Overhead	km	344	344	343	351	351	350
66kV Overhead	km	314	302	332	363 *	375 *	370
66kV Underground	km	17	17	34	35	38	39
33kV Overhead	km	55	0	0	0	0	0
Distribution (22/11kV and below)							
HV Overhead	km	3,202	3,237	3,243	3,285	3,315	3,311
HV Underground	km	637	651	670	734	765	795
LV Overhead	km	1,758	1,782	1,801	1,820	1,804	1,836
LV Underground	km	1,781	1,873	1,936	2,120	2,179	2,200
Production	ML	60,707	58,870	52,269	56,994	58,412	55,455
Length of Mains	km	2,173	2,146	2,157	2,196	2,231	2,265
Sales	MWh	1,748,225	1,806,781	1,800,495	1,801,483	1,855,431 **	1,851,552
Customers (ie. Services)	No. of Installations	72,327	74,004	76,603	77,708	82,545	89,301

Power and Water Corporation Statistical Summary As at 30 June	Units	2009	2010	2011	2012	2013	2014
Water							
System Capability	ML/day	322	322	322	322	334	336
Production	ML	60,707	58,870	52,269	56,994	58,412	55,455
Length of Mains	km	2,173	2,146	2,157	2,196	2,231	2,265
Sales	ML	53,291	49,083	43,593	48,203	48,467	48,384
Customers (ie. Services)	No. of Meters	42,219	42,670	43,733	44,514	44,669	46,476
Wastewater							
Total Sewerage Collected	ML	19,549	22,131	26,375	21,474	19,884	22,617
Length of Sewer Mains	km	1,083	1,075	1,094	1,125	1,126	1,157
Total Recycled Water Supplied	ML	1,854	1,233	737	1,083	1,854	1,150
Customers (ie. Services)	No. of Installations	53,661	50,800	51,829	51,831	53,407	50,024
Staff							
Male		677	697	736	778	778	751
Female		242	266	297	311	313	298
Total personnel		**919**	**963**	**1,033**	**1,089**	**1,091**	**1,049**

* The 1 January 2013 tariff increase and subsequent tariff roll back required three months of customers' consumption to be reversed and rebilled at the lower rate. Rebilling was still occuring post 30 June 2013, resulting in a requirement to estimate the 2012-13 electricity sales included in the 2012-13 Annual Report. This work has now been completed and the actual consumption billed for this period has been calculated. Actual 2012-13 electricity sales were lower than the estimate published in the 2012-13 Annual Report, and have therefore been restated.

** 2011-12 and 2012-13 66kV line lengths have been restated to remove lines that have been built but not yet commissioned at the time of publication.

Indigenous Essential Services							
Statistical Summary							
As at 30 June	Units	2009	2010	2011	2012	2013	2014
Electricity							
Generation							
Installed Capacity (including renewable energy sources)	MW	59.6	69.5	71.3	73.9	78.3	83.8
- Installed Capacity (renewable energy only, PWC and IPP)	MW	0.8	0.8	0.8	0.8	1.5	1.2
Electricity Generated (including renewable energy sources)	GWh	106.2	111.8	103.2	108.0	115.4	112.4
- Electricity Generated (renewable energy only, PWC and IPP)	GWh	0.8	0.7	0.3	0.2	0.6	1.2
Electricity Sent Out (including Renewable Energy, Purchases from PWC and Purchases from Private Suppliers)	GWh	123.1	129.1	118.8	124.7	133.8	129.5
- Purchases from PWC (electricity purchased from PWC electricity grids & sent out to IES communities)	GWh	11.0	12.0	9.4	10.1	11.7	11.2
- Purchases from Private Suppliers	GWh	8.0	7.6	8.2	8.7	8.9	8.2
Distribution (22/11 kV & Below)							
HV Overhead	km	473	513	579	579	876	909
HV Underground	km	5.4	5.4	7.1	7.1	7.7	7.8
LV Overhead	km	278	278	325	325	319	322
LV Underground	km	2.7	2.7	2.8	2.8	2.2	2.6
SWER All Voltages	km	87	87	87	87	121	121
Sales	MWh	104,501	112,030	112,726	119,540	119,250	121,772
Customers (ie. Services)	No. of Installations	7,540	8,116	8,478	8,507	9,179	10,464
Water							
Total Sourced Water	ML	9,848	9,792	9,002	9,680	10,306	10,433
Length of Mains	km	652	654	654	654	623	650
Customers (ie. Services)	No. of Meters	1,341	2,175	2,213	2,549	2,563	2,565
Wastewater							
Volume of Sewage Treated	ML	3,940	3,917	3,601	2,897	3,337	3,429
Length of Sewer Mains	km	305	307	303	303	334	335
Volume of Effluent Reused	ML	-	-	-	-	-	-
Customers (ie. Services)	No. of Installations	1,122	1,467	1,793	1,834	2,292	2,398

Darwin Zone Substation

Outlook for 2014-15

PWC's high level focus areas for 2014-15 include:

- improving financial sustainability by managing expenditure growth, ensuring debt is at a sustainable and prudent level, improving business efficiency, improving asset management practices and enhancing revenue recovery
- developing initiatives to reduce consumption and peak demand to defer capital investment in electricity, water and sewerage infrastructure, where the cost of supply over the life of the asset exceeds revenue recovered
- supporting the Northern Territory Government to achieve its electricity market reform agenda including working with Government to inform the development of the new regulatory framework that is consistent with good industry practice and is appropriate for the Northern Territory context
- supporting the Northern Territory Government to achieve its goals under the Framing the Future strategic plan where they relate to PWC

During 2014-15, PWC will implement the strategies and projects outlined in this Annual Report and the 2014-15 Statement of Corporate Intent to deliver positive outcomes for commercial sustainability, our people, customers and stakeholders, as well as our operational, safety and environmental performance.

Power Networks

Construction of the new Darwin Zone Substation, replacing City Zone Substation, is progressing and is expected to be completed in 2014. Commissioning will progress through to early 2015.

Frances Bay Zone Substation is in the second stage of development with commissioning expected to progress through to late 2014.

Construction of the Leanyer Zone Substation is progressing along with the associated 66kV overhead lines. Commissioning is expected in 2015-16.

Construction has commenced on the new Strangways Zone Substation, which will replace the ageing McMinns Zone Substation. It will increase the security and reliability of supply in the Darwin rural areas and is due to be completed in 2015-16.

Work has commenced on upgrading the Tennant Creek switchyard with completion expected in mid-2015.

The significant investment in upgrading and augmenting the electricity network aims to improve the safety and reliability of electricity services.

Water Services

As Darwin continues to grow, securing an ongoing water supply takes high priority. One of Darwin's water sources, the Howard East Borefield, is being refurbished to better meet demand.

Construction of a new elevated water tank in the fast-growing Palmerston east area will commence in late 2014. This four mega-litre tank will provide supply to the suburbs of Zuccoli, Johnston, Bellamack and Palmerston South, as well as provide interim supply to areas of Howard

Leanyer Zone Substation

Springs. This will ensure PWC's service standards are maintained to existing customers while allowing increased development in the area.

To improve the aesthetic quality of water in the Adelaide River township, a new Australian first biological water treatment process is being introduced.

The Tennant Creek drinking water supply is being upgraded through the construction of a continuous chlorination plant, which should be commissioned late in 2014.

The Katherine Water Treatment Plant will have a safe dosing facility installed to reduce manual handling risks and improve dosing efficiency.

Sewerage Services

To service the growth in the East Arm and Berrimah areas, new sewer and waste stabilisation ponds will be established for the East Arm Wastewater Treatment Plant.

Remote Operations

A new gas-fired power station is under construction in Wadeye that will reduce the cost of supplying power and allow greater capacity for growth in the community. The power station is anticipated to be commissioned in August/September 2015.

Upgrades to sewage pump stations are planned in Galiwinku, which will increase sewage pumping capacity, reduce sewer overflows and allow for adequate sewage treatment as the community grows.

The elevated water tank in Yirrkala will be upgraded. The tank, which supplies the town water, has reached the end of its life and this investment will ensure the reliable supply of water for the town into the future.

Retail

In 2014-15, the Retail business will support some Jacana Energy operations under temporary service agreements. This will ensure a smooth transition for customers without disruption to services.

Retail will also continue to sell electricity to remote Indigenous communities, and water and sewerage services throughout the Northern Territory.

The Corporation is committed to providing appropriate and timely information to customers through its website, call centre and retail shopfronts including provision of a range of payment options.

Gas Supply

The Gas Supply Unit (GSU) will continue to endeavour to sell PWC's surplus gas entitlements to new gas customers in the Northern Territory market.

While conventional haulage of natural gas occurs via transmission pipelines, PWC also has in place virtual haulage systems where gas in the form of compressed natural gas (CNG) is transported by road from a production site to Yulara Power Station some 450 kilometres away. Liquid natural Gas (LNG) can also benefit from the virtual haulage model and investigations to use gas transformed in this way, to reach small communities currently reliant on liquid fuel for power generation, will be accelerated.

GSU's equally important function is to oversee the installation of new gas pipeline infrastructure. Currently and over the next 12 months it is involved in the design and construction of the INPEX lateral pipeline, (enabling supply of commissioning gas to INPEX and receipt of emergency gas post start-up of the INPEX LG facilities), Wadeye gas delivery system (gas supply to Wadeye Power Station) and modifications to PWC' s McArthur River gas pipeline.

The GSU also administers the 16 gas supply and transportation agreements on a day to day basis that ensures energy is distributed from the source (gas field) to point of consumption.

Shared Services

In 2014-15, Shared Services will continue to focus on driving improvements in business performance and implementing initiatives that support operational business units deliver essential services. Key initiatives include finalising the structural separation program, developing professional relationships with stakeholders including new electricity retailers and generators as well as supporting the Northern Territory Government with its electricity market reform program and strategic planning initiatives.

These initiatives include: delivering the asset management capability program; implementing the refreshed safety management and environmental management systems; implementing the new Corporate IT strategy; preparing for the new staff enterprise agreement; developing a cost effective training strategy for the Corporation; and implementing Workforce and Succession Plans.


Circuit breaker replacement works

Financial statements

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No. Notes to the financial statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

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 entity, for the year ended 30 June 2014 and the Auditor's report thereon.

Directors

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

Name	Experience and Special Responsibilities
Mr Ken Clarke (Chairperson) BCom(Hons), Grad Dip (Mgt - Stanford USA)	Mr Clarke has had an extensive career in public administration, with particular experience in public finance and governance. A former Under Treasurer in the Northern Territory Government, he also has experience working in Canberra as well as in the United Kingdom and Papua New Guinea. He has had various Board appointments, including the NT Power and Water Authority, In Motion Technologies Pty Ltd, Northern Territory University and the Northern Territory Mango Industry Association. He works as a consultant and has Board and executive roles in a company developing software and content for the education industry in Australia and overseas. He has been a Director of Energex Limited since July 2012 and serves as a member of their Technical, Regulatory and Remuneration Committees. Mr Clarke joined the Power and Water Corporation Board in December 2013.
Mr George Roussos LLB, BEcon, MBA	Mr Roussos is a legal advisor to businesses in a number of industries on a range of issues which combine legal, strategic and commercial. Mr Roussos has degrees in law, economics and business administration. He is a Vincent Fairfax Fellow and has completed the Harvard Law School Negotiation Workshop and Advanced Negotiation Workshop. Mr Roussos has served on many committees and business associations, including as President of the Northern Territory Chamber of Commerce. In 2014, Mr Roussos was partner in a project team that carried out a major review of the Northern Territory Workers Compensation Scheme. Mr Roussos joined the Power and Water Corporation Board in December 2013.
Mr Richard Griffiths	Mr Griffiths arrived in Darwin in 1959 with RAAF working in Darwin and Tindal. From 1965 to 1967, he worked as a Disposals officer for the Department of Transport and Works, after which he worked as a life insurance agent for MLC until 1974. In 1975, Mr Griffiths opened the Bradlaw Agencies which manages national franchises such as Sony, Westinghouse, Simpson, Chef, Dishlex, AEG & Kelvinator. His primary customers are The Good Guys, Harvey Norman, Oasis and Murray Oakley. Mr Griffiths is still the CEO of the company and runs the business along with his four children. He is a patron of the Chung Wah Society and a life member of the Warratah Football Club. Mr Griffiths was also a past president of the Carbine Club. He joined the Power and Water Corporation Board in January 2014.
Ms Helen Stanton BE GAICD	Ms Stanton brings strategy, risk and governance expertise to the Corporation's board through a career spanning operational, leadership and commissioning roles in the mining industry, and more recently as a consultant supporting organisations to formulate strategies for bottom line improvement and the execution of their plan to ensure results are sustainable. Ms Stanton is a Non-Executive Director of Ergon Energy. She chairs Ergon Energy's Operational Risk Committee and is a member of Ergon Energy's Regulatory Committee. Ms Stanton is also a non-executive director of Townsville Mackay Medicare Local, Mater Health Services North Queensland and Townsville Enterprise and is a member of the Townsville Regional Committee for the Australian Institute of Company Directors. Ms Stanton joined the Power and Water Corporation Board in April 2014 and chairs the Audit and Risk Committee.
Emeritus Prof MaryAnn Bin-Sallik EdD (Harvard), Assoc. Dip. SW (SAIT) RSN, JP	Emeritus Prof Bin-Sallik was the Dean of Indigenous Research at Charles Darwin University until she retired in 2008. She was also the Dean of the College of Indigenous Education and research at University of South Australia prior to returning to Darwin in 2001. She has both her masters degree and doctorate in education from Harvard University. She graduated from general nursing at the Darwin Hospital and spent 17 years in the nursing profession in the N.T. before moving into higher education. She has served on a number of national committees and councils. An active researcher her book, Aboriginal Women by Degrees, was published by UQP in 2000 and records the journeys of 13 Indigenous women on their road to achievement. Prof Bin-Sallik joined the Power and Water Corporation Board in April 2014.

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

DIRECTORS' REPORT

Mr Mervyn Davies BEng(Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)	Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has previously held senior management positions at Energy Australia (now Ausgrid), Australia's largest electricity distribution company. Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in the engineering and economics of the electricity distribution industry. He currently holds directorships in electricity distribution businesses in Western Australia, Queensland and Tasmania. He holds honours and masters degrees in engineering and a Bachelor of Commerce (economics). Mr Davies left the Power and Water Corporation Board in March 2013 and rejoined in April 2014.
Mr David De Silva LLB	Mr De Silva received his Bachelor of Law Degree from the University of Adelaide in 1987. He completed an Associateship with Justice Millhouse in the Supreme Court of South Australia in 1989, completed his Articles of Clerkship with Poveys and then worked as a litigation lawyer with Cridlands in Darwin. Since 1993, Mr De Silva has been a partner of De Silva Hebron, a legal firm which has now been in business in Darwin for 20 years. He serves on the Boards of Territory Generation, the Darwin Performing Arts Centre (Chairman), Tennis NT, Crimestoppers (NT), Territory Equities Pty Ltd and on the Committee of the Carbine Club NT (Vice President). He is a former Board member of AFLNT, GTNT, the NTFL and Saint Mary's Football Club where he is a life member. Mr De Silva is the Tribunal Commissioner for the Darwin Football League, a Tribunal member of the Darwin Hockey Association and the Honorary Solicitor for Basketball NT. He also volunteers and is a member of several community organisations and clubs. Mr De Silva joined the Power and Water Corporation Board in December 2013 and resigned in May 2014 in order to join the Board of Territory Generation.
Mr Michael Burgess BEng, FIE(Aust)	Mr Burgess has over 30 years' experience working in the Territory and has expertise across water and electricity supply, wastewater and sustainable natural resource management. Living and working in Darwin, Katherine and Alice Springs, Mr Burgess has been involved in the development of major infrastructure projects and strategies to improve essential services in urban and remote areas of the Northern Territory. In recent years, he served as the Chief Executive of the Department of Chief Minister, the Department of Local Government, Housing and Sport, the Department of Business Economic and Regional Development and the Department of Business Industry and Resource Development. He has also served on the boards of various NT authorities and research institutions, including the Darwin Waterfront Corporation, the Tropical Savannas Cooperative Research Centre (CRC), the Darwin Port Corporation, the NT Land Development Corporation, the Major Events Company, the Conservation Land Corporation and the Tourism NT Advisory Board. Mr Burgess joined the Power and Water Corporation Board in March 2013 and resigned in December 2013.
Mrs Jennifer Prince	Mrs Prince commenced with the Department of Health in 1979 where she worked in health policy and hospital management. She transferred to Treasury in 1985 and was responsible for intergovernmental finance and budget policy. In 1997 she was appointed as Deputy Under Treasurer and was the Territory's Under Treasurer from 2002 until 2012. In this role, Mrs Prince was the prime advisor to the Northern Territory Government on financial, economic, and intergovernmental financial issues as well as economic regulatory matters. She joined the Power and Water Corporation Board in March 2013 and resigned in December 2013.
Mr Alastair Shields CPA, BBus(Acctg), LLB, EMPA	Mr Shields has over 30 years of public sector experience across the Territory, contributing to commercial negotiations for the development of major Territory projects such as the AustralAsia Railway, Darwin City Waterfront and the Marine Supply Base. Mr Shields has been the Deputy Chief Executive at the Department of Attorney-General and Justice since 2011. He joined the Power and Water Corporation Board in March 2013 and resigned in April 2014.
Mr Scott Perkins MBA, GAICD	Mr Perkins spent 12 years in the agricultural and mining sectors prior to being appointed as Chief Executive of the NT Department of Mines and Energy in February 2013. His career in managing organisations includes a long period as an Army Officer and General Manager of a Correctional Centre. Mr Perkins also has management and board level experience in the corporate sector. He joined the Power and Water Corporation Board in August 2013 and resigned in January 2014.

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

DIRECTORS' REPORT

Mr Gary Barnes	Mr Barnes has extensive public sector experience in Queensland and the Northern Territory. After four years as the Chief Executive of the Northern Territory Department of Education and Children's Services, he was appointed as Chief Executive of the Department of Chief Minister. Mr Barnes joined the Power and Water Corporation Board in March 2013 and resigned in July 2013.
Mr John Baskerville	Mr Baskerville joined Power and Water Corporation as Managing Director in March 2013. He has extensive operational and technical experience relevant to the Corporation. After managing the Ben Hammond workshops for the NT Electricity Commission, he led the establishment of the Power and Water Authority (PAWA) in Alice Springs in 1984. During his 25 years in Central Australia, he served 22 years as the Chief Minister's regional Executive Director. This role required leadership across several key agencies including PAWA, the Department of Transport and Works and the Department of Chief Minister with a strategic focus on the regions. More recently, Mr Baskerville played a pivotal role in the 'Alice in 10' initiative, which led to the development of the Alice Springs Convention Centre and Desert Knowledge Australia.

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

DIRECTORS' REPORT

Review of Operations

Summarised financial information

	Consolidated	
	June 2014 $ Million	**June 2013 $ Million**
Total revenue	896.6	789.6
Impairment write-back	327.3	-
Total expenses	(655.0)	(584.0)
EBITDA	568.8	205.6
Depreciation and amortisation	(107.1)	(95.2)
Interest expense	(70.7)	(69.4)
Net profit/(loss) before income tax	391.0	41.0
Income tax (expense)/benefit	(110.3)	(11.1)
Net profit/(loss) after income tax	**280.7**	**29.9**
Impairment write-back	327.3	-
Tax effect of impairment adjustments	(98.2)	-
Underlying net profit/(loss) after income tax	**51.6**	**29.9**
Total assets	2,656.6	2,409.3
Total liabilities	1,793.5	1,813.9
Total equity	**863.1**	**595.4**

The significant improvement in the 2013-14 outcome was mainly due to the effect of reversing asset impairment adjustments of prior years relating to Generation, Power Networks and Water Services totalling $371.2 million. This reversal was due to conditions changing from when they were initially applied in 2009-10 and 2010-11. The impairment reversal of $371.2 million is then netted off with the catch-up depreciation of $43.9 million on the previously impaired assets providing an impairment write-back of $327.3 million. The impairment reversal is a non-cash accounting entry resulting from the application of Australian Accounting Standard AASB 136 'Impairment of Assets'. See note 28 for further detail.

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

DIRECTORS' REPORT

Principal Activities

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

Changes in the State of Affairs

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

Review of Operations

The Corporation continued its capital investment program and its commitment to improve standards and reliability during 2013-14.

The consolidated entity's result at the end of June 2014 is a net profit before tax of $391 million, compared to a net profit before tax of $41 million for the prior year. The improvement in performance in 2013-14 is mainly driven by non-cash accounting entries relating to reversing prior years' asset impairment adjustments which is explained below. The underlying position when excluding these non-cash accounting entries in 2013-14 is a net profit before tax of $63.7 million.

During 2013-14 the Corporation continued to undertake a significant capital works program (as outlined below in 'Capital Expenditure') resulting in improved reliability of service and infrastructure augmentation to meet the growing demands of the Northern Territory.

Continued enhancements of the asset management system are still being delivered as the system enables the Corporation to further drive improved planning, scheduling and monitoring of asset maintenance and construction.

On 17 July 2014, the carbon tax was repealed under the Clean Energy Legislation (Carbon Tax Repeal) Bill 2014, and made retrospective from 1 July 2014. As such Power and Water Corporation will pay its final instalment for the 2013-14 financial year in February 2015.

The following paragraphs discuss the full year result in more detail.

Revenue

Overall, consolidated total revenue (exclusive of the 2013-14 impairment reversal) increased from $789.6 million to $896.6 million, an increase of $107.0 million.

The Corporation's electricity sales improved by $44.7 million resulting from a 2 percent increase in kilowatts sold to customers and a 5 per cent tariff increase from 1 January 2014. Additional revenue was also received from contestable and franchise customers due to the pass through of the carbon tax charge.

Water sales for the Corporation increased $12.6 million as a result of tariff increases from 1 January 2014 of 5 per cent. There was minimal decrease in consumption compared to the prior year.

The Corporation's sewerage revenue increased $7.3 million as a result of tariff increases from 1 January 2014 of 5 per cent.

Other income, excluding the impairment reversal, increased by $12.9 million compared to prior year which included the Casuarina Zone sub-station insurance settlement revenue of $10.5 million.

Grant revenue, primarily capital grants, received by Indigenous Essential Services Pty Limited increased $11 million compared to the prior year as this reflects the timing of expenditure incurred. Developer and capital contributions increased $8 million; and community service obligations increased by $3.9 million compared to the prior year.

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

DIRECTORS' REPORT

Expenses

Overall consolidated expenditure, excluding tax, increased by $84.2 million to a total of $832.8 million from $748.6 million.

Energy and materials expense for the Corporation increased by $11.6 million primarily due to the nine day Blacktip shutdown of $5.3 million; lower energy efficiencies of $5.6 million; and energy purchased for resale increased by $1.1 million as a result of increasing solar panel usage by consumers.

Other expenses are $62.1 million higher than the prior year predominately due to asset write down movement (non-cash accounting entry) of $72 million due to the asset verification alignment project undertaken by the Corporation in the 2013-14 financial year offset by lower miscellaneous expenditure of $10 million between the years.

The increase in the consolidated depreciation and amortisation expenses of $11.9 million from $95.2 million to $107.1 million reflects completion of infrastructure projects over the last 12 months.

Capital Expenditure

Capital expenditure (excluding capitalised borrowing costs) was $156.6 million for the year to 30 June 2014. Major project spending in 2013-14 included:

Darwin - Replace City 66/11kV Zone Substation $23.3 million; Leanyer Zone Substation & 66kV Line $8 million; Frances Bay Zone Substation Second Transformer & 66kV Line $5.4 million; Darwin - Replace Strangways Zone Substation $3.7 million; Weddell Power Station Set 3 $3.6 million; Woolner Zone Substation Upgrade $3.4 million; Alice Springs Water Smart - Reuse Water Balance Tank & Treatment $3.3 million; Upgrade Of Palmerston Zone Substation And Feeder To Inpex Accommodation Village $3.2 million; Channel Island Power Station Balance Of Plant Life Extension $3 million; and Katherine Power Station - Life Extension Mars Auxiliaries $2.8 million.

Cash Position

The consolidated entity's cash balance at the end of June 2014 was $93.8 million. This balance includes $27.9 million held by the Corporation's wholly owned subsidiary, Indigenous Essential Services Pty Limited being funding received in advance for capital programs.

The Corporation borrowed $60 million to assist with funding operational and capital expenditure.

Impairment reversal

The significant improvement in the 2013-14 outcome was mainly due to the effect of reversing asset impairment adjustments of prior years relating to Generation, Power Networks and Water Services totalling $371.2 million. This reversal was due to conditions changing from when they were initially applied in 2009-10 and 2010-11. The impairment reversal of $371.2 million is then netted off with the catch-up depreciation of $43.9 million on the previously impaired assets providing an impairment write-back of $327.3 million. The impairment reversal is a non-cash accounting entry resulting from the application of Australian Accounting Standard AASB 136 'Impairment of Assets'. See note 28 for further detail.

Dividends

Subsequent to reporting date the directors have confirmed the declared dividend of $12.9 million as appropriate. No dividends have been paid in the prior year or during the current financial year.

Economic dependency and going concern

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

While the Corporation's financial sustainability has improved, it remains exposed to considerable downside risks and therefore must be active in its ability to generate sufficient revenue to cover costs, unanticipated environmental obligations and escalating costs of delivering a capital program.

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

Directors' Declaration

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

(a) the financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act 2001* , including:

(i) giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2014 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia; and

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

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2(a) to the financial statements.

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

Dated at Darwin this 29th day of September 2014.

Mr Ken Clarke
Director and Chairman

Mr John Baskerville
Managing Director

Auditor-General

Independent Auditor's Report to the Board of Directors

Power and Water Corporation

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I have audited the accompanying financial report of Power and Water Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2014, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor-General
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Opinion

In my opinion:

a) the financial report gives a true and fair view of the financial position of the Corporation and consolidated entity, as at 30 June 2014, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the *Government Owned Corporations Act*; and

b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

29 September 2014

Statement of Profit and Loss and Other Comprehensive Income

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014	June 2013	June 2014	June 2013
	Note	$'000	$'000	$'000	$'000
Continuing Operations					
Revenue from sale of goods	3 (a)	589,028	528,717	554,528	495,494
Revenue from rendering of services	3 (a)	152,680	128,742	64,969	57,389
Finance revenue	3 (a)	2,568	3,104	1,859	1,854
Other income	3 (b)	479,589	129,008	478,487	128,279
Inter-Group sales		-	-	15,382	9,612
Total revenue and income		**1,223,865**	**789,571**	**1,115,225**	**692,628**
Energy and materials		(295,385)	(283,823)	(256,153)	(246,241)
Repairs and maintenance expense	3 (f)	(92,969)	(94,577)	(75,325)	(79,527)
Employee benefits expense	3 (e)	(103,253)	(100,297)	(91,384)	(89,881)
External service agreements		(30,789)	(34,751)	(19,747)	(23,350)
Other expenses	3 (g)	(132,652)	(70,567)	(110,402)	(63,603)
Depreciation and amortisation expenses	3 (d)	(107,132)	(95,167)	(94,515)	(79,643)
Finance costs	3 (c)	(70,683)	(69,388)	(70,631)	(69,382)
Profit/(loss) before tax		**391,002**	**41,001**	**397,068**	**41,001**
Income tax equivalent benefit/(expense)	4 (a)	(110,337)	(11,133)	(110,337)	(11,133)
Profit/(loss) for the year from continuing operations		280,665	29,868	286,731	29,868
Profit/(loss) for the year		**280,665**	**29,868**	**286,731**	**29,868**
Other comprehensive income					
Other comprehensive income for the year (net of tax)		-	-	-	-
Total comprehensive income for the year		**280,665**	**29,868**	**286,731**	**29,868**
Profit/(loss) attributable to the equity holder of the parent		280,665	29,868	286,731	29,868
Comprehensive income attributable to the equity holder of the parent		280,665	29,868	286,731	29,868

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

Statement of Changes in Equity

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014	June 2013	June 2014	June 2013
	Note	$'000	$'000	$'000	$'000
CONTRIBUTED EQUITY					
Balance at beginning of year		152,582	152,582	152,582	152,582
Equity contributions from the Northern Territory Government		-	-	-	-
Balance at end of year	18	152,582	152,582	152,582	152,582
RETAINED EARNINGS					
Balance at beginning of year		442,774	412,906	442,739	412,871
Net profit/(loss) for year		280,665	29,868	286,731	29,868
Dividend declared during year		(12,939)	-	(12,939)	-
Deferred income tax (expense)/benefit recognised directly in equity					
Overstatement of income tax relating to prior year		-	-	-	-
Balance at end of year	19	710,500	442,774	716,531	442,739
TOTAL EQUITY		**863,082**	**595,356**	**869,113**	**595,321**
Total equity attributable to owners of the parent		**863,082**	**595,356**	**869,113**	**595,321**

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

Statement of Financial Position

Power and Water Corporation and its Controlled Entities as at 30 June 2014

		Consolidated		Corporation	
		June 2014	June 2013	June 2014	June 2013
	Note	$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash and cash equivalents	6 (a)	93,825	65,715	65,917	14,780
Trade and other receivables	7	108,212	142,284	117,230	152,399
Prepayments		2,795	2,363	2,763	2,333
Intangible assets	12 (a), (b)	1,455	4,057	1,455	4,057
Inventories	8	45,331	40,077	37,961	33,048
Total current assets		**251,618**	**254,496**	**225,326**	**206,617**
NON-CURRENT ASSETS					
Trade and other receivables	7	7	10	7	10
Investments	9	3	3	3	3
Investment in subsidiaries	10	-	-	0	0
Property, plant and equipment	11	2,326,504	1,954,897	2,050,133	1,684,884
Intangible assets	12 (a), (b)	58,085	58,585	58,057	58,539
Deferred tax assets	4 (b)	20,366	141,301	20,366	141,301
Total non-current assets		**2,404,964**	**2,154,796**	**2,128,567**	**1,884,737**
Total assets		**2,656,582**	**2,409,292**	**2,353,892**	**2,091,354**
CURRENT LIABILITIES					
Trade and other payables	13	84,441	113,202	72,260	100,492
Borrowings	14	22,359	44,190	22,359	44,190
Current tax liabilities	4 (c)	7,480	-	7,480	-
Provisions	5, 16	62,311	51,173	62,311	51,173
Government grants	17	21,160	23,189	83	119
Finance lease liabilities	15	807	714	14	-
Total current liabilities		**198,558**	**232,468**	**164,507**	**195,974**
NON-CURRENT LIABILITIES					
Borrowings	14	1,314,346	1,276,705	1,314,346	1,276,705
Deferred tax liabilities	4 (b)	100	18,178	100	18,178
Provisions	16	5,589	5,176	5,589	5,176
Government grants	17	267,929	274,089	-	-
Finance lease liabilities	15	6,978	7,320	237	-
Total non-current liabilities		**1,594,942**	**1,581,468**	**1,320,272**	**1,300,059**
Total liabilities		**1,793,500**	**1,813,936**	**1,484,779**	**1,496,033**
Net assets		**863,082**	**595,356**	**869,113**	**595,321**
EQUITY					
Contributed equity	18	152,582	152,582	152,582	152,582
Retained earnings	5,19	710,500	442,774	716,531	442,739
Total equity		**863,082**	**595,356**	**869,113**	**595,321**

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

Statement of Cash Flows

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
	Note	June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		753,588	636,888	715,693	592,624
Payments to suppliers and employees		(665,618)	(652,144)	(562,908)	(563,435)
Income tax paid	4 (c)	-	-	-	-
Community Service Obligations received		81,700	77,763	81,700	77,763
Receipt of Government grants		78,986	85,916	(36)	(36)
Interest received		2,497	3,346	1,757	2,016
Interest paid		(70,616)	(69,410)	(70,564)	(69,404)
Net cash generated by operating activities	6 (b)	**180,537**	**82,359**	**165,642**	**39,528**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		250	293	249	267
Payments for property, plant and equipment and intangibles		(167,825)	(287,897)	(130,534)	(241,981)
Net cash used in investing activities		**(167,575)**	**(287,604)**	**(130,285)**	**(241,714)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(44,852)	(3,307)	(44,220)	(2,034)
Proceeds from borrowings		60,000	125,000	60,000	125,000
Dividends paid	5	-	-	-	-
Net cash provided by financing activities		**15,148**	**121,693**	**15,780**	**122,966**
Net increase/(decrease) in cash and cash equivalents		**28,110**	**(83,552)**	**51,137**	**(79,220)**
Cash and cash equivalents at beginning of year		**65,715**	**149,267**	**14,780**	**94,000**
Cash and cash equivalents at end of year	6 (a)	**93,825**	**65,715**	**65,917**	**14,780**

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

1 Corporate information

Power and Water Corporation (the Corporation) is a corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2014 comprises the Corporation and its controlled entity, Indigneous Essential Services Pty Ltd.

The financial report was authorised for issue by the directors on 29 September 2014.

The Corporation is a Government Owned Corporation and for-profit entity.

2 Statement of significant accounting policies

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

(a) Statement of compliance

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

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

Adoption of new and revised Accounting Standards

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

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

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

Standard or Interpretation	***Nature of Change to Accounting Policy***
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. There are no material changes to the consolidated entity as a result of this standard.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly controlled entity – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The initial and subsequent accounting for joint ventures and joint operations is different to the superseded standard. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises its assets, liabilities (including its share of any assets or liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. The consolidated entity has no material joint arrangements and therefore the new standard does not have a material effect at this time.
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. As the consolidated entity has no material interests in other entities, there is no material effect by this new standard at this time.
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the consolidated entity are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	This standard amends AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013- 9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)	This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

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

Standards and Interpretations issued not yet effective

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

Standard or Interpretation	***Effective annual reporting periods beginning on or after***	***Expected to be initially applied in the financial year ending***
AASB 1031 'Materiality'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018

(b) Basis of preparation

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

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

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

(c) Basis of consolidation

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

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

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

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

The controlled entity is fully consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

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

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

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

Critical accounting judgements

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

Qualifying assets

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

Key sources of estimation uncertainty

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

Impairment write-back

An entity must assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity must estimate the recoverable amount of that asset. The recoverable amount of an asset is the higher of fair value less cost to sell and the value in use of an asset. If required, the value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Details of the impairment reversal calculated can be found in note 28.

Impairment write-off

Determining whether an asset is impaired requires analysis of internal and external indicators. If such indication exists, the asset's carrying amount is tested against the asset's recoverable amount. The recoverable amount of an asset is the higher of fair value less cost to sell and the value in use of an asset. If required, the value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value.

Unbilled revenue

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

(e) Revenue recognition

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

Sale of goods

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

Rendering of sewerage services

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

Community service obligation revenue

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

Government grants

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

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

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

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

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

Investment revenue

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

Interest revenue

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

Contribution of assets

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

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

(f) Goods and services tax

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

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

(g) Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

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

(h) Income tax equivalents

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

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

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

Current and deferred tax for the period

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

(j) Financial assets

Investments

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

Loans and receivables

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

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

Effective interest method

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

(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 represents the amounts expected to be realised from the use of the inventory.

(l) Leased assets

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

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

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

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

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

(m) Property, plant & equipment

Acquisition of assets

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

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

Depreciation and amortisation

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

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

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

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

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

	June 2014	**June 2013**
Plant and equipment	1-100 years	1-100 years
Buildings	3-93 years	3-93 years

Depreciation and amortisation for assets related to finance leases have been calculated based on the estimated useful lives used for each class of asset (being the shorter of the lease term and their useful lives) as follows:

Building, plant and equipment situated on finance leased land	**June 2014**	**June 2013**
Plant and equipment	8 to 40 years	8 to 40 years
Buildings	1 to 40 years	1 to 40 years
Finance Leases	12 to 40 years	12 to 40 years

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

Impairment of assets

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

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use.

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

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

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see description of revaluations of property, plant and equipment above.)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see description of revaluations of property, plant and equipment above.)

Derecognition and disposal

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

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

(n) Intangible assets

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

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

	June 2014	**June 2013**
Purchased Software	1-21 years	1-21 years
Make-up gas	22 years	23 years
Renewable Energy Certificates	indefinite	indefinite

Purchased software

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

Make-up gas

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

Renewable Energy Certificates

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

Derecognition and disposal

An intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

(o) Financial liabilities

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

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

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

Interest-bearing borrowings

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

(p) Employee benefits

Short-term employee benefits

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

Wages and Salaries

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

Annual Leave

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

Long-term employee benefits

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. Any actuarial gains or losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income.

Superannuation plans

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

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

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

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

Termination benefits

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

(q) Provisions

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

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

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

(r) Dividends

A provision for dividends payable is recognised in the reporting period to which it relates. The Northern Territory Government's dividend policy requires the Corporation to provide for a dividend payable, generally at a rate of 50% of net profit after income tax less the effect of any recoverable amounts test impairment write-downs/write-backs. See note 5 for further information.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	**June 2013 $'000**	**June 2014 $'000**	**June 2013 $'000**
3	**Revenue and expenses**				
	Revenue and expenses from continuing operations				
(a)	**Revenue**				
	Sale of goods	589,028	528,717	554,528	495,494
	Rendering of services	152,680	128,742	64,969	57,389
	Finance revenue	2,568	3,104	1,859	1,854
		744,276	**660,563**	**621,356**	**554,737**
	Breakdown of rendering services:				
	IES capital government grants	27,569	14,323	-	-
	IES recurrent government grants	57,452	54,495	-	-
	Services rendered	67,659	59,924	64,969	57,389
		152,680	**128,742**	**64,969**	**57,389**
(b)	**Other income**				
	Community Service Obligations:				
	Uniform tariffs	62,659	61,430	62,659	61,430
	Other	19,042	16,333	19,042	16,333
		81,701	**77,763**	**81,701**	**77,763**
	Developer, customer and other capital contributions:				
	Gifted assets	20,016	25,589	20,016	25,589
	Other	19,526	11,541	19,526	11,541
		39,542	**37,130**	**39,542**	**37,130**
	Recoverable works	5,243	1,224	4,469	785
	Insurance settlement	10,500	2,627	10,500	2,627
	Impairment reversal	327,296	-	327,296	-
	Other revenue	15,308	10,264	14,980	9,974
	Total other income	**479,589**	**129,008**	**478,487**	**128,279**
(c)	**Finance costs**				
	Interest Expense - Other	349	24	297	18
	Interest Expense - Government	84,836	80,109	84,836	80,109
		85,185	80,133	85,133	80,127
	Less: Capitalised finance costs	(14,502)	(10,745)	(14,502)	(10,745)
		70,683	**69,388**	**70,631**	**69,382**

The weighted average capitalisation rate on funds borrowed generally is 6.25% per annum (2013: 6.28%).

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
(d)	**Depreciation and amortisation**				
	Depreciation				
	Buildings	9,340	6,241	7,520	4,823
	Plant and equipment	89,960	71,963	79,730	58,802
	Total depreciation	**99,300**	**78,204**	**87,250**	**63,625**
	Amortisation				
	Intangible assets	7,272	16,043	7,251	16,018
	Finance leases	560	920	14	-
	Total amortisation	**7,832**	**16,963**	**7,265**	**16,018**
	Total depreciation and amortisation	**107,132**	**95,167**	**94,515**	**79,643**
(e)	**Employee benefits expense**				
	Personnel direct	147,797	145,167	133,089	130,211
	Contract and apprentice labour	9,787	11,662	9,288	11,587
		157,584	156,829	142,377	141,798
	Capital and maintenance labour recovery	(54,331)	(56,532)	(50,993)	(51,917)
		103,253	**100,297**	**91,384**	**89,881**
(f)	**Repairs and maintenance expense**				
	Materials	58,411	56,844	43,144	44,177
	Labour	34,558	37,733	32,181	35,350
		92,969	**94,577**	**75,325**	**79,527**
(g)	**Other expenses**				
	Grants and subsidies	6,913	1,406	6,913	1,407
	Bad and doubtful debts	683	4,327	595	4,239
	Net loss on disposal of property, plant and equipment	75,283	2,899	59,011	2,766
	Write down in value of inventories	515	1,411	515	1,411
	Other expenses	49,258	60,524	43,368	53,780
		132,652	**70,567**	**110,402**	**63,603**

In 2013-14, the consolidated entity in conjunction with independent valuers undertook a complete physical verification of fixed assets as per requirements outlined in AASB 116 *Property, Plant and Equipment*. As part of this process, the operational and financial asset registers were aligned. Accordingly, items not on the operational asset register or not verified as "in use" have been disposed of with the balance of its written down value taken to the profit and loss statement. This verification process was last performed in 2007. The disposals have all been recorded in the current financial year as it is impractical to allocate these disposals to any particular year from when the previous verification process was performed.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
4	**Income tax equivalent expense**				
	The major components of income tax expense are:				
(a)	**Income tax recognised in profit or loss**				
	Current income tax				
	Current income tax charge	26,886	1,783	26,886	1,783
	Deferred income tax				
	Under/(over) from prior years	-	(1,168)	-	(1,168)
	Relating to origination and reversal of temporary differences	83,451	10,518	83,451	10,518
	Income tax expense reported in profit or loss	**110,337**	**11,133**	**110,337**	**11,133**
	Numerical reconciliation between tax expense and pre-tax net profit				
	Profit/loss before income tax from continuing operations	391,002	41,001	397,068	41,001
	At the consolidated entities' statutory income tax rate of 30% (2013: 30%)	117,300	12,300	119,120	12,300
	Under/(over) provision from prior years	-	(1,168)	-	(1,168)
	Expenditure not allowable for income tax purposes	1,826	21	6	21
	Income not assessable for income tax purposes	(8,789)	(20)	(8,789)	(20)
	Income tax expense/(benefits) on pre-tax profit/(loss)	**110,337**	**11,133**	**110,337**	**11,133**
(b)	**Deferred income tax**				
	Deferred income tax at 30 June relates to the following:				
	Deferred tax liabilities				
	Prepayments	100	84	100	84
	Unbilled consumption	-	18,094	-	18,094
	Gross deferred income tax liabilities	**100**	**18,178**	**100**	**18,178**
	Movements:				
	Opening balance at 1 July	18,178	11,658	18,178	11,658
	Credited/(charged) to profit or loss	(18,078)	6,520	(18,078)	6,520
	Closing balance at 30 June	**100**	**18,178**	**100**	**18,178**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

	Consolidated		Corporation	
	June 2014 $'000	**June 2013 $'000**	**June 2014 $'000**	**June 2013 $'000**
Deferred tax assets				
Employee provisions	13,426	13,292	13,426	13,292
Unearned revenue	179	50	179	50
Allowance for doubtful debts	898	1,345	898	1,345
Obsolete stock provision	638	483	638	483
Carbon and renewable energy provision	2,898	1,816	2,898	1,816
Accrued expenses	354	405	354	405
Non-capital tax losses carried forward	-	19,406	-	19,406
Impairment of other non-current assets	-	1,321	-	1,321
Property, plant and equipment	1,973	103,183	1,973	103,183
Gross deferred income tax assets	**20,366**	**141,301**	**20,366**	**141,301**
Movements:				
Opening balance at 1 July	141,301	145,914	141,301	145,914
Under/(over) provision from prior years	-	1,168	-	1,168
Credited/(charged) to profit or loss	(101,529)	(3,998)	(101,529)	(3,998)
Non-capital tax losses credited to profit or loss	(19,406)	(1,783)	(19,406)	(1,783)
Closing balance at 30 June	**20,366**	**141,301**	**20,366**	**141,301**
Net deferred tax assets and deferred tax liabilities	**20,266**	**123,123**	**20,266**	**123,123**
Deferred tax income/(expense)	**83,451**	**10,518**	**83,451**	**10,518**
(c) Income tax payable				
Opening balance at 1 July	-	-	-	-
Income tax paid	-	-	-	-
Current year income tax expense	26,886	1,783	26,886	1,783
Prior year non-capital tax losses utilised	(19,406)	(1,783)	(19,406)	(1,783)
Closing balance at 30 June	**7,480**	**-**	**7,480**	**-**

(d) The potential deferred tax asset arising from capital losses has not been recognised as an asset because recovery of capital tax losses is not probable. The future tax asset relating to capital losses carried forward is $571,298 (2013: $571,298).

(e) The deferred tax assets arising from non-capital losses are $NIL (2013: $19.4 million). These losses have been fully utislised in the 2013-2014 financial year. They were recognised as an asset because the recovery of non-capital tax losses was probable as stated in the Group's Statement of Corporate Intent.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
5	**Dividends**				
	Declared and paid during the year:				
	Dividends on ordinary shares:	12,939	-	12,939	-
		12,939	**-**	**12,939**	**-**
	Final dividend paid in 2014 $NIL (2013: $NIL)				

The Directors did not declare a dividend in 2012-2013 due to advice received by the Corporation's shareholder, the Northern Territory Government, stating that no dividend was required to be declared for the 2012-2013 financial year. A dividend of $12.9 million has been declared for 2013-2014. No dividends have been paid during the current financial year.

6 Cash and cash equivalents

(a) Reconciliation of cash

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

	Consolidated June 2014	Consolidated June 2013	Corporation June 2014	Corporation June 2013
Cash assets	93,825	65,715	65,917	14,780

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

	Consolidated June 2014	Consolidated June 2013	Corporation June 2014	Corporation June 2013
Net profit/(loss)	280,665	29,868	286,731	29,868
Adjustments for:				
Depreciation and amortisation	107,132	95,167	94,515	79,643
Impairment reversal less impairment writedown	(371,188)	-	(371,188)	-
Contributed assets provided free of charge	(20,016)	(25,589)	(20,016)	(25,589)
Net (profit)/loss on disposal of property, plant and equipment	75,283	2,899	59,011	2,766
Changes in assets and liabilities:				
(Increase)/decrease in inventories	(5,254)	(9,729)	(4,913)	(9,499)
(Increase)/decrease in trade and other receivables	34,075	(54,483)	35,172	(64,847)
(Increase)/decrease in current intangible assets	2,603	1,402	2,603	1,403
(Increase)/decrease in prepayments	(432)	(587)	(429)	(576)
(Decrease)/increase in net deferred tax payable	102,857	11,133	102,857	11,133
(Decrease)/increase in current tax liabilities	7,480	-	7,480	-
(Decrease)/increase in trade and other payables	(23,090)	8,511	(24,756)	6,809
(Decrease)/increase in government grants	(8,189)	15,314	(36)	(36)
(Decrease)/increase in provisions (ex dividend)	(1,389)	8,453	(1,389)	8,453
Net cash flows from operating activities	**180,537**	**82,359**	**165,642**	**39,528**

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

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of $20.0 million (2013: $25.6 million) by means of a gift. These acquisitions are not reflected in the statement of cash flows.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

	Consolidated June 2014 $'000	Consolidated June 2013 $'000	Corporation June 2014 $'000	Corporation June 2013 $'000
7 Trade and other receivables				
Current				
Service receivables	40,576	80,095	40,287	79,917
Allowance for doubtful debts	(2,994)	(4,484)	(2,994)	(4,484)
Unbilled consumption	51,864	60,314	51,864	60,314
	89,446	**135,925**	**89,157**	**135,747**
Other receivables	18,766	6,359	18,602	6,246
Loans and advances to controlled entities	-	-	9,471	10,406
Total current receivables	**108,212**	**142,284**	**117,230**	**152,399**
Non-current				
Development loans	7	10	7	10
Total non-current receivables	**7**	**10**	**7**	**10**

(a) Service receivables

The average credit period on sales of goods and rendering of services is 30 days (2013: 51 days). An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined on an individual receivable basis, and by reference to past default experience.

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

Ageing of individually determined impaired service receivables:				
0-30 days	30	528	30	528
30 - 60 days	18	572	18	572
60 - 90 days	8	176	8	176
90 + days	2,939	3,208	2,939	3,208
Impairment	**2,994**	**4,484**	**2,994**	**4,484**

Included in the Corporation's trade receivable balance are debtors with a carrying amount of $6.4 million (2013: $12.0 million) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Corporation generally does not hold collateral over these balances. The average age of these receivables is 75 days (2013: 76 days).

Ageing of past due but not impaired service receivables:				
30 - 60 days	2,397	3,217	2,397	3,217
60 - 90 days	983	4,140	983	4,140
90 + days	3,031	4,655	3,031	4,655
Total	**6,411**	**12,011**	**6,411**	**12,011**

Movement in the allowance for doubtful debts:				
Balance at beginning of year	4,484	1,299	4,484	1,299
Impairment losses recognised on receivables	684	4,327	684	4,327
Amounts written off as uncollectible	(2,744)	(1,726)	(2,744)	(1,726)
Written off debts subsequently collected	570	585	570	585
Balance at end of year	**2,994**	**4,484**	**2,994**	**4,484**

(b) Development loans

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
8	**Inventories**				
	Materials and stores	33,629	29,100	33,556	29,087
	Fuel stocks	11,181	10,579	3,884	3,563
	Gas stocks	76	68	76	68
	Tokens	445	330	445	330
	Total inventories	**45,331**	**40,077**	**37,961**	**33,048**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $10.4 million (2013: $10.4 million).

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

Unlisted shares held as follows:
10 (2013: 10) ordinary shares of $1 each held by the Corporation in Indigenous Essential Services Pty Limited
50 (2013: 50) ordinary shares of $1 each held by the Corporation in BGP Tenure Holdings Pty Limited
5 (2013: 5) ordinary shares of $1 each held by the Corporation in NT Gas Pty Limited

Principal activities of the subsidiary company

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

		June 2014 $	June 2013 $	June 2014 $	June 2013 $
10	**Investment in subsidiaries**				
	Indigenous Essential Services Pty Limited	-	-	10	10
	Total investment in subsidiaries	**-**	**-**	**10**	**10**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

11 Property, plant and equipment

June 2014 Consolidated	Land $'000	Buildings $'000	Plant and Equipment $'000	Finance Leases $'000	Work in Progress $'000	Total Property, Plant and Equipment $'000
Cost						
Opening Balance	15,242	282,930	2,405,261	9,309	380,072	3,092,814
Transfer/Restructure/Adjustments	346	16,373	(3,477)	131	1,889	15,262
Additions	-	6,613	13,404	-	170,484	190,501
Transfer From WIP	38	16,346	97,836	281	(126,325)	(11,824)
Disposals	(143)	(17,065)	(167,880)	-	157,757	(27,331)
Impairment reversal	3,143	35,228	426,651	-	-	465,023
Closing Balance	**18,627**	**340,425**	**2,771,796**	**9,721**	**583,877**	**3,724,445**
Accumulated Depreciation						
Opening Balance	-	(106,427)	(1,030,570)	(920)	-	(1,137,917)
Transfer/Restructure/Adjustments	-	137	(219)	-	-	(82)
Depreciation	-	(9,340)	(89,960)	(560)	-	(99,860)
Disposals	-	5,763	103,751	-	-	109,514
Impairment reversal	-	(24,664)	(244,934)	-	-	(269,598)
Closing Balance	**-**	**(134,531)**	**(1,261,932)**	**(1,480)**	**-**	**(1,397,941)**
Written Down Value						
Opening Balance	15,242	176,503	1,374,691	8,389	380,072	1,954,897
Transfer/Restructure/Adjustments	346	16,510	(3,696)	131	1,889	15,180
Additions	-	6,613	13,404	-	170,484	190,501
Depreciation	-	(9,340)	(89,960)	(560)	-	(99,860)
Transfer From WIP	38	16,346	97,836	281	(126,325)	(11,824)
Disposals	(143)	(11,302)	(64,128)	-	157,757	82,183
Impairment reversal	3,143	10,564	181,717	-	-	195,425
Closing Balance	**18,627**	**205,894**	**1,509,864**	**8,241**	**583,877**	**2,326,504**

June 2014 Corporation	Land $'000	Buildings $'000	Plant and Equipment $'000	Finance Leases $'000	Work in Progress $'000	Total Property, Plant and Equipment $'000
Cost						
Opening Balance	15,231	237,602	2,026,532	-	314,153	2,593,517
Transfer/Restructure/Adjustments	325	15,715	22,860	-	1,889	40,790
Additions	-	6,613	13,404	-	109,730	129,747
Transfer From WIP	-	12,292	68,297	281	(92,694)	(11,824)
Disposals	(143)	(16,330)	(143,655)	-	157,757	(2,371)
Impairment reversal	3,143	35,228	426,651	-	-	465,023
Closing Balance	**18,557**	**291,120**	**2,414,090**	**281**	**490,835**	**3,214,882**
Accumulated Depreciation						
Opening Balance	-	(79,942)	(828,691)	-	-	(908,633)
Transfer/Restructure/Adjustments	-	179	(262)	-	-	(83)
Depreciation	-	(7,520)	(79,730)	(14)	-	(87,264)
Disposals	-	5,564	95,263	-	-	100,827
Impairment reversal	-	(24,664)	(244,934)	-	-	(269,598)
Closing Balance	**-**	**(106,383)**	**(1,058,352)**	**(14)**	**-**	**(1,164,749)**
Written Down Value						
Opening Balance	15,231	157,660	1,197,840	-	314,153	1,684,884
Transfer/Restructure/Adjustments	325	15,894	22,598	-	1,889	40,707
Additions	-	6,613	13,404	-	109,730	129,747
Depreciation	-	(7,520)	(79,730)	(14)	-	(87,264)
Transfer From WIP	-	12,292	68,297	281	(92,694)	(11,824)
Disposals	(143)	(10,766)	(48,392)	-	157,757	98,456
Impairment reversal	3,143	10,564	181,717	-	-	195,425
Closing Balance	**18,557**	**184,737**	**1,355,737**	**267**	**490,835**	**2,050,133**

Note: The Corporation and the Northern Territory Government had originally agreed to change the basis of fixed asset valuation to fair value in 2013-2014, consistent with other commercially based entities. Due to the separation of PWC into three new Government Owned Corporations from 1 July 2014, this transition has been deferred until the 2014-2015 financial year.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

11 Property, plant and equipment

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

12 (a) Intangibles

June 2014 Consolidated	Other Intangible Assets $'000	Renewable Energy Certificates $'000	Make up Gas $'000	Total $'000
Cost				
Opening Balance	76,594	4,057	14,993	95,644
Transfer/Restructure/Adjustments	(7,777)	-	-	(7,777)
Additions	-	10,607	2,600	13,206
Transfer From WIP	11,827	-	-	11,827
Disposals	-	(13,209)	-	(13,209)
Impairment reversal	3,894	-	-	3,894
Closing Balance	**84,539**	**1,455**	**17,592**	**103,586**
Accumulated Amortisation				
Opening Balance	(33,003)	-	-	(33,003)
Transfer/Restructure/Adjustments	82	-	-	82
Amortisation	(7,272)	-	-	(7,272)
Impairment reversal	(3,854)	-	-	(3,854)
Closing Balance	**(44,047)**	**-**	**-**	**(44,047)**
Written Down Value				
Opening Balance	43,591	4,057	14,993	62,641
Transfer/Restructure/Adjustments	(7,695)	-	-	(7,695)
Additions	-	10,607	2,600	13,206
Amortisation	(7,272)	-	-	(7,272)
Transfer From WIP	11,827	-	-	11,827
Disposals	-	(13,209)	-	(13,209)
Impairment reversal	41	-	-	41
Closing Balance	**40,492**	**1,455**	**17,592**	**59,539**

June 2014 Corporation	Other Intangible Assets $'000	Renewable Energy Certificates $'000	Make up Gas $'000	Total $'000
Cost				
Opening Balance	76,485	4,057	14,993	95,535
Transfer/Restructure/Adjustments	(7,778)	-	-	(7,778)
Additions	-	10,607	2,600	13,206
Transfer From WIP	11,824	-	-	11,824
Disposals	-	(13,209)	-	(13,209)
Impairment reversal	3,894	-	-	3,894
Rounding	1	-	-	1
Closing Balance	**84,427**	**1,455**	**17,592**	**103,474**
Accumulated Amortisation				
Opening Balance	(32,939)	-	-	(32,939)
Transfer/Restructure/Adjustments	82	-	-	82
Amortisation	(7,251)	-	-	(7,251)
Impairment reversal	(3,854)	-	-	(3,854)
Closing Balance	**(43,962)**	**-**	**-**	**(43,962)**
Written Down Value				
Opening Balance	43,546	4,057	14,993	62,596
Transfer/Restructure/Adjustments	(7,696)	-	-	(7,696)
Additions	-	10,607	2,600	13,206
Amortisation	(7,251)	-	-	(7,251)
Transfer From WIP	11,824	-	-	11,824
Disposals	-	(13,209)	-	(13,209)
Impairment reversal	41	-	-	41
Rounding	1	-	-	1
Closing Balance	**40,465**	**1,455**	**17,592**	**59,512**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

12 (a) Intangibles

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
12 (b)	**Intangible Assets**				
	Current				
	Renewable energy certificates	1,455	4,057	1,455	4,057
	Total current intangible assets	**1,455**	**4,057**	**1,455**	**4,057**
	Non-current				
	Other intangible assets	40,492	43,592	40,465	43,546
	Make up gas	17,592	14,993	17,592	14,993
	Total non-current intangible assets	**58,085**	**58,585**	**58,057**	**58,539**
13	**Trade and other payables**				
	Service creditors	44,651	59,351	38,501	50,475
	Other creditors and accruals	39,790	53,851	33,759	50,017
	Total payables	**84,441**	**113,202**	**72,260**	**100,492**

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

14	**Interest bearing borrowings**				
	Current				
	Government loans - unsecured	22,359	44,190	22,359	44,190
	Total current borrowings	**22,359**	**44,190**	**22,359**	**44,190**
	Non-current				
	Government loans - unsecured	1,314,346	1,276,705	1,314,346	1,276,705
	Total non-current borrowings	**1,314,346**	**1,276,705**	**1,314,346**	**1,276,705**

The government loans in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being $22.4 million (2013: $44.2 million).

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

15 Finance lease liabilities

	Consolidated			
	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
not later than one year	874	748	807	715
1 to 5 years	3,102	2,993	2,528	2,550
later than 5 years	9,635	9,778	4,451	4,770
	13,610	13,520	7,785	8,035
less future finance charges	(5,825)	(5,485)	-	-
Total Present Value of Minimum Lease Payments	**7,785**	**8,035**	**7,785**	**8,035**

Leasing arrangements

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

The present value discount factor used for the minimum lease payments was 4.72% at the inception of the leases in 2013. Leases added in 2014 have been calculated using a present value discount factor of 5.07%.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	June 2013 $'000	June 2014 $'000	June 2013 $'000
16	**Provisions**				
	Current				
	Employee benefits	39,022	39,109	39,022	39,109
	Employee related provisions	689	552	689	552
	Dividend	12,939	-	12,939	-
	Renewable Energy Certificates	3,950	5,553	3,950	5,553
	Carbon Permits	5,711	5,958	5,711	5,958
	Total current provisions	**62,311**	**51,172**	**62,311**	**51,172**
	Non-current				
	Employee benefits	**5,589**	**5,176**	**5,589**	**5,176**

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	552	476	552	476
Provisions made during the year	9,372	9,753	9,372	9,753
Payments made during the year	(9,235)	(9,677)	(9,235)	(9,677)
Carrying amount at end of year	**689**	**552**	**689**	**552**
Renewable Energy Certificates				
Carrying amount at beginning of year	5,553	5,456	5,553	5,456
Provisions made during the year	13,259	16,003	13,259	16,003
Payments made during the year	(14,862)	(15,906)	(14,862)	(15,906)
Carrying amount at end of year	**3,950**	**5,553**	**3,950**	**5,553**
Carbon Permits				
Carrying amount at beginning of year	5,958	-	5,958	-
Provisions made during the year	15,791	21,386	15,791	21,386
Payments made during the year	(16,038)	(15,428)	(16,038)	(15,428)
Carrying amount at end of year	**5,711**	**5,958**	**5,711**	**5,958**

17 Government grants

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

Capital grants held by the Corporation's subsidiary, Indigenous Essential Services Pty Limited, relate to funding received from the Northern Territory's Department of Community Services (formally called the Department of Regional Development and Womens Policy) for the development of power, water and sewerage infrastructure in remote indigenous communities.

Operational grants	6,464	7,664	83	119
Capital grants	282,625	289,614	-	-
Total government grants	**289,089**	**297,278**	**83**	**119**
Provided for in the financial statements as:				
Current	21,160	23,189	83	119
Non-current	267,929	274,089	-	-
Total government grants	**289,089**	**297,278**	**83**	**119**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014 $'000	**June 2013 $'000**	**June 2014 $'000**	**June 2013 $'000**
18	**Contributed equity**				
	Share capital				
	1 Share (2013: 1 Share)	-	-	-	-
	Debt to equity swap	152,582	152,582	152,582	152,582
	Total contributed equity	**152,582**	**152,582**	**152,582**	**152,582**

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

19	**Retained earnings**				
	Retained earnings at beginning of year	442,774	412,906	442,739	412,871
	Net profit/(loss) for the year	280,665	29,868	286,731	29,868
	Dividend declared for the year	(12,939)	-	(12,939)	-
	Retained earnings at end of the year	**710,500**	**442,774**	**716,531**	**442,739**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

20 Risk management objectives

(a) Financial risk management objectives and policies

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

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

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

The consolidated entity's overall strategy remains unchanged from 2013.

(b) Market risk

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

In accordance with the GOC Act the Corporation's objectives are to:
- operate at least as efficiently as a comparable business; and
- to maximise the sustainable return to the Northern Territory on its investment in the Corporation.

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

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

With the advent of competition in electricity generation, there will be increased opportunities for gas sales which may have implications for the price and quantity of gas sold by the Corporation.

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

In June 2014, the *Power and Water Corporation Act 2002* was amended to allow for the separation of the electricity generation and electricity retail lines of business into their own individual Government Owned Corporation from 1 July 2014. From that date, Power and Water Corporation will no longer supply electricity generation services and will only supply retail electricity services to a small group of customers who are geographically remote.

(c) Interest rate risk management

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

The consolidated entity's policy is to manage its interest cost using a fixed rate debt.

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

	Consolidated			Corporation		
Loan term	Fixed and Variable Rate Loans $'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% $'000	Fixed and Variable Rate Loans $'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% $'000
<1 to 2 years	312,397	6.89%	798	312,397	6.89%	798
2 to 5 years	971,160	5.75%	8,048	971,160	5.75%	8,048
5+ years	482,728	6.42%	4,520	482,728	6.42%	4,520
	1,766,286		**13,366**	**1,766,286**		**13,366**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

20 Risk management objectives

(d) Credit risk management

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

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

(e) Liquidity risk management

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

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

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

(f) Foreign currency risk management

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

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

The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was NIL (2013: NIL).

(g) Commodity price risk

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

(h) Capital risk management

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

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to the shareholder, return capital to the shareholder or sell assets to reduce debt.

Operating cash flows are used to maintain and expand the consolidated entity's assets, as well as to make routine outflows of tax, dividends and servicing of debt.

The consolidated entity's policy is to borrow centrally using facilities provided by Northern Territory Treasury Corporation to meet anticipated funding requirements.

The consolidated entity is not subject to any externally imposed capital requirements.

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

21 Financial instruments

Fair values

Net fair values of financial assets and liabilities approximate carrying values except for government loans, which have a fair value of $1,376.6 million (2013: $1,366.4 million).

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

Interest rate risk

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

Consolidated	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Fixed and floating interest maturing in: 1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
2014								
Financial Assets								
Cash assets	2.26%	93,825	-	93,825	-	-	-	93,825
Receivables		-	-	-	-	-	108,219	108,219
Investments		-	-	-	-	-	3	3
		93,825	**-**	**93,825**	**-**	**-**	**108,222**	**202,047**
Financial Liabilities								
Payables		-	-	-	-	-	84,441	84,441
Government loans	6.25%	-	1,336,705	22,359	517,346	797,000	-	1,336,705
Finance lease liability	5.07%	-	7,785	807	2,528	4,451	-	7,785
Dividends payable							12,939	12,939
		-	**1,344,490**	**23,166**	**519,874**	**801,451**	**97,380**	**1,441,870**
2013								
Financial Assets								
Cash assets	2.92%	65,715	-	65,715	-	-	-	65,715
Receivables		-	-	-	-	-	142,294	142,294
Investments		-	-	-	-	-	3	3
		65,715	**-**	**65,715**	**-**	**-**	**142,297**	**208,012**
Financial Liabilities								
Payables		-	-	-	-	-	113,202	113,202
Government loans	6.28%	-	1,320,895	44,190	335,705	941,000	-	1,320,895
Finance lease liability	4.86%	-	8,035	715	2,550	4,770	-	8,035
		-	**1,328,930**	**44,905**	**338,255**	**945,770**	**113,202**	**1,442,132**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

21 Financial instruments (cont'd)

Corporation	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Fixed and floating interest maturing in: 1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
2014								
Financial Assets								
Cash assets	2.26%	65,917	-	65,917	-	-	-	65,917
Receivables		-	-	-	-	-	117,237	117,237
Investments		-	-	-	-	-	3	3
		65,917	**-**	**65,917**	**-**	**-**	**117,240**	**183,157**
Financial Liabilities								
Payables		-	-	-	-	-	72,260	72,260
Government loans	6.25%	-	1,336,705	22,359	517,346	797,000	-	1,336,705
Finance lease liability	5.07%	-	251	14	50	187	-	251
Dividends payable							12,939	12,939
		-	**1,336,956**	**22,373**	**517,396**	**797,187**	**85,199**	**1,422,155**
2013								
Financial Assets								
Cash assets	2.92%	14,780	-	14,780	-	-	-	14,780
Receivables		-	-	-	-	-	152,409	152,409
Investments		-	-	-	-	-	3	3
		14,780	**-**	**14,780**	**-**	**-**	**152,412**	**167,192**
Financial Liabilities								
Payables		-	-	-	-	-	100,492	100,492
Government loans	6.28%	-	1,320,895	44,190	335,705	941,000	-	1,320,895
		-	**1,320,895**	**44,190**	**335,705**	**941,000**	**100,492**	**1,421,387**

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

		Consolidated		Corporation	
		June 2014	June 2013	June 2014	June 2013
		$'000	$'000	$'000	$'000
22	**Commitments**				
	Capital expenditure commitments				
	Contracted but not provided for and payable within one year:	**68,221**	**115,970**	**62,379**	**96,749**
	Lease and hire expenditure commitments (non-cancellable)				
	Contracted but not provided for:				
	Property, Plant and Equipment	**32,873**	**28,538**	**32,873**	**28,538**
	Purchase expenditure commitments				
	Contracted but not provided for:				
	Electricity purchase	26,180	38,697	26,180	38,697
	Gas purchase	4,061,076	4,187,983	4,061,076	4,187,983
	Gas transportation	1,253,224	1,489,364	1,253,224	1,489,364
		5,340,480	**5,716,044**	**5,340,480**	**5,716,044**
	Payable:				
	Within one year	279,552	313,616	273,709	294,395
	One year or later and no later than five years	879,609	1,016,102	879,609	1,016,102
	Later than five years	4,282,416	4,530,834	4,282,416	4,530,834
		5,441,577	**5,860,552**	**5,435,734**	**5,841,331**

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

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

Remuneration commitments:

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

	Consolidated		Corporation	
	June 2014	June 2013	June 2014	June 2013
	$	$	$	$
Within one year	16,868,103	18,291,291	16,868,103	18,291,291
After one year but not more than five years	20,028,147	21,012,658	20,028,147	21,012,658
	36,896,250	**39,303,949**	**36,896,250**	**39,303,949**

23 Operating lease arrangements

	Consolidated		Corporation	
	June 2014	June 2013	June 2014	June 2013
	$'000	$'000	$'000	$'000
Payments recognised as an expense				
Minimum lease payments	10,181	11,462	9,629	10,596
	10,181	**11,462**	**9,629**	**10,596**

24 Contingent liabilities and contingent assets

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

Following the restructure of Power and Water Corporation into three separate government owned corporations which will commence operations from 1 July 2014, contingent liabilities may arise as finalisation of assets and functions are still being negotiated.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

25 Related party information

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

Name	Country of Incorporation	% Equity Interest June 2014 %	% Equity Interest June 2013 %	Investment June 2014 $	Investment June 2013 $
BGP Tenure Holdings Pty Limited	Australia	50%	50%	0	0
Indigenous Essential Services Pty Limited	Australia	100%	100%	10	10
				10	**10**

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2014 owned 100% (2013: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

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

On 6 May 2014, legislation was passed in the Northern Territory Parliament to separate the Power and Water Corporation into three separate government owned corporations (GOCs). The three GOCs are operational from 1 July 2014 and are:
- Territory Generation (power generation);
- Jacana Energy (power retail); and
- Power and Water Corporation (residual functions).

There are no transactions betweeen the three GOCs prior to 1 July 2014.

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

Related Party		Sales to related parties $'000	Purchases from related parties (1) $'000	Amounts owed by related parties $'000	Amounts owed to related parties (2) $'000
The parent entity including all entities that are associated with the parent entity being the Northern Territory Government - see explanation above.	June 2014	187,323	90,873	78,674	1,376,315
	June 2013	196,230	88,330	33,209	1,350,284
Indigenous Essential Services Pty Limited (subsidiary)	June 2014	95,373	2,123	28,148	10,242
	June 2013	101,697	826	51,011	27,856

(1) For the year ended 30 June 2014, purchases from the Northern Territory Government include interest paid on borrowings of $84,836,307 (2013: $80,109,801) refer to note 3(c).

(2) For the year ended 30 June 2014, the amount owed to the Northern Territory Government includes borrowings of $1,336,705,126 (2013: $1,320,895,680) refer to note 14.

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

A related entity, Indigenous Essential Services Pty Limited, provided a short-term loan to the Corporation in the 2013-2014 financial year on which interest was charged based on current commercial rates. The loan was discharged within two months.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

25 Related party information (continued)

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

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

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

	Consolidated		Corporation	
	June 2014 $	June 2013 $	June 2014 $	June 2013 $
Expense transactions with key management personnel	517,165	721,287	517,165	721,287

For the year ended 30 June 2014, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of $NIL million (2013: $NIL million).

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

	Consolidated		Corporation	
	June 2014 $	June 2013 $	June 2014 $	June 2013 $
26 Auditor's remuneration				
Audit services:				
Auditors of the Corporation - NT Auditor-General	363,211	410,060	326,041	374,120

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

27 Director and executive disclosures

Remuneration of key management personnel

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

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

		Short-term employee benefits	Post employment benefits	
		Salary & Fees	**Superannuation**	**Total**
		$	**$**	**$**
Non-executive directors				
Mr Ken Clarke (Chairperson)	June 2014	47,802	4,478	52,281
(Term commenced December 2013)	June 2013	-	-	-
Mr George Roussos	June 2014	27,604	2,417	30,021
(Term commenced December 2013)	June 2013	-	-	-
Mr David De Silva	June 2014	27,479	-	27,479
(Term commenced December 2013; ended May 2014)	June 2013	-	-	-
Mr Richard Griffiths	June 2014	25,411	2,214	27,626
(Term commenced January 2014)	June 2013	-	-	-
Ms Helen Stanton	June 2014	12,544	642	13,186
(Term commenced April 2014)	June 2013	-	-	-
Emeritus Prof MaryAnn Bin-Sallik	June 2014	8,417	642	9,060
(Term commenced April 2014)	June 2013	-	-	-
Mr Scott Perkins	June 2014	-	-	-
(Term commenced July 2013; ended January 2014)	June 2013	-	-	-
Mr Michael Burgess (Chairperson)	June 2014	28,479	2,634	31,114
(Term commenced March 2013; ended December 2013)	June 2013	-	-	-
Mr Gary Barnes	June 2014	-	-	-
(Term commenced March 2013; ended July 2013)	June 2013	-	-	-
Mrs Jennifer Prince	June 2014	16,972	1,570	18,542
(Term commenced March 2013; ended December 2013)	June 2013	-	-	-
Mr Alastair Shields	June 2014	-	-	-
(Term commenced March 2013; ended April 2014)	June 2013	-	-	-
Ms Judith King (Chairperson)	June 2014	-	-	-
(Term expired October 2012)	June 2013	27,231	2,451	29,682
Mrs Linda Mackenzie	June 2014	-	-	-
(Term expired March 2013)	June 2013	44,569	4,011	48,580
Mr Mervyn Davies	June 2014	8,417	642	9,060
(Term expired March 2013; recommenced April 2014)	June 2013	44,569	4,011	48,580
Mr Michael Hannon	June 2014	-	-	-
(Term expired March 2013)	June 2013	50,585	4,553	55,138
Mr Rob Skinner	June 2014	-	-	-
(Term expired March 2013)	June 2013	36,546	3,289	39,835
Mr Steve Margetic	June 2014	-	-	-
(Term expired March 2013)	June 2013	36,546	3,289	39,835
Total non-executive directors	**June 2014**	**203,127**	**15,241**	**218,368**
	June 2013	**240,046**	**21,604**	**261,650**

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

27 Director and executive disclosures (continued)

Executives' remuneration

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

	Consolidated		Corporation	
	June 2014	June 2013	June 2014	June 2013
	$	$	$	$
Short-term employee benefits	3,729,368	4,316,336	3,729,368	4,316,336
Other long-term benefits	721,916	1,134,812	721,916	1,134,812
Total compensation of key management personnel (excluding non-executive directors)	4,451,284	5,451,148	4,451,284	5,451,148

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

Other transactions with key management personnel

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2014

28 Impairment of assets and subsequent reversals

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

There have been triggering events during the 2013-2014 financial year requiring the further analysis for both an impairment write-down and/or reversal of prior year impairments. There were two primary triggers - one being the announcement of the separation of Power and Water Corporation with the electricity generation and electricity retail business lines established as new government owned corporations from 1 July 2014. The second trigger was the new 2014-2019 Network Price Determination passed in April 2014 by the Utilities Commissioner. Both of these events have material effects on future cashflows and subsequent recovery of asset costs.

As a result of these triggering events, the Corporation has reassessed the recoverable amount of its cash generating units (CGUs). AASB 136 'Impairment of Assets' states that recoverable amount is equal to the higher of fair value less disposal costs and value in use. The Corporation has had a full revaluation of all its assets performed by independent valuers as at 1 July 2013 in order to determine fair value. These valuations have subsequently been used in the impairment testing as representing the recoverable amount. These amounts are now significantly higher than current carrying values such that previous impairments for electricity and water CGUs can now be reversed. Details of the original impairment are as follows:

- Based on value in use and applying a pre-tax discount rate of 9.76%, the water assets were found to be impaired as at 30 June 2011 and therefore written down by $72.2 million.
- Based on value in use, applying a pre-tax discount rate of 10.58%, the power CGU consisting of generation and networks assets, was found to be impaired as at 30 June 2010 and was therefore written down by $319.8 million.

The impairment reversal of $327.3 million as shown in note 3(b) represents $63.7 million and $263.6 million for water and power CGU assets respectively. These amounts include of a total of $43.9 million of catch-up depreciation on the related impaired assets. AASB 136 requires that the subsequent reversal of an impairment be the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the cash generating units in prior periods.

The impairment loss and its subsequent reversal are allocated *pro rata* to the individual assets constituting the CGUs.

For the purposes of assessment at 30 June 2014, the Corporation's CGUs are based on its existing product lines being electricity, water and sewerage.

29 Events after the reporting period

On 6 May 2014, legislation was passed in the Northern Territory Parliament to separate the Power and Water Corporation into three separate government owned corporations (GOCs). The three GOCs are:

- Territory Generation (power generation);
- Jacana Energy (power retail); and
- Power and Water Corporation (residual functions).

The separation is along business lines, enabling greater focus on particular areas and functions. Territory Generation and Jacana Energy are to commence operations on 1 July 2014 as this approach is to ensure appropriate investment and ability to be able to drive efficiency through more effective structures in a competitive environment. Each of the GOCs remains in government ownership and the NT Government will continue to determine retail electricity tariffs and water and sewerage tariffs for all customers.

With the advent of competition in electricity Generation, there will be increased opportunities for gas sales which may have implications for the price and quantity of gas sold by the Corporation.

On 17 July 2014, the carbon tax was repealed under the Clean Energy Legislation (Carbon Tax Repeal) Bill 2014, and made retrospective from 1 July 2014. As such Power and Water Corporation will pay its final instalment for the 2013-14 financial year in February 2015.

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

30 Economic dependency and going concern

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

While the Corporation's financial sustainability has improved, it remains exposed to considerable downside risks and therefore must be active in its ability to generate sufficient revenue to cover costs, unanticipated environmental obligations and escalating costs of delivering a capital program.

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