

# Annual Report

---

**2014-2015**



# Contents

04

**This Report**

Purpose  
Intended audience  
Letter to the shareholder



06

**Our Business**

About us  
Our values



08

**Our Report for 2014-15**

Highlights  
Message from the Chair  
Structural reform of  
the Northern Territory  
Electricity Market  
Chief Executive's report

14

**Our performance**

Safety  
People  
Living Water Smart  
Corporate and Regulatory  
Cutting red tape for  
customers  
Customer service and  
stakeholder engagement  
Community engagement  
Operational Performance  
Power and Water Corporation  
- Corporate Plan 2014-15  
Power and Water Corporation  
statistical snapshot  
Indigenous Essential Services

37

**Outlook**

Operational



42

**Corporate Governance**

Corporate governance  
principles  
Board of Directors



44

**Financial Statements**

Directors Report  
Directors Declaration  
Independent Audit Opinion

## THIS REPORT



### Purpose

The Power and Water Corporation Annual Report 2014-15 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 2014-15 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.

## Letter to the shareholder

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

Dear Treasurer

On behalf of the Power and Water Corporation, we are pleased to present the Corporation's thirteenth annual report for the year ended 30 June 2015, in accordance with the provisions of Section 44 of the *Government Owned Corporations Act*.

Yours sincerely



**Alan Tregilgas**

Chair  
24 June, 2016



**Michael Thomson**

Chief Executive  
24 June, 2016

## OUR BUSINESS

Power and Water is responsible for electricity distribution services and water and sewerage services across the Northern Territory.

### About us

As a Government-owned corporation, the Power and Water Corporation meets the needs of its customers while acknowledging the expectations of its shareholder, the Northern Territory Government.

The corporation provides electricity, water and sewerage services to four major regional areas including the capital city of Darwin, as well as 72 remote Indigenous 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, Power and Water is contributing to the Northern Australia Development plan. We have over 900 staff living and working in the Territory

including 107 relief and full time contracted Essential Services Operators living in remote Indigenous communities who are supported by the corporation's Remote Operations' team. Power and Water 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.

In December 2013, the Northern Territory Government announced the restructure of Power and Water to initiate a contestable market and create efficiencies across the electricity sector. Legislation introduced in Parliament in 2014 created three separate electricity services markets, namely:

1. Generation: Electricity generators, such as Territory Generation, produce electricity in bulk to meet the demand of the grid.
2. Distribution: Network distributors, such as Power and Water's Power Networks, transport electricity from generation plants to customers through a network of poles and wires.

3. Retail: Energy retailers, such as Jacana Energy, purchase electricity in bulk from generators and on-sell to consumers.

#### Power Networks

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

The Power Networks division distributes electricity to 243 700 people across 1.3 million sq km. More than 5600km of overhead lines, 1690km of underground cable and 37 500 poles and towers connect domestic and commercial customers to the Territory electricity network.

#### Water Services

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 minor centres. Drinking water supplies range from surface water catchments in the tropics to groundwater sources in Central Australia. All centres rely on groundwater. Darwin, Pine Creek and Katherine also have surface water supplies.

## Our Values

### 01

#### Safety and Environment

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

### 02

#### Accountability

Transparent and accountable for all our actions.

### 03

#### Commitment to Service

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

### 04

#### Communication

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

### 05

#### Respect

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

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.

Within the Northern Territory, water is pumped through some 2301km of mains to 18 centres. Sewer mains in ten centres total 1175km. Sewage is typically treated using waste stabilisation ponds.

The Alice Springs Water Reuse Project recycles water for use in irrigation and aquifer recharge. Recycling 600ML 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

Power and Water's Retail unit provides water, sewerage and support services, such as call centre and billing, to approximately 85 000 customers throughout the Northern Territory, including electricity and water retail services to Power and Water's not-for-profit subsidiary Indigenous Essential Services Pty Ltd (IES).

#### Remote Operations

IES provides electricity, water and sewerage services to 72 remote communities and 66 outstations under an Agreement with the Department of Local Government and Community Services (DLGCS).

Remote Operations also provides services to five minor centres. These 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 towards sustainable electricity and water use to meet future needs and aspirations.

Power and Water 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 drawn from groundwater from some 250 production bores through 181 water storage tanks and 655km 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.

#### 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 Power and Water'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.

#### Corporate Services

Corporate Services 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.

# OUR REPORT FOR 2014-15



**STRATEGIC INVESTMENT**  
in electricity and water  
infrastructure and maintenance  
**ON SCHEDULE**



Establishment of new  
**PROCUREMENT  
FRAMEWORK**



Improvement in  
**OPERATING  
PERFORMANCE**

Focus on  
**ZERO HARM**  
across operations



**EXTRAORDINARY  
RESPONSE**  
from Remote Operations team  
through Tropical **CYCLONES  
LAM AND NATHAN**



New water and energy  
**EDUCATION  
ACTIVITIES**  
in remote communities



Establishment of  
Power and Water's  
**ONE STOP SHOP**

Presentation of Staff  
Recognition Awards to  
**MORE THAN 60**  
employees



Establishment of  
**GO PAPERLESS  
CAMPAIGN**  
for invoicing





## Message from the Chair

While the Power and Water Corporation has much to be proud of at the operational level, fundamental business challenges remain

During the year under review, and as highlighted throughout this annual report, there are many aspects of our operational performance of which Power and Water's staff and management can be proud.

Power and Water's continuing strategic investment in electricity and water infrastructure and maintenance is ensuring the safe and reliable supply of electricity, water and sewerage services.

Health, safety and environmental initiatives throughout Power and Water continue to transform the attitude and attention given to our goal of zero harm for our people, contractors and the public, as well as our many stakeholders and to be a solid performer in environmental management. Structural separation has achieved significant operational benefits including improved electricity reliability across all regions. Remote communities are the focus of water and energy demand management education initiatives. Following tropical Cyclones Lam and Nathan, our Remote Operations' team restored both power and water services to remote Territory homes and businesses in the quickest possible time despite extensive damage to local electricity networks and significant hazards.

There is no doubt that Power and Water has a dedicated workforce committed to delivering essential services to the community across the Northern Territory under sometimes challenging environmental conditions.

However, our governance arrangements and financial performance do not stack up nearly as well.

Power and Water's Board of Directors recognises that developments since structural separation have highlighted a number of areas of financial, governance and operating under-performance, the correction of which without doubt is a board responsibility.

Most significantly, Power and Water's contribution to the effective separation of financial reporting between the three government-owned (power) corporations has fallen short in a number of respects. Substantial issues within the corporation's business systems and processes are largely at fault. In particular, asset management information, processes and systems require significant work to get to an acceptable level. The interfaces between our various financial systems are also in need of significant rework.

More fundamentally, Power and Water's financial performance has lagged behind that of comparable government-owned utilities. The board's analysis paints an overall picture of the corporation having higher costs and generally lower performance results than industry peers. There are unique Northern Territory operating factors that undoubtedly contribute to higher input costs. However, these factors are not the sole reason for the corporation's under-performance and higher cost base. Other causes inherent in the way the corporation delivers its services certainly also contribute to poor financial outcomes. The most obvious issues are the large corporate overhead and problems in relation to information technology system effectiveness, general financial and core operating practices, and project initiation and delivery – all reflecting gaps in planning, controls and accountability.

Looking ahead, Power and Water is also facing a range of emerging internal and external factors that will challenge the corporation's ability to deliver on its objectives and fulfil operational and financial performance obligations.

Failure to respond to either set of issues increases the risk that consumer prices and/or the corporation's reliance on taxpayer support will be higher than necessary.

Responsibility for addressing all these issues rests with the corporation's board and executive management team. The board and management now in place have committed to addressing these issues systematically and sustainably.

To sum up, the board is committed to tackling the planning, controls and accountability shortfalls increasingly evident since structural separation. We will do so in ways that ensure improved financial transparency and see greater benefits for our customers, our shareholder and the people of the Northern Territory.



**Alan Tregilgas**  
Chair



# Structural reform of the Northern Territory Electricity Market

Power and Water is continuing a reform process initiated through structural separation that is creating a more streamlined and efficient business. Structural separation provided the corporation with the opportunity to rethink and reshape the business, to look at constructive ways of delivering essential services in a more efficient way.

Since structural separation on 1 July 2014, Power and Water has embraced internal analysis and reform that has delivered improvements and efficiencies across the business. The corporation has embarked on a transition to a more formal Northern Territory Energy Market (I-NTEM) framework, a move that will create greater competition in the generation market and is expected to deliver more competitively priced electricity to Territorians.

## PowerWater

### STRUCTURAL REFORM



Territory Generation was formed in 2014 as part of the Northern Territory Government's structural separation of the Power and Water Corporation.

Territory Generation produces electricity at a number of power stations for supply to Northern Territory cities and towns.

### PowerWater

Power and Water has delivered improvements and efficiencies through internal analysis and reforms.

Power and Water remains as the electricity distribution network moving under the Australian Energy Regulator (AER) framework.



As the NT's largest electricity retailer, Jacana Energy provides electricity retail services to 80,000 residential, small and large commercial customers throughout urban and regional areas.

The company is owned by the NT Government and was created as part of the structural separation of Power and Water Corporation.

### I-NTEM

The Interim Northern Territory Electricity Market provides a framework to facilitate the wholesale arrangements of electricity between generators and retailers in the electricity market. It commenced trading on 27 May 2015, with the first settlements statements provided to retailers and generators on 5 June 2015. Market data is available on the Power and Water website daily, which includes market prices and system load data.



## Chief Executive's Report

Having joined Power and Water Corporation towards the end of 2015, I have gained a great insight about delivering essential electricity and water services in the Northern Territory and its unique and challenging environments. It differs greatly from other jurisdictions due to the vast distances, smaller population and remote service delivery. I commend our staff that work tirelessly and battle the elements each and every day.

The period in the lead up to my appointment was one of immense change following the significant structural and operational changes introduced across Power and Water Corporation in the last few years.

Despite the challenges presented over this time, Power and Water Corporation has continued to deliver for the people of the Northern Territory. Whether it is in our key performance indicators, our investment in service delivery and support, events that have demonstrated our commitment to customers (our response to two cyclones) and our dedication to operating an infrastructure network in one of the harshest environmental regions of Australia, the corporation has accomplished much and can be proud of its achievements.

It is important that these achievements, milestones and successes are seen as building blocks for the future development of Power and Water Corporation. There is significant work ahead and many challenges to overcome and we have a hard working team of dedicated people across the corporation who are committed to the task and doing better, continuing to improve the way we do business.

Of the formative steps towards this renewal across Power and Water, none has had more far reaching effects than the corporation's structural separation. The evolution of three entities from within the original Power and Water Corporation structure into Jacana Energy, Territory Generation and Power and Water Corporation has brought the Territory in line with other states and jurisdictions and ensured Power and Water Corporation can focus on its core business of electricity, water and sewerage services across the Territory.

### Investment

Power and Water continues to invest heavily in infrastructure across its metropolitan and remote operations. This investment will ensure existing assets are refurbished or new assets are established to improve services to communities and customers, whether they are residential, industrial or commercial. Some good examples of the benefits that come to a community with this new investment is the construction of a new fluoride dosing facility at the Katherine Water Treatment Plant and the continuous chlorination plant in Tennant Creek. These will see an existing process discontinued and a new process introduced that is safer for employees and improves the benefits for the local communities.

### People

Many of our reform activities are focused on improving the way we work and deliver services to our customers. The intense work involved in resolving the financial complexities identified following structural reform has required diligence and total commitment. Our staff continues to demonstrate tireless commitment to this task and the benefits are appreciated in every corner of the corporation.

Our workforce is diverse, talented and dedicated, which is demonstrated through the delivery of our services to Territorians every day and in all conditions.

One way we recognise this contribution is through our Staff Recognition Awards. This year they were presented to over 60 employees. The benefits also flow into the communities in which we serve, through our core business as well as numerous community groups, events and activities that our staff participates in as volunteers.

### Safety

Safety underpins all of our activities. Our zero harm targets saw a reduction in the rolling Lost Time Injury Frequency Rate (LTIFR) to 2.7 for the 2014-2015 financial year (surpassing our target), however constant rigorous work on our safety culture through active leadership will continue drive and improve safety outcomes across all of our corporate and business units.

### Customers

Our goal is to be a valued and respected utility within the community. We regularly survey our customers to gauge satisfaction levels and results in 2015 indicate 85 per cent of our residential customers and 86 per cent of our business customers rated their satisfaction with our services as good or very good. Another way of tracking this is through performance indicators in Power and Water's Call Centre through a Grade of Service (GOS) target of 70 per cent. Our Call Centre team achieved its target for the first time in five years in an excellent achievement that gives the team plenty to continue to build on.

While these are encouraging results, we will continue to strive to improve and deliver on our customers' increasing expectations for the services we provide.

### Future

There are numerous examples across the business where we are preparing for a better future. Two years of planning for the replacement of the 132 kV transmission towers supporting the overhead line crossing the Elizabeth River will soon become reality that will ultimately improve the line's cyclone rating to Category 4.

The corporation is also focused on ensuring Darwin has the capacity to meet the demands of future growth from commercial and residential customers with the replacement of the original City Zone Substation and the commissioning of the new Darwin Zone Substation. A similar process is underway in Water Services where we are planning for increasing water demand due to population growth across the Darwin region, as well as expanding the capacity of wastewater collection and treatment facilities.

Every Power and Water employee is focused on delivering the best possible service to our customers and our many stakeholders. Together, we are building on our achievements and good work across many areas to improve the way the corporation operates. This will no doubt present significant challenges and as Chief Executive I have every confidence we will deliver a capability and outcomes that meet the expectations of our customers and our shareholder.



**Michael Thomson**  
Chief Executive



## OUR PERFORMANCE

### Safety

#### Safety leadership

Power and Water's core value is protecting the health and well-being of staff, contractors and the general public. This value underpins all of the corporation's activities. Through safety leadership, culture and an effective Safety Management System (SMS), the corporation will continue to work towards achieving the goal of zero harm.

Power and Water has implemented an enhanced Safety Management System (SMS) across the corporation. This will meet requirements under the National Uniform Work Health and Safety Legislation (NT) and Utilities Commission Safety Management and Mitigation Plan (SMMP). This includes consultation with all employees and corporate documents to guide the corporation's Health and Safety Management activities and principles. In this way both operational

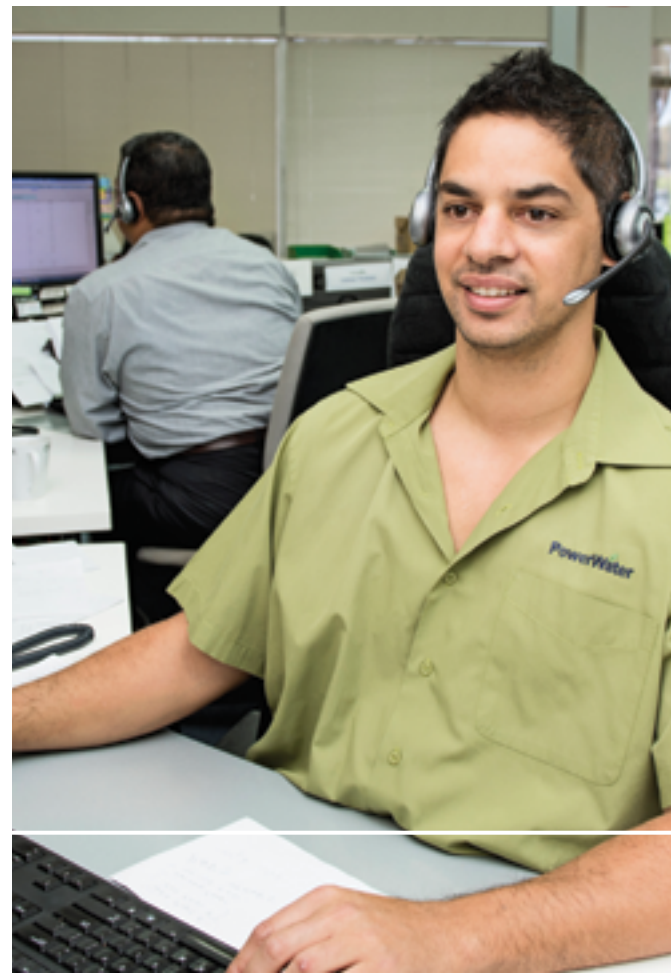
needs and safety standards are met by business units. The SMS includes 40 guidelines to address NT Worksafe Codes of Practice and six Australian Standards. The SMS is aligned to the requirements of Australian Standard AS/NZ 4801 for Occupational Health and Safety (OHS) Management Systems.

Power and Water's objective is always zero harm to anyone. The corporation has performance targets to drive the consistent reduction of lost time injuries every year. The zero harm target has already seen a reduction in the rolling Lost Time Injury Frequency Rate (LTIFR) to a low of 2.7 for the 2014-15 financial year, exceeding the target of 3 LTIFR. The Remote Operations business unit has remained at zero LTIFR for four consecutive months. This is an outstanding result given the high risk, remote works undertaken by the Remote Operations team.

The safety of contractors is integrated within the Power and Water safety

management system. Work undertaken by contractors is subject to the same performance, compliance standards and behavioural requirements of staff. A contract procurement framework, safety management guideline and operational procedures align to ensure safety is maintained at contractor workplaces. Risk reduction controls include safety evaluation criteria for bidders, the requirement for a safety plan for all works, ongoing assurance activities to monitor compliance and assessing contractor performance at the conclusion of contract terms or works. The aim is to ensure all work conducted for Power and Water is delivered by suitability experienced, qualified and committed providers with the capacity to achieve our goal of zero harm.

More strategies will be rolled out in the 2015-16 financial year to promote the zero harm culture and focus on the management of critical safety risks across the business.



Demonstrating safety leadership and developing safety culture remain pivotal to achieving our safety goal of zero harm. In order to promote this goal, the views and opinions of stakeholders will continue to be sought under a formalised stakeholder engagement plan over the next 12 months. The aim is to improve the current generation of SMS Guidance Documents and further develop the synergies between corporate and business unit safety.

**Security and Emergency Management**

Power and Water undertook a review of its security arrangements in September 2014, in response to the raising of the national terror alert. The corporation then commenced development of a new Protective Security Management Framework (PSMF).

The review led to reforms in a number of areas including access control systems and processes; conduct of physical

security reviews and risk assessments of key sites; and a review of security lock and key systems and upgrades to electronic security and surveillance systems. The PSMF is well advanced with the development phase nearing completion and implementation planned in 2016.

Completion of these security projects assists Power and Water to keep employees, contractors and visitors secure from harm and protect our critical infrastructure, assets and information.

Power and Water has initiated a new Emergency Management Framework built on lessons learned from incidents affecting services during March and September 2014 and aligned with the new Territory Emergency Plan released in December 2014. The project will enhance Power and Water’s ability to respond to all hazards including terrorism and natural disasters and improve organisational resilience, governance

and operational capability to prevent, prepare for, respond and recover from emergency events.

The project is well advanced with the development phase almost complete and implementation scheduled for the second half of 2015.

**People**

Power and Water is focused on building and maintaining a professional, capable, accountable and diverse workforce. Primarily, the corporation’s people objectives are four-fold:

- to build and retain a capable workforce
- to build and promote regional capability and opportunities
- to encourage and promote an engaged workforce and environment
- to build a workforce of high performance and accountability.



**POWER AND WATER EMPLOYEES**

**945** FULL TIME EQUIVALENT (FTE)

**978** TOTAL HEADCOUNT

**107** ESSENTIAL SERVICE OPERATORS (ESO)

**64** APPRENTICES DURING 2014-15

**11** TRAINEES DURING 2014-15

figures as at June 30, 2015

Power and Water maintained an overall employee engagement score of 71 per cent or 7 out of 10. Business units progressively achieved actions identified to continue to improve employee engagement throughout the year.

### Learning and Development

Power and Water's Internal Trainer Network initiative was implemented in May 2015 and has given subject matter experts across the corporation an opportunity to share their skills and knowledge. As a result of this initiative, the corporation now has 28 participants across the Northern Territory. In addition, Power and Water facilitated training events including:

- 882 face-to-face training courses
- Power Networks bi-annual Specific Safety Assessments (SSAs) that cover up to ten separate training and assessment programs (including use of personal protective equipment and job safety and environmental analysis)
- graduate and apprentice inductions with 20 apprentices completing their apprenticeship and seven graduates completing the program with five now employed by Power and Water
- safety awareness programs and online training courses
- the development of 34 applications for study assistance in 2014-15 financial year
- notice of four completed qualifications to date including two Certificate IV in Workplace and Business Coaching, a Certificate IV in Project Management and a Bachelor of Commerce.

### Staff recognition

In 2014-15, 63 employees were nominated by their peers for quarterly recognition awards - 18 working as part of a team and 45 individuals. These awards acknowledge exceptional

employee performance and going 'above and beyond' in performance. Four individuals and five teams received awards.

Twenty one employees were nominated in the Power and Water Corporation Annual Awards, with 13 receiving awards in a variety of categories, including 'Project of the Year' in each region, 'Graduate of the Year', 'Best Example of Innovation in the Workplace', 'Employee Who Imparted Knowledge to Others' and 'Best Community Participant'.

### Personal achievement plans (MyPlan)

Of the total eligible employees, some 93 per cent participated in MyPlan performance achievement in 2014-15.

### Staff engagement survey

Power and Water maintained an overall engagement score of 71 per cent or 7 out of 10 employees were engaged while working at the corporation. Business units progressively achieved actions identified to continue to improve engagement throughout the year. Particular focus was placed on recognising and using individual skills and talents and improving recognition and reward within the corporation.

### Indigenous employment

Power and Water has initiatives in place to meet its targets for increasing Indigenous employment opportunities.

Benefits include:

- developing/building relationships with Indigenous educators
- increasing awareness
- having the opportunity to increase Indigenous participation

- an increase in local skill development.

The key stakeholders include the Board, Executive Leadership Team (ELT), employees and managers and the broader Indigenous community.

### Accreditation

The Internal Trainer Network recognises the skills and knowledge of the corporation's employees through the delivery of non-accredited, Power and Water-specific training. This framework reduces the cost of training delivery, empowers employees to own processes and procedures and recognises their skills. Employees have a better understanding of the safety management system, materials equipment and operating environment and trainers have improved presentation skills.

### Workforce Plans

Each business unit completed a Workforce Plan in conjunction with Human Resources to determine the future skills and capability needs across all levels of the corporation. These Workforce Plans will inform succession plans for critical roles, and will assist the business units moving forward in terms of their recruitment and selection, learning and development and retention strategies.





## Power and Water Corporation statistical snapshot

| <b>Statistical Summary</b><br>As at 30 June 15                                   |        | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011         | 2012         | 2013         | 2014         | 2015       |
|--|--------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|------------|
| <b>ELECTRICITY</b>   |        |            |            |            |            |            |            |            |              |              |              |              |            |
| <b>Generation</b>  |        |            |            |            |            |            |            |            |              |              |              |              |            |
| Power and Water Installed Capacity (based on Gross Maximum Capacity)             | MW     | 391        | 375        | 375        | 379        | 428        | 473        | 473        | 452          | 546          | 559          | 592          | 9          |
| IPP Contracted Capacity (based on Site Rating)                                   | MW     | 47         | 71         | 64         | 64         | 64         | 57         | 64         | 58           | 58           | 58           | 114          | n/a        |
| Electricity Generated (Power and Water only)                                     | GWh    | 1,664      | 1,350      | 1,366      | 1,440      | 1,475      | 1,525      | 1,599      | 1,582        | 1,612        | 1,695        | 1,681        | 15         |
| Electricity Sent Out (incl IPPs, excl IES connected to Power and Water networks) | GWh    |            |            |            |            |            | 1,868      | 1,936      | 1,912        | 1,939        | 1,985        | 1,953        | 15         |
| IES connected to Power and Water networks - Sent Out (estimate)                  | GWh    |            |            |            |            |            | 11         | 12         | 9            | 10           | 12           | 11           | 15         |
| Electricity Sent Out (incl IPPs, incl IES connected to Power and Water networks) | GWh    | 1,627      | 1,712      | 1,725      | 1,790      | 1,821      | 1,868      | 1,946      | 1,918        | 1,939        | 1,996        | 2,089        | 130        |
| Independent Power Purchase (IPP) - Electricity Sent Out                          | GWh    | 45         | 400        | 395        | 385        | 382        | 385        | 376        | 371          | 366          | 341          | 346          | n/a        |
| <b>Networks</b>  |        |            |            |            |            |            |            |            |              |              |              |              |            |
| <b>Transmission (33kV &amp; above)</b>   |        |            |            |            |            |            |            |            |              |              |              |              |            |
| 132kV Overhead   | km     | 340        | 340        | 340        | 340        | 344        | 344        | 344        | 343          | 351          | 351          | 350          | 350        |
| 66kV Overhead  | km     | 315        | 314        | 314        | 314        | 314        | 314        | 302        | 332          | 380          | 392          | 370          | 352        |
| 66kV Underground   | km     | 17         | 17         | 17         | 17         | 17         | 17         | 17         | 34           | 35           | 38           | 39           | 40         |
| 33kV Overhead  | km     | 56         | 56         | 56         | 55         | 55         | 55         | 0          | 0            | 0            | 0            | 0            | 0          |
| <b>Distribution (22/11kV &amp; below)</b>  |        |            |            |            |            |            |            |            |              |              |              |              |            |
| HV Overhead  | km     | 2,906      | 2,965      | 2,972      | 3,062      | 3,147      | 3,202      | 3,237      | 3,243        | 3,285        | 3,315        | 3,311        | 3,353      |
| HV Underground   | km     | 598        | 601        | 604        | 618        | 627        | 637        | 651        | 670          | 734          | 765          | 795          | 834        |
| LV Overhead  | km     | 1,751      | 1,752      | 1,740      | 1,749      | 1,774      | 1,758      | 1,782      | 1,801        | 1,820        | 1,804        | 1,836        | 1,847      |
| LV Underground   | km     | 1,636      | 1,677      | 1,671      | 1,750      | 1,763      | 1,781      | 1,873      | 1,936        | 2,120        | 2,179        | 2,200        | 2,264      |
| <b>Sales</b>   | MWh    | 1,548,560  | 1,571,788  | 1,584,357  | 1,596,452  | 1,704,377  | 1,748,225  | 1,806,781  | 1,800,495    | 1,801,483    | 1,866,024    | 1,851,522    | 1,821,759  |
| <b>Customers</b>   |        | 68,679     | 69,709     | 73,339     | 73,753     | 74,097     | 72,327     | 74,004     | 76,603       | 77,708       | 82,545       | 80,079       | 82,369     |
| <b>WATER</b>   |        |            |            |            |            |            |            |            |              |              |              |              |            |
| System Capability  | ML/day | 336        | 336        | 336        | 322        | 322        | 322        | 322        | 322          | 322          | 334          | 336          | 336        |
| Production   | ML     | 54,447     | 58,436     | 54,797     | 56,842     | 57,823     | 60,707     | 58,870     | 52,269       | 56,994       | 58,412       | 55,089       | 61,636     |
| Total Sourced Water  | ML     | -          | -          | -          | 57,086     | 58,797     | 61,816     | 59,926     | 53,380       | 58,611       | 60,322       | 56,774       | 63,426     |
| Length of Mains  | km     | 2,010      | 2,003      | 2,019      | 2,090      | 2,130      | 2,173      | 2,146      | 2,157        | 2,196        | 2,231        | 2,265        | 2,301      |
| <b>Sales</b>   | ML     | 50,468     | 51,225     | 49,379     | 51,481     | 52,206     | 53,291     | 49,083     | 43,593       | 48,203       | 48,467       | 48,384       | 51,687     |
| <b>Customers</b>   |        | -          | 39,780     | 40,736     | 40,738     | 41,606     | 42,219     | 42,670     | 43,733       | 44,514       | 44,669       | 46,476       | 48,065     |
| <b>WASTEWATER</b>  |        |            |            |            |            |            |            |            |              |              |              |              |            |
| Total Sewerage Collected   | ML     | 20,579     | 15,626     | 19,087     | 18,758     | 19,745     | 19,549     | 22,131     | 26,375       | 21,474       | 19,884       | 22,617       | 20,428     |
| Length of Sewer Mains  | km     | 997        | 1,007      | 1,014      | 1,036      | 1,042      | 1,083      | 1,075      | 1,094        | 1,125        | 1,126        | 1,157        | 1,175      |
| Total Recycled Water Supplied  | ML     | 1,559      | 2,096      | 1,983      | 1,623      | 1,612      | 1,854      | 1,233      | 737          | 1,083        | 1,854        | 1,150        | 1,647      |
| <b>Customers (ie. Installations)</b>   |        | 45,612     | 46,296     | 48,123     | 48,661     | 51,217     | 53,661     | 50,800     | 51,829       | 52,371       | 53,407       | 55,641       | 57,646     |
| <b>STAFF</b>   |        |            |            |            |            |            |            |            |              |              |              |              |            |
| Male   |        | 536        | 564        | 573        | 580        | 601        | 677        | 697        | 736          | 778          | 778          | 751          | 665        |
| Female   |        | 203        | 213        | 213        | 208        | 215        | 242        | 266        | 297          | 311          | 313          | 298          | 317        |
| <b>TOTAL PERSONNEL</b>   |        | <b>739</b> | <b>777</b> | <b>776</b> | <b>788</b> | <b>816</b> | <b>919</b> | <b>963</b> | <b>1,033</b> | <b>1,089</b> | <b>1,091</b> | <b>1,049</b> | <b>982</b> |

### NOTES

# - Under structural separation, ownership of Power and Water Corporation's grid connected generation assets was transferred to Territory Generation on 1 July 2014. Power and Water retains the ownership of isolated generation facilities servicing remote communities and minor centres.

## Indigenous Essential Services

### Statistical Summary

As at 30 June 15

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

#### ELECTRICITY

| Generation   |        |        |        |        |        |        |         |         |         |         |         |         |         |
|--|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| Installed Capacity (including solar & wind)  | MW     | 42     | 45     | 48     | 51     | 56     | 59.61   | 69.46   | 71.25   | 74.00   | 76.54   | 77.57   | 74.38   |
| - Installed Capacity - solar & wind  | MW     | -      | -      | 0.5    | 0.7    | 0.7    | 0.8     | 0.8     | 0.8     | 0.8     | 1.5     | 1.6     | 1.3     |
| Electricity Generated (including solar & wind)   | GWh    | 79     | 85     | 94     | 95     | 97     | 106     | 112     | 103     | 108     | 115     | 113     | 108     |
| - Electricity Generated - Solar & wind   | GWh    |        |        | 1.0    | 1.6    | 1.0    | 0.8     | 0.7     | 0.3     | 0.2     | 0.6     | 0.2     | 0.2     |
| Electricity Sent Out (incl renewable and purchases from PWC & Private Suppliers) - estimated | GWh    |        |        | 93     | 93     | 97     | 123.12  | 129.10  | 118.80  | 125.00  | 133.77  | 129.59  | 128.91  |
| - Purchases from PWC (for IES connected to PWC networks) - estimated                         | GWh    |        |        | n/a    | n/a    | n/a    | 11.03   | 11.95   | 9.42    | 10.15   | 11.71   | 11.16   | 14.87   |
| - Purchases from Private Suppliers   | GWh    | 7.0    | 7.5    | 7      | 8      | 8      | 7.98    | 7.57    | 8.23    | 9.00    | 8.94    | 8.16    | 8.45    |
| Distribution (22/11 kV & Below)  |        |        |        |        |        |        |         |         |         |         |         |         |         |
| HV Overhead  | km     | 321    | 341    | 344    | 373    | 349    | 473     | 513     | 579     | 579     | 876     | 909     | 917     |
| HV Underground   | km     | 1      | 1      | 1      | 1      | 5      | 5       | 5       | 7       | 7       | 8       | 8       | 7       |
| LV Overhead  | km     | 243    | 248    | 253    | 278    | 278    | 278     | 278     | 325     | 325     | 319     | 322     | 326     |
| LV Underground   | km     | 1      | 1      | 1      | 1      | 4      | 3       | 3       | 3       | 3       | 2       | 3       | 4       |
| SWER All Voltages  | km     | 87     | 87     | 87     | 87     | 87     | 87      | 87      | 87      | 87      | 121     | 121     | 121     |
| <b>Sales</b>   | MWh    | 58,023 | 58,893 | 60,019 | 60,574 | 63,665 | 104,501 | 112,030 | 112,726 | 119,540 | 119,250 | 121,759 | 120,132 |
| <b>Customers #</b>   | No. of | 6,717  | 6,818  | 7,213  | 7,373  | 7,421  | 7,540   | 8,116   | 8,478   | 8,507   | 9,179   | 9,026   | 8,859   |

#### WATER

|                     |        |       |        |       |       |       |       |       |       |       |        |        |        |
|---------------------|--------|-------|--------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
| System Capability   | ML/day | -     | -      | -     | -     | 35    | 75    | 44    | 44    | 67    | 67     | 66     | 66     |
| Total Sourced Water | ML     | 9,970 | 10,104 | 9,733 | 9,250 | 9,846 | 9,848 | 9,792 | 9,002 | 9,680 | 10,306 | 10,433 | 11,321 |
| Length of Mains     | km     | 639   | 647    | 649   | 649   | 649   | 652   | 654   | 654   | 654   | 623    | 650    | 655    |
| <b>Sales</b>        | MWh    | -     | -      | -     | -     | -     | 1,666 | 1,855 | 1,491 | 1,916 | 2,180  | 2,068  | 2,325  |
| <b>Customers</b>    | No. of | 522   | 530    | 542   | 567   | 783   | 1,341 | 2,175 | 2,213 | 2,549 | 2,563  | 2,565  | 2,808  |

#### WASTEWATER

|                                      |        |       |       |       |       |       |       |       |       |       |       |       |       |
|--------------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Volume of Sewage Treated             | ML/day | 2,636 | 2,732 | 3,508 | 3,552 | 3,835 | 3,940 | 3,917 | 3,601 | 2,897 | 3,337 | 3,429 | 3,936 |
| Length of Sewer Mains                | ML     | 340   | 346   | 346   | 320   | 303   | 305   | 307   | 303   | 303   | 334   | 335   | 340   |
| Volume of Effluent Reused            | km     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| <b>Customers (ie. Installations)</b> | No. of | 401   | 407   | 420   | 847   | 899   | 1,122 | 1,467 | 1,793 | 1,834 | 2,292 | 2,398 | 2,527 |

#### NOTES

# - 2014 electricity numbers restated.



## Living Water Smart (LWS)

Living Water Smart (LWS) is a five year program focused on reducing water consumption across the Darwin region by 10 GL between 2013 and 2018. This is equivalent to a quarter of Darwin's annual water consumption.

The program's benefits include reducing large scale capital expenditure on major infrastructure, savings for customers and long term benefits through sustainable living. The LWS program has been delivered in 2014-15 through six key activities.

**ACTIVITY 1:** Maximising engagement with residents, non-residents and high water users face-to face through water audits and coaching to realise the benefits of making water efficiency changes without changing lifestyle or budget.

The program signed up over 300 water users and conducted consultations with 200 households to make recommendations on water efficient practices around the home. Almost 40 consultations took place with non-residential customers, including eight schools and six hotels. The program also provided water efficiency consultations for Northern Territory Government departments including Arts and Museums; Parks and Wildlife; Education and Territory Housing.

Key stakeholders engaged by the program include customers, residents, commercial and industrial organisations.

The program ultimately identified 154ML/year water savings.

**ACTIVITY 2:** Driving behavioural change by providing ongoing water efficiency rebates to the community through ten participating suppliers of products and services including appliances, irrigation equipment, garden watering audits and plumbing services.

This resulted in more than 1800 rebates delivered to residential, commercial and industrial customers including almost 400 pressure irrigation product rebates.

The rebate scheme identified 34 ML/year in water savings.

**ACTIVITY 3:** 'SWAPIT' is a showerhead exchange program held over two weeklong events (October 2014 and May 2015) where Darwin residents exchanged their old showerheads for latest technology at LWS-staffed kiosks inside Power and Water Retail stores and shopping centres.

Key stakeholders engaged by the program include residential customers and commercial and industrial organisations.

**ACTIVITY 4:** The LWS Facebook page provides informative and timely stories to motivated followers, their friends and other stakeholders. LWS engages in practical conversations and receives valuable feedback on many LWS initiatives, stories and receives ideas that can be implemented. Understanding and conversing with LWS audiences through social media provides great insight for LWS work.

**ACTIVITY 5:** The 'WHY' promotional campaign revolved around a sketch-style LWS television commercial illustrating the imperatives for water efficiency in the Darwin Region. This was also used in an internet microsite and social media campaign highlighting and expanding on specific aspects of the television commercial.

This approach successfully started community discussion and education on the urban water cycle with 6523 webpage views throughout the campaign and 201 residential Water Efficiency Consultation bookings made during the life of the campaign. This is more than double the number of total bookings made since the start of the program.

The program also reached 113 424 people on Facebook and the 'WHY television' ad was viewed over 30 000 times via Facebook. Just over 90 per cent of LWS's Facebook followers live in Darwin and surrounding areas including Palmerston and the rural area. The program's Facebook posts received 595 Likes and 3775 people clicked on post content to read further detail, with the most popular topics of interest

including dam planning (14 per cent of all comments), water waste and watering on public roads (7.7 per cent) and INPEX - Ichthys LNG Project water use (6.7 per cent).

**ACTIVITY 6:** Identifying and repairing water supply network losses. This program involved Power and Water employees identifying and repairing water supply network losses through active leak detection in network and rapid leak repair responses.

The program ultimately identified 1524 ML/year in water savings.

## Corporate and Regulatory

### Strategy, Economics and Regulation

During the 2014-15 financial year, Power and Water's Economics and Regulation team coordinated the completion of a number of major compliance reports and processes across the business, including:

- the System Black recommendation implementation reports
- the Special Technical Audit
- the Power System Review
- the Standards of Service Report
- the Compliance Audit
- the Statement of Corporate Intent.

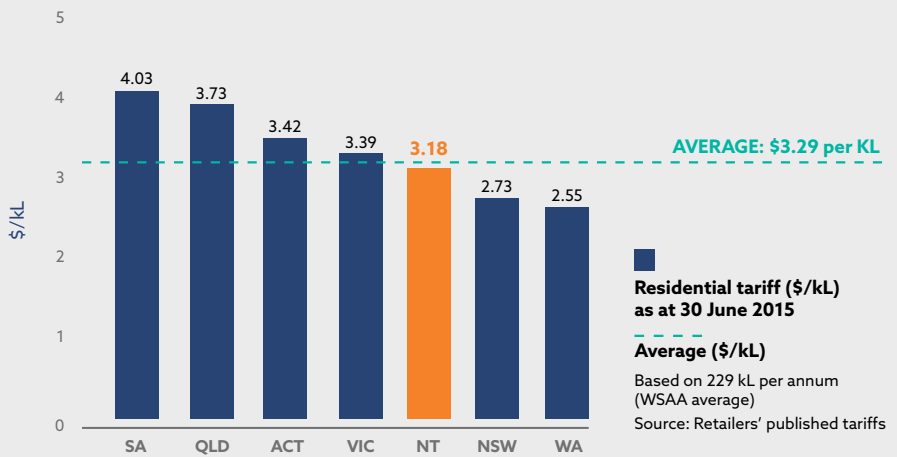
The implementation of recommendations across the business will lead to greater regulatory compliance, greater resilience and responsiveness to unplanned events on the electricity network and greater transparency of our operations to key stakeholders such as the Utilities Commission, the Northern Territory Government and all other market participants and our network customers.

The Economics and Regulation team, in conjunction with Power Networks, completed a ground-up review of Alternative Control Service charges. This led to a more transparent set of charges as well as greater operational efficiencies across Power Networks.

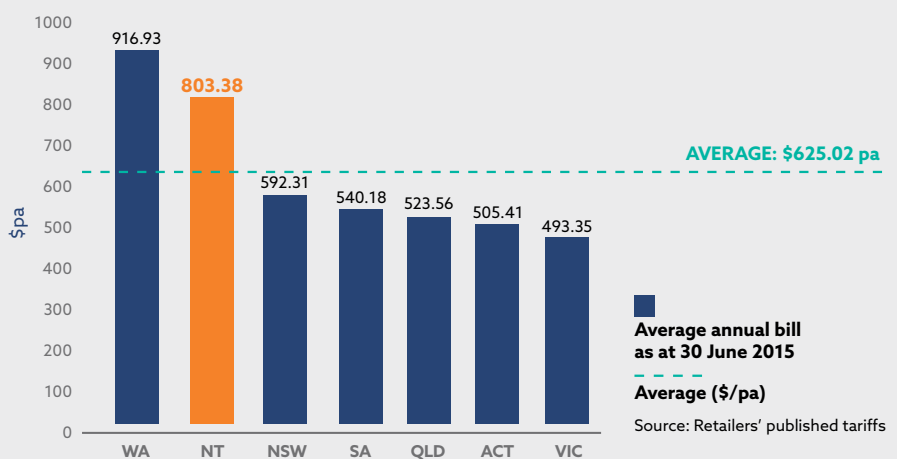
### Regulated Retail Tariffs

Following structural separation, Power and Water retails water and sewerage services to all Northern Territory customers. The following charts compare prices for residential water and sewerage customers in the Northern Territory with states across Australia, as at 30 June 2015.

Residential Water Tariff Comparison for 2014-15 as at June 2015



Average Annual Residential Sewerage Bill for 2014-15 as at 30 June 2015



## Cutting red tape for customers and suppliers

Power and Water is dedicated to reducing the burden of red tape on its residential and business customers. Below are examples of reforms underway both inside and outside the corporation that will ensure red tape is cut and our customers see the benefits.

### Go Paperless

A partnership with Australia Post's MyPost Digital Mail Box (APDM) was launched in February 2015 providing customers with the option of choosing paperless bills. The second phase of the campaign is enabling payments online through BPAY View.

To date, the response has been positive from customers and media.

### Procurement Reform

The new Procurement Framework came into effect in July 2014 and provides mutual benefits for Power and Water and its suppliers by introducing contemporary and commercial terms and conditions, streamlined approval processes, a focus on managing contracts for continual improvement and more options for approaching the market.

A major feature of the framework is increased transparency and information for suppliers. This includes:

- a central point of contact for all suppliers doing or wishing to do business with Power and Water
- a new three year outlook of future projects
- a supplier feedback mechanism
- complaint guidelines and a guide for business on supplying goods and services to the corporation. Issues are managed centrally to reduce red tape and avoid being considered by multiple business units/officers. Central management reduces the likelihood of the same issues raised in various formats (online to Power and Water, phone call, media etc) being addressed in multiple avenues.

### One Stop Shop

Power and Water's One Stop Shop was established at the Ben Hammond Complex in 2013 in response to a request by developers for the corporation to streamline its processes and ease interactions with the development community.

The One Stop Shop has allowed developers and contractors to make payments to their accounts without the need to venture into Power and Water's shop fronts in Darwin City or Palmerston.

The One Stop Shop also acts as a central point to distribute portable water meters. This operation is being reviewed with the goal of expanding its online functionality.

## 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 otherwise choose to do so, on a commercial basis.

Northern Territory Government contributions enable Power and Water Corporation to offer uniform tariffs regardless of where customers live, give pensioners concessions and apply the Tranche 4 electricity policy. In 2014-15, the Northern Territory Government paid the corporation \$15.6 million in Community Service Obligations, of which \$7.2 million was for customers receiving the Northern Territory Government's Pensioner and Carer Concession Scheme.





## Customer service and stakeholder engagement

### Customer service

Power and Water's purpose is to provide safe, reliable, least cost electricity, water and sewerage services to customers. Seeking feedback from customers helps to provide important information that enables the corporation to continually provide excellent service. Regular surveys provide valuable information about customer satisfaction levels. Overall, results of the 2015 survey indicate that 85 per cent of residential customers and 86 per cent of business customers rated their satisfaction with their services as good or very good.

### Stakeholder engagement

Engaging regularly with stakeholders is a proactive approach to doing business. Power and Water can build relationships with key stakeholders and better understand their needs, listen to their

perspectives, learn from their experience and focus on the aspects of service that are most important to them.

In line with this approach, an engagement strategy based on feedback from key stakeholders is being implemented across the corporation and includes workshops and targeted training with Power and Water staff. The strategy aims to build relationships through a better understanding of values, priorities and expectations.

As part of structural separation, it was agreed Power and Water would provide a range of services to the two new GOCs under Transitional Service Agreements (TSA). TSAs have been in place with Territory Generation and Jacana Energy since July 2014. These agreements include support in areas such as financial accounting, HR and Employee Relations, Environment Services, Health and Safety

Management, procurement, Security and Emergency Management, retail invoicing and receipting, credit management, customer call centre and shop front support, Corporate Communications, insurance and legal support, IT systems, services and infrastructure - including Retail Management System (RMS) and Financial Management System (FMS).

As the new GOCs establish in-house functions, the services provided by Power and Water are reduced or cancelled. Many of these services have already fully transitioned to the new GOCs. Power and Water will continue to provide services under the current TSA arrangement until either July 2016 or until they are no longer required. If Territory Generation or Jacana Energy require Power and Water services past July 2016, new contractual arrangements will be negotiated between the parties.





Community Engagement is the foundation of Remote Operations' Manymak Energy Efficiency Project

## Manymak Energy Efficiency Project



The Gapuwiyak team

Power and Water is a proud partner in the Manymak Energy Efficiency Project. Launched in May 2013, the project also known as Dharray Manymakkung Pawaw Ga Gapuw is being run in six communities in East Arnhemland.

- Galiwin'ku
- Milingimbi
- Gapuwiyak
- Ramingining
- Gunyagara
- Yirrkala

The project identifies barriers to energy efficiency in low-income Indigenous households and aims to help over

620 households to use energy more efficiently and employment of over 90 local Indigenous Low Income Energy Efficiency Project (LIEEP) ambassadors.

Of the 620 households, 440 individual households will be targeted by the program as part of a campaign, which is led by Indigenous Essential Services Pty Ltd (a not for profit subsidiary of Power and Water Corporation), receiving funding from the Australian Government Department of Industry, Innovation and Science.

Some of the initiatives include:

- employment of local community members to engage with households and deliver a tailored education package
- retrofit of up to 440 homes with measures such as energy efficient light bulbs and solar hot water systems
- fitting data loggers to meter boxes to capture energy usage statistics
- installation of an in-home interactive usage display to around 250 households.

Local Yolngu people have been at the centre of the design and delivery of the project, relaying messages and sharing ideas for using less power in the communities.

The Manymak project will run until April 2016. It will be rigorously evaluated and developed as a framework for improved energy efficiency for application in other remote Indigenous communities.



LOOKING AFTER OUR POWER AND OUR WATER





Christmas hamper packing at Foodbank



Special Children's Christmas Party

## Community engagement

Power and Water actively seeks to partner with worthy community programs and has a strategic approach to identifying suitable organisations where mutually beneficial and long term partnerships can be established, with the aim of making a difference in the wider community.

### Foodbank NT

Foodbank is the largest food relief organisation in Australia and Foodbank Northern Territory (NT) is a current Power and Water community partner. Over 200 000 meals were generated through Foodbank NT last year alone.

During the 2014-15 financial year, Power and Water was proud to offer Foodbank NT marketing and promotional expertise to assist with raising their profile throughout the community.

This involved the design and implementation of a promotional campaign across multiple platforms. The Foodbank NT story was told through a television commercial produced and aired by the corporation.

Power and Water supported the Foodbank NT annual Christmas food drive by allocating collection points for the supply of donated non-perishable food items.

The media exposure raised Foodbank's profile and made a significant difference

compared with previous years. As a result of Power and Water's advocacy and support of Foodbank NT, there was an increase in donations of over three tonnes. Support from independent businesses for the Foodbank Christmas Appeal improved by over 70 per cent and cash donations also increased by 50 per cent.

### Special Children's Christmas Party

The Special Children's Christmas Party is an event that aims to bring happiness during the festive season to children who are ill or disabled. Power and Water was a proud sponsor of this event and in December 2014, a number of staff volunteered to attend the Darwin Special Children's Christmas Party and help distribute hundreds of gifts.

### Camp Quality

Camp Quality aims to improve the lives of every child living with cancer in Australia through programs that encourage optimism, making new friends, family bonding and fun.

During the 2014-15 financial year, Power and Water sponsored Camp Quality's Northern Territory Family Camp, which enabled two children living with cancer and their families to attend the Family Camp. This sponsorship helped them to relax and have some quality family bonding time.

### Michael Long Learning and Leadership Centre

The Michael Long Learning and Leadership Centre (MLLLC) encourages Indigenous youths to learn and lead through sport. Power and Water has partnered with the MLLLC to engage with participants and provide education modules focusing on energy and water efficiency and career pathway. Partnering with the MLLLC is an integral part of Power and Water's Indigenous Employment and Career Development Strategy. This is an exciting partnership that will continue into the 2015-16 financial year.

Local school children watched on as Power and Water replaced Elliott's water tank with a new 291 kilolitre tank on a 21 metre stand. The new tank has increased the reliability of supply to the community and has the volume and elevation to meet guideline flows and pressures, once the pump and reticulation upgrades are completed.



New water tank being installed at Elliott

## Operational performance

### Water

Power and Water is focused on providing water supply to residents and businesses across the Northern Territory in the face of increased demand due to population growth, new development and the establishment of major infrastructure to cater for the expansion of residential communities and commercial precincts.

Nowhere in the Territory is this growth more pronounced than in the Darwin region where water sources have been expanded, capability within treatment facilities increased and service levels continue to climb across the distribution network.

Power and Water draws approximately 85 per cent of water supplies for the Darwin region from the Darwin River Dam. This reliance underscores the importance of supplementary supply available from the McMinns and Howard East bore fields.

In the 2015 dry season, Power and Water will bring four existing bores into service in the Howard East bore field to ensure sufficient emergency supply is available should there be an interruption to the supply from Darwin River Dam. This will build further resilience and diversity into the region's water sources and thereby ensure a secure supply for customers in the Darwin region.

Palmerston is one of the fastest growing communities in the Northern Territory. Water supplies for the town and its

30 500 residents is drawn from McMinns Pump Station through an existing 3 megalitre elevated tank located in the commercial centre.

Development in the Palmerston East project will see an increase in the local population by up to 15 000 over the next eight years. To cater for this growth, Power and Water is partway through construction of a new elevated 4 megalitre tank, which is due for completion in December 2016. This new supply will be directed to lower lying areas of Palmerston, reduce maximum supply pressures in these neighbourhoods and deliver additional demand.

Power and Water's focus in Alice Springs includes replacement of water mains in key locations, particularly those with a recent history of breaks. Approximately 450 metre of 150mm asbestos cement water main along Gap Road has been upgraded to 200mm ductile iron. This will reduce the number of breaks and increase available capacity. The works also include new service upgrades to local residences and an upgrade of the affected pedestrian access that included footpaths and kerb crossings to meet Alice Springs Town Council standards.

The Ilparpa trunk main was regarded as both unreliable and costly to repair. Power and Water has replaced approximately 1400m of 250mm PVC water main with 300mm ductile iron as part of a broader project to improve the function of the trunk main.

Significant work has also been undertaken towards the future planning of Roe Creek Borefield. Previous plans

projected that new bores would be required in 2018-19. Revision of the planning has shown the new bores will not be required until 2024. This is due to the refurbishment of some bores, decreasing water demand and additional data available for future predictions.

The Minister for Essential Services, the Hon. Willem Westra van Holthe MLA, officially opened a new continuous chlorination facility for the Tennant Creek community in April 2015. The state-of-the-art facility delivers the safest and most cost effective method of providing drinking to the residents of Tennant Creek. This means residents, businesses and tourists to the community can rely on a safe, consistent and reliable supply for decades to come.

Local school children watched on as Power and Water replaced Elliott's water tank with a new 291 kilolitre tank on a 21 metre stand (as shown above). The new tank has increased the reliability of supply to the community and has the volume and elevation to meet guideline flows and pressures once pump and reticulation upgrades are completed. Power and Water has also catered for planned future development with sufficient volume and elevation to ensure guideline flows and pressures will be capable of being met once pump and reticulation upgrades are undertaken in the future.

### Drinking water guidelines and review

Power and Water is establishing a phased project that will improve the capabilities

in Water Services to ensure compliance with the Australian Drinking Water Guidelines. Employees are focused on sustaining core activities, such as development and implementation of an annual verification monitoring program and managing responses to water quality incidents, while progressively introducing updates required in Water Services' protocols, processes, systems, education and organisation.

Work is also underway towards an external review of drinking water quality management by Power and Water. This review stems from a submission early in 2015 to the Power and Water Board. The current focus is on the identification of stakeholders, overall and specific objectives of the external review and how it will be undertaken. The review is planned to commence in 2015-16.

### Sewerage

Just as Power and Water has planned future water demand due to population growth across the Darwin region, so too has the prospect of future development in Palmerston and the Darwin CBD accelerated the need to improve wastewater collection and treatment facilities.

An existing sewer system that services approximately 25 per cent of the Darwin CBD has been hampered by a bottleneck across McMinns Street, near Barneson Street. Power and Water has constructed new sewer infrastructure in Barneson Street to meet demand from new

development in the CBD, largely through a process called micro-tunnelling. The Frogs Hollow Arts Centre car park has been expanded as a result of the capital works.

The new suburbs of Johnston, Zuccoli, Mitchell, Holtze and Palmerston East are growing rapidly and demand on the current gravity trunk sewer is expected to exceed capacity during wet weather events. Part of the existing sewer catchment also includes the 3500 person INPEX Construction Village at Howard Springs. A staged project will draw on funding provided by various parties including the Northern Territory Government and INPEX and see the sewerage infrastructure progressively upgraded to meet development projections.

The Ludmilla Wastewater Treatment Plant services 57 000 Darwin residents and a critical element in the Larrakeyah Outfall Closure Plan. The plant was upgraded in 2013 and is the largest sewerage project ever undertaken by Power and Water. It remained fully operational for the duration of construction with staff overcoming significant challenges throughout the wet season. The plant's treatment performance and environmental outcomes have improved dramatically in both dry and wet weather conditions.

This achievement was recognised in the prestigious 2014 Northern Engineering Excellence Awards, where the plant

upgrade was announced as the overall winner.

Power and Water's engineers and project partner Hunter Water Australia, were also nominated for the National Engineering Excellence Awards. This is the second Water Services' project to win the Northern Region Award and be nominated for a national award.

The extension of the East Point Outfall (EPO) is the last component of the Larrakeyah Outfall Closure Plan. The project will locate the diffuser further offshore to meet environmental parameters, improve dispersion and cater for increased flows.

The Northern Territory Environment Protection Authority (EPA) issued its Terms of Reference for the preparation of an Environmental Impact Statement (EIS) for the EPO project in late 2014. The EIS will be jointly assessed by the EPA under the *Environmental Assessment Act* and Commonwealth Department of Environment under the *Environment Protection and Biodiversity Conservation Act*.

The Overflow Relief Gully (ORG) advertising and community education campaign is delivering improved outcomes for Darwin residents, particularly around The Gardens and Rapid Creek catchments, where stormwater flowing into the sewer network can prove overwhelming and cause backflow during extreme rainfall events.

Wet Season - ORG awareness



Power and Water is focused on ensuring the new Darwin Zone Substation has the electricity capacity to meet the demands of future growth in commercial and residential customers in the CBD

### New Leanyer Zone Substation

Inspections for illegal stormwater connections to the sewer network (which include ORGs) on 2759 properties in Millner and Rapid Creek yielded non-compliance letters to 211 customers. Of those, 74 customers subsequently (35 per cent of those non-compliant) fixed their ORGs and illegal connections. Inspections on 464 properties in The Gardens catchment yielded a significant amount of data that is being processed at the time of publication.

The ORG campaign will continue into the next wet season when temporary flow monitoring devices will be installed to determine flow data comparisons. This will verify the level of success of the ORG campaign and rectification works.

### Power Networks

Power and Water is focused on ensuring the new Darwin Zone Substation has the electricity capacity to meet the demands of future growth in commercial and residential customers in the CBD. Work to replace the original City Zone Substation is nearly complete and the commissioning of the new Darwin Zone Substation is underway.

Significant work continues at the Hudson Creek Sub Station Zone where six 132kV circuit breakers have been replaced. These changes were effected in record time and without power interruptions following careful planning and contingency preparation. A separate project also at Hudson Creek has focused on the major reconfiguration work of the outdoor switchyard in order to significantly improve system reliability for the Darwin to Katherine network. The combined project cost is \$4.5 million.

After two years of investigation, design and planning by Power and Water employees, the corporation achieved a significant milestone with the letting of the tender for the replacement of the 132kV transmission towers supporting the overhead line crossing the Elizabeth River. The aim of this work is to improve

the Elizabeth River line's cyclone rating to Category 4.

### System Control

The Northern Territory Government has introduced a regulatory reform package intending to remove impediments to competition in the NT electricity market. The reform package included the introduction of the Interim Northern Territory Electricity market (I-NTEM), which commenced operation on 27 May 2015. Key stakeholders in this project include the Treasurer, the Department of Treasury and Finance, the Utilities Commission and market and system participants. Power and Water is now the System Controller and Market Operator for the I-NTEM.

Power and Water's electricity supply was subject to persistent Under Frequency Load Shedding (UFLS) events, with 17 events occurring in the 2014 calendar year. This negatively affected customers connected to the Darwin-Katherine system. Interim changes were implemented in December 2014 to the UFLS scheme and to the spinning reserve policy, whilst a full engineering study is completed. The interim changes ensure generation capacity that is online but unloaded is able to respond within a second during generation or transmission trips. This has seen improved reliability, with the Darwin-Katherine system now without a UFLS event since December 3, 2014.

Hudson Creek is where System Control is based. It is a critical site for Power and Water and needs to be operational at all times. The Distribution Board and Back Up Generator Replacement Project ensured that there would be no interruption to operations and also provided an auxiliary back-up power supply for critical and essential services. It was completed in two stages; the manufacture and installation of a purpose built Main Switchboard (MSB) compliant to AS3439.1 and the installation of a 1000 kVA standby generator provided by Power Networks.

### Retail

The key performance indicators in Power and Water's Call Centre include a Grade of Service (GOS) target of 63 per cent. Initiatives implemented during the 2014-15 financial year have enabled the Call Centre employees to exceed this target and achieve 71 per cent, the first time the target has been reached in five years.

Power and Water rolled out the Go Paperless campaign with Australia Post Digital Mailbox in February 2015 and BPAY View in June 2015. This provided customers with further payment options and enabled electronic invoicing.

Customer touch points including retail outlets and the website feature prominent Go Paperless promotion

### Remote Operations

#### Cyclone Recovery

On 20 February 2015, Severe Tropical Cyclone Lam swept through north Arnhem Land communities of Galiwin'ku (Elcho Island), Milingimbi, Ramingining, Gapuwiyak (Lake Evella) and surrounding outstations and homelands. Winds exceeding 230km/hr caused considerable damage to the essential services infrastructure in those communities.

Power and Water crews were the first responders in each of the affected communities, arriving just hours after the 'all clear' was issued. These crews acted quickly to undertake repairs restoring the backbone of the power, water and sewerage systems within 24-48 hours, providing a basic level of essential services to each of the affected communities. This reduced public health risks and removed the potential need to evacuate residents. Power and Water continues to support recovery activities in the affected communities.

#### Pre-payment metering

The current pre-payment meters are no longer manufactured and a replacement meter had to be found to serve the pre-payment customers. In October 2014,



Yirrkala Tank – opening with Minister for Essential Services, Willem Westra van Holthe

Power and Water crews were the first responders in each of the affected communities, arriving just hours after the 'all clear' was issued.

a smart pre-payment meter trial was carried out at Nauiyu (Daly River). The system was successfully trialled for three months ending in January 2015. The system uses an EDM1 meter combined with a back-end component, which allows the customer to purchase credit from the store and have it virtually transferred directly to the meter. The system does not require a paper token, data is easier to analyse and interrogate than the existing meters and greater customer usage data can be retrieved.

#### Wadeye Power Station

Wadeye Power Station is a \$12.8 million project that utilises gas as a low emissions, low cost source of power. The construction of the new power station means the surrounding communities of Peppimenarti and Palumpa can be connected by high voltage transmission feeders and gain the environmental and economic benefits of this project. The project is scheduled for completion in late 2015. The old diesel power station will be decommissioned when works are complete and the new power station is fully commissioned.

#### Water and sewer projects

New water tanks at Yirrkala will replace existing water storage tanks, which had reached the end of their useful asset life and were in poor condition. Benefits of replacing the water tanks include increased water storage capacity, increased water pressure to the community, improved reliability and efficiencies and savings on maintenance costs.

Upgrading the sewerage system in Galiwin'ku enables approximately \$14 million worth of community infrastructure works to proceed, including the health clinic. The project

improves the reliability of the sewerage system and the sewerage pumping station and provides capacity for development within its catchment over the next 20 years based on current growth projections. The improved system ensures less sewerage overflow, improved public health, a safer asset to operate and improved operational efficiency.

The Maningrida Sewerage Ponds project improves the existing sewerage pond capacity to handle future growth demand and reduce environmental problems with treated effluent discharge on the rock shelf in the sea. Benefits of this project include improved public health, improved environmental outcomes, less safety issues, less maintenance requirement and improved operational efficiency.

#### Solar SETuP

The Solar Energy Transformation Program (SETuP) commenced and builds significantly on Power and Water Corporation's 20 years of experience incorporating solar technologies into regional and remote communities. SETuP will deliver an additional 10MW of solar power to communities across the Northern Territory that currently rely entirely on diesel generators. The result will be cleaner, quieter and more reliable generation, with increased capacity and flexibility for future growth. Anticipated fuel savings of 15 per cent from the integrated solar panels will also mean a reduced reliance on expensive and problematic diesel deliveries.

The \$55 million four-year project is jointly funded, with \$27.5 million financed through the Northern Territory Government and \$27.5 million from the Commonwealth through the Australian

Renewable Energy Agency (ARENA).

#### Water savings

The Water and Energy Demand Management (WEDM) team manages projects in remote communities identified as having high water or energy use and/or a water source risk. Projects are aimed at reducing energy and water demand with a focus on community driven change. The WEDM team engages with each community about the need to manage water resources and promote how to reduce their demand for water. They actively work with the largest water users to reduce water demand.

Water savings achieved by WEDM projects in communities during 2014-15 include:

- Yuendumu – 20 ML (11 per cent reduction)
- Ali Curung – 18 ML (12 per cent reduction)
- Wutunugurra (Epenarra) – 6 ML (32 per cent reduction)
- Milingimbi – 14 ML (6 per cent reduction)

There are currently seven communities with automated water meter reading technology - 'smart meters', which are monitored remotely: Santa Teresa, Gunbalanya, Milingimbi, Galiwin'ku, Yuelamu, Ali Curung and Epenarra.

Smart meter data is used to calculate community water balances, identify high users and excessive use that can be reduced through behaviour change. The team can identify and address leaks at individual properties in a timely manner.

When possible, IES works with external academic and technical organisations to leverage additional value to its water resource management activities.



Cyclone Lam devastation on Galiwin'ku around the Power and Water watering point

In 2014-15 IES collaborated with Flinders University (SA) on a geophysical survey of Milingimbi island, north-east Arnhemland, to determine the extent of the freshwater aquifer. This work was co-funded by IES and the Society for Geophysical Exploration. IES and Power and Water's Water Services are also partners in a project with Melbourne University to develop a tool for statistically analysing the relationship between water levels in aquifers, rainfall and pumping. This work will enable us to identify early concerning aquifer level trends where rainfall has declined, or where over-pumping is occurring, so that we can take pre-emptive action to ensure the security of the water supply. This work is co-funded by industry partners (Power and Water, Bureau of Meteorology, the Department of Environment, Land, Water and Planning in Victoria) and by the Australian Research Council.

### Gas Supply Unit

In 2014-15, Power and Water 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 Power and Water's contingency gas supply arrangements.

Mechanical construction of the Wickham Point pipeline adjacent to INPEX's LNG facilities commenced in June 2015. Agreement was reached to procure critical materials through INPEX's procurement process to minimise lead times. Commissioning of the gas pipeline and associated infrastructure remains targeted for completion by February 2016.

The Dingo Gas Supply Agreement was concluded with Magellan Petroleum prior to the company's onshore Australian assets being purchased by Central Petroleum Limited). The agreement allowed Power and Water 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.

### Asset Management Capability

Power and Water has achieved significant progress in the planning of the first phase of the Asset Management Capability (AMC) program.

The AMC team has been focused on working closely with the business units to develop key processes such as faults and unplanned outage management and Asset Handover. The team also leads the development of structures within the Asset Management System (Asset Hierarchy) and is contemplating how Asset Management is governed within the corporation as a whole.

Beyond planning for Phase One activities, the primary achievement this year was completing the design for an end to end 'asset handover process'. This new design lays out clear logical handover steps that are common to all business units (Water Services, Power Networks and Remote Operations) and identifies the key roles required to complete a structured, sequential and safe asset handover.

The completion of the design enables changes to the IT system to be configured with asset handover objectives in mind (from both technical and financial perspective), the design

also allows each business unit to assemble asset handover teams to focus on key asset handover outcomes. Implementing the new process design will improve Power and Water's Asset Handover capability.

### Legal compliance

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

Compliance with relevant laws, regulations, industry codes and acceptable ethical standards is important for Power and Water in reducing organisational risk and avoiding the potential significant consequences associated with non-compliance. Power and Water's compliance framework is supported by its Compliance Policy, Compliance Register and a Compliance Strategy, which is developed with reference to the principles contained in the Australian Standard AS3806:2006 - Compliance Programs.

The Compliance Strategy is reviewed by Power and Water on an annual basis outlining the ongoing management of compliance activities within the corporation. Consideration has also been given to the integration required between compliance and the existing risk management and audit functions, to ensure coordinated processes across all three areas through a Governance, Risk and Compliance (GRC) system.

## Environment

### Environmental Management System (EMS)

Power and Water Corporation must ensure it has a structured and operationally relevant approach to environmental management across the business. The structure of a new Environmental Management System (EMS) allows business units to have active ownership of their environmental risks and provides a structured and documented framework for the management of environmental risk, improved environmental performance and legislative compliance.

An education and awareness program for the EMS implementation will be rolled out across the operational business units following finalisation of the business unit documents. This will ensure staff and contractors understand environmental regulatory obligations to prevent the potential for inadvertent breaches. The online environmental module was launched in February 2015 and more than 40 per cent of Power and Water employees have participated in the online training module.

Power and Water has also developed an overarching framework for stakeholder engagement to achieve better environmental and commercial outcomes, stronger working relationships and ensure environmental management messaging is coordinated and consistent. Environmental outcomes are improved by ensuring environmental management services and materials meet stakeholder's needs and by building trust in the corporation's environmental management capabilities. Roll out of the engagement plan has commenced including:

- regular meetings attended with key Power and Water stakeholders
- development of new and streamlining of existing tools and processes to enhance contractor and Power and Water project delivery standards and performance
- positive relationships being developed with civil works and construction contractors through attendance at project start-up meetings and site inspections
- engaging with other Northern Territory Government agencies to identify opportunities for collaboration and improved outcomes.

### Sustainable Energy

Power and Water met its 2014 obligation of 75 026 large-scale generation Certificates (LGCs) and 79 663 small-scale technology certificates (STCs), totalling 154 689 Renewable Energy Certificates (RECs).

The Northern Territory Government requires electricity retailers to acquire their Renewable Energy Target (RET) quota of RECs from sources within the Northern Territory.

The 1MW Uterne solar farm provides an opportunity for Alice Springs to contribute to emissions reductions. When an expansion of the plant to 4MW is completed in 2015, around six per cent of energy consumed in Alice Springs will come from the Uterne Solar Farm.

When it is expanded in 2015, the new 4MW capacity will provide around six per cent of Power and Water's annual obligation. The price of the energy purchased is fixed for the life of the contract.

Power and Water introduced a much clearer and more comprehensive rooftop Photovoltaic (PV) policy in the 2014-15 financial year. This policy enables the corporation to process applications with much greater efficiency while also offering greater certainty to customers and the solar PV industry in the Northern Territory.

A further 1400 households and businesses across the Northern Territory installed rooftop solar PV generators in 2014-15, 500 more than in 2013-14. There are now around 2800 such generators in the Darwin-Katherine region, 1200 in Alice Springs, 40 in Tennant Creek and 200 in minor centres and remote communities. The total capacity is around 20MW.

A focus on driving energy efficiency programs enables Power and Water to establish a leadership role in the community on sustainable approach to using energy. Throughout the 2014-15 financial year, Sustainable Energy focused on improving energy efficiencies at various Power and Water sites, such as Katherine, Tennant Creek and Sadadeen.

LED lighting upgrades underscored messages about efficient light technology, better lighting quality, reduced maintenance and reduced energy costs. The new lighting is 60 per cent more energy efficient. Other energy efficiency projects included replacing an electric hot water unit with a solar hot water unit, reprogramming air-conditioning and the application of heat-reflective paint.



## Financial Performance

Power and Water recognises that developments since structural separation have highlighted a number of issues in relation to financial systems and processes, which has resulted in the 2014-15 financial statements receiving a qualified audit opinion. This qualified audit opinion relates to property plant and equipment and gas contracts. Further detail is provided in the financial statements. A summary of targets and results is provided on the following pages.

Net Profit After Tax (NPAT) reflects a negative variance of 49.6% against the SCI budget, which is mainly attributable to increased depreciation and amortisation of \$38.2 million. The increased depreciation is as a result of the revaluation (historical cost to fair value) of the property, plant and equipment. Earnings before Interest and Tax (EBIT) is down 33.3 percent against target, this is primarily due to an increase in operating cost (energy and materials expenses and external service agreements). Higher than anticipated External Service Agreements expense of \$17.2 million and Energy and Materials of \$7.1 million were offset by favourable variances in Employee Benefits. Management also pursued savings opportunities which reduced the impact of the cost increases. These were slightly offset by increases in Water revenue and Other Income (Gifted Assets).

Return on Assets is down against target as a result of the increase in asset values due to the revaluation of assets as well as the impact of the reduced EBIT. The gearing ratio is down on budget due to increased debt levels and increased equity. The increased equity is mainly as a result of the increase in the revaluation reserve associated with the revaluation of fixed assets.

Cash from operating activities is down \$22.6m, mainly as a result of the reduced net profit after tax.

Capital Expenditure (CAPEX) was 2.2 per cent higher than target due to increased expenditure on electricity networks.

Operating Expenditure (OPEX) was up 5.6 per cent against target primarily due to an increase in energy and materials expenses of \$7.1m and \$17.1m external services agreement.



## Power and Water Corporation Statement of Corporate Intent 2014-15

Power and Water's overarching strategic direction is defined to meet the challenges and opportunities facing the corporation in delivering utility services and to achieve its vision.

The strategic direction is underpinned by seven key goals encompassing financial and operational performance, safety, customer service and stakeholder engagement, people, environment and the future.

| Power and Water Corporation Statement of Corporate Intent 2014-15    |   |   |   |                   |                   |
|--|---|---|---|-------------------|-------------------|
| Key Result Area  | Goal  | Strategy  | Key Performance Indicator   | 14-15 Target      | 14-15 Actual      |
| Safety   | zero harm   | <ol style="list-style-type: none"> <li>1. Implement effective safety policies and procedures for safety of the public, staff and contractors</li> <li>2. Enhance safety through active leadership</li> </ol>  | Number of LTIs <sup>i</sup>   | <4                | 6                 |
|  |   |   | Rolling Lost Time Injury Frequency Rate (LTIFR) <sup>ii</sup>                   | 3                 | 2.7               |
|  |   |   | Rolling Total Recordable Injury Frequency Rate (TRIFR) <sup>iii</sup>           | 25                | 30                |
|  |   |   | Incidents reported in GRACE within 24 hours of occurring (%)                    | 80                | 45                |
|  |   |   | Increased reporting for all incidents - 10% on previous year <sup>iv</sup>      | 328               | 259               |
| People   | Maintain a professional, capable, accountable and diverse workforce | <ol style="list-style-type: none"> <li>1. Build capability and retain a skilled workforce</li> <li>2. Build and promote regional and Indigenous capability and opportunities</li> <li>3. Promote a committed workforce and a collaborative environment</li> <li>4. Maintain a workforce of high performance and accountability</li> </ol> | Business Unit Training Plans developed (%)                                      | 100               | 100               |
|  |   |   | Implemented Workforce and Succession Plan across the business (%)               | 100               | 90                |
|  |   |   | Engagement survey completed (%) <sup>v</sup>                                    | >70               | 73                |
|  |   |   | Staff satisfaction index <sup>vi</sup>  | 82                | 71                |
|  |   |   | Individual MyPlan's in place (%)  | >70               | 93                |
| Financial Performance  | Commercial Sustainability   | <ol style="list-style-type: none"> <li>1. Constrain expenditure growth and improve operating performance within SCI levels</li> <li>2. Ensure debt is at a sustainable and prudent level</li> <li>3. Maintain and enhance revenue recovery</li> <li>4. Improve financial sustainability</li> </ol>  | NPAT (\$M)  | 47.7              | 24.0              |
|  |   |   | EBIT (\$M)  | 121.5             | 81.1              |
|  |   |   | Return on Assets <sup>vii</sup> (%)   | 7.0               | 3.4               |
|  |   |   | Gearing Ratio <sup>viii</sup> (%)   | 58.0              | 48.4              |
|  |   |   | Cash from operating activities (\$M)  | 138.6             | 116.0             |
|  |   |   | FFO to interest times <sup>ix</sup>   | 3.0               | 3.1               |
|  |   |   | Average water demand <sup>x</sup> (kL per household)                            | D: 418<br>AS: 441 | D: 409<br>AS: 431 |
|  |   |   | Water losses/per connection <sup>xi</sup>                                       | D: 270<br>AS: 270 | D: 101<br>AS: 105 |
| Average energy demand per domestic customer (KWh/day) <sup>xii</sup> | N/A   | 24.91   |   |                   |                   |
| Customer service and stakeholder engagement                          | Be a valued and respected utility within the community              | <ol style="list-style-type: none"> <li>1. Provide customer focused service and timely response to enquiries</li> <li>2. Continue professional and constructive engagement with stakeholders</li> </ol>  | Average call response time % <sup>xiii</sup>                                    | 63                | 71                |
|  |   |   | Customer Satisfaction Index <sup>xiv</sup> (%)                                  | 80                | 85 <sup>xv</sup>  |
|  |   |   | New connections in CBD and urban areas within 5 working days <sup>xvi</sup> (%) | 90                | 100               |
|  |   |   | Customer complaints <sup>xvii</sup>   | 100               | 35.6              |
| Environment  | Minimise environmental impact                                       | 1. Implement effective environmental policies and procedures  | Remote Operations Emission intensity <sup>xx</sup>                              | 773               | 719               |
| Future   | Position ourselves for the future                                   | 1. Develop strategies to respond to future business drivers, opportunities and risks  | Strategies approved by the Board  | 100%              | 25%               |

## Power and Water Corporation Statement of Corporate Intent 2014-15

| Key Result Area         | Goal   | Strategy   | Key Performance Indicator   | 14-15 Target  | 14-15 Actual                 |
|-------------------------|--|--|---|---------------|------------------------------|
| Operational Performance | Meet our service standards for delivery of water, wastewater and electricity | 1. Demonstrate improved asset management practices | Key assets with documented maintenance plans (%)  | 100           | RO: 53<br>PN: 100<br>WS: 100 |
|                         |  |  | Maintenance plans established in AMS (%)  | 75            | RO: 20<br>PN: 98<br>WS: 85   |
|                         | Demonstrate least cost and compliant operating practices                     | 3. Remain focussed on legal compliance             | Key assets with appropriate Asset Strategy and 5 year capital and operational plans approved by the general manager (%) | 62            | RO: 0<br>PN: 100<br>WS: 0    |
|                         |  |  | Water main breaks (No/100km)  | 20            | D: 21.1<br>AS: 2.2           |
|                         |  |  | Sewerage main breaks and chokes (No/100km)  | D:27<br>AS:27 | D: 8.9<br>AS: 0.9            |
|                         |  |  | CAPEX within SCI proposed (%)   | ±10           | +2.2                         |
|                         |  |  | OPEX <SCI proposed (%)  | <SCI          | +5.6                         |
|                         |  |  | SAIDI - 12 month rolling average <sup>xviii</sup> (mins) CBD Feeder   | 18.8          | 0.7                          |
|                         |  |  | SAIDI - 12 month rolling average (mins) Urban Feeder  | 136.1         | 128                          |
|                         |  |  | SAIDI - 12 month rolling average (mins) Rural Short Feeder  | 496.3         | 370                          |
|                         |  |  | SAIDI - 12 month rolling average (mins) Rural Long Feeder   | 2164.9        | 756                          |
|                         |  |  | SAIFI - 12 month rolling average <sup>xix</sup> (mins) CBD Feeder   | 0.4           | 0.1                          |
|                         |  |  | SAIFI - 12 month rolling average (mins) Urban Feeder  | 2.5           | 1.6                          |
|                         |  |  | SAIFI - 12 month rolling average (mins) Rural Short Feeder  | 8.1           | 4.7                          |
|                         |  |  | SAIFI - 12 month rolling average (mins) Rural Long Feeder   | 35.1          | 7.2                          |

<sup>i</sup> In accordance with the Safety Incentive Scheme contained in the 2010-2015 Enterprise Agreement.

<sup>ii</sup> Includes apprentice data

<sup>iii</sup> Includes apprentice data

<sup>iv</sup> Increased reporting of all incidents in GRACE (hazards, near misses and injuries.) 10% improvement on previous year until 17/18 when event reporting will be fully embedded and will level out.

<sup>v</sup> This target is based on the number of engagement survey respondents. Measured annually over the survey period.

<sup>vi</sup> This target relates to percentage of staff rating satisfaction of 6/10 or better, measured annually over the survey period. Covers all staff and is based on the number of survey respondents.

<sup>vii</sup> Return on assets EBIT/Average Total assets.

<sup>viii</sup> Gearing Ratio (<60%) Debt/(Net Debt plus Equity).

<sup>ix</sup> FFO to interest times (>2) EBITDA less Gifted Assets less tax paid/Interest Expense.

<sup>x</sup> KL/Household. D: Darwin, AS: Alice Springs.

<sup>xi</sup> Real water losses (L/service connection/day). D: Darwin, AS: Alice Springs.

<sup>xii</sup> KPI data definition recast to reflect establishment of Jacana Energy on 1 July 2014. KPI data based on IES and PWC Retail Centre (Nhulunbuy, Alyangula, Jabiru) domestic customer connections.

<sup>xiii</sup> Call response: percentage of calls answered within 20 seconds reflecting the outcome of the UC's Standards of Service Review to report performance.

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

<sup>xv</sup> 2014-15 Customer Satisfaction: Survey conducted annually. Residential 85% (6+ out of 10), Non-residential 86% (6+ out of 10).

<sup>vi</sup> New connections: Reflects performance category approved by the Utilities Commission in the new Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019.

<sup>xvii</sup> Customer Complaints: Total number of customer complaints - 12 month rolling monthly average - target maximum 100 complaints.

<sup>xviii</sup> Reflects distribution reliability targets approved by the Utilities Commission in the new Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019.

<sup>xix</sup> Reflects distribution reliability targets approved by the Utilities Commission in the new Standards of Service Code, effective for the regulatory control period 1 July 2014 to 30 June 2019.

<sup>xx</sup> kg (CO<sub>2</sub>-e/MWh) sent out. Target based on 2011-12 National Greenhouse Emissions Report.

## Legend

|    |                   |
|----|-------------------|
| RO | Remote Operations |
| PN | Power Networks    |
| WS | Water Services    |
| D  | Darwin            |
| AS | Alice Springs     |



## OUTLOOK

The Adelaide River Water Treatment Plant will service the population of around 300 residents, supplying up to 1.1 megalitres of drinking water per day.

### Operational

#### Water

##### Adelaide River Water Treatment Plant

Work commenced on a new water treatment plant for Adelaide River in September 2014. The new water treatment plant will improve water quality by removing elements that have the potential to change taste, colour and appearance.

Existing processes provide safe water supply that meets Australian Drinking Water Guidelines but provide mineral concentrations that lead to discoloured water that has an unpleasant taste and stains laundry. These minerals also have the potential to reduce the effectiveness of disinfection treatment.

The Adelaide River Water Treatment Plant will service the population of around 300 residents, supplying up to 1.1 megalitres of drinking water per day. The water treatment plant will incorporate an Australia-first biological filtration system to remove iron and manganese concentrations. This system is reliable, sustainable and a cost effective method of treating bore water. The new treatment plant will be fully operational in late 2015.

##### Katherine fluoride upgrade

Power and Water is constructing a new Fluoride Dosing Plant for the Katherine Water Treatment Plant that will see an existing process - using liquid hydrofluorosilicic acid - replaced by a safer powdered product known as FluoroSafe. Remote Operations has previously installed the FluoroSafe system in remote communities.

FluoroSafe removes the need for manual handling and exposure to dangerous chemicals and the success of the project will guide any future upgrades for Water Services fluoridation facilities.

##### Katherine Borefield augmentation

Katherine receives its water supply from Donkey Camp Weir on the Katherine River and groundwater pumped from two bores located on Water Services' Drome Hill complex. The loss of even one or both bores would seriously compromise Water Services' ability to meet a minimum level of service to customers. Therefore one new production bore will be drilled and equipped at Drome Hill to secure and improve operational flexibility at a cost of \$500 000.



Opening of the new continuous chlorination plant at Tennant Creek

#### **Temple Bar Pump Station discharge manifold upgrade**

The Temple Bar Pump Station supplies all of the potable water to Alice Springs from the Roe Creek Borefield. Power and Water will spend \$900 000 to increase the security of supply by installing a dual discharge manifold and upgrading the discharge pipework.

#### **Ti Tree Water infrastructure upgrade**

Power and Water will build a new 1ML ground level water tank and two new water pump stations in Ti Tree and Pmara Jutunta to assist development in the area and increase the security of supply to both communities. The \$2.6 million project is jointly funded by the Northern Territory Government and Power and Water Corporation.

#### **Tennant Creek Borefield rehabilitation**

Inspections of the fifteen production bores at the Tennant Creek Borefield indicated twelve bores have deteriorated after significant service (dating back to 1955) leaving them vulnerable to floodwater, contaminants and possible bore collapse. Power and Water has established a prioritised program of replacing the production bore and bore headworks commencing with the drilling of eight replacement bores in 2015-16. This is the first stage of a \$5.1 million project to rehabilitate and secure the water supply for the Tennant Creek community.

### **Power Networks**

#### **Tennant Creek 22kV switchyard replacement**

The upgrade underway at the Tennant Creek Substation is on schedule for completion in July 2016. The existing outdoor 22kV switchyard is more than 35 years old and reached the end of its service life. It will be replaced with an indoor 22kV switchboard. This will provide a safer workplace, improved reliability and reduced operating and maintenance costs.

#### **New feeder in Alice Springs**

The installation of an 11kV feeder to the Alice Springs CBD will be completed in November 2015 to improve system security on power dispatched from Owen Springs Power Station. This will reduce the load on the Lovegrove – Sadadeen 22kV connectors and provide an alternate source of supply to the Alice Springs CBD.

#### **Demand management/load control**

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. Power and Water is investigating demand management technology which could potentially delay investment in expanded network infrastructure.

#### **Transition to the National Electricity Rules (NER)**

The Economics and Regulation team will lead the transition of the regulation of Power Networks to the National Electricity Rules (NER) under the auspices of the Australian Energy Regulator. The decision to move to the NER is a key platform of the Northern Territory Government's electricity reform agenda and will align the technical and regulatory oversight of the regulated electricity network with the national regime. The national regime will require greater transparency, reporting of operations, planned investments and funding requirements. This will also drive greater efficiencies and increase informed decision making across Power Networks.

### **System Control**

#### **Ancillary services review**

The Ancillary Services Review delivers transparency in the cost of providing system security and is a prerequisite to the Northern Territory Electricity Market (NTEM) introduction. It is also consistent with other jurisdictions in terms of meeting National Electricity Rules (NER) obligations.



Wadeye Power Station under construction

### Improved operational technology

System Control is focused on several operational technologies that will improve future operations. These include the installation of alarms and new projectors in the Control Room to improve wall projection of critical information. A new outage management system will improve the faults and outages' management system in the control room and provide improved visibility around the transmission and distribution networks, enabling operators to identify and rectify issues quickly and accurately. It will also provide for improved outage recording and the potential for savings in Guaranteed Service Levels (GSL) payments. This new outage communication system will improve stakeholder experience where a telephone answering platform backed-up with internet/mobile telephone applications, will provide information that is up-to-date, quick to access and reliable.

### Northern Territory Electricity Market

The implementation of a full Northern Territory Electricity Market (NTEM) will further remove impediments to wholesale generation competition. System Control will continue to play a key role in the development and implementation of the NTEM.

### Demand management/load control

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. Power and Water is investigating demand management technology which could potentially delay investment in expanded network infrastructure.

### Retail

#### Enhanced Training Framework

The Enhanced Training Framework will ensure the Customer Service Team provides customers with a consistently high level of service. The project will aim to:

- implement a competency training framework
- continue utilisation of the Power and Water leadership development program
- ensure succession planning contingencies are in place for all retail leadership positions
- cross-train staff members
- review roles and responsibilities and align with new strategic priorities and business objectives.

### Remote Operations

#### Future grid connection of Wadeye to Palumpa and Peppimenarti

This project involves decommissioning two old diesel power stations through future grid connection of the new Wadeye gas-fired powered station to Palumpa and Peppimenarti. This will increase operating efficiencies, freeing up land in the communities for construction and create options for regional development and connect outstations to mains supply and regional development. This will reduce whole-of-government costs of power supply and support economic development of Indigenous communities and regions.



MLLLC educational sessions

### Future power opportunities on Tiwi Islands

The project requires the decommissioning of old power stations and construction of a regional power station and associated grid connections. Benefits include operational efficiencies to Power and Water, addressing noise complaints from residents, freeing up land in the communities for construction, options to connect outstations to mains supply and opening up the islands for development. This project will also reduce whole-of-government costs of power supply.

### Smart Prepaid Electrical Meter Project

The successful trial of smart electrical pre-pay meters at Nauiyu (Daly River) will see this system deployed to all communities with 3G reception. This will ensure customers can still access pre-pay metering for their power consumption once the stocks of obsolete AMPY meters have been exhausted. The project is now in the deployment phase and it is intended to roll out the new system to communities commencing September 2015.

### Cloud forecasting

Power and Water is investigating state-of-the-art technology to forecast output of solar PV generators. When clouds pass over large PV arrays, the output can drop from full output to 10 per cent of output in a matter of seconds. This could potentially lead to generator and power system instability. If the system operator has advance warning of such an event, appropriate measures can be taken in good time to deal with the power fluctuations. This would lead to much greater efficiency in the use of systems with complementary solar and traditional fuel sources.

### Robinson River water storage project

Remote Operations has established productive relationships with many branches of government which has enabled it to work more proactively to deliver essential infrastructure which supports NT Government development goals in remote Indigenous communities.

Water constraints at Robinson River were preventing the construction of a new health clinic however direct funding of \$1.6 million through Department of Infrastructure to deliver new ground and elevated water storage tanks, will improve the reliability of water supplies to the community. Both projects are targeted for completion by the end of September 2016. This will lead to improved health care as well as more reliable water supplies. Remote Operations will also be conducting drilling investigations to increase the quantity of water resources accessible to the Robinson River community.

### Partnership with Michael Long Learning and Leadership Centre

Power and Water has entered into a partnership with other Northern Territory businesses and the Michael Long Learning and Leadership Centre (MLLLC) to provide life skills to Indigenous school children from remote communities. Children with good attendance records stay at the MLLLC for a week of group activities, workshops and presentations aimed at improving the quality of life for residents of remote communities. Remote Operations provides in-depth workshops designed to educate about the importance of conserving water resources, improving public safety around Remote Operations infrastructure, the reasons for the

use of personal protective equipment when working on Remote Operations infrastructure and Power and Water career opportunities in communities.

### Gas Supply

#### Supply to remote communities

Power and Water continues to seek out opportunities to sell surplus natural gas and diesel as a fuel for electricity generation. This is a particular focus in remote communities with a key focus on Wadeye in the short term. Power and Water is working with contractors and overseeing project management 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 2.5ML per annum.

#### CNG/LNG

Investigations are underway on the use of virtual haulage systems in the form of compressed natural gas (CNG) or liquefied natural gas (LNG). Using gas transformed this way will benefit remote communities relying on liquid fuel for power generation. The Gas Supply Unit's equally important function is to oversee the installation of new gas pipeline infrastructure. This will involve 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 and modifications to Power and Water's McArthur River gas pipeline.



Power and Water is investigating the potential of using wet-season water availability at the dam to operate a 100kW turbine.



Manton Dam

### Surplus gas

The proposed North East Gas Interconnect (NEGI) pipeline will enable the sale of Power and Water's surplus gas to the eastern seaboard. The Northern Territory Government and Power and Water have embarked on a tender process for both the construction of the NEGI and for gas sales to interstate gas buyers. All gas sales will be conditional on a firm pipeline agreement to build, own and operate the NEGI on terms favourable to the corporation.

### Corporate Services

#### New systems

Business Systems and Information Management (BSIM) is working with other Power and Water business units to enable the procurement and implementation of key market reform systems. It is envisioned that over the next financial year these systems will either have been procured or implemented. These systems are integral to allowing the corporation to operate transparently, in an efficient manner and allow for future initiatives identified in the SCI or required for market reform. New systems include Meter Data Management Systems (MDMS), Dispatch and Pricing Tool (DPT), Machine to Machine (M2M), new Prepayment Meters, Market Settlement Tool and Retail Web Portal.

#### Environmental training and awareness

Environmental training and awareness will ensure Power and Water staff are able to identify and manage environmental management matters in line with their roles and responsibilities. The project includes a range of modules developed to address a range of environmental management

aspects matched to staff roles and responsibilities. Benefits include maintaining an engaged, capable and accountable workforce, improved awareness and understanding of environmental legislation, reduced potential legislative non-compliances resulting in financial penalties or reputational risks and reduced costs associated with environmental incidents.

#### Manton hydro expansion feasibility

The existing 5kW micro-hydro turbine at Manton Dam continues to produce electricity and feed energy onto the grid. Power and Water is investigating the potential of using wet-season water availability at the dam to operate a 100kW turbine. Manton Dam acts as an emergency water supply for Darwin and is also a popular recreation area and an environmentally beautiful and sensitive area. These factors all need to be weighed carefully in the planning of this project. However, the turbine could potentially yield enough energy to supply fifteen average Top End households, as well as producing Renewable Energy Certificates within the Territory and diversify the Territory's energy sources.

#### Talent management and succession planning

A talent management and succession planning framework will be developed and implemented to manage the corporation's critical roles, leadership positions and the continual development of high potential employees. The framework will identify talent and future leaders as well as identify successors for critical and leadership roles. It also aims to share talent and build capability across the corporation.

#### Mentoring and Coaching Program

The Mentoring and Coaching Program aims to provide support and assistance to managers at all levels by providing them with a mentor or coach. This has the potential to reduce turnover of managers due to greater levels of support and building management capability has the potential to increase productivity.

#### Fleet review

The purpose of this project is to conduct a review of Power and Water's light fleet, which aims to identify ways to maximise the efficiency of our fleet and reduce costs where applicable.

#### Main Switch Board (MSB) replacement - Ben Hammond Complex

The MSB provides the operational mains power supply to Ben Hammond Complex (BHC). This project will provide surety of power to BHC for operations during period of mains power failure. Facilities is currently undertaking critical remediation and repair works to the existing MSB which will keep it stable and operational until the new MSB is ready for installation.

# CORPORATE GOVERNANCE

## Power and Water Corporation Board as at 30 June 2015

|                        |                                  |
|------------------------|----------------------------------|
| <b>CHAIR</b>           | Mr Alan Tregilgas                |
| <b>DEPUTY CHAIR</b>    | Mr Ken Clarke                    |
| <b>DIRECTOR</b>        | Mr Richard Griffiths             |
| <b>DIRECTOR</b>        | Emeritus Prof MaryAnn Bin-Sallik |
| <b>DIRECTOR</b>        | Mr Mervyn Davies                 |
| <b>DIRECTOR</b>        | Ms Helen Stanton                 |
| <b>CHIEF EXECUTIVE</b> | Mr John Baskerville              |

## Executive Management as at 30 June 2015

|   |                     |
|---|---------------------|
| <b>CHIEF EXECUTIVE</b>                    | Mr John Baskerville |
| <b>GOVERNANCE AND CORPORATE SERVICES</b>  | Ms Lisa Watson      |
| <b>STRATEGY, ECONOMICS AND REGULATION</b> | Ms Djuna Pollard    |
| <b>FINANCIAL SERVICES</b>                 | Mr Dwight Graham    |
| <b>RETAIL</b>                             | Ms Mary-Anne Gomas  |
| <b>WATER SERVICES</b>                     | Mr John Pudney      |
| <b>POWER NETWORKS</b>                     | Mr John Greenwood   |
| <b>SYSTEM CONTROL</b>                     | Mr Malcolm Conway   |
| <b>REMOTE OPERATIONS</b>                  | Mr Scott Robertson  |

## Corporate governance principles

While Power and Water Corporation is not required to comply with the Australian Stock Exchange's (ASX) Corporate Governance principles, the corporation seeks to apply these principles as part of its corporate governance framework.

## Board of Directors

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

### Mr Alan Tregilgas

(Chair)  
BEC (Hons), MEd

Mr Tregilgas is a public finance specialist with extensive experience in federal, state and local government both in Australia and overseas. This includes working within the Commonwealth Treasury, South Australian and Northern Territory Treasury Departments, as a senior associate with Access Economics (now Deloitte Access Economics); as Director (Public Sector) with Standard & Poor's Ratings Group and during a secondment to the International Monetary Fund in Washington DC.

Mr Tregilgas was Utilities Commissioner in the Northern Territory from 1999 to 2009 and an associate member of the Australian Competition and Consumer Commission. During 2012 and 2013, Mr Tregilgas was the NT Under Treasurer, before his appointment to the NT's 'New Corporations Unit' responsible for establishing the two new government owned corporations Territory Generation and Jacana Energy, following structural separation of the existing Power and Water Corporation.

Mr Tregilgas joined the Power and Water Board in April 2015.

### Mr Ken Clarke

(Deputy Chairman)  
BCom (Hons), Grad Dip (Mgt)

Mr Clarke has extensive experience in public finance and governance as a former Under Treasurer in the Northern Territory Government and in Canberra, the United Kingdom and Papua New Guinea. He has held various board appointments with the NT Power and Water Authority, In Motion Technologies Pty Ltd, Northern Territory University and the Northern

Territory Mango Industry Association. He holds executive and Director responsibilities in an education software development, has been a Director of Energex Ltd since July 2012.

Mr Clarke joined the Power and Water Board in December 2013.

### Mr Richard Griffiths

Mr Griffiths is Chief Executive of Bradlaw Agencies following a career in the armed forces and the insurance sector. Bradlaw Agencies 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 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.

Mr Griffiths joined the Power and Water Board in January 2014.

### Emeritus Prof MaryAnn Bin-Sallik

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

Emeritus Prof Bin-Sallik has built a career in academia after 17 years in the nursing profession in the Northern Territory. She holds a master's degree and doctorate in education from Harvard University and is the author of *Aboriginal Women by Degrees*, which records the journeys of 13 Indigenous women and their road to achievement. Prof Bin-Sallik's academic career includes a number of senior appointments including the Dean of the College of Indigenous Education and Research at University of South Australia and the Dean of Indigenous Research at Charles Darwin University. Prof Bin-Sallik has served on a number of national committees and councils.

Prof Bin-Sallik joined the Power and Water Board in April 2014.

### Mr Mervyn Davies

BEng (Hons), 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. Mr Davies operates 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 master's degrees in engineering and a Bachelor of Commerce (Economics). He has previously served as a member of the Power and Water Board.

Mr Davies re-joined the Power and Water Board in April 2014.

### Ms Helen Stanton

BE GAICD

Ms Stanton brings strategy, risk and governance expertise to the corporation's board. Her career spans operational, leadership and commissioning roles in the mining industry and more recently as a consultant supporting organisations to formulate strategies for bottom line, sustainable improvements. Ms Stanton is a Non-Executive Director of Mater Health Services North Queensland and Northern Australia Primary Health Limited and a former Non-Executive Director Ergon Energy.

Ms Stanton joined the Power and Water Board in April 2014.

### Mr Ian Kowalick

Mr Kowalick has worked extensively at all levels of government and within the resources sector. He was an independent Commissioner of the Murray Darling Basin Commission from February 2007 to December 2009 and has served on the boards of several Commonwealth and State Statutory Corporations. Mr Kowalick was a member of the University of Adelaide Council for 12 years and is Chairman of Arafura Resources Ltd.

Mr Kowalick joined the Power and Water Board in July 2015.

### Mr John Baskerville

Chief Executive

Mr Baskerville has extensive operational and technical experience relevant during his 25 years in the Northern Territory. 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.

Mr Baskerville was previously a Non-Executive Director of Power and Water until resigning in early 2013 to become Managing Director of Power and Water. He retired as Chief Executive in July 2015.

### Ms Djuna Pollard

BBus, GradDipAppFin, MIACD

Ms Pollard was the Acting Chief Executive of Power and Water for the period from 28 July to 20 November 2015. Ms Pollard is a long-term Territorian who joined Power and Water in 2000. Since then Ms Pollard has worked in a number of areas including Finance, Retail and Strategy, Economics and Regulation. Ms Pollard's strong working knowledge of economic regulation will hold the organisation in good stead as the current network regulatory regime transitions to the Australian Energy Regulator and we continue to implement the Territory Government's utilities market reform program. Prior to joining Power and Water, Ms Pollard spent 6 years at the NT Treasury in the areas of budget management and financial reporting.

Her formal qualifications include a Bachelor of Business in Finance and Economics, and post-graduate studies in Finance and Investment. Ms Pollard is also a member of the Australian Institute of Company Directors. Ms Pollard resigned from the Power and Water Corporation Board on 13 November 2015.

### 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 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 Board in December 2013 and resigned in April 2015.

# FINANCIAL STATEMENTS

|            | <b>Description</b>  |    |
|------------|---|----|
|            | Directors' report   | 45 |
|            | Directors' declaration                                      | 50 |
|            | Independent Audit Opinion                                   | 51 |
|            | Statement of Profit and Loss and Other Comprehensive Income | 54 |
|            | Statement of Changes in Equity                              | 55 |
|            | Statement of Financial Position                             | 56 |
|            | Statement of Cash Flows                                     | 57 |
| <b>No.</b> | <b>Notes to the financial statements</b>                    |    |
| <b>1</b>   | Corporate information                                       | 58 |
| <b>2</b>   | Statement of significant accounting policies                | 58 |
| <b>3</b>   | Revenue and expenses  | 68 |
| <b>4</b>   | Income tax equivalent expense                               | 70 |
| <b>5</b>   | Dividends   | 72 |
| <b>6</b>   | Cash and cash equivalents                                   | 72 |
| <b>7</b>   | Trade and other receivables                                 | 73 |
| <b>8</b>   | Inventories   | 74 |
| <b>9</b>   | Investments   | 74 |
| <b>10</b>  | Investment in subsidiaries                                  | 74 |
| <b>11</b>  | Property, plant and equipment                               | 75 |
| <b>12</b>  | Intangibles   | 80 |
| <b>13</b>  | Trade and other payables                                    | 82 |
| <b>14</b>  | Interest bearing borrowings                                 | 82 |
| <b>15</b>  | Finance lease liabilities                                   | 83 |
| <b>16</b>  | Provisions  | 84 |
| <b>17</b>  | Government grants   | 84 |
| <b>18</b>  | Contributed equity  | 85 |
| <b>19</b>  | Retained earnings   | 85 |
| <b>20</b>  | Asset revaluation reserve                                   | 85 |
| <b>21</b>  | Risk management objectives                                  | 86 |
| <b>22</b>  | Financial instruments                                       | 88 |
| <b>23</b>  | Commitments   | 90 |
| <b>24</b>  | Operating lease arrangements                                | 91 |
| <b>25</b>  | Contingent liabilities and contingent assets                | 91 |
| <b>26</b>  | Related party information                                   | 92 |
| <b>27</b>  | Auditor's remuneration                                      | 93 |
| <b>28</b>  | Director and executive disclosures                          | 94 |
| <b>29</b>  | Impairment of assets  | 95 |
| <b>30</b>  | Events after the reporting period                           | 96 |
| <b>31</b>  | Going concern   | 96 |
| <b>32</b>  | Structural separation                                       | 97 |

# 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 2015 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 Social Responsibilities   |
|---|--|
| <p><b>Mr Alan Tregilgas (Chairman)</b><br/>BEc(Hons 1st Class), MEc</p>                             | <p>Mr Tregilgas is a public finance specialist. He has been a senior officer with the Commonwealth, South Australian and Northern Territory Treasury Departments, a senior associate with Access Economics (now Deloitte Access Economics), and spent time seconded to the International Monetary Fund in Washington DC. Mr Tregilgas also has extensive experience analysing the finances of a wide range of government-owned business enterprises from shareholder, creditor and regulatory perspectives accumulated during his Treasury Department tenures, as Director (Public Sector) with Standard &amp; Poor's Ratings Group for four years in the 1990s and while undertaking the part-time role of Utilities Commissioner in the Northern Territory from 1999 to 2009. During 2012 and 2013, Mr Tregilgas was the NT Under Treasurer, and during 2013 and 2014 he was head of the NT's 'New Corporations Unit' involved with the structural separation of the Power and Water Corporation. Mr Tregilgas joined the Power and Water Corporation Board in April 2015.</p> |
| <p><b>Mr Ken Clarke (Deputy Chairman)</b><br/>BCom(Hons), Grad Dip (Mgt)</p>                        | <p>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 Energex Limited, 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. Mr Clarke joined the Power and Water Corporation Board in December 2013.</p>   |
| <p><b>Mr Richard Griffiths</b></p>  | <p>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 &amp; Kelvinator. His primary customers are The Good Guys, Harvey Norman, Oasis and Murray Oakley. Mr Griffiths is 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. Mr Griffiths joined the Power and Water Corporation Board in January 2014.</p>   |
| <p><b>Emeritus Prof MaryAnn Bin-Sallik</b><br/>EdD (Harvard),<br/>Assoc. Dip. SW (SAIT) RSN, JP</p> | <p>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 <i>Aboriginal Women by Degrees</i>, 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.</p>   |

**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.

**Ms Helen Stanton**

BE GAICD

Ms Stanton brings strategy, risk and governance expertise to the Corporation's board. Her career spans operational, leadership and commissioning roles in the mining industry and more recently as a consultant supporting organisations to formulate strategies for bottom line, sustainable improvements. Ms Stanton is a Non Executive Director of Mater Health Services North Queensland and Northern Australia Primary Health Limited. During 2015 Ms Stanton resigned as a Non Executive Director of Ergon Energy, where she was chair of the Operational Risk Committee and a member of the Regulatory Committee. Ms Stanton joined the Power and Water Corporation Board in April 2014 and chairs the Audit and Risk Committee and the Water and Sewerage Committee.

**Mr John Baskerville**

Mr Baskerville 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. Mr Baskerville joined the Power and Water Corporation Board in March 2013 and resigned in July 2015.

**Mr Ian Kowalick**

BSc (Hons), B.Ec, AM

Mr Kowalick brings to this directorship consulting experience across all levels of government and within the resources sector. He chaired a working group that examined options for the future of Adelaide's water supply and was an Independent Commissioner of the Murray Darling Basin Commission from February 2007 to December 2009. Mr Kowalick has also been on the boards of several Commonwealth and State Statutory Corporations and for 12 years was a member of the University of Adelaide Council, including three years as chair of the Finance Committee. Mr Kowalick was also one of three founding directors of Arafura Resources Ltd., a Western Australian listed Public Company. Mr Kowalick joined the Power and Water Corporation Board in July 2015.

**Ms Djuna Pollard**

BBus, GradDipAppFin, MAICD

Ms Pollard was the Acting Chief Executive of Power and Water for the period 28 July 2015 to 20 November 2015. Ms Pollard is a long-term Territorian who joined Power and Water in 2000. Since then Ms Pollard has worked in a number of areas including Finance, Retail and Strategy, Economics and Regulation. Ms Pollard's strong working knowledge of economic regulation will hold the organisation in good stead as the current network regulatory regime transitions to the Australian Energy Regulator and we continue to implement the Territory Government's utilities market reform program. Prior to joining Power and Water, Ms Pollard spent six years at the NT Treasury in the areas of budget management and financial reporting. Her formal qualifications include a Bachelor of Business in Finance and Economics, and post-graduate studies in Finance and Investment. Ms Pollard is also a member of the Australian Institute of Company Directors. Ms Pollard resigned from the Power and Water Corporation Board on 13 November 2015.

**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 and resigned in April 2015.

## Review of Operations

Summarised financial information

|  | Consolidated            |                         |
|--|-------------------------|-------------------------|
|  | June 2015<br>\$ Million | June 2014<br>\$ Million |
| Revenue  | 742.8                   | 896.6                   |
| Impairment reversal                                  | -                       | 327.3                   |
| <b>Total Revenue</b>                                 | <b>742.8</b>            | <b>1,223.9</b>          |
| Expenditure  | (521.1)                 | (655.0)                 |
| Impairment write off                                 | (10.5)                  | -                       |
| <b>Total Expenditure</b>                             | <b>(531.6)</b>          | <b>(655.0)</b>          |
| <b>EBITDA</b>  | <b>211.2</b>            | <b>568.9</b>            |
| Depreciation and amortisation                        | (141.0)                 | (107.1)                 |
| Interest expense                                     | (46.9)                  | (70.7)                  |
| <b>Net profit/(loss) before income tax</b>           | <b>23.3</b>             | <b>391.0</b>            |
| Income tax (expense)/benefit                         | (10.4)                  | (110.3)                 |
| Net profit/(loss) after income tax                   | 13.0                    | 280.7                   |
| Impairment adjustments                               | (10.5)                  | 327.3                   |
| Tax effect of impairment adjustments                 | 2.9                     | (98.2)                  |
| <b>Underlying net profit/(loss) after income tax</b> | <b>20.6</b>             | <b>51.6</b>             |
| Total assets   | 3,179.9                 | 2,656.6                 |
| Total liabilities                                    | 1,672.1                 | 1,793.5                 |
| <b>Total equity</b>                                  | <b>1,507.8</b>          | <b>863.1</b>            |

### Note:

- In comparing June 2015 to June 2014, it should be noted that June 2014 figures contain electricity retail and generation functions, while 2015 do not. Refer to note 32.
- Asset values increased as a result of a move to fair value.

### Delay in completion of financial statements

The Corporation's accounts could not be audited in the time required for inclusion in the Treasurer's Annual Financial Report (end-October) because substantial changes in financial systems and processes in support of the split of the previous Power and Water Corporation into three separate corporations, had not been satisfactorily completed at that time.

### Principal activities

The principal activities of Power and Water Corporation and its subsidiary are the distribution of electricity and the provision of water and sewerage services to the people of the Northern Territory and gas supply to third parties.

### Wholesale energy market

As part of the Government's reform agenda which led to separation, an interim energy wholesale market has been established. This market is operated by the Corporation through its System Control and Market Operator functions and is based on existing contracts between generators and retailers. As such there is minimal impact on revenue or asset values.

There were no other 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 2014-15.

The consolidated entity's 2014-15 net profit after income tax is \$13.0 million, this compares with an underlying net profit in the previous year of \$280.7 million, a decrease of \$267.7 million. The significant movements in the profit and loss for 2014-15 are:

- Reduction of the retail and generation margins from structural separation;
- Changes in the operating business resulting from structural separation;
- Increase in depreciation of \$33.8 million as a result of valuing assets at fair value from 1 July 2014;
- An impairment write off in 2014-15 of \$10.5 million compared to a impairment write back in 2013-14 of \$327.3 million. Impairment is a non-cash accounting entry resulting from the application of *Australian Accounting Standards AASB 136 'Impairment of Assets'*. Refer to the impairment section below for further details; and
- An additional \$18.0 million in gifted assets compared to prior year.

During 2014-15 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 systems remain a focus enabling 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, retrospectively to 1 July 2014. As such, the Corporation paid its final instalment for the 2013-14 financial year in February 2015.

The following paragraphs discuss the full year result in more detail

### Revenue

The structural separation of Jacana Energy and Territory Generation occurred on 1 July 2014, therefore the revenue relating to these Corporations is not included in the 2014-15 financial results.

The consolidated total revenue (excluding impairment write-back of \$327.3 million in 2014) has decreased from \$896.6 million to \$742.8 million, a decrease of \$153.8 million. Revenue from the sale of electricity decreased by \$278.8 million due to structural separation; community service obligations decreased by \$66.1 million compared to the previous year; and gas sales increased by \$159.4 million. Gas sales were treated as internal revenue in 2013-14.

In addition to structural separation the significant movements in revenue are mainly due to:

- Water sales for the Corporation increased \$14.5 million partially as a result of record water consumption in Darwin along with tariff increases from 1 January 2014 of 5% and from 1 January 2015 a further 5%;
- The Corporation's sewerage revenue increased \$6.9 million as a result of tariff increases of 5% from 1 January 2014 and a further 5% from 1 January 2015.

### Expenses

The structural separation of Jacana Energy and Territory Generation

occurred on 1 July 2014, resulting in the expenses relating to these Corporations not being included in the 2014-15 financial results.

Overall consolidated expenditure decreased from \$655.0 million to \$531.6 million, a decrease of \$123.4 million. In addition to structural separation the significant movements in expenditure are mainly due to:

- Other expenses were \$62.8 million lower than the prior year mainly due to a \$70.4 million decrease in the net loss on disposal of property, plant, and equipment; and
- The depreciation and amortisation expenses increased by \$33.9 million, from \$107.1 million to \$141.0 million as a result of the Corporation and Subsidiary adopting a fair value approach to the valuation of fixed assets from the previous historical cost approach. See notes 2 (m) and 11 for more details.

### Capital Expenditure

Capital expenditure (excluding capitalised borrowing costs) was \$192.9 million for the year to 30 June 2015. Major project spending in 2014-15 included:

| Location         | Description  | June 2015<br>\$'000 |
|------------------|--|---------------------|
| Darwin           | Replace City 66/11kV Zone Substation                           | 4.9                 |
|                  | Replace Strangways Zone Substation                             | 16.2                |
|                  | Construct Casino 2 Feeder                                      | 2.6                 |
|                  | Construct Hudson Creek 132kV Switchyard Third                  | 3.4                 |
|                  | Construct Wishart Modular Zone Substation                      | 2.0                 |
|                  | Construct CBD Barneson Sewer                                   | 6.9                 |
| Larrakeyah       | Outfall Closure; Duplicate East Point Rising Main              | 3.0                 |
| Borroloola       | Sewerage Scheme  | 6.9                 |
| Howard East      | Borefield - Increased Emergency Supply Capability & Redundancy | 2.5                 |
| Darwin River Dam | New Pump Station   | 2.1                 |

### Cash Position

The consolidated entity's cash balance at the end of June 2015 was \$25.1 million. This is a reduction of \$68.7 million compared to \$93.8 million as at 30 June 2014. This balance includes \$13.6 million held by the Corporation's wholly owned subsidiary, Indigenous Essential Services Pty Limited (IES). The decrease in the cash balance is mainly due to structural separation which included a \$40.0 million cash transfer to Jacana Energy.

As at 30 June 2015 IES owed the Corporation \$12.1 million (2014: \$10.2 million) (see note 26).

The Corporation borrowed \$30 million to assist with funding capital expenditure and received a further \$40 million short-term loan to assist with cashflow during the year.

### Change in the Basis of Measurement

The consolidated entity changed the measurement basis for property, plant and equipment from the historical cost method to the fair value method from 1 July 2014. This change applies to all property, plant and equipment classes with the exception of work in progress which is measured at cost. The movement to fair value increased the value of the consolidated entity's property, plant and equipment by \$784.7 million and is the largest driver behind the increase in depreciation of \$33.8 million. This has been reflected in the movement in the Asset Revaluation Reserve (see note 20).

A number of circumstances have affected the value of property, plant and equipment in the financial statements including fixed assets being initially accounted for at fair value by using the depreciated replacement cost method. However, a subsequent decision was made to use the income approach to value the assets of the electrical networks, water and sewerage assets.

The Corporation utilises an Asset Management System (AMS) to manage maintenance and renewal of its fixed assets on a daily basis.

The continued provision of essential services and utilisation of the AMS on an asset by asset basis for planning and maintenance of all the Corporation's assets provides assurance that the physical asset portfolio is materially correct.

The Corporation has an improvement project underway that will improve the level of detailed evidence behind the fixed assets values. At this stage of the improvement program, only net values of fixed assets are available. However, the Corporation's Directors are confident that the value of property, plant and equipment as per these statements is materially correct and represents a true and fair view.

### Gas Contracts

The Corporation has long term contracts in place to procure gas and associated transport charges. Gas is the predominant fuel used to generate electricity in the Northern Territory, and therefore the supply of gas is critical to the NT's power networks reliability. The Corporation has several different arrangements to sell the gas it procures and this requires a continuous focus.

The fixed price nature of the long term gas contracts, combined with the decline in the market price of gas, has increased the risk to the Corporation's ability to sell the gas at a price higher than the cost to procure the gas. Consequently, the Corporation's Directors and Management conducted an extensive review during the year of the Corporation's gas contracts and a gas sales strategy developed.

There are many components of this gas sale strategy, many of which are complex, interconnected, or long term and therefore uncertain. The approval of the Northern Gas Pipeline that will connect the NT with the Eastern seaboard, provides additional opportunities for the Corporation to manage the overall net outcome from its gas contracts. The combination of these various elements of the gas sale strategy have been considered by the Directors at the reporting date and in accordance with AASB 137



'Provisions, Contingent Liabilities and Contingent Assets', it has been resolved that it is less than probable, but higher than remote, that the Corporation will crystallise net losses on its gas contracts. This accounting outcome is in part supported by the Directors' resolution that going forward new sales contracts will be on a cost reflective price basis. This means that in the main, gas sales contracts will recover all costs.

The Directors will continue to monitor this position as key elements of the gas sales strategy crystallise.

#### Impairment

There have been two triggering events during the 2014-15 period resulting in an impairment review, being structural separation and the establishment of the wholesale Northern Territory Energy Market (NTEM). The Corporation has reviewed the recoverable amount of property, plant and equipment as at 30 June 2015 and concluded that since the recoverable amount is not greater than the fair value there is no impairment. Upon reviewing the discontinued sites, the fair value for the Berrimah Power Station was deemed to be nil resulting in an impairment of \$0.9 million. See note 29 for further details.

An additional triggering event for impairment purposes is the decline in the gas market sale price. The current gas contracts relating to the sale and purchase of gas result in the Corporation having to pay for gas that will only be sold in future financial years. These payments are classified as intangible assets and disclosed under 'Make up Gas' in note 12(a). The recoverable amount of the banked gas has been determined based on an estimate of the selling price of current contracts in the year that the banked gas will be sold, discounted at the weighted average cost of capital of the company. This calculation has resulted in impairment to the carrying value of the banked gas of

\$9.6 million on the original value of \$22.5 million leaving a closing carrying value for make-up gas of \$13.0 million.

#### Dividends

It was resolved by the Board and approved by the Shareholding Minister to not declare a dividend for 2014-15. In 2013-14 a \$12.9 million dividend payment was declared and paid in 2014-15.

#### Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Corporation's profit for 2014-15 was \$24 million, compared to a \$286.7 million profit in 2013-14. The Corporation's net working capital is a deficit of \$81.2 million (surplus of \$60.8 million at 30 June 2014). Current liabilities include \$42.5 million (2014: \$22.4 million) of borrowings, which will be refinanced during 2015-16 and therefore be reclassified as non-current liabilities.

On consolidation the net working capital deficit is \$142.7 million. The higher deficit (compared to the Corporation) is driven by \$75 million of IES revenue becoming unearned revenue on consolidation (classified as government grants), therefore inflating current liabilities.

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

- funding sources
- compliance with debt covenants
- the continuity of key customers and suppliers
- the impact current economic conditions
- forward forecasts and budgets
- forward cash flow projections.

In addition, on 8 November 2015 the Corporation received a \$40 million cash injection from its shareholder. The Corporation's Directors believe that should it be required the shareholder will continue to provide support. The Corporation's cash flow projections are for cash to improve over the 2015-16 and 2016-17 years. Accordingly, Directors are confident

the Corporation is a going concern and hence, financial statements are prepared on this basis.

#### Future Developments

The Corporation will continue to pursue its policy of providing safe and reliable electricity distribution, water and sewerage services to the people of the Northern Territory, at least cost and gas supply to third parties, where cost is measured over the long term.

Other than the matters discussed in note 30, at the date of this report, there are no other developments in the operations of the consolidated entity that, in the opinion of the directors, are likely to significantly impact the Corporation during the 2015-16 financial year or future financial periods.

#### Environmental Regulation

The consolidated entity's operations are subject to significant statutory responsibilities under both Commonwealth and Northern Territory legislation. The Corporation received regulatory notices for two minor legislative non-conformances during the year. The Corporation continues to pursue compliance with its statutory obligations and improve processes to meet its responsibilities in this area.

#### Subsequent Events

The following events occurred post 30 June 2015:

On 8 November 2016, the shareholder provided a \$40 million cash injection.

On 24 November 2015, the NT Government announced a reduction in electricity tariffs of 5% effective from 1 January 2016. The announcement stated that Power and Water Corporation would fund the tariff reduction. This will be achieved through additional dividends and additional tax paid to the NT Government as a result of efficiency improvements included in the Corporation's Statement of Corporate Intent.

Other than the matters described above, no other matters have 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.

#### Indemnification and Insurance of Directors and Officers

##### Indemnification

The Northern Territory Government has indemnified the Directors of the Corporation from and against all liabilities incurred or arising out of conduct as a Director of the Corporation, acting in good faith in compliance with any direction or request made by the shareholding Minister or the portfolio Minister to the Corporation or the Board of the Corporation pursuant to the Government Owned Corporations Act 2014.

##### Insurance premiums

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

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

#### Rounding Off

Amounts in the financial report have been rounded to the nearest thousand dollars (\$'000), unless otherwise stated. Dated at Darwin this 24th day of June 2016.



**Mr Alan Tregilgas**  
Director and Chairman

## 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 2014 , including:
- (i) giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2015 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 24th day of June 2016.



**Mr Alan Tregilgas**  
Director and Chairman



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

**Year ended 30 June 2015**

**Page 1 of 3**

I have audited the accompanying financial report of Power and Water Corporation, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 as set out on pages 13 to 60.

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 qualified audit opinion.

### **Basis for Qualified Opinion**

#### *Intangible assets*

The Corporation has recognised an impairment charge on Make Up Gas (included in Intangible Assets) which has resulted in the balance decreasing by \$9,553,000 to \$12,959,000. The impairment has been estimated by the Corporation taking into consideration the expected price of gas in the future and the expected recoverable value of the Make Up Gas. I have not been able to obtain sufficient appropriate audit evidence in relation to the carrying value of the Make Up Gas of \$12,959,000 in the statement of financial position.



## Auditor-General

### Page 2 of 3

#### Property, plant and equipment

As at 1 July 2014, the Corporation changed its accounting policy in relation to the measurement of its property, plant and equipment from historical cost to fair value. The Corporation commissioned independent valuations to provide a fair value which has resulted in the value of property, plant and equipment reported in the statement of financial position increasing by \$533,034,000 to \$2,257,470,000 for the Corporation and increasing by \$944,637,000 to \$2,934,384,000 for the Consolidated Entity as at 1 July 2014. The valuation for the Corporation was performed using the income approach and the valuation for the subsidiary, Indigenous Essential Services Pty Ltd, was performed using depreciated optimised replacement cost. A number of material issues were identified in relation to the valuation process and were not resolved.

In addition, both the fixed asset register for accounting purposes and for tax purposes contained numerous errors, both individually and cumulatively material, with some of these errors remaining unresolved as at the date of this audit report.

As a result of the above, I was unable to obtain sufficient appropriate audit evidence to support the validity, completeness, existence, accuracy, valuation and classification of property, plant and equipment assets and the asset revaluation reserve in the statement of financial position as at 30 June 2015, and depreciation expense, asset impairment and net loss on disposal of property, plant and equipment (included in Other Expenses) in the statement of profit or loss and other comprehensive income for the year ended 30 June 2015.

#### Provision for onerous gas contracts

Evidence provided in relation to two gas purchase contracts held by the Corporation suggests that these contracts should be classified as onerous due to the expected economic costs of these contracts outweighing the expected benefits derived. Classifying these contracts as onerous in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, would result in the recognition of a provision (liability) within the statement of financial position equivalent to the estimated future losses together with a corresponding expense in the statement of profit and loss and other comprehensive income. The Corporation has been unable to reliably quantify the value, if any, attributable to the onerous portion of the contracts and consequently has not recognised a provision. The Corporation has disclosed the gas contracts as contingent liabilities in the notes to the financial statement.

I have not been able to obtain sufficient appropriate audit evidence in order to determine the value, if any, by which the economic costs of these contracts are projected to exceed the benefits, as derived over the remainder of the life of the contract.

#### Income tax expense and related tax balances

Because of the matters described in the paragraphs above, and their potential impact on the calculation of income tax balances, I was unable to determine whether any adjustments might have been found necessary in respect of the recorded or unrecorded current tax payable, deferred tax assets and current tax liabilities reported in the statement of financial position or the income tax expense reported within the statement of profit or loss and other comprehensive income and the statement of financial position.

**Auditor-General****Page 3 of 3****Qualified Opinion**

In my opinion, except for the effects of the matters described in the above paragraphs as forming the basis for my qualified opinion:

- a) the financial report of Power and Water Corporation is in accordance with the Government Owned Corporations Act, including:
  - i. giving a true and fair view of the Corporation's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards; and
- b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a).

A handwritten signature in black ink, appearing to read 'Julie Crisp'.

Julie Crisp

Auditor-General for the Northern Territory

Darwin, Northern Territory

24 June 2016

**Statement of Profit and Loss and Other Comprehensive Income**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|  | Note  | Consolidated        |                     | Corporation         |                     |
|--|-------|---------------------|---------------------|---------------------|---------------------|
|  |       | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>Continuing Operations</b>   |       |                     |                     |                     |                     |
| Revenue from sale of goods   | 3 (a) | 478,676             | 589,028             | 447,296             | 554,528             |
| Revenue from rendering of services   | 3 (a) | 173,092             | 152,680             | 70,705              | 64,969              |
| Finance revenue  | 3 (a) | 899                 | 2,568               | 520                 | 1,859               |
| Other income   | 3 (b) | 90,122              | 479,589             | 88,345              | 478,487             |
| Inter-Group sales  |       | -                   | -                   | 16,700              | 15,382              |
| <b>Total revenue and income</b>  |       | <b>742,789</b>      | <b>1,223,865</b>    | <b>623,566</b>      | <b>1,115,225</b>    |
| Energy and materials   |       | (231,424)           | (295,385)           | (198,856)           | (256,153)           |
| Repairs and maintenance expense  | 3 (f) | (86,762)            | (92,969)            | (64,875)            | (75,325)            |
| Employee benefits expense  | 3 (e) | (88,279)            | (103,253)           | (75,797)            | (91,384)            |
| External service agreements  |       | (44,701)            | (30,789)            | (29,011)            | (19,747)            |
| Impairment of non-current assets   | 29    | (10,499)            | -                   | (10,499)            | -                   |
| Other expenses   | 3 (g) | (69,902)            | (132,652)           | (61,312)            | (110,402)           |
| Depreciation and amortisation expenses                                     | 3 (d) | (140,971)           | (107,132)           | (102,069)           | (94,515)            |
| Finance costs  | 3 (c) | (46,939)            | (70,683)            | (46,789)            | (70,631)            |
| Profit/(loss) before tax   |       | 23,312              | 391,002             | 34,358              | 397,068             |
| Income tax equivalent benefit/(expense)                                    | 4 (a) | (10,353)            | (110,337)           | (10,353)            | (110,337)           |
| <b>Profit/(loss) for the year</b>  |       | <b>12,959</b>       | <b>280,665</b>      | <b>24,005</b>       | <b>286,731</b>      |
| <b>Other comprehensive income, net of tax</b>                              |       |                     |                     |                     |                     |
| <b>Items that will not be reclassified subsequently to profit or loss:</b> |       |                     |                     |                     |                     |
| Revaluation surplus  | 20    | 784,727             | -                   | 373,124             | -                   |
| Other comprehensive income for the year, net of tax                        |       | 784,727             | -                   | 373,124             | -                   |
| <b>Total comprehensive income for the year</b>                             |       | <b>797,686</b>      | <b>280,665</b>      | <b>397,129</b>      | <b>286,731</b>      |

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 2015

|   | Note | Consolidated        |                     | Corporation         |                     |
|---|------|---------------------|---------------------|---------------------|---------------------|
|   |      | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>CONTRIBUTED EQUITY</b>                                       |      |                     |                     |                     |                     |
| Balance at beginning of year                                    |      | 152,582             | 152,582             | 152,582             | 152,582             |
| Equity contributions from the Northern Territory Government     |      | 170,000             | -                   | 170,000             | -                   |
| Transfer of assets and liabilities to new entities              | 32   | (323,965)           | -                   | (323,965)           | -                   |
| Balance at end of year  | 18   | (1,383)             | 152,582             | (1,383)             | 152,582             |
| <b>RESERVES</b>   |      |                     |                     |                     |                     |
| Balance at beginning of year                                    |      | 710,500             | 442,774             | 716,531             | 442,739             |
| Net profit/(loss) for the year                                  |      | 12,959              | 280,665             | 24,005              | 286,731             |
| Dividend declared for the year                                  |      | -                   | (12,939)            | -                   | (12,939)            |
| Recognise revaluation position on disposal of assets            |      | 972                 | -                   | 978                 | -                   |
| Balance at end of year  | 19   | 724,431             | 710,500             | 741,514             | 716,531             |
| <b>Asset Revaluation Reserves</b>                               |      |                     |                     |                     |                     |
| Balance at beginning of year                                    |      | -                   | -                   | -                   | -                   |
| Increase in asset valuation                                     |      | 944,637             | -                   | 533,034             | -                   |
| Less deferred tax effect recognised in Deferred Tax Liabilities |      | -                   | (159,910)           | -                   | (159,910)           |
| Balance at end of year  | 20   | 784,727             | -                   | 373,124             | -                   |
| <b>TOTAL EQUITY</b>   |      | <b>1,507,775</b>    | <b>863,082</b>      | <b>1,113,255</b>    | <b>869,113</b>      |
|   |      |                     |                     | -                   | 373,124             |
| <b>Total equity attributable to owners of the parent</b>        |      | <b>1,507,775</b>    | <b>863,082</b>      | <b>1,113,255</b>    | <b>869,113</b>      |

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 2015

|                                      | Note        | Consolidated        |                     | Corporation         |                     |
|--------------------------------------|-------------|---------------------|---------------------|---------------------|---------------------|
|                                      |             | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>CURRENT ASSETS</b>                |             |                     |                     |                     |                     |
| Cash and cash equivalents            | 6 (a)       | 25,113              | 93,825              | 11,482              | 65,917              |
| Trade and other receivables          | 7           | 130,435             | 108,212             | 141,959             | 117,230             |
| Prepayments                          |             | 1,963               | 2,795               | 1,603               | 2,763               |
| Intangible assets                    | 12 (a), (b) | 2,166               | 1,455               | 2,166               | 1,455               |
| Inventories                          | 8           | 25,086              | 45,331              | 18,778              | 37,961              |
| <b>Total current assets</b>          |             | <b>184,763</b>      | <b>251,618</b>      | <b>175,988</b>      | <b>225,326</b>      |
| <b>NON-CURRENT ASSETS</b>            |             |                     |                     |                     |                     |
| Trade and other receivables          | 7           | -                   | 7                   | -                   | 7                   |
| Investments                          | 9           | 3                   | 3                   | 3                   | 3                   |
| Investment in subsidiaries           | 10          | -                   | -                   | -                   | -                   |
| Property, plant and equipment        | 11          | 2,934,384           | 2,326,504           | 2,257,470           | 2,050,133           |
| Intangible assets                    | 12 (a), (b) | 43,845              | 58,084              | 43,838              | 58,057              |
| Deferred tax assets                  | 4 (b)       | 16,878              | 20,366              | 16,878              | 20,366              |
| <b>Total non-current assets</b>      |             | <b>2,995,111</b>    | <b>2,404,964</b>    | <b>2,318,188</b>    | <b>2,128,567</b>    |
| <b>Total assets</b>                  |             | <b>3,179,874</b>    | <b>2,656,582</b>    | <b>2,494,176</b>    | <b>2,353,892</b>    |
| <b>CURRENT LIABILITIES</b>           |             |                     |                     |                     |                     |
| Trade and other payables             | 13          | 153,857             | 84,441              | 138,676             | 72,260              |
| Borrowings                           | 14          | 82,540              | 22,359              | 82,540              | 22,359              |
| Current tax liabilities              | 4           | 1,848               | 7,480               | 1,848               | 7,480               |
| Provisions                           | 16          | 34,106              | 62,311              | 34,106              | 62,311              |
| Government grants                    | 17          | 54,776              | 21,160              | -                   | 83                  |
| Finance lease liabilities            | 15          | 383                 | 807                 | 13                  | 14                  |
| <b>Total current liabilities</b>     |             | <b>327,510</b>      | <b>198,558</b>      | <b>257,183</b>      | <b>164,507</b>      |
| <b>NON-CURRENT LIABILITIES</b>       |             |                     |                     |                     |                     |
| Borrowings                           | 14          | 951,805             | 1,314,346           | 951,806             | 1,314,346           |
| Deferred tax liabilities             | 4 (b)       | 163,225             | 100                 | 163,225             | 100                 |
| Provisions                           | 16          | 5,426               | 5,589               | 5,426               | 5,589               |
| Government grants                    | 17          | 214,527             | 267,929             | -                   | -                   |
| Other                                |             | 3,058               | -                   | 3,058               | -                   |
| Finance lease liabilities            | 15          | 6,548               | 6,978               | 223                 | 237                 |
| <b>Total non-current liabilities</b> |             | <b>1,344,589</b>    | <b>1,594,942</b>    | <b>1,123,738</b>    | <b>1,320,272</b>    |
| <b>Total liabilities</b>             |             | <b>1,672,099</b>    | <b>1,793,500</b>    | <b>1,380,921</b>    | <b>1,484,779</b>    |
| <b>Net assets</b>                    |             | <b>1,507,775</b>    | <b>863,082</b>      | <b>1,113,255</b>    | <b>869,113</b>      |
| <b>EQUITY</b>                        |             |                     |                     |                     |                     |
| Contributed equity                   | 18          | (1,383)             | 152,582             | (1,383)             | 152,582             |
| Retained earnings                    | 19          | 724,431             | 710,500             | 741,514             | 716,531             |
| Asset Revaluation Reserves           | 20          | 784,727             | -                   | 373,124             | -                   |
| <b>Total equity</b>                  |             | <b>1,507,775</b>    | <b>863,082</b>      | <b>1,113,255</b>    | <b>869,113</b>      |

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



**Statement of Cash Flows**

Power and Water Corporation and its Controlled Entities as at 30 June 2015

|   | Note         | Consolidated        |                     | Corporation         |                     |
|---|--------------|---------------------|---------------------|---------------------|---------------------|
|   |              | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |              |                     |                     |                     |                     |
| Receipts from customers                                     |              | 539,424             | 751,608             | 491,965             | 713,713             |
| Payments to suppliers and employees                         |              | (439,777)           | (663,638)           | (329,045)           | (560,928)           |
| Income tax paid   | 4            | (13,749)            | -                   | (13,749)            | -                   |
| Community Service Obligations received                      |              | 15,600              | 81,700              | 15,600              | 81,700              |
| Receipt of Government grants                                |              | 77,652              | 78,986              | (83)                | (36)                |
| Interest received   |              | 1,003               | 2,497               | 590                 | 1,757               |
| Interest paid   |              | (49,457)            | (70,616)            | (49,307)            | (70,564)            |
| <b>Net cash generated by operating activities</b>           | <b>6 (b)</b> | <b>130,696</b>      | <b>180,537</b>      | <b>115,971</b>      | <b>165,642</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |              |                     |                     |                     |                     |
| Proceeds from sale of property, plant and equipment         |              | (31)                | 250                 | (31)                | 249                 |
| Payments for property, plant and equipment and intangibles  |              | (192,891)           | (167,825)           | (165,062)           | (130,534)           |
| <b>Net cash used in investing activities</b>                |              | <b>(192,922)</b>    | <b>(167,575)</b>    | <b>(165,093)</b>    | <b>(130,285)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |              |                     |                     |                     |                     |
| Repayment of borrowings                                     |              | (23,546)            | (44,852)            | (22,373)            | (44,220)            |
| Proceeds from borrowings                                    |              | 70,000              | 60,000              | 70,000              | 60,000              |
| Dividends paid  | 5            | (12,939)            | -                   | (12,939)            | -                   |
| Cash Transfer on structural separation                      |              | (40,001)            | -                   | (40,001)            | -                   |
| <b>Net cash provided by financing activities</b>            |              | <b>(6,486)</b>      | <b>15,148</b>       | <b>(5,313)</b>      | <b>15,780</b>       |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |              | <b>(68,712)</b>     | <b>28,110</b>       | <b>(54,435)</b>     | <b>51,137</b>       |
| <b>Cash and cash equivalents at beginning of year</b>       |              | <b>93,825</b>       | <b>65,715</b>       | <b>65,917</b>       | <b>14,780</b>       |
| <b>Cash and cash equivalents at end of year</b>             | <b>6 (a)</b> | <b>25,113</b>       | <b>93,825</b>       | <b>11,482</b>       | <b>65,917</b>       |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate information

Power and Water Corporation (the Corporation) is a government owned corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2015 comprises the Corporation and its controlled entity, Indigenous Essential Services Pty Limited.

The financial report was authorised for issue by the Directors on 24th of June 2016.

## 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 2014*, and comply with other requirements of the law. The *Government Owned Corporations Act 2014* 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 Corporation. For the purpose of preparing the consolidated financial statements, the Corporation is a for-profit entity therefore any accounting policy difference arising from Indigenous Essential Services Pty Limited are adjusted on consolidation.

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).

### Changes in accounting policies

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 2 to all periods presented in these consolidated financial statements.

#### Measurement of property, plant and equipment

The Corporation has changed the measurement basis of property, plant and equipment from historical cost to fair value, effective for the financial year ended 30 June 2015. This change applies to all property, plant and equipment classes with the exception of work in progress which is measured at cost.

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

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 at right.

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:

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

| Standard or Interpretation   | Nature of Change to Accounting Policy  |
|--|--|
| AASB 2012-3<br>'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'   | <p>The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.</p> <p>The amendments have been applied retrospectively. The Corporation has assessed whether certain financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments. As the Corporation does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Corporation's consolidated financial statements.</p>   |
| AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'                           | <p>The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.</p> <p>The application of these amendments does not have any material impact on the disclosures in the Corporation's consolidated financial statements.</p>  |
| AASB 2014-1 'Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)' | <p>The Annual Improvements 2010-2012 has made a number of amendments to various AASBs, those that are applicable to the Corporation are summarised below:</p> <ul style="list-style-type: none"> <li>• The amendments to the basis for conclusion of AASB 13 clarify that the issues of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.</li> <li>• The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses.</li> <li>• The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amount incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.</li> </ul> <p>The Annual Improvements 2011-2013 has made a number of amendments to various AASBs, those that are applicable to the Corporation are summarised below:</p> <ul style="list-style-type: none"> <li>• The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.</li> </ul> <p>The application of these amendments does not have any material impacts on the disclosure or on the amounts recognised in the Corporation's financial statements.</p> |

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

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'                      | 1 January 2015   | 30 June 2016  |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'    | 1 January 2016   | 30 June 2017  |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'                          | 1 January 2016   | 30 June 2017  |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012- 2014 Cycle' | 1 January 2016   | 30 June 2017  |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'                           | 1 January 2016   | 30 June 2017  |
| AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'               | 1 January 2016   | 30 June 2017  |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014 5 'Amendments to Australian Accounting Standards arising from AASB 15'  | 1 January 2017   | 30 June 2018  |
| AASB 9 'Financial Instruments', and the relevant amending standards   | 1 January 2018   | 30 June 2019  |

**(b) Basis of preparation**

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

| Items                         | Measurement basis |
|-------------------------------|-------------------|
| Property, plant and equipment | Fair value        |

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.

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

### (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 26 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.

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 ceases 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 judgements 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 consolidated entity'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 qualifying assets 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:

#### Fair value measurements and valuation processes

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

Independent consultants were engaged to assist the consolidated entity determine the measurement of fair value. The Audit and Risk Committee have approved this process.

When measuring the fair value of an asset or a liability, the Corporation uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 11 – property, plant and equipment
- Note 22 – financial instruments

#### Impairment write-back

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

#### Impairment write-off

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

#### 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

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

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:

#### **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.

From 1 July 2014 until 30 June 2015, the Corporation was grouped with Jacana Energy and Territory Generation for GST purposes. The Corporation was the representative member and lodged Business Activity Statements on behalf of the GST group.

The Corporation and each member of the GST group have agreed to the terms of a Indirect Tax Funding Deed (for GST purposes) which was executed by all members, which adopts the 'stand alone taxpayer' basis resulting in each entity, being allocated their GST amounts as if it were registered for GST in its own right.

The GST group has been de-registered from 1 July 2015 with each entity being registered for GST in their own right from this date.

### (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 (greater than 24 months) 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.

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

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 33(3) of the Government Owned Corporations Act 2014 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,

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

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

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

#### Current and deferred tax

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

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.

#### Trade and other receivables

Trade and other receivables are recognised when the Corporation has a legal right to receive cash, cash equivalent or economic benefits and are measured at amounts due at the time of sale or service delivery. Trade receivables are due for settlement within 21 to 30 days of the customer being billed.

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

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of receivables is raised when the collection of the full amount of receivable is no longer probable. Bad debts are written off when it has been identified that there is no reasonable prospect of recovery. Movements in the provisions are recognised in the Statement of Profit and Loss and Other Comprehensive Income.

#### 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.

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

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.

### (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, infrastructure 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 consolidated entity's accounting policy. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the 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

#### Subsequent measurement

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

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

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

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

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

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



## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

The following valuation techniques are used:

| Asset class            |   | Valuation policy                      |
|------------------------|---|---------------------------------------|
| Land and buildings     | Specialised land                          | Market approach                       |
|                        | Non-specialised land                      | Market approach                       |
|                        | Office Buildings                          | Market approach                       |
| Infrastructure systems | Water and sewerage                        | Income approach                       |
|                        | Electricity generation                    | Depreciated replacement cost approach |
|                        | Electricity distribution and transmission | Income approach                       |
| Plant and equipment    | Non-specialised plant and equipment       | Depreciated replacement cost approach |

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

### Revaluation of property, plant and equipment

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

The last revaluation for assets held at depreciated replacement cost was completed at 1 July 2013, based on independent assessments. Assessment of fair value movements between 1 July 2013 and 30 June 2015 was conducted by the Corporation and was concluded that there has been no material movement in values since revaluation date.

A further assessment on depreciated replacement cost was carried out by the independent valuers who conducted the original revaluation. The original assumptions applied in 2013 were reviewed and the impact of any changes to specific assets or relevant markets were calculated to ensure the movements were not material. Both assessments concluded the movement between 1 July 2013 and 30 June 2015 were not significant.

The Directors engaged an independent third party to complete the income approach valuation for the power networks and water services plant and equipment assets both at 1 July 2014 and 30 June 2015.

Where the Corporation revalues non-current assets using the depreciated replacement cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using the income approach or market approach, any accumulated depreciation is eliminated against the gross carrying amount of the assets to which they relate, and the net asset carrying amount is increased or decreased by the revaluation increment or decrement.

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

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

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

### Depreciation 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:

| Property Plant and Equipment | June 2015   | June 2014   |
|------------------------------|-------------|-------------|
| Plant and equipment          | 2-100 years | 2-100 years |
| Buildings                    | 15-94 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:

| Property Plant and Equipment situated on finance leased land | June 2015     | June 2014     |
|--|---------------|---------------|
| Plant and equipment  | 8 to 40 years | 8 to 40 years |
| Buildings  | 1 to 40 years | 1 to 40 years |

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

### Impairment of assets

Each reporting period the asset base is reviewed to determine if there have been any indicators of impairment. The carrying values of property, plant and equipment are reviewed, 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. The value in use is based on independent valuations which are conducted every 5 years and updated annually by certified valuers.

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.

The recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the individual asset's value in use can be reliably determined.

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 has been previously revalued. In this case the impairment loss is treated as an adjustment to the Asset Revaluation Reserve to the extent available (see description of revaluations of property, plant and equipment above.)

Impairment losses are reversed where there is an indication the impairment no longer exists and there has been a change in the estimated recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. (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 2015  | June 2014  |
|-------------------------------|------------|------------|
| Purchased Software            | 4-18 years | 1-21 years |
| Make-up Gas                   | 21 years   | 22 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.

### (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.

### (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 that it is declared. 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.

### (s) Comparative figures

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

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|   | Consolidated        |                     | Corporation         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>3 Revenue and expenses</b>                               |                     |                     |                     |                     |
| <b>(a) Revenue</b>  |                     |                     |                     |                     |
| Sale of goods   | 478,676             | 589,028             | 447,296             | 554,528             |
| Rendering of services                                       | 173,092             | 152,680             | 70,705              | 64,969              |
| Finance revenue   | 899                 | 2,568               | 520                 | 1,859               |
|   | <b>652,667</b>      | <b>744,276</b>      | <b>518,521</b>      | <b>621,356</b>      |
| <i>Breakdown of rendering services:</i>                     |                     |                     |                     |                     |
| IES capital government grants                               | 38,717              | 27,569              | -                   | -                   |
| IES recurrent government grants                             | 60,898              | 57,452              | -                   | -                   |
| Services rendered   | 73,477              | 67,659              | 70,705              | 64,969              |
|   | <b>173,092</b>      | <b>152,680</b>      | <b>70,705</b>       | <b>64,969</b>       |
| <b>(b) Other income</b>                                     |                     |                     |                     |                     |
| <i>Community Service Obligations:</i>                       |                     |                     |                     |                     |
| Uniform tariffs   | 8,354               | 62,659              | 8,353               | 62,659              |
| Other   | 7,246               | 19,042              | 7,246               | 19,042              |
|   | <b>15,600</b>       | <b>81,701</b>       | <b>15,599</b>       | <b>81,701</b>       |
| <i>Developer, customer and other capital contributions:</i> |                     |                     |                     |                     |
| Gifted assets   | 37,984              | 20,016              | 37,984              | 20,016              |
| Other   | 5,180               | 19,526              | 5,181               | 19,526              |
|   | <b>43,164</b>       | <b>39,542</b>       | <b>43,165</b>       | <b>39,542</b>       |
| Recoverable works   | 4,858               | 5,243               | 3,435               | 4,469               |
| Insurance settlement  | -                   | 10,500              | -                   | 10,500              |
| Impairment reversal   | -                   | 327,296             | -                   | 327,296             |
| Temporary Service Provision                                 | 15,257              | -                   | 15,257              | -                   |
| Other revenue   | 11,243              | 15,308              | 10,888              | 14,980              |
| <b>Total other income</b>                                   | <b>90,122</b>       | <b>479,589</b>      | <b>88,345</b>       | <b>478,487</b>      |
| <b>(c) Finance costs</b>                                    |                     |                     |                     |                     |
| Interest Expense - Other                                    | 433                 | 349                 | 283                 | 297                 |
| Interest Expense - Government                               | 60,348              | 84,836              | 60,348              | 84,836              |
|   | 60,781              | 85,185              | 60,631              | 85,133              |
| Less: Capitalised finance costs                             | (13,842)            | (14,502)            | (13,842)            | (14,502)            |
|   | <b>46,939</b>       | <b>70,683</b>       | <b>46,789</b>       | <b>70,631</b>       |

The weighted average capitalisation rate on funds borrowed generally is 5.44% per annum (2014: 6.25%).

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|   | Consolidated        |                     | Corporation         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>(d) Depreciation and amortisation</b>              |                     |                     |                     |                     |
| <i>Depreciation</i>                                   |                     |                     |                     |                     |
| Buildings   | 7,248               | 9,340               | 2,325               | 7,520               |
| Plant and equipment                                   | 118,843             | 89,960              | 85,459              | 79,730              |
| <b>Total depreciation</b>                             | <b>126,091</b>      | <b>99,300</b>       | <b>87,784</b>       | <b>87,250</b>       |
| <i>Amortisation</i>                                   |                     |                     |                     |                     |
| Intangible assets                                     | 14,303              | 7,272               | 14,278              | 7,251               |
| Finance leases  | 577                 | 560                 | 7                   | 14                  |
| <b>Total amortisation</b>                             | <b>14,880</b>       | <b>7,832</b>        | <b>14,285</b>       | <b>7,265</b>        |
| <b>Total depreciation and amortisation</b>            | <b>140,971</b>      | <b>107,132</b>      | <b>102,069</b>      | <b>94,515</b>       |
| <b>(e) Employee benefits expense</b>                  |                     |                     |                     |                     |
| Personnel direct                                      | 132,439             | 147,797             | 116,481             | 133,089             |
| Contract and apprentice labour                        | 9,003               | 9,787               | 7,447               | 9,288               |
|   | 141,442             | 157,584             | 123,928             | 142,377             |
| Capital and maintenance labour recovery               | (53,163)            | (54,331)            | (48,131)            | (50,993)            |
|   | <b>88,279</b>       | <b>103,253</b>      | <b>75,797</b>       | <b>91,384</b>       |
| <b>(f) Repairs and maintenance expense</b>            |                     |                     |                     |                     |
| Materials   | 64,530              | 58,411              | 44,826              | 43,144              |
| Labour  | 22,232              | 34,558              | 20,049              | 32,181              |
|   | <b>86,762</b>       | <b>92,969</b>       | <b>64,875</b>       | <b>75,325</b>       |
| <b>(g) Other expenses</b>                             |                     |                     |                     |                     |
| Grants and subsidies                                  | 3,798               | 6,913               | 3,798               | 6,913               |
| Bad and doubtful debts                                | 2,996               | 683                 | 2,889               | 595                 |
| Net loss on disposal of property, plant and equipment | 4,861               | 75,283              | 3,092               | 59,011              |
| Write Down in Value of Inventories                    | 1,141               | 515                 | 1,141               | 515                 |
| Property costs  | 17,151              | 10,376              | 16,857              | 10,166              |
| Information technology and communications expense     | 8,999               | 9,058               | 8,278               | 8,613               |
| Motor vehicle   | 7,519               | 8,298               | 6,480               | 7,264               |
| Insurance costs                                       | 2,700               | 5,308               | 2,667               | 5,281               |
| Other expenses  | 20,737              | 16,218              | 16,110              | 12,044              |
|   | <b>69,902</b>       | <b>132,652</b>      | <b>61,312</b>       | <b>110,402</b>      |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>4 Income tax equivalent expense</b>                                     |                     |                     |                     |                     |
| The major components of income tax expense are:                            |                     |                     |                     |                     |
| <b>(a) Income tax recognised in profit or loss</b>                         |                     |                     |                     |                     |
| <i>Current income tax</i>  |                     |                     |                     |                     |
| Current income tax charge  | 8,111               | 26,886              | 8,111               | 26,886              |
| <i>Deferred income tax</i>   |                     |                     |                     |                     |
| Relating to origination and reversal of temporary differences              | 2,242               | 83,451              | 2,242               | 83,451              |
| <b>Income tax expense reported in profit or loss</b>                       | <b>10,353</b>       | <b>110,337</b>      | <b>10,353</b>       | <b>110,337</b>      |
| <b>Numerical reconciliation between tax expense and pre-tax net profit</b> |                     |                     |                     |                     |
| Profit/loss before income tax from continuing operations                   | 23,312              | 391,002             | 34,358              | 397,068             |
| At the consolidated entities' statutory income tax rate of 30% (2014: 30%) | 6,993               | 117,300             | 10,307              | 119,120             |
| Expenditure not allowable for income tax purposes                          | 3,360               | 1,826               | 46                  | 6                   |
| <b>Income tax expense/(benefits) on pre-tax profit/(loss)</b>              | <b>10,353</b>       | <b>110,337</b>      | <b>10,353</b>       | <b>110,337</b>      |
| <b>(b) Deferred income tax</b>   |                     |                     |                     |                     |
| Deferred income tax at 30 June relates to the following:                   |                     |                     |                     |                     |
| <i>Deferred tax liabilities</i>  |                     |                     |                     |                     |
| Property, plant and equipment  | 3,224               | -                   | 3,224               | -                   |
| Prepayments  | 91                  | 100                 | 91                  | 100                 |
| DTL on revaluation recognised directly against ARR                         | 159,910             | -                   | 159,910             | -                   |
| <b>Gross deferred income tax liabilities</b>                               | <b>163,225</b>      | <b>100</b>          | <b>163,225</b>      | <b>100</b>          |
| <i>Movements:</i>  |                     |                     |                     |                     |
| Opening balance at 1 July  | 100                 | 18,178              | 100                 | 18,178              |
| Credited/(charged) to profit or loss                                       | (618)               | (18,078)            | (618)               | (18,078)            |
| DTL on Structural Separation recognised directly in Contributed Equity     | 3,833               | -                   | 3,833               | -                   |
| DTL on revaluation recognised directly against ARR                         | 159,910             | -                   | 159,910             | -                   |
| <b>Closing balance at 30 June</b>  | <b>163,225</b>      | <b>100</b>          | <b>163,225</b>      | <b>100</b>          |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <i>Deferred tax assets</i>   |                     |                     |                     |                     |
| Employee provisions  | 11,653              | 13,426              | 11,653              | 13,426              |
| Unearned revenue   | 47                  | 179                 | 47                  | 179                 |
| Allowance for doubtful debts   | 1,315               | 898                 | 1,315               | 898                 |
| Obsolete stock provision   | 295                 | 638                 | 295                 | 638                 |
| Carbon and renewable energy provision                                  | 42                  | 2,898               | 42                  | 2,898               |
| Make up gas impairment   | 2,865               | -                   | 2,865               | -                   |
| Accrued expenses   | 661                 | 354                 | 661                 | 354                 |
| Property, plant and equipment  | -                   | 1,973               | -                   | 1,973               |
| <b>Gross deferred income tax assets</b>                                | <b>16,878</b>       | <b>20,366</b>       | <b>16,878</b>       | <b>20,366</b>       |
| <i>Movements:</i>  |                     |                     |                     |                     |
| Opening balance at 1 July  | 20,366              | 141,301             | 20,366              | 141,301             |
| Under/(over) provision from prior years                                | 6                   | -                   | 6                   | -                   |
| Credited/(charged) to profit or loss                                   | (2,859)             | (101,529)           | (2,859)             | (101,529)           |
| Non-capital tax losses credited to profit or loss                      | -                   | (19,406)            | -                   | (19,406)            |
| DTA on Structural Separation recognised directly in Contributed Equity | (635)               | -                   | (635)               | -                   |
| <b>Closing balance at 30 June</b>                                      | <b>16,878</b>       | <b>20,366</b>       | <b>16,878</b>       | <b>20,366</b>       |
| <b>Net deferred tax assets and deferred tax liabilities</b>            | <b>(146,347)</b>    | <b>20,266</b>       | <b>(146,347)</b>    | <b>20,266</b>       |
| <b>Deferred tax income/(expense)</b>                                   | <b>2,242</b>        | <b>83,451</b>       | <b>2,242</b>        | <b>83,451</b>       |
| <b>(c) Income tax payable/(receivable)</b>                             |                     |                     |                     |                     |
| Opening balance at 1 July  | 7,480               | -                   | 7,480               | -                   |
| Income tax paid  | (13,749)            | -                   | (13,749)            | -                   |
| Current year income tax expense  | 8,111               | 26,886              | 8,111               | 26,886              |
| Prior year non-capital tax losses utilised                             | -                   | (19,406)            | -                   | (19,406)            |
| Under/(over) provision from prior years                                | 6                   | -                   | 6                   | -                   |
| <b>Closing balance at 30 June</b>                                      | <b>1,848</b>        | <b>7,480</b>        | <b>1,848</b>        | <b>7,480</b>        |

- (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 (2014: \$571,298).

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>5 Dividends</b>   |                     |                     |                     |                     |
| Declared and paid during the year:   |                     |                     |                     |                     |
| Dividends on ordinary shares:  | -                   | 12,939              | -                   | 12,939              |
|  | -                   | <b>12,939</b>       | -                   | <b>12,939</b>       |
| Final dividend paid in 2015 \$12.9 million (2014: \$NIL)   |                     |                     |                     |                     |
| It was resolved by the Board and approved by the Shareholding Minister to not declare a dividend for 2014-15. The Directors declared a dividend of \$12.9 million in 2013-14, this was paid in the 2014-15 financial year. |                     |                     |                     |                     |
| <b>6 Cash and cash equivalents</b>   |                     |                     |                     |                     |
| <b>(a) Reconciliation of cash</b>  |                     |                     |                     |                     |
| Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:   |                     |                     |                     |                     |
| Cash assets  | 25,113              | 93,825              | 11,482              | 65,917              |
| <b>(b) Reconciliation of net profit after tax to net cash flows</b>  | 12,959              | 280,665             | 24,005              | 286,731             |
| Net profit/(loss)  |                     |                     |                     |                     |
| <i>Adjustments for:</i>  |                     |                     |                     |                     |
| Depreciation and amortisation  | 140,971             | 107,132             | 102,069             | 94,515              |
| Impairment reversal less impairment writedown  | 10,499              | (371,188)           | 10,499              | (371,188)           |
| Contributed assets provided free of charge   | (37,984)            | (20,016)            | (37,984)            | (20,016)            |
| Net (profit)/loss on disposal of property, plant and equipment   | 4,861               | 75,283              | 3,092               | 59,011              |
| <i>Changes in assets and liabilities:</i>  |                     |                     |                     |                     |
| (Increase)/decrease in inventories   | 270                 | (5,254)             | (790)               | (4,913)             |
| (Increase)/decrease in trade and other receivables   | (102,712)           | 34,075              | (105,217)           | 35,172              |
| (Increase)/decrease in current intangible assets   | (884)               | 2,603               | (884)               | 2,603               |
| (Increase)/decrease in prepayments   | 679                 | (432)               | 1,019               | (429)               |
| (Decrease)/increase in net deferred tax payable  | 2,235               | 102,857             | 2,235               | 102,857             |
| (Decrease)/increase in current tax liabilities   | (5,630)             | 7,480               | (5,630)             | 7,480               |
| (Decrease)/increase in trade and other payables  | 139,510             | (23,090)            | 137,932             | (24,756)            |
| (Decrease)/increase in government grants   | (19,785)            | (8,189)             | (83)                | (36)                |
| (Decrease)/increase in provisions (ex dividend)  | (14,293)            | (1,389)             | (14,293)            | (1,389)             |
| <b>Net cash flows from operating activities</b>  | <b>130,696</b>      | <b>180,537</b>      | <b>115,971</b>      | <b>165,642</b>      |

Increases and decreases in assets and liabilities as a result of the structural separation are not included in the above as these are non-cash movements. See note 32 for further detail.

**(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 \$38.0 million (2014: \$20.0 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 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>7 Trade and other receivables</b>   |                     |                     |                     |                     |
| <b>Current</b>   |                     |                     |                     |                     |
| Service receivables  | 32,743              | 40,576              | 32,285              | 40,287              |
| Allowance for doubtful debts   | (4,382)             | (2,994)             | (4,382)             | (2,994)             |
| Unbilled consumption   | 38,821              | 51,864              | 38,933              | 51,864              |
|  | <b>67,182</b>       | <b>89,446</b>       | <b>66,836</b>       | <b>89,157</b>       |
| Other receivables  | 34,149              | 18,766              | 33,875              | 18,602              |
| Receivables arising on separation  | 29,104              | -                   | 29,104              | -                   |
| Loans and advances to controlled entities  | -                   | -                   | 12,144              | 9,471               |
| <b>Total current receivables</b>   | <b>130,435</b>      | <b>108,212</b>      | <b>141,959</b>      | <b>117,230</b>      |
| <b>Non-current</b>   |                     |                     |                     |                     |
| Development loans  | -                   | 7                   | -                   | 7                   |
| <b>Total non-current receivables</b>   | <b>-</b>            | <b>7</b>            | <b>-</b>            | <b>7</b>            |
| <b>(a) Service receivables</b>   |                     |                     |                     |                     |
| Included in the Corporation's service receivables balance are debtors with a carrying amount of \$4.2 million (2014: \$6.4 million) which are past due at the reporting date. The Corporation has not provided for these, as there has not been a significant change in credit quality and the amounts are still considered recoverable. |                     |                     |                     |                     |
| The Corporation does not offset the risk of these overdue balances with collateral or financial instruments due to the historical success of recovering these amounts. The average age of these receivables is 43 days (2014: 75 days).  |                     |                     |                     |                     |
| There is no single customer that makes up more than 5% of the balance of receivables.  |                     |                     |                     |                     |
| <b>Ageing of individually determined impaired service receivables:</b>   |                     |                     |                     |                     |
| 0-30 days  | -                   | 30                  | -                   | 30                  |
| 30 - 60 days   | -                   | 18                  | -                   | 18                  |
| 60 - 90 days   | -                   | 8                   | -                   | 8                   |
| 90 + days  | 4,382               | 2,939               | 4,382               | 2,939               |
| <b>Impairment</b>  | <b>4,382</b>        | <b>2,994</b>        | <b>4,382</b>        | <b>2,994</b>        |
| <b>Ageing of past due but not impaired service receivables:</b>  |                     |                     |                     |                     |
| 30 - 60 days   | 1,763               | 2,397               | 1,763               | 2,397               |
| 60 - 90 days   | 498                 | 983                 | 498                 | 983                 |
| 90 + days  | 1,953               | 3,031               | 1,953               | 3,031               |
| <b>Total</b>   | <b>4,214</b>        | <b>6,411</b>        | <b>4,214</b>        | <b>6,411</b>        |
| <b>Movement in the allowance for doubtful debts:</b>   |                     |                     |                     |                     |
| Balance at beginning of year   | 2,994               | 4,484               | 2,994               | 4,484               |
| Impairment losses recognised on receivables  | 2,488               | 684                 | 2,488               | 684                 |
| Amounts written off as uncollectible   | (1,825)             | (2,744)             | (1,825)             | (2,744)             |
| Written off debts subsequently collected   | 725                 | 570                 | 725                 | 570                 |
| <b>Balance at end of year</b>  | <b>4,382</b>        | <b>2,994</b>        | <b>4,382</b>        | <b>2,994</b>        |
| <b>(b) Receivables arising on separation</b>   |                     |                     |                     |                     |
| As a result of the separation of Power and Water Corporation into three separate Government Owned Corporations in 2014-15, this receivable represents the financial receivable between the Corporation, Territory Generation and Jacana Energy.  |                     |                     |                     |                     |
| <b>(c) Development loans</b>   |                     |                     |                     |                     |
| 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 2015

|   | Consolidated        |                     | Corporation         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>8 Inventories</b>  |                     |                     |                     |                     |
| Materials and stores  | 17,838              | 33,629              | 17,838              | 33,556              |
| Fuel stocks   | 6,906               | 11,181              | 598                 | 3,884               |
| Gas stocks  | 81                  | 76                  | 81                  | 76                  |
| Tokens  | 261                 | 445                 | 261                 | 445                 |
| <b>Total inventories</b>  | <b>25,086</b>       | <b>45,331</b>       | <b>18,778</b>       | <b>37,961</b>       |
| The cost of inventories recognised as an expense during the year in respect of continuing operations was \$4.1 million (2014: \$8.7 million).   |                     |                     |                     |                     |
| <b>9 Investments</b>  |                     |                     |                     |                     |
| 2,500 \$1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation   | 3                   | 3                   | 3                   | 3                   |
| Other investments include:  |                     |                     |                     |                     |
| 10 (2014: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited  |                     |                     |                     |                     |
| 50 (2014: 50) ordinary shares of \$1 each held by the Corporation in BGP Tenure Holdings Pty Limited  |                     |                     |                     |                     |
| 5 (2014: 5) ordinary shares of \$1 each held by the Corporation in NT Gas Pty Limited   |                     |                     |                     |                     |
| <b>Principal activities of the subsidiary company</b>   |                     |                     |                     |                     |
| 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. |                     |                     |                     |                     |
| <b>10 Investment in subsidiaries</b>  |                     |                     |                     |                     |
| Indigenous Essential Services Pty Limited   | -                   | -                   | 10                  | 10                  |
| <b>Total investment in subsidiaries</b>   | <b>-</b>            | <b>-</b>            | <b>10</b>           | <b>10</b>           |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**11 Property, plant and equipment**

The consolidated entity changed the measurement basis for property, plant and equipment from the historical cost method to the fair value method from 1 July 2014. This change applies to all property, plant and equipment classes with the exception of work in progress which is measured at cost. The movement to fair value increased the value of the consolidated entity's property, plant and equipment by \$784.7 million and is the largest driver behind the increase in depreciation of \$33.8 million. This has been reflected in the movement in the Asset Revaluation Reserve (see note 20).

A number of circumstances have affected the value of property, plant and equipment in the financial statements including fixed assets being initially accounted for at fair value by using the depreciated replacement cost method. However, a subsequent decision was made to use the income approach to value the assets of the electrical networks, water and sewerage assets.

The Corporation has an improvement project underway that will improve the level of detailed evidence behind the fixed assets values. At this stage of the improvement program, only net values of fixed assets are available. However, the Corporation's Directors are confident that the value of property, plant and equipment as per these statements is materially correct and represents a true and fair view.

**Fair value measurement of non-financial assets****a) Fair value hierarchy**

| June 2015           | Carrying amount as at 30 June 2015 | Fair value measurement at the end of the reporting period using: |                   |                   |
|---------------------|------------------------------------|--|-------------------|-------------------|
|                     |                                    | Level 1<br>\$'000  | Level 2<br>\$'000 | Level 3<br>\$'000 |
| <b>Consolidated</b> |                                    |  |                   |                   |
| Land                | 94,265 -                           | -  | 62,211            | 32,054            |
| Buildings           | 144,060                            | -  | -                 | 144,060           |
| Plant and equipment | 2,347,749                          | -  | -                 | 2,347,749         |
| Financial Lease     | 7,961                              | -  | -                 | 7,961             |
| Work in progress    | 340,349                            | -  | -                 | 340,349           |
| <b>Total</b>        | <b>2,934,384</b>                   | <b>-</b>   | <b>62,211</b>     | <b>2,872,173</b>  |
| <b>Corporation</b>  |                                    |  |                   |                   |
| Land                | 94,195                             | -  | 62,211            | 31,984            |
| Buildings           | 78,595                             | -  | -                 | 78,595            |
| Plant and equipment | 1,774,680                          | -  | -                 | 1,774,680         |
| Financial Lease     | 260                                | -  | -                 | 260               |
| Work in progress    | 309,740                            | -  | -                 | 309,740           |
| <b>Total</b>        | <b>2,257,470</b>                   | <b>-</b>   | <b>62,211</b>     | <b>2,195,259</b>  |

**b) Valuation techniques, inputs and processes**

The following table sets out the valuation techniques used in measuring the fair value of assets within Level 2 of the fair value hierarchy:

**Specialised land valuation technique and inputs**

Market approach has been utilised for specialised land. The highest and best use of land zoned as utility infrastructure (zone 'U') is deemed to be its current use due to the special zoning restrictions. The value of the land has been determined by the valuers by reference to current market sales evidence for adjoining land that has been zoned for industrial use, on a rate per square metre basis, taking into account the size, location and access available to the site. Where sales evidence was not available for similar zoned land that is adjoining to the land being valued, land sales of a higher use zoning modified on comparison to reflect the inherent 'existing use' of the subject property has been used. Land that has no zoning but is associated with infrastructure assets has been valued on the basis of its existing use.

**Non-specialised land valuation technique and inputs**

Market approach has been utilised for non-specialised land. The value of the land has been determined with reference to current market sales of adjoining land on a rate per square metre basis, taking into account the size, location, access available to the site. Land that has no zoning but is used for a non-specialised purpose has been valued on the basis of its existing use.

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

The following table sets out the valuation techniques used in measuring the fair value of assets within Level 3 of the fair value hierarchy:

| Asset class / valuation   | Significant unobservable inputs   | Sensitivity of the fair value  |
|---------------------------|---|--|
| <b>Specialised land</b>   |   |  |
| Market approach           | <p>Limited parcels of specialised land are situated in extremely remote areas where little to no market sales evidence is available. For this land, market value (decrease) if:</p> <ul style="list-style-type: none"> <li>• Estimated market rate per square metre based on sales of similar remote land in the locality, adjusted to reflect restrictions on use of land.</li> <li>• Estimated costs of creating parcel of land and registration of an owner's interest, including legal and survey fees.</li> </ul>  | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Land values based on recent sales of similar remote land increase (decrease)</li> <li>• Costs associated with creating parcel of land and registration of owner's interest increase (decrease)</li> </ul>   |
| <b>Office buildings</b>   |   |  |
| Market approach           | <p>Market approach fair value calculated using:</p> <ul style="list-style-type: none"> <li>• Estimated rental rate per square metre based on similar properties in the locality and adjusted for location and characteristics.</li> <li>• Capitalisation rate based on yields from sales of comparable properties in the locality and adjusted for relevant factors i.e. potential for rental growth.</li> </ul> <p>Estimated useful lives have been used to depreciate individual asset components, with lives modified where appropriate to reflect the condition of the asset.</p> <p>The above approach has then been compared to comparable sales.</p> <p>Due to the highly specialised and remote nature of some buildings (small portion of total office buildings), these have been calculated using the income approach.</p> | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Rental rate per square metre of similar properties in the locality increases (decreases)</li> <li>• Sale prices of similar properties in the locality increases (decrease)</li> <li>• Changes are made to the useful lives of buildings</li> </ul>  |
| <b>Water and sewerage</b> |   |  |
| <b>Corporation</b>        |   |  |
| Income approach           | <p>Income approach fair value calculated using:</p> <ul style="list-style-type: none"> <li>• Future cash flows post tax: <ul style="list-style-type: none"> <li>- determined on a nominal basis and estimated over a 5 year basis based on Statement of Corporate Intent operating and capital expenditure budgets;</li> <li>- based on maintaining specialised assets in their current condition, new capital expenditure increasing service potential were excluded; and</li> <li>- Future revenue estimates were based on water and sewerage services pricing in the Pricing Order under the <i>Water Supply and Sewerage Services Act 2000 (NT)</i> and the estimated water supply volumes and sewerage fixtures.</li> </ul> </li> <li>• Discount rate - nominal post-tax WACC of 4.93%</li> </ul>                                | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Future cash flows increase (decrease)</li> <li>• Water and sewerage services pricing based on the Pricing Order under the <i>Water Supply and Sewerage Services Act 2000 (NT)</i> increases (decreases)</li> <li>• Discount rate decreases (increases)</li> <li>• Terminal value decreases (increases)</li> <li>• Changes are made to the useful lives of assets</li> </ul> |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

| Asset class / valuation  | Significant unobservable inputs   | Sensitivity of the fair value   |
|--|---|---|
| <b>Water and sewerage (continued)</b>  |   |   |
| <b>Corporation</b>   |   |   |
| <p>Income approach</p> <p>Assets are depreciated over their estimated useful life.</p>   | <ul style="list-style-type: none"> <li>Terminal value: <ul style="list-style-type: none"> <li>For regulated assets, comprising 88% of the total cash flows, the Regulatory Asset Base for FY'20 with a multiple of 1.0 times has been used.</li> <li>For unregulated assets, comprising 12% of the total cash flows, the Gordon Growth Model has been used with an inflation factor of 2.5%.</li> </ul> </li> </ul> <p>Estimated useful lives have been used to depreciate individual asset components, with lives modified where appropriate to reflect asset location (land / coastal) and the condition of the asset.</p>  |   |
| <b>Remote operations - Indigenous Essential Services Pty Limited</b>   |   |   |
| <p>Depreciated replacement cost for each significant asset type:</p> <ul style="list-style-type: none"> <li>Treatment Plants</li> <li>Pump Stations</li> <li>Dosing Stations</li> <li>Pipelines</li> <li>Tanks</li> <li>Manholes</li> <li>Valves</li> <li>Hydrants</li> <li>Meters</li> <li>Dams and weirs</li> <li>Bores</li> </ul> <p>Assets are depreciated over estimated useful life depending on asset type.</p> | <p>Replacement cost of each asset component has been calculated using, where appropriate:</p> <ul style="list-style-type: none"> <li>Cost rates derived from construction of recent projects;</li> <li>Cost rates from suppliers;</li> <li>Cost adjustments for Northern Territory using CPI and benchmarking against local costs;</li> <li>Project cost (indirect cost) rates based on recent projects;</li> <li>Transportation cost factors;</li> <li>Soil type factor applied to reflect digging difficulty.</li> </ul> <p>Estimated useful lives have been used to depreciate individual asset components, with lives modified where appropriate to reflect asset location (land / coastal) and the condition of the asset.</p> | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>Costs rates derived from construction of recent projects increase (decrease)</li> <li>Cost rates from suppliers increase (decrease)</li> <li>CPI increases (decreases)</li> <li>Project cost rates increases (decreases)</li> <li>Factors used to reflect transportation costs increases (decreases)</li> <li>Factors used to reflect digging costs increases (decreases)</li> <li>Changes are made to the useful lives of assets</li> </ul> |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

| Asset class / valuation   | Significant unobservable inputs   | Sensitivity of the fair value  |
|---|---|--|
| <b>Electricity generation remote operations</b>   |   |  |
| <b>Remote operations - Indigenous Essential Services Pty Limited</b>  |   |  |
| <p>Depreciated replacement cost for each significant asset type:</p> <ul style="list-style-type: none"> <li>• Fuel systems</li> <li>• Diesel power generators</li> <li>• Rooftop single-phase solar power generators</li> <li>• Industrial three-phase solar power generators</li> <li>• Standby generators</li> <li>• Assets are depreciated over estimated useful life depending on asset type</li> </ul> | <p>Replacement cost of each asset component has been calculated using, where appropriate:</p> <ul style="list-style-type: none"> <li>• Costs rates derived from construction of recent projects;</li> <li>• Cost rates from suppliers;</li> <li>• Cost adjustments for Northern Territory using CPI and benchmarking against local costs;</li> <li>• Output capacity and maximum demand load;</li> <li>• Project cost (indirect cost) rates based on recent projects;</li> <li>• Capitalised interest, calculated by applying a percentage to an asset's capital construction valuation.</li> </ul> <p>Estimated useful lives have been used to depreciate individual asset components, with lives modified where appropriate to reflect asset location (land / coastal) and the condition of the asset.</p>  | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Costs rates derived from construction of recent projects increase (decrease)</li> <li>• Cost rates from suppliers increase (decrease)</li> <li>• Output capacity and maximum demand load increase (decrease)</li> <li>• Project cost rates increase (decreases)</li> <li>• Factors used to reflect transportation costs increases (decreases)</li> <li>• Capitalised interest percentage increases (decreases)</li> <li>• Changes are made to the useful lives of assets</li> </ul> |
| <b>Electricity transmission and distribution</b>  |   |  |
| <b>Corporation</b>  |   |  |
| <p>Income approach</p> <p>Assets are depreciated over their estimated useful life.</p>  | <p>Income approach fair value calculated using:</p> <ul style="list-style-type: none"> <li>• Future cash flows post-tax: <ul style="list-style-type: none"> <li>- determined on a nominal basis and estimated over a 5 year basis based on Statement of Corporate Intent operating and capital expenditure budgets;</li> <li>- based on maintaining specialised assets in their current condition, new capital expenditure increasing service potential were excluded;</li> <li>- Future revenue estimates were based on: <ul style="list-style-type: none"> <li>• Standard Control Services pricing based on the latest Network Price Determination approved by the Utilities Commission on 22 May 2015 and the modified 2015-16 Standard Control Network Tariffs approved by the NT Department of Treasury and Finance.</li> <li>• Alternative Control Services and Excluded Networks Services pricing set by the Corporation in accordance with the Electricity Networks (Third Party Access) Code.</li> </ul> </li> </ul> </li> <li>• Discount rate - nominal post-tax WACC of 4.93%</li> <li>• Terminal value: <ul style="list-style-type: none"> <li>- For regulated assets, comprising 88% of the total cash flows, the Regulatory Asset Base for FY'20 with a multiple of 1.0 times has been used.</li> <li>- For unregulated assets, comprising 12% of the total cash flows, the Gordon Growth Model has been used with an inflation factor of 2.5%.</li> </ul> </li> </ul> <p>Estimated useful lives have been used to depreciate individual asset components, with lives modified where appropriate to reflect asset location (land / coastal) and the condition of the asset.</p> | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Future cash flows increase (decrease)</li> <li>• Standard Control Services pricing increases (decreases)</li> <li>• Alternative Control Services and Excluded Networks Services pricing increases (decreases)</li> <li>• Discount rate decreases (increases)</li> <li>• Terminal value decreases (increases)</li> <li>• Changes are made to the useful lives of assets</li> </ul>   |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

| Asset class / valuation  | Significant unobservable inputs   | Sensitivity of the fair value   |
|--|---|---|
| <b>Remote operations - Indigenous Essential Services Pty Limited</b>   |   |   |
| <p>Depreciated replacement cost for each significant asset type:</p> <ul style="list-style-type: none"> <li>• Poles</li> <li>• Transformers</li> <li>• Switch</li> <li>• Meters</li> <li>• Transmission terminal stations</li> <li>• Zone substations and major switching stations</li> <li>• Secondary systems</li> <li>• Overhead transmission lines</li> <li>• Underground transmission lines</li> <li>• Distribution overhead line</li> <li>• Distribution underground cable</li> <li>• Conductors - underground</li> <li>• Conductors - overhead</li> <li>• Distribution equipment</li> <li>• SCADA</li> <li>• Facilities</li> <li>• Communication</li> <li>• Street lighting equipment</li> <li>• Street light overhead conductor</li> <li>• Street light underground cable</li> </ul> <p>Assets are depreciated over estimated useful life depending on asset type.</p> | <p>Replacement cost of each asset has been calculated using, where appropriate:</p> <ul style="list-style-type: none"> <li>• Costs rates derived from construction of recent projects;</li> <li>• Cost rates from suppliers;</li> <li>• Cost adjustments for Northern Territory using CPI and benchmarking against local costs;</li> <li>• Capitalised interest, calculated by applying a percentage to an asset's capital construction valuation;</li> <li>• Transportation cost factors;</li> <li>• Soil type factor applied to reflect digging difficulty.</li> </ul> <p>Estimated useful lives have been used to depreciate individual asset components, with lives modified where appropriate to reflect asset location (land / coastal) and the condition of the asset.</p> | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Costs rates derived from construction of recent projects increase (decrease)</li> <li>• Cost rates from suppliers increase (decrease)</li> <li>• Capitalised interest percentage increases (decreases)</li> <li>• Factors used to reflect transportation costs increase (decreases)</li> <li>• Factors used to reflect digging costs increase (decreases)</li> <li>• Changes are made to the useful lives of assets</li> </ul> |
| <b>Non-specialised plant and equipment</b>   |   |   |
| <p>Depreciated historical cost as a proxy for fair value.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p>  | <p>Historical cost is used as a proxy for fair value.</p> <p>Estimated useful lives have been used to depreciate individual asset components.</p>   | <p>Estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Changes are made to the useful lives of assets</li> </ul>  |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**11 Property, plant and equipment**

| June 2015                                  | Land<br>\$'000 | Buildings<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Finance<br>Leases<br>\$'000 | Work in<br>Progress<br>\$'000 | Total Property,<br>Plant and<br>Equipment<br>\$'000 |
|--|----------------|---------------------|----------------------------------|-----------------------------|-------------------------------|---|
| <b>Consolidated<br/>Written Down Value</b> | 94,265         | 144,060             | 2,347,749                        | 7,961                       | 340,349                       | 2,934,38  |
| <b>Corporation<br/>Written Down Value</b>  | 94,195         | 78,595              | 1,774,680                        | 260                         | 309,740                       | 2,257,470   |

| June 2014                                  | Land<br>\$'000 | Buildings<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Finance<br>Leases<br>\$'000 | Work in<br>Progress<br>\$'000 | Total Property,<br>Plant and<br>Equipment<br>\$'000 |
|--|----------------|---------------------|----------------------------------|-----------------------------|-------------------------------|---|
| <b>Consolidated<br/>Written Down Value</b> | 18,627         | 205,894             | 1,509,864                        | 8,241                       | 583,877                       | 2,326,504   |
| <b>Corporation<br/>Written Down Value</b>  | 18,557         | 184,737             | 1,355,738                        | 267                         | 490,835                       | 2,050,133   |

As a result of the structural separation, the change in accounting policy and the continuing improvement programs to the Corporation's systems, as at 30 June 2015 the asset management systems were only able to provide net value data suitable for disclosure in the financials statements. The Directors believe that the net asset values most accurately represent the position of the Corporation and the consolidated entity.



**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**12 (a) Intangibles**

| June 2015                                  | Other Intangible Assets<br>\$'000 | Renewable Energy Certificates<br>\$'000 | Make up Gas<br>\$'000 | Total<br>\$'000 |
|--|-----------------------------------|---|-----------------------|-----------------|
| <b>Consolidated<br/>Written Down Value</b> | 30,886                            | 2,166                                   | 12,959                | 46,011          |
| <b>Corporation<br/>Written Down Value</b>  | 30,879                            | 2,166                                   | 12,959                | 46,004          |

**Movement in Carrying amounts**

| June 2015                                    | Other Intangible Assets<br>\$'000 | Renewable Energy<br>Certificates<br>\$'000 | Make up Gas<br>\$'000 | Total<br>\$'000 |
|--|-----------------------------------|--|-----------------------|-----------------|
| <b>Year ended 30 June 2015 Consolidation</b> |                                   |  |                       |                 |
| Opening Balance                              | 40,492                            | 1,455                                      | 17,592                | 59,539          |
| Structural Separation - transfer to TGEN     | (236)                             | -  | -                     | (236)           |
| Transfer/Adjustments                         | (61)                              | -  | -                     | (61)            |
| Additions                                    | -                                 | 786  | 4,920                 | 5,706           |
| Amortisation                                 | (14,303)                          | -  | -                     | (14,303)        |
| Transfer From WIP                            | 4,994                             | -  | -                     | 4,994           |
| Disposals                                    | -                                 | (75)                                       | -                     | (75)            |
| Impairment - specific assets                 | -                                 | -  | (9,553)               | (9,553)         |
| <b>Closing Balance</b>                       | <b>30,886</b>                     | <b>2,166</b>                               | <b>12,959</b>         | <b>46,011</b>   |
| <b>Year ended 30 June 2015 Corporation</b>   |                                   |  |                       |                 |
| Opening Balance                              | 40,465                            | 1,455                                      | 17,592                | 59,512          |
| Structural Separation - transfer to TGEN     | (236)                             | -  | -                     | (236)           |
| Transfer/Adjustments                         | (66)                              | -  | -                     | (66)            |
| Additions                                    | -                                 | 786  | 4,920                 | 5,706           |
| Amortisation                                 | (14,278)                          | -  | -                     | (14,278)        |
| Transfer From WIP                            | 4,994                             | -  | -                     | 4,994           |
| Disposals                                    | -                                 | (75)                                       | -                     | (75)            |
| Impairment - specific assets                 | -                                 | -  | (9,553)               | (9,553)         |
| <b>Closing Balance</b>                       | <b>30,879</b>                     | <b>2,166</b>                               | <b>12,959</b>         | <b>46,004</b>   |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**12 (a) Intangibles**

| June 2014                                  | Other Intangible Assets<br>\$'000 | Renewable Energy Certificates<br>\$'000 | Make up Gas<br>\$'000 | Total<br>\$'000 |
|--|-----------------------------------|---|-----------------------|-----------------|
| <b>Consolidated<br/>Written Down Value</b> | 40,492                            | 1,455                                   | 17,592                | 59,539          |
| <b>Corporation<br/>Written Down Value</b>  | 40,465                            | 1,455                                   | 17,592                | 59,512          |

**Movement in Carrying amounts**

| June 2014                        | Other Intangible Assets<br>\$'000 | Renewable Energy<br>Certificates<br>\$'000 | Make up Gas<br>\$'000 | Total<br>\$'000 |
|----------------------------------|-----------------------------------|--|-----------------------|-----------------|
| <b>Consolidation</b>             |                                   |  |                       |                 |
| 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              |
| <b>Closing Balance</b>           | <b>40,492</b>                     | <b>1,455</b>                               | <b>17,592</b>         | <b>59,539</b>   |
| <b>Corporation</b>               |                                   |  |                       |                 |
| 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              |
| <b>Closing Balance</b>           | <b>40,465</b>                     | <b>1,455</b>                               | <b>17,592</b>         | <b>59,512</b>   |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|   | Consolidated        |                     | Corporation         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>12(b) Intangible Assets</b>  |                     |                     |                     |                     |
| <b>Current</b>  |                     |                     |                     |                     |
| Renewable energy certificate  | 2,166               | 1,455               | 2,166               | 1,455               |
| Total current intangible assets   | <b>2,166</b>        | <b>1,455</b>        | <b>2,166</b>        | <b>1,455</b>        |
| <b>Non-current</b>  |                     |                     |                     |                     |
| Other intangible assets   | 30,886              | 40,492              | 30,879              | 40,465              |
| Make up gas   | 12,959              | 17,592              | 12,959              | 17,592              |
| Total non-current intangible assets   | <b>43,845</b>       | <b>58,085</b>       | <b>43,838</b>       | <b>58,057</b>       |
| <b>13 Trade and other payables</b>  |                     |                     |                     |                     |
| Service creditors   | 62,054              | 44,651              | 49,643              | 38,501              |
| Payables arising on separation  | 58,460              | -                   | 58,460              | -                   |
| Other creditors and accruals  | 33,343              | 39,790              | 30,573              | 33,759              |
| Total payables  | <b>153,857</b>      | <b>84,441</b>       | <b>138,676</b>      | <b>72,260</b>       |
| 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.               |                     |                     |                     |                     |
| <b>(a) Payables arising on separation</b>   |                     |                     |                     |                     |
| As a result of the separation of Power and Water Corporation into three separate Government Owned Corporations in 2014-15, this payable represents the financial payable between the Corporation, Territory Generation and Jacana Energy. |                     |                     |                     |                     |
| <b>14 Interest bearing borrowings</b>   |                     |                     |                     |                     |
| <b>Current</b>  |                     |                     |                     |                     |
| Government loans - unsecured  | 82,540              | 22,359              | 82,540              | 22,359              |
| Total current borrowings  | <b>82,540</b>       | <b>22,359</b>       | <b>82,540</b>       | <b>22,359</b>       |
| <b>Non-current</b>  |                     |                     |                     |                     |
| Government loans - unsecured  | 951,805             | 1,314,346           | 951,806             | 1,314,346           |
| Total non-current borrowings  | <b>951,805</b>      | <b>1,314,346</b>    | <b>951,806</b>      | <b>1,314,346</b>    |

The government loans in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$82.5 million (2014: \$22.4 million).

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

The total bank overdraft facility available at 30 June 2015 is \$50.0 million (2014: \$NIL). The unused bank overdraft facility available at the reporting date is \$50.0 million (2014: \$NIL). Interest on the bank overdraft is charged at a concessional rate of 4%. The bank overdraft is payable on demand. This facility is available until September 2015.

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**15 Finance lease liabilities****Consolidated**

|  | Minimum Lease Payments |                     | Present Value of the minimum lease |                     |
|--|------------------------|---------------------|------------------------------------|---------------------|
|  | June 2015<br>\$'000    | June 2014<br>\$'000 | June 2015<br>\$'000                | June 2014<br>\$'000 |
| not later than one year                              | 484                    | 874                 | 383                                | 807                 |
| 1 to 5 years   | 3,422                  | 3,102               | 2,717                              | 2,528               |
| later than 5 years                                   | 8,549                  | 9,635               | 3,832                              | 4,451               |
|  | 12,456                 | 13,610              | 6,931                              | 7,785               |
| less future finance charges                          | (5,851)                | (5,825)             | -                                  | -                   |
| <b>Total Present Value of Minimum Lease Payments</b> | <b>6,605</b>           | <b>7,785</b>        | <b>6,931</b>                       | <b>7,785</b>        |

**Leasing arrangements**

The controlled entity Indigenous Essential Services Pty Limited leases land for its existing infrastructure assets in 40 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 2015 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 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>16 Provisions</b>   |                     |                     |                     |                     |
| <b>Current</b>   |                     |                     |                     |                     |
| Employee benefits  | 33,253              | 39,022              | 33,253              | 39,022              |
| Employee related provisions  | 712                 | 689                 | 712                 | 689                 |
| Dividend   | -                   | 12,939              | -                   | 12,939              |
| Renewable Energy Certificates  | 141                 | 3,950               | 141                 | 3,950               |
| Carbon Permits   | -                   | 5,711               | -                   | 5,711               |
| Total current provisions   | <b>34,106</b>       | <b>62,311</b>       | <b>34,106</b>       | <b>62,311</b>       |
| <b>Non-current</b>   |                     |                     |                     |                     |
| Employee benefits  | 5,426               | 5,589               | 5,426               | 5,589               |
| Total non-current provisions   | <b>5,426</b>        | <b>5,589</b>        | <b>5,426</b>        | <b>5,589</b>        |
| <b>Reconciliations</b>   |                     |                     |                     |                     |
| Reconciliations of the carrying amounts for each class of provision, except for employee benefits are set out below:   |                     |                     |                     |                     |
| <b>Employee related provisions</b>   |                     |                     |                     |                     |
| Carrying amount at beginning of year   | 689                 | 552                 | 689                 | 552                 |
| Provisions made during the year  | 11,205              | 9,372               | 11,205              | 9,372               |
| Payments made during the year  | (11,182)            | (9,235)             | (11,182)            | (9,235)             |
| Carrying amount at end of year   | <b>712</b>          | <b>689</b>          | <b>712</b>          | <b>689</b>          |
| <b>Renewable Energy Certificates</b>   |                     |                     |                     |                     |
| Carrying amount at beginning of year   | 3,950               | 5,553               | 3,950               | 5,553               |
| Provisions made during the year  | 2,691               | 13,259              | 2,691               | 13,259              |
| Payments made during the year  | (6,500)             | (14,862)            | (6,500)             | (14,862)            |
| Carrying amount at end of year   | <b>141</b>          | <b>3,950</b>        | <b>141</b>          | <b>3,950</b>        |
| <b>Carbon Permits</b>  |                     |                     |                     |                     |
| Carrying amount at beginning of year   | 5,711               | 5,958               | 5,711               | 5,958               |
| Provisions made during the year  | -                   | 15,791              | -                   | 15,791              |
| Payments made during the year  | (5,711)             | (16,038)            | (5,711)             | (16,038)            |
| Carrying amount at end of year   | <b>-</b>            | <b>5,711</b>        | <b>-</b>            | <b>5,711</b>        |
| <b>17 Government grants</b>  |                     |                     |                     |                     |
| Operational grants held by the Corporation's subsidiary, Indigenous Essential Services Pty Limited relate to funding received from the Northern Territory's Department of Local Government and Community Services for the provision of power, water and sewerage services to remote indigenous communities.      |                     |                     |                     |                     |
| Capital grants held by the Corporation's subsidiary, Indigenous Essential Services Pty Limited, relate to funding received from the Northern Territory's Department of Local Government and Community Services for the development of power, water and sewerage infrastructure in remote indigenous communities. |                     |                     |                     |                     |
| Operational grants   | 5,671               | 6,464               | -                   | 83                  |
| Capital grants   | 263,632             | 282,625             | -                   | -                   |
| Total government grants  | <b>269,303</b>      | <b>289,089</b>      | <b>-</b>            | <b>83</b>           |
| Provided for in the financial statements as:   |                     |                     |                     |                     |
| Current  | 54,776              | 21,160              | -                   | 83                  |
| Non-current  | 214,527             | 267,929             | -                   | -                   |
| Total government grants  | <b>269,303</b>      | <b>289,089</b>      | <b>-</b>            | <b>83</b>           |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>18 Contributed equity</b>   |                     |                     |                     |                     |
| Share capital  |                     |                     |                     |                     |
| 1 Share (2014: 1 Share)  | -                   | -                   | -                   | -                   |
| Debt to equity swap  | 322,582             | 152,582             | 322,582             | 152,582             |
| Contributed equity   | (323,965)           | -                   | (323,965)           | -                   |
| <b>Total contributed equity</b>  | <b>(1,383)</b>      | <b>152,582</b>      | <b>(1,383)</b>      | <b>152,582</b>      |
| Contributed equity at beginning of year  | 152,582             | 152,582             | 152,582             | 152,582             |
| Equity contributions from the Northern Territory Government  | 170,000             | -                   | 170,000             | -                   |
| Transfer of assets and liabilities to new entities   | (323,965)           | -                   | (323,965)           | -                   |
| <b>Total contributed equity</b>  | <b>(1,383)</b>      | <b>152,582</b>      | <b>(1,383)</b>      | <b>152,582</b>      |
| <p>The Government Owned Corporations Act 2014 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.</p> <p>As a result of structural separation the Corporation transferred identifiable assets and liabilities to Jacana Energy and Territory Generation and this transfer has been accounted for as a distribution from equity. The net effect was a \$324.0 million reduction in the net asset position of Power and Water Corporation.</p> <p>In 2014-15 the Corporation received a \$170 million debt to equity swap from the Northern Territory Government.</p> <p>The Shareholder contributed a further \$40 million in equity to the Corporation on 8 November 2015 as required post- structural separation.</p> |                     |                     |                     |                     |
| <b>19 Retained earnings</b>  |                     |                     |                     |                     |
| Retained earnings at beginning of year   | 710,500             | 442,774             | 716,531             | 442,739             |
| Net profit/(loss) for the year   | 12,959              | 280,665             | 24,005              | 286,731             |
| Dividend declared for the year   | -                   | (12,939)            | -                   | (12,939)            |
| Recognise revaluation position on disposal of assets   | 972                 | -                   | 978                 | (12,939)            |
| <b>Retained earnings at end of the year</b>  | <b>724,431</b>      | <b>710,500</b>      | <b>741,514</b>      | <b>716,531</b>      |
| <b>20 Asset revaluation reserve</b>  |                     |                     |                     |                     |
| Balance at beginning of year   | -                   | -                   | -                   | -                   |
| Increase in asset valuation  | 944,637             | -                   | 533,034             | -                   |
| Less deferred tax effect recognised in Deferred Tax Liabilities  | (159,910)           | -                   | (159,910)           | -                   |
| <b>Asset re-valuation reserve at end of the year</b>   | <b>784,727</b>      | <b>-</b>            | <b>373,124</b>      | <b>-</b>            |

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

### 21 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 not to trade in financial instruments. The Board of Directors reviews and agrees policies for managing the Corporation's financial risks and these are summarised below.

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

The consolidated entity's overall strategy remains unchanged from 2014.

The main risks arising from the consolidated entity's financial instruments are:

- **Market risk**  
the risk that changes in the market will adversely impact the operations and returns of the Corporation
- **Interest rate risk**  
the risk that financing costs will increase and impact prices to customers and returns to the shareholder
- **Credit risk**  
the risk of financial loss if a counterparty to a transaction does not fulfil its financial obligations
- **Liquidity risk**  
the risk of insufficient funds to fulfil the cash flow obligations on a timely basis
- **Foreign currency risk**  
the risk that contract prices will move as a result of adverse movements in foreign exchange rates
- **Commodity price risk**  
the risk that contract prices will move as a result of adverse movements in the market
- **Capital risk management**  
the risk of the group structuring its balance sheet inefficiently resulting in suboptimal returns to shareholders
- **Operational risk**  
the inherent risk resulting from internal processes and systems or from external events

#### (b) Market risk

The Corporation was established under the *Power and Water Corporation Act 2002* and is a NT Government Owned Corporation under the *Government Owned Corporations Act 2014 (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.

On May 2014, the Northern Territory Parliament passed a Bill to separate Power and Water Corporation into three separate Government Owned Corporations (GOCs). The legislation came into effect on 1 July 2014. As a result of this Bill and separation, the services offered by the Corporation have changed. The services which can be regulated or open to competition are:

- Electricity Network services - regulated by the Utilities Commission;
- Water and Sewerage services - provided under monopoly licences;
- Remote Generation and retail electricity services to a small group of customers - open to competition.

The legislation came into effect on 1 July 2014. From that date, the Corporation has only supplied electricity generation services and retail electricity services to a small group of geographically remote customers.

With the advent of competition in electricity generation, there will be increased opportunities for gas sales which may have implications on 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.

#### (c) Interest rate risk management

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

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

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

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

| Loan term     | Consolidated                         |                         |   | Corporation                          |                         |   |
|---------------|--------------------------------------|-------------------------|---|--------------------------------------|-------------------------|---|
|               | Fixed and Variable Rate Loans \$'000 | Average Interest Rate % | Increase in annual interest expense if interest rate rise by 1.00% \$'000 | Fixed and Variable Rate Loans \$'000 | Average Interest Rate % | Increase in annual interest expense if interest rate rise by 1.00% \$'000 |
| <1 to 2 years | 456,464                              | 6.01%                   | 3,063   | 456,464                              | 6.01%                   | 3,063   |
| 2 to 5 years  | 644,252                              | 5.46%                   | 5,690   | 644,252                              | 5.46%                   | 5,690   |
| 5+ years      | 166,295                              | 5.70%                   | 1,590   | 166,295                              | 5.70%                   | 1,590   |
|               | <u>1,267,011</u>                     |                         | <u>10,343</u>   | <u>1,267,011</u>                     |                         | <u>10,343</u>   |

**(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.

The Corporation is exposed to foreign currency risk in the normal course of its operations through its procurement contracts. Large contracts are reviewed to determine if any mitigation strategies should be applied to reduce this risk.

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

The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was NIL (2014: 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.

**(i) Operational risk**

Operational risk refers to the extent that process, system, compliance or fraud matters could impact the financial risk profile. This includes the integrity of information used to make decisions, maintain assets, protect staff and provide business continuity. The Corporation manages operational risk through continuous development and improvement in its guidelines, standards, methodologies and systems.



**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**22 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 \$1,061.4 million (2014: \$1,376.6 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:

**Fixed and floating interest rate maturing in:**

| Consolidated                 | Weighed average interest rate % | Floating interest rate \$'000 | Fixed interest rate \$'000 | 1 year or less \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 | Non-interest bearing \$'000 | Total \$'000     |
|------------------------------|---------------------------------|-------------------------------|----------------------------|-----------------------|---------------------|--------------------------|-----------------------------|------------------|
| <b>2015</b>                  |                                 |                               |                            |                       |                     |                          |                             |                  |
| <b>Financial Assets</b>      |                                 |                               |                            |                       |                     |                          |                             |                  |
| Cash assets                  | 2.18%                           | 25,113                        | -                          | 25,113                | -                   | -                        | -                           | 25,113           |
| Receivables                  |                                 | -                             | -                          | -                     | -                   | -                        | 130,435                     | 130,435          |
| Investments                  |                                 | -                             | -                          | -                     | -                   | -                        | 3                           | 3                |
|                              |                                 | <b>25,113</b>                 | <b>-</b>                   | <b>25,113</b>         | <b>-</b>            | <b>-</b>                 | <b>130,438</b>              | <b>155,551</b>   |
| <b>Financial Liabilities</b> |                                 |                               |                            |                       |                     |                          |                             |                  |
| Payables                     | -                               | -                             | -                          | -                     | -                   | -                        | 153,857                     | 153,857          |
| Government loans             | 5.44%                           | -                             | 1,034,346                  | 82,541                | 669,805             | 282,000                  | -                           | 1,034,346        |
| Finance lease liability      | 4.71%                           | -                             | 6,931                      | 383                   | 2,717               | 3,832                    | -                           | 6,931            |
| Dividends payable            |                                 | -                             | -                          | -                     | -                   | -                        | -                           | -                |
|                              |                                 | <b>-</b>                      | <b>1,041,277</b>           | <b>82,924</b>         | <b>672,521</b>      | <b>285,832</b>           | <b>153,857</b>              | <b>1,195,134</b> |
| <b>2014</b>                  |                                 |                               |                            |                       |                     |                          |                             |                  |
| <b>Financial Assets</b>      |                                 |                               |                            |                       |                     |                          |                             |                  |
| Cash assets                  | 2.26%                           | 93,825                        | -                          | 93,825                | -                   | -                        | -                           | 93,825           |
| Receivables                  |                                 | -                             | -                          | -                     | -                   | -                        | -                           | 108,219          |
| Investments                  |                                 | -                             | -                          | -                     | -                   | -                        | 3                           | 3                |
|                              |                                 | <b>93,825</b>                 | <b>-</b>                   | <b>93,825</b>         | <b>-</b>            | <b>-</b>                 | <b>108,222</b>              | <b>202,047</b>   |
| <b>Financial Liabilities</b> |                                 |                               |                            |                       |                     |                          |                             |                  |
| 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           |
|                              |                                 | <b>-</b>                      | <b>1,344,490</b>           | <b>23,166</b>         | <b>519,874</b>      | <b>801,451</b>           | <b>97,380</b>               | <b>1,441,870</b> |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**22 Financial instruments (cont'd)****Fixed and floating interest rate maturing in:**

| Consolidated                 | Weighed average interest rate % | Floating interest rate \$'000 | Fixed interest rate \$'000 | 1 year or less \$'000 | 1 to 5 years \$'000 | More than 5 years \$'000 | Non-interest bearing \$'000 | Total \$'000     |
|------------------------------|---------------------------------|-------------------------------|----------------------------|-----------------------|---------------------|--------------------------|-----------------------------|------------------|
| <b>2015</b>                  |                                 |                               |                            |                       |                     |                          |                             |                  |
| <b>Financial Assets</b>      |                                 |                               |                            |                       |                     |                          |                             |                  |
| Cash assets                  | 2.18%                           | 11,482                        | -                          | 11,482                | -                   | -                        | -                           | 11,482           |
| Receivables                  |                                 | -                             | -                          | -                     | -                   | -                        | 141,959                     | 141,959          |
| Investments                  |                                 | -                             | -                          | -                     | -                   | -                        | 3                           | 3                |
|                              |                                 | <b>11,482</b>                 | <b>-</b>                   | <b>11,482</b>         | <b>-</b>            | <b>-</b>                 | <b>141,962</b>              | <b>153,444</b>   |
| <b>Financial Liabilities</b> |                                 |                               |                            |                       |                     |                          |                             |                  |
| Payables                     | -                               | -                             | -                          | -                     | -                   | -                        | 138,676                     | 138,676          |
| Government loans             | 5.44%                           | -                             | 1,034,346                  | 82,541                | 669,805             | 282,000                  | -                           | 1,034,346        |
| Finance lease liability      | 4.71%                           | -                             | 236                        | 13                    | 59                  | 164                      | -                           | 236              |
| Dividends payable            |                                 | -                             | -                          | -                     | -                   | -                        | -                           | -                |
|                              |                                 | <b>-</b>                      | <b>1,034,582</b>           | <b>82,554</b>         | <b>669,864</b>      | <b>282,164</b>           | <b>138,676</b>              | <b>1,173,258</b> |
| <b>2014</b>                  |                                 |                               |                            |                       |                     |                          |                             |                  |
| <b>Financial Assets</b>      |                                 |                               |                            |                       |                     |                          |                             |                  |
| Cash assets                  | 2.26%                           | 65,917                        | -                          | 65,917                | -                   | -                        | -                           | 65,917           |
| Receivables                  |                                 | -                             | -                          | -                     | -                   | -                        | 117,230                     | 117,230          |
| Investments                  |                                 | -                             | -                          | -                     | -                   | -                        | 3                           | 3                |
|                              |                                 | <b>65,917</b>                 | <b>-</b>                   | <b>65,917</b>         | <b>-</b>            | <b>-</b>                 | <b>117,233</b>              | <b>183,150</b>   |
| <b>Financial Liabilities</b> |                                 |                               |                            |                       |                     |                          |                             |                  |
| 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           |
|                              |                                 | <b>-</b>                      | <b>1,336,956</b>           | <b>22,373</b>         | <b>517,396</b>      | <b>797,187</b>           | <b>85,199</b>               | <b>1,422,155</b> |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|   | Consolidated        |                     | Corporation         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>23 Commitments</b>   |                     |                     |                     |                     |
| <b>Capital expenditure commitments</b>                          |                     |                     |                     |                     |
| Contracted but not provided for and payable within one year:    | <b>64,042</b>       | <b>68,221</b>       | <b>57,958</b>       | <b>62,379</b>       |
| <b>Lease and hire expenditure commitments (non-cancellable)</b> |                     |                     |                     |                     |
| Contracted but not provided for:                                |                     |                     |                     |                     |
| Property, Plant and Equipment                                   | <b>26,189</b>       | <b>32,873</b>       | <b>20,187</b>       | <b>32,873</b>       |
| <b>Purchase expenditure commitments</b>                         |                     |                     |                     |                     |
| Contracted but not provided for:                                |                     |                     |                     |                     |
| Electricity purchase  | -                   | 26,180              | -                   | 26,180              |
| Gas purchase  | 3,864,057           | 4,061,076           | 3,864,057           | 4,061,076           |
| Gas transportation  | 1,321,627           | 1,253,224           | 1,321,627           | 1,253,224           |
|   | <b>5,185,684</b>    | <b>5,340,480</b>    | <b>5,185,684</b>    | <b>5,340,480</b>    |
| <b>Payable:</b>   |                     |                     |                     |                     |
| Within one year   | 273,202             | 279,552             | 261,117             | 273,709             |
| One year or later and no later than five years                  | 1,107,696           | 879,609             | 1,107,696           | 879,609             |
| Later than five years   | 3,895,017           | 4,282,416           | 3,895,017           | 4,282,416           |
|   | <b>5,275,915</b>    | <b>5,441,577</b>    | <b>5,263,830</b>    | <b>5,435,734</b>    |

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 2009-10 financial year.

**Remuneration commitments:**

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

|   | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
|---|---------------------|---------------------|---------------------|---------------------|
| Within one year                             | 19,917              | 16,868              | 19,917              | 16,868              |
| After one year but not more than five years | 27,300              | 20,028              | 27,300              | 20,028              |
|   | <b>47,217</b>       | <b>36,896</b>       | <b>47,217</b>       | <b>36,896</b>       |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

|  | Consolidated        |                     | Corporation         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June 2015<br>\$'000 | June 2014<br>\$'000 | June 2015<br>\$'000 | June 2014<br>\$'000 |
| <b>24 Operating lease arrangements</b>   |                     |                     |                     |                     |
| <b>Payments recognised as an expense</b> |                     |                     |                     |                     |
| Minimum lease payments                   | 9,723               | 10,181              | 9,055               | 9,629               |
|  | <b>9,723</b>        | <b>10,181</b>       | <b>9,055</b>        | <b>9,629</b>        |

**25 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.

The Corporation has long term contracts in place to procure gas and associated transport charges. These contracts were entered into to supply electricity generation. Gas is the predominant fuel used to generate electricity in the Northern Territory, and therefore the supply of gas is critical to the NT's power networks reliability. The Corporation has several different arrangements to sell the gas it procures and this requires a continuous focus.

The fixed price nature of the long term gas contracts, combined with the decline in the market price of gas, has increased the risk to the Corporation's ability to sell the gas at a price higher than the cost to procure the gas. Consequently, the Corporation's Directors and Management conducted an extensive review during the year of the Corporation's gas contracts and a gas sales strategy developed.

There are many components of this gas sale strategy, many of which are complex, interconnected, or long term and therefore uncertain. The approval

of the Northern Gas Pipeline that will connect the NT with the Eastern seaboard, provides additional opportunities for the Corporation to manage the overall net outcome from its gas contracts. The combination of these various elements of the gas sale strategy have been considered by the Directors at the reporting date and in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', it has been resolved that it is less than probable, but higher than remote, that the Corporation will crystallise net losses on its gas contracts. This accounting outcome is in part supported by the Board's resolution that going forward new sales contracts will be on a cost reflective price basis. This means that in the main, gas sales contracts will recover all costs.

Notwithstanding the Board's position on future new gas sales contracts, at the time of the approval of the Corporation's 30 June 2015 financial statements, the Directors were unable to quantify the net financial outcome of the long term gas contracts due to numerous uncertainties. The nature of these key uncertainties include: continuing negotiation with key gas customers; fluctuating market gas prices; and long term timing of the underlying gas supply agreement (>25 years).

The Board will continue to monitor this position as key elements of the gas sales strategy crystallise.

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

### 26 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 |             | % Equity Interest |             |
|---|--------------------------|-------------------|-------------|-------------------|-------------|
|   |                          | June 2015 %       | June 2014 % | June 2015 %       | June 2014 % |
| BGP Tenure Holdings Pty Limited           | Australia                | 50%               | 50%         | -                 | -           |
| Indigenous Essential Services Pty Limited | Australia                | 100%              | 100%        | 10                | 10          |
|   |                          |                   |             | <b>10</b>         | <b>10</b>   |

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 2015 owned 100% (2014: 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).

The Corporation undertakes certain transactions for Jacana Energy and Territory Generation. The Corporation sold electricity distribution services to the GOCs.

Transitional Service Agreement's (TSA) between the Corporation and Jacana Energy and Territory Generation were implemented during 2014-15 where the Corporation provided retail, finance, payroll, information, data and security services. On 23 April 2015 the financial separation of Jacana Energy and Territory Generation was completed. The new entities became separate entities within the Corporation's technology systems, specifically the Financial Management System. Prior to financial separation, no formal invoices were raised for services or reimbursement of revenue and expenditure. This was done by a transfer in ledgers. Post financial separation, related party transactions were at an arm's length basis in the normal course of business and on commercial terms and conditions.

#### Transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. Due to the large number of transactions it is not practical to list separately related party transactions that occurred between the Corporation and these entities, and therefore, these transactions have been aggregated as shown following:

| Related Party   |           | Sales related to parties<br>\$'000 | Purchases from related parties (1)<br>\$'000 | Amounts owed by related parties<br>\$'000 | Amounts owed to related parties (2)<br>\$'000 |
|---|-----------|------------------------------------|--|---|---|
| The parent entity including all entities that are associated with the parent entity being the Northern Territory Government, Territory Generation and Jacana Energy | June 2015 | 313,229                            | 113,257                                      | 25,222                                    | 981,807                                       |
|   | June 2014 | 187,323                            | 90,873                                       | 78,674                                    | 1,376,315                                     |
| Indigenous Essential Services Pty Limited (Subsidiary)  | June 2015 | 93,223                             | 1,126  | 15,361                                    | 7,679   |
|   | June 2014 | 95,373                             | 2,123  | 28,148                                    | 10,242  |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

(1) For the year ended 30 June 2015, purchases from the Northern Territory Government include interest paid on borrowings of \$60,347,912 (2014: \$84,836,472 ) refer to note 3(c).

(2) For the year ended 30 June 2015, the amount owed to the Northern Territory Government includes borrowings of \$1,034,345,974 (2014: \$1,336,705,126 ) refer to note 14.

As at 30 June 2015, the revenue received by the Corporation for services provided under the TSA from Jacana Energy was

\$6.16 million and the total revenue from Territory Generation was \$7.06 million.

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.

In 2014-15, a Debt to Equity swap of \$170 million was agreed to between the Northern Territory Government and the Corporation. See Note 18 for further details of this transaction.

The Corporation provides electricity, water and sewerage services to its subsidiary, 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 2015<br>\$ | June 2014<br>\$ | June 2015<br>\$ | June 2014<br>\$ |
| Expense transactions with key management personnel | 76,255          | 517,165         | 76,255          | 517,165         |

For the year ended 30 June 2015, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$NIL million (2014: \$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 2015<br>\$ | June 2014<br>\$ | June 2015<br>\$ | June 2014<br>\$ |
| <b>27 Auditor's remuneration</b>                 |                 |                 |                 |                 |
| Audit services:                                  |                 |                 |                 |                 |
| Auditors of the Corporation - NT Auditor-General | 588,536         | 363,211         | 496,240         | 326,041         |

**Notes to the Financial Statements**

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

**28 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<br>employee benefits<br>Salary & Fees<br>\$ | Post employment<br>benefits<br>Superannuation<br>\$ | Total<br>\$    |
|--|------------------|--|---|----------------|
| <b>Non-executive directors</b>                   |                  |  |   |                |
| Mr Alan Tregilgas (Chairperson)                  | June 2015        | 18,669   | 1,489   | 20,158         |
| (Term commenced April 2015)                      | June 2014        | -  | -   | -              |
| Mr Ken Clarke (Deputy Chairperson)               | June 2015        | 86,190   | 7,960   | 94,150         |
| (Term commenced December 2013)                   | June 2014        | 47,802   | 4,478   | 52,281         |
| Mr Richard Griffiths                             | June 2015        | 53,967   | 4,956   | 58,923         |
| (Term commenced January 2014)                    | June 2014        | 25,411   | 2,214   | 27,626         |
| Emeritus Prof MaryAnn Bin-Sallik                 | June 2015        | 53,967   | 4,956   | 58,923         |
| (Term commenced April 2014)                      | June 2014        | 8,417  | 642   | 9,060          |
| Mr Mervyn Davies                                 | June 2015        | 53,967   | 4,956   | 58,923         |
| (Term recommenced April 2014)                    | June 2014        | 8,417  | 642   | 9,060          |
| Ms Helen Stanton                                 | June 2015        | 53,967   | 4,956   | 58,923         |
| (Term commenced April 2014)                      | June 2014        | 12,544   | 642   | 13,186         |
| Mr Ian Kowalick                                  | June 2015        | -  | -   | -              |
| (Term commenced July 2015)                       | June 2014        | -  | -   | -              |
| Mr George Roussos                                | June 2015        | 46,180   | 4,387   | 50,567         |
| (Term commenced December 2013; ended April 2015) | June 2014        | 27,604   | 2,417   | 30,021         |
| Mr David De Silva                                | June 2015        | -  | -   | -              |
| (Term commenced December 2013; ended May 2014)   | June 2014        | 27,479   | -   | 27,479         |
| Mr Scott Perkins                                 | June 2015        | -  | -   | -              |
| (Term commenced July 2013; ended January 2014)   | June 2014        | -  | -   | -              |
| Mr Michael Burgess (Chairperson)                 | June 2015        | -  | -   | -              |
| (Term commenced March 2013; ended December 2013) | June 2014        | 28,479   | 2,634   | 31,114         |
| Mr Gary Barnes                                   | June 2015        | -  | -   | -              |
| (Term commenced March 2013; ended July 2013)     | June 2014        | -  | -   | -              |
| Mrs Jennifer Prince                              | June 2015        | -  | -   | -              |
| (Term commenced March 2013; ended December 2013) | June 2014        | 16,972   | 1,570   | 18,542         |
| Mr Alastair Shields                              | June 2015        | -  | -   | -              |
| (Term commenced March 2013; ended April 2014)    | June 2014        | -  | -   | -              |
| <b>Total non-executive directors</b>             | <b>June 2015</b> | <b>366,907</b>   | <b>33,660</b>                                       | <b>400,567</b> |
|  | <b>June 2014</b> | <b>203,127</b>   | <b>15,240</b>                                       | <b>218,368</b> |

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 2015

### 28 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 2015<br>\$ | June 2014<br>\$ | June 2015<br>\$ | June 2014<br>\$ |
| Short-term employee benefits  | 3,907,763       | 3,729,368       | 3,907,763       | 3,729,368       |
| Other long-term benefits  | 376,370         | 721,916         | 376,370         | 721,916         |
| Total compensation of key management personnel<br>(excluding non-executive directors) | 4,284,133       | 4,451,284       | 4,284,133       | 4,451,284       |

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

#### Other transactions with key management personnel

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

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

#### 29 Impairment of assets

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

There have been two triggering events during the 2014-15 financial year requiring the further analysis for an impairment write-down of fixed assets. The triggers were the separation of Power and Water Corporation into new electricity generation and electricity retail government owned corporations from 1 July 2014 and the establishment of a virtual energy wholesale market. These events have material effects on the Corporations operations, future cash flows 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 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 updated and used in the impairment testing as representing the recoverable amount.

For the purposes of assessment at 30 June 2015, the Corporation's CGUs are based on its existing product lines being electricity, water, generation, sewerage, gas and corporate.

The differential between the carrying value and the fair value are not materially different to the electricity, water and sewerage CGUs and subsequently there is no impairment for the 2014-15 financial year.

The Corporation has reviewed the recoverable amount of the minor generation sites and deemed there is no impairment as the carrying value and fair value are not materially different. These sites are located in remote communities throughout the Northern Territory and the Corporation provides the local generation services.

The Corporation has reviewed the recoverable amount of discontinued sites and has deemed the fair value for the Berrimah Power station is Nil resulting in an impairment write-down of \$0.9 million.

#### Gas Contracts

The current gas contracts relating to the sale and purchase of gas result in the Corporation having to pay for gas that will only be sold in future financial years. These payments are classified as intangible assets and disclosed under 'Make up Gas' in note 12(a). The recoverable amount of the banked gas has been determined based on an estimate of the selling price of current contracts in the year that the banked gas will be sold, discounted at the weighted average cost of capital of the company. This calculation has resulted in impairment to the carrying value of the banked gas of \$9.6 million on the original value of \$22.5 million leaving a closing carrying value for make-up gas of \$13.0 million.



## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

### 30 Events after the reporting period

The following events occurred post 30 June 2015:

On 8 November 2015 the Corporation received a \$40 million cash injection from its shareholder.

On 24 November 2015, the NT Government announced a reduction in electricity tariffs of 5% effective from 1 January 2016. The announcement stated that Power and Water Corporation would fund the tariff reduction. This will be achieved through additional dividends and additional tax paid to the NT Government as a result of efficiency improvements included in the Corporation's Statement of Corporate Intent.

Other than the matters described above, no other matters have 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.

### 31 Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Corporation's profit for 2014-15 was \$24 million, compared to a \$286.7 million profit in 2013-14. The Corporation's net working capital is a deficit of \$81.2 million (surplus of \$60.8 million at 30 June 2014). Current liabilities include \$42.5 million (2014: \$22.4 million) of borrowings, which will be refinanced during 2015-16 and therefore be reclassified as non-current liabilities.

On consolidation the net working capital deficit is \$142.7 million. The increase in the deficit (compared to the Corporation) is driven by \$75.0 million of IES revenue becoming unearned revenue on consolidation (classified as government grants), therefore inflating current liabilities.

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

- funding sources
- compliance with debt covenants
- the continuity of key customers and suppliers
- the impact current economic conditions
- forward forecasts and budgets
- forward cash flow projects.

In addition, on 8 November 2015 the Corporation received a \$40 million cash injection from its shareholder. The Corporation's Directors believe that should it be required the shareholder will continue to provide support. The Corporation's cash flow projections are for cash to improve over the 2015-16 and 2016-17 years. Accordingly, Directors are confident the Corporation is a going concern and hence, financial statements are prepared on this basis.

## Notes to the Financial Statements

Power and Water Corporation and its Controlled Entity for the year ended 30 June 2015

### 32 Structural separation

On 6 May 2014 legislation was passed in the Northern Territory Parliament to separate Power and Water Corporation into three separate Government Owned Corporations namely:

- Power Generation Corporation trading as Territory Generation to be primarily responsible for the generation of electricity in the Northern Territory;
- Power Retail Corporation trading as Jacana Energy to be primarily responsible for providing electricity retail services to customers in the Northern Territory; and
- Power and Water Corporation to be responsible for residual functions, including management of the electricity network in the Northern Territory, the provision of water and sewerage services and the generation of electricity in remote areas of the Northern Territory.

The structural separation of Power and Water Corporation resulted in a transfer of assets and liabilities with an effective date of 1 July 2014.

The Corporation transferred identifiable assets and liabilities to Power Generation Corporation and to Power Retail Corporation as a distribution from equity. The net effect was a \$320.1 million reduction in the net asset position of the Corporation.

The transfer of assets and liabilities from the Corporation to Territory Generation and Jacana Energy are disclosed as "distribution from owner" in the 30 June 2015 financial statements for the Corporation. The differential value between the assets and liabilities transferred resulted in an adjustment to equity.

The effect that the structural separation has had on the Balance Sheet as at 1 July 2014 is detailed below:

| Assets and Liabilities Transferred        | T Gen<br>\$'000  | Jacana<br>\$'000 | Total<br>\$'000  |
|---|------------------|------------------|------------------|
| <b>Current Assets</b>                     |                  |                  |                  |
| Cash and Cash Equivalents                 | 1                | 40,000           | 40,001           |
| Total Trade and Other Receivables         | 27,542           | 52,954           | 80,496           |
| Total Inventories                         | 19,973           | -                | 19,973           |
| Total Intangibles                         | -                | 174              | 174              |
| Prepayments                               | 134              | -                | 134              |
| Deferred Tax Assets                       | 3,833            | 635              | 4,468            |
| <b>Total Current Assets</b>               | <b>51,483</b>    | <b>93,763</b>    | <b>145,246</b>   |
| <b>Non Current Assets</b>                 |                  |                  |                  |
| Property, Plant and Equipment (excl CWIP) | 303,278          | -                | 303,278          |
| Total Capital Works in Progress           | 120,613          | -                | 120,613          |
| Rotables                                  | 5,413            | -                | 5,413            |
| Intangible Assets                         | 236              | -                | 236              |
| <b>Total Non Current Assets</b>           | <b>429,540</b>   | <b>-</b>         | <b>429,540</b>   |
| <b>Total Assets</b>                       | <b>481,023</b>   | <b>93,763</b>    | <b>574,786</b>   |
| <b>Current Liabilities</b>                |                  |                  |                  |
| Total Trade and Other Payables            | (23,591)         | (46,097)         | (69,688)         |
| Total Provisions                          | -                | (91)             | (91)             |
| <b>Total Current Liabilities</b>          | <b>(23,591)</b>  | <b>(46,188)</b>  | <b>(69,779)</b>  |
| <b>Non Current Liabilities</b>            |                  |                  |                  |
| Government Loans - Unsecured              | (180,000)        | -                | (180,000)        |
| Employee Benefits                         | (1,010)          | (32)             | (1,042)          |
| Deferred Tax Liabilities                  | -                | -                | -                |
| <b>Total Non Current Liabilities</b>      | <b>(181,010)</b> | <b>(32)</b>      | <b>(181,042)</b> |
| <b>Total Liabilities</b>                  | <b>(204,601)</b> | <b>(46,220)</b>  | <b>(250,821)</b> |
| <b>Equity</b>                             | <b>276,422</b>   | <b>47,543</b>    | <b>323,965</b>   |





**POWER AND WATER CORPORATION**

Level 2, Mitchell Centre  
55 Mitchell Street, Darwin

**Phone** 1800 245 092

**powerwater.com.au**



@PowerWaterCorp