



ANNUAL REPORT
2018-19

THIS REPORT

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

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

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

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

- Power and Water Corporation's primary services and responsibilities.
- Significant activities of 2018-19, highlighting major projects, key achievements and outcomes, as they relate to the strategic objectives of the corporation contained in the 2018-19 Statement of Corporate Intent.
- Financial management and performance of the corporation during 2018-19, pursuant to the *Corporations Act 2001* (Cwlth).

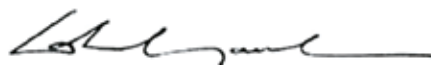


Hon Nicole Manison MLA
Treasurer of the Northern Territory

Dear Treasurer

On behalf of Power and Water Corporation, we are pleased to present to you the corporation's annual report for the year ending 30 June 2019, in accordance with the provisions of sections 41 and 44 of the *Government Owned Corporations Act 2001*.

Yours sincerely



JL Langoulant AO
Chair

15 October 2019



Michael Thomson
Chief Executive

15 October 2019

TABLE OF CONTENTS

Chair's message	3
Chief Executive's message	4
Our strategic direction	6
Our Board	8
Our Executive Leadership Team	9
Achievement against our KPIs	10
Working across the Territory	14
Working as One	16
The Top End	24
Katherine Region	30
Southern Region	36
Financial and explanatory statements	42

CHAIR'S MESSAGE

I am pleased to present this year's Annual Report for Power and Water Corporation, after another busy year of both challenges and success, opportunities and improvements.

It is great to see our safety record is slowly improving, with our lag indicator lost time injuries at just two for the year. And while two is still two too many, it follows on from last year's result of three and then five the year before so it is on the right trajectory.

What is also increasingly encouraging is our lost time injury frequency rate is at 1.09 down from 1.57 the same time last year and our medically treated injuries are at just three for the year, which is down from eight at the same time last year, which is a marked improvement.

It is pleasing to see then that our move to a proactive safety culture is starting to bear fruit, but more needs to be done as we are still seeing too many near misses and minor incidents. Our goal remains Zero Harm, and the Board and Management remain committed to ensuring all our people come home uninjured after every shift. To further reduce the number of injuries, incidents and near misses, we are continuing to focus on leadership, behaviour and personal responsibility. In addition, we are raising awareness of critical risks through improvements to our WHS procedures and other initiatives, we are focussed on promoting positive physical and mental wellbeing through the provision of training, health and wellness programs and a range of other resources.

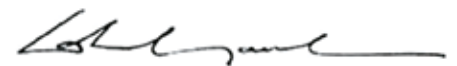
The move to the National Electricity Rules reached a major milestone this year with the handing down of the final decision by the Australian Energy Regulator. This final decision sets the business a range of sensible efficiency targets in both our operational expenditure and corporate overheads, and highlights areas of operational improvement necessary to bring us up to par with our interstate colleagues.

The final decision also ensures we have sufficient approved revenue allowances to continue to operate the network in a safe and reliable manner, while being able to work on improvements in areas where we know our customers have experienced periods of poor reliability.

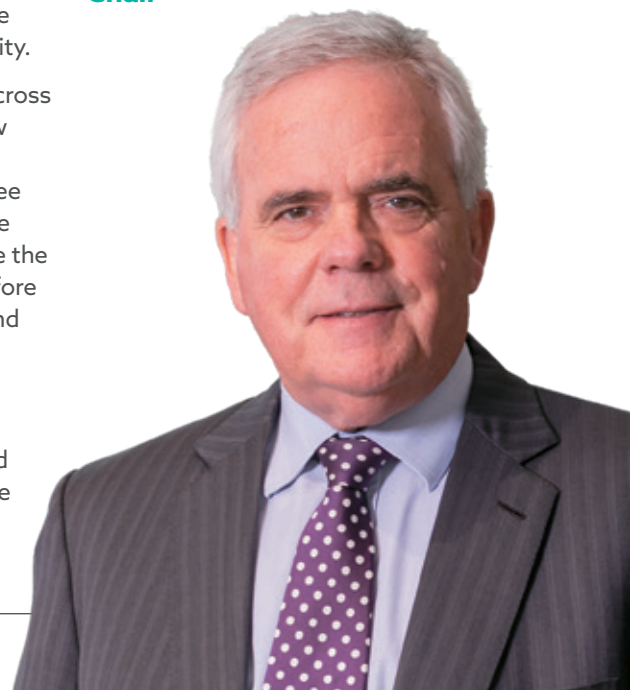
There has also been a lot of work across the business implementing our new operating model. These initiatives are focussed on enhancing employee opportunities and improving service delivery to our customers and while the project still has some way to go before it is complete, progress is steady and constructive.

In closing I would like to thank my fellow Board members for their valuable contributions to Power and Water and the community which we serve. This is the first full year for many of the new Board members

with Power and Water and it has been a pleasure working with you. Similarly, I must also thank our Chief Executive Michael Thomson for the work he and the management team, and everyone across Power and Water for your continued dedication to our customers and the Northern Territory community.



John Langoulant AO
Chair



CHIEF EXECUTIVE'S REPORT

This year has seen Power and Water go from strength-to-strength in the way it operates, the way it organises itself and the way it continues to put the customer at the centre of everything we do.

Like John, I am pleased to see our safety culture continuing to improve and I am thankful, both for the support and dedication the Board is giving to this most fundamental priority for the business, but also to the response our staff and our contractors are showing to these concerted efforts to move to a Zero Harm workplace.

2018-19 saw many new faces to Power and Water's Executive Leadership Team, and together we are firmly focused on the future of this organisation, driving it forward to achieve what we know is possible with such a diverse and dedicated number of people working hard every day across one of the most geographically dispersed, operating areas and challenging natural environment, in the country.

Implementation of our New Operating Model is continuing to take shape, with the creation this year of our new Core Operations business unit that brings together the common operational areas from our water and electricity business units in order to realise the synergies we have as a multi-utility to improve the way we deliver our services to the customer.

A key part of these internal reforms has been the integration

of our remote and regional service delivery functions for the 72 remote communities and 79 outstations. This has brought about an enhanced focus and improved service delivery capability for these communities and over time will drive down costs, so we can deliver more within our existing funding envelope without adding undue pressure on the costs of service delivery to the end consumer.

We have had a lot of great successes this year, and as you read through this year's Annual Report I am sure you will agree there are many great opportunities that lay ahead, and I look forward to continuing to work with each and every one of you and our Board, as we face the future together, firm in our commitment to Enrich the Future for our people, our customers and for the community of the Northern Territory.



Michael Thomson
Chief Executive



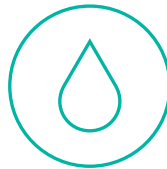
OUR BUSINESS

Power and Water Corporation provides services to the community across the entire water and electricity supply chains and gas services, in addition to our regulatory obligations as the Power System Controller and Market Operator.



Customers

94,000 electricity customers
51,000 water customers
61,000 wastewater customers



Water

65 billion litres of drinking water sourced
3 water reservoirs
394 supply bores



Generation

Hybrid solar in 30 communities
174 diesel generators operating
79.79 MW total output capacity
over 57 locations
6 gas generators



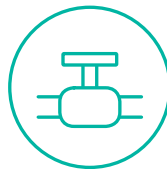
Sewerage

70 waste stabilisation ponds managed
28 billion litres of wastewater treated



Networks

3 regulated networks
1,920 gigawatt hours distributed
7,170 km of overhead powerlines
3,290 km of underground cable



Gas

~40 Petajoules per year
~90%* of the NT market
*Management estimate

OUR STRATEGIC DIRECTION

Power and Water is committed to enriching the future of the Territory, for our customers and for each other.

- We provide our customers with the services that are essential to every day – no matter what the conditions – giving them better choices and helping them to easily deal with us.
- We help build economic growth and prosperity for the Territory by investing in cost effective infrastructure and services that support NT businesses and communities.
- We develop careers that stimulate and reward and we look after each other along the way.

Every day brings new challenges that demand our best efforts, and every day we have the opportunity to add value, adapt and improve our services by thinking differently and working together.

It is crucial that we have the right foundations in place to enable us to deliver on our longer term goals, our vision and our purpose. We are continuing on a major change process focusing on the following:

- Implementing our new Operating Model (organisational structure,

processes and systems) designed to improve efficiency and effectiveness as a true multi-utility for our customers through greater simplicity, sharper customer focus, thinking differently and working together.

- Moving to a proactive health and safety culture to improve health and safety outcomes for everyone.
- Simplifying our information and communication technology and establishing fit-for-purpose systems that will support our new Operating Model and allow us to maximise our full business potential.
- Operating in line with the commercial and technical rigour demanded by the Northern Territory National Electricity Rules and the Australian Energy Regulator and becoming a more efficient network service provider, performing the electricity market operator functions and meeting our customers' needs into the future.
- Developing a positive and constructive culture and ensuring our people have the right capabilities to achieve the goals we have set ourselves.

OUR VALUES

- We put



PEOPLE FIRST
- We value our customers and give them



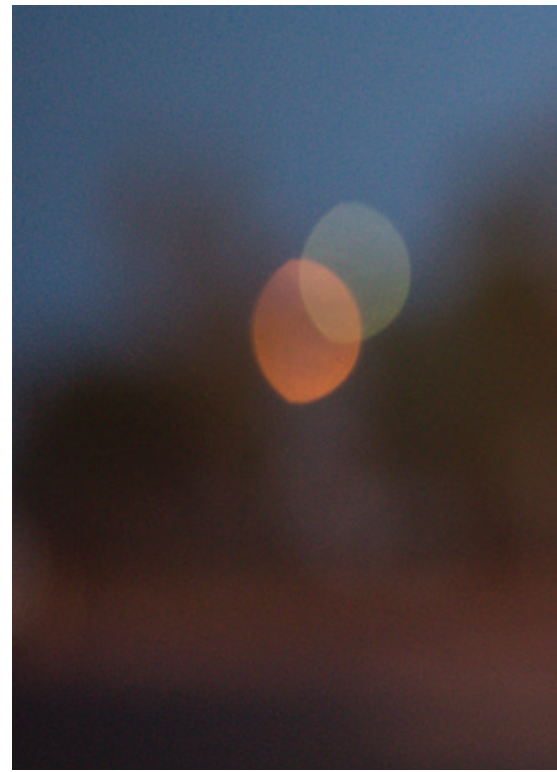
OUR BEST
- We have pride in ourselves and



OUR WORK
- We work better by working



TOGETHER





Our purpose

Enriching the future of the Northern Territory and the community in which we operate, supporting economically sustainable growth and prosperity.

Enriching the future for our people, by providing growth and development opportunities that enable them to do new things, champion change and make a difference in the work they do.

Enriching the future for our customers by being easy to deal with, and providing customers with knowledge and choice.

Our vision

To be a best practice, commercially focused and customer centric multi-utility respected by the community for our contribution to the Northern Territory economy and the pursuit of the long-term interests of consumers.

Our goals

Health and Safety



A proactive safety culture across the organisation based on accountability, trust and ethical behaviour.

People and Culture



A high performing, diverse workforce that has the capability and works together to drive business effectiveness.

Financial Performance



A financially robust and commercially sustainable organisation with a strong capital discipline framework and delivering appropriate returns to our shareholders.

Operational Performance



An efficient provider of services to our customers supported by strong asset management, governance and protection of the environment.

Customer



A customer centric organisation that is easy to deal with and offers better choices.

POWER AND WATER CORPORATION BOARD



Mr John Langoulant AO
Chair



Ms Teresa Dyson
Director



Ms Gaye McMath
Director



Ms Rowena McNally
Director



Mr David Bartholomew
Director



Mr Mervyn Davies
Director



Mr Charles Burkitt
Director

Power and Water Management and Board guide the strategic vision of our government-owned corporation, ensuring it meets regulatory and statutory requirements and organisational and financial performance goals.

Power and Water Corporation is established under the *Power and Water Corporation Act 2002* and is a Northern Territory Government-Owned Corporation under the *Government Owned Corporations Act 2001*.

We have a Shareholding Minister and a Portfolio Minister.

Our Board of Directors is responsible to the Shareholding Minister (who holds the shares in the Government Owned Corporation on behalf of the Northern Territory Government), for the corporation's operational and financial performance and is required to provide a Statement of Corporate Intent each financial year.

POWER AND WATER CORPORATION EXECUTIVE LEADERSHIP TEAM



Mr Michael Thomson
Chief Executive



Mr Steven Porter
General Manager
Water Services



Mr Peter Billing
General Manager
Core Operations



Ms Djuna Pollard
General Manager
Power Services



Mr Tony Edmondstone
Chief Financial Officer



Mr David Bowen
General Manger
Information,
Technology and
Systems



Ms Amanda-Lea Smith
General Manager
People, Culture and
Customer



**Ms Samantha
Day-Johnston**
General Manger
Transformation

ACHIEVEMENT AGAINST KEY PERFORMANCE TARGETS

HEALTH AND SAFETY

Health and safety index

2018-19 actual

20%

80%

2018-19 target

Summary: As Power and Water moves to a “proactive safety culture”, this performance is an indicator of our progress on that journey. While our lag indicators such as lost time and medically treated injury frequency rates are reducing, it is evident that we will need to focus on improving future safety performance by focusing on leadership, behaviour and personal responsibility. In addition, we are raising awareness of critical risks through behavioural based safety initiatives and continued improvements to our work health and safety procedures.

PEOPLE AND CULTURE

Employee engagement survey

2018-19 actual

42%

70%

2018-19 target

Summary: Due to the change in methodology there was a significant drop in engagement. The score of 42% does put Power and Water in the bottom quartile of organisations in Australia and New Zealand, and provides a base for effective and targeted action planning.

Organisation culture index

2018-19 actual

16.7

+15

2018-19 target

Summary: The decrease in constructive styles correlates with the decrease in engagement scores across the business. Leadership, engagement and culture are all related and influence the same outcomes. While the constructive styles have decreased overall, both Achievement and Humanistic-Encouraging styles have increased in Leadership styles for ELT and senior leaders.

Aboriginal employment

2018-19 actual

61

78

2018-19 target

Summary: This target was an aspirational target set by the Board in 2016 when it doubled the target set by the NTPS. Power and Water continues to focus on increasing Aboriginal employment and retention, and with the launch of a new Stretch Reconciliation Action Plan in 2019, it is expected that this figure will continue to grow.

FINANCIAL PERFORMANCE

Return on capital employed

>4%

2018-19 actual

3.1%

2018-19
target

Summary: Lower than annual target due to lower than budgeted underlying EBIT, driven primarily by lower revenue. (Refer to financial statements and explanatory statements for additional information)

Funds from operations to interest

>3

2018-19 actual

4.5

2018-19
target

Summary: Annual target met due to marginally favourable funds from operations compared to budget and lower interest expense due to reduced interest rates on borrowings. (Refer to financial statements and explanatory statements for additional information)

Infrastructure return on capital employed

>5%

2018-19 actual

2.8%

2018-19
target

Summary: Lower than annual target due to lower than budgeted underlying EBIT, driven primarily by lower revenue. (Refer to financial statements and explanatory statements for additional information)

Liquidity (Quick ratio)

>1

2018-19 actual

1.0

2018-19
target

Summary: Annual target met primarily due to higher than budgeted cash balance at year end. (Refer to financial statements and explanatory statements for additional information)

Debt to equity ratio

<1.3

2018-19 actual

1.2

2018-19
target

Summary: Lower than annual target due to lower than budgeted underlying EBIT, driven primarily by lower revenue. (Refer to financial statements and explanatory statements for additional information)

Statutory net profit after tax

>SCI

2018-19 actual

-\$86.3m

2018-19
target

Summary: The unfavourable year end result was primarily driven by unfavourable asset revaluation adjustments, lower than budgeted electricity revenue and unbudgeted year end write-offs. (Refer to financial statements and explanatory statements for additional information)

Achievement Against Key Performance Targets

Underlying earnings before interest, tax, depreciation and amortisation



2018-19 actual

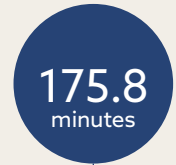
\$205.1m

2018-19 target

Summary: Underlying result is broadly in line with the SCI. (Refer to financial statements and explanatory statements for additional information)

OPERATIONAL PERFORMANCE

System average interruption duration index (SAIDI)



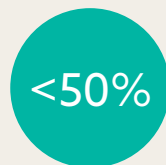
2018-19 actual

131.0 minutes

2018-19 target

Summary: The SAIDI/SAIFI results for the year were largely influenced by the below average wet season, resulting in less storms affecting the network and less subsequent equipment failures. The performance of feeders in the rural areas continue to be a focus area for Power Services due to their significant contribution to SAIDI.

Operating cost efficiency



2018-19 actual

52%

2018-19 target

Summary: Yearly result is broadly in line with the SCI. (Refer to financial statements and explanatory statements for additional information)

System average interruption frequency index (SAIFI)



2018-19 actual

2.3

2018-19 target

Summary: The SAIDI/SAIFI results for the year were largely influenced by the below average wet season, resulting in less storms affecting the network and less subsequent equipment failures.

Operating cost ratio



2018-19 actual

103%

2018-19 target

Summary: Yearly result is broadly in line with the SCI. (Refer to financial statements and explanatory statements for additional information)

Water demand Darwin per household



2018-19 actual

378kL

2018-19 target

Summary: Average residential demand was 378kL per connection this year meeting the target set for the Living Water Smart program.

CUSTOMER

Water mains breaks per 100 km

2018-19 actual

15



2018-19 target

Summary: This exceedance of the target was due to a large number of breaks in the Alice Springs region and mainly due to ageing asbestos cement water mains and this is being addressed by an accelerated mains replacement program.

Customer satisfaction index

2018-19 actual

78%



2018-19 target

Summary: Power and Water has embarked on a journey to become customer centric, with the introduction of initiatives to improve the customer experience. In 2019, residential satisfaction was 74% and non-residential was 87%.

Sewerage chokes and blockages per 100 km

2018-19 actual

9



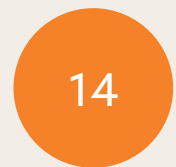
2018-19 target

Summary: This highly successful result is largely due to the favourable performance of our assets under the successful preventative maintenance descaling and CCTV program and ongoing sewer relining program.

Complaints resolved

2018-19 actual

10



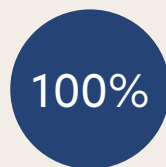
2018-19 target

Summary: Power and Water has improved how we resolve complaints to provide a consistent approach to achieve a positive outcome for both the organisation and its customers. Power and Water exceeded its target of the average number of business days taken to resolve customer complaints.

Wastewater treatment plant discharges are licensed

2018-19 actual

100%



2018-19 target

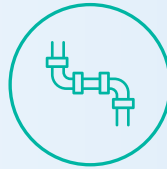
Summary: All operational Waste Water Treatment Plants are regulated by waste discharge licences issued by the Department of Environment and Natural Resources. All plants are currently licenced.

Number of
remote
communities



24

Wastewater
customers



48,041

Power network
customers



66,680

Water
customers



38,558

19

2,647

5,102

2,787

29

10,772

14,933

9,451

72

61,460

86,715

50,796

WORKING ACROSS THE TERRITORY

POWER NETWORKS, WATER, SEWERAGE AND GAS





Power and Water has always been a proud contributor to the Northern Territory economy and since 2017, has participated in the Government's Buy Local Policy to support local businesses. In 2018-19 we committed to spending over \$315 million with Territory businesses, which represents over 50% of our total procurement.

WORKING AS ONE

Safety

Power and Water is on a journey towards Zero Harm, building a sustainable and healthy safety culture based on risk awareness, reporting and learning.

We continue to focus on simple, easy-to-use safety management systems and documents, identify and measure critical controls for all high-risk works and seek to increase leadership accountability.

This year we have centralised reporting lines of all safety resources in order to ensure a 'One Team' approach to driving our safety improvement programs, embed a proactive safety culture, delivering on safety objectives at Power and Water.

The next steps, already underway, involve the development of safety behavioural training and processes of continuous improvement builds organisational effectiveness and changes culture. This will include a new Event Management - High Potential Event Process to provide direction for effective notification, reporting, investigation and

communication of HPE events. We are also delivering a Power and Water Safety Process Confirmation process and increasing transparency and accountability around our safety events and actions and improve reporting and trend analysis capabilities.

Lost time injuries	2
Lost time injury frequency rate	1.09
Medically treated injuries	3

Transitioning to our New Operating Model

Power and Water is implementing a new Operating Model to create a high performing organisation, that is efficient and effective and delivering maximum value for the Northern Territory.

An operating model describes how the major parts of a business — the structure, assets, systems and processes — work together to deliver value.

The Program is focused across the entire business, looking to ensure we have an integrated workforce, with clear accountabilities, supported by properly-functioning ICT systems and streamlined processes that allow efficient work across the business, adding greater value for our customers and shareholder.

In late 2018 we commenced changes to implement an improved organisational structure. This centred around the establishment of a Core Operations business unit to combine similar functions across the core areas of water, power and gas service delivery, with focus on system control, market



operations, remote services, SCADA and communications, and metering functions. This included: combining three metering teams into one and three SCADA and Communications teams into one; and establishing a Remote Service Delivery team to ensure that we maintain our focus and remain coordinated in our delivery of regional and remote power and water services.

We also embedded the provision of regional and remote services into the Power Services and Water Services lines of business to make the whole business accountable for our remote service delivery and to realise the benefits of the synergies already available in our operations.

Once complete, our new Operating Model will deliver:

- Improved customer billing and service outcomes.
- A one stop customer interface into the business providing a more consistent customer service and trackable customer service requests.
- Improved regional and remote service delivery by enabling sharing of capability, improved asset management practices and better fault response.

- A 24/7 Operations Hub to service the whole of the NT with real-time operations' support, which will provide better fault response and improved customer outcomes.
- Consolidated Asset Management and Capital Project Delivery functions to drive improved and standardised practices and governance.
- Consolidated Service Delivery/ Works Management function and system to enable a standard approach to works' planning, scheduling and dispatch and integrated resource planning.



Power and Water

14 June 2019

This National Blood Donor Week, we're celebrating all the legendary donors at Power and Water, including Peter Cole. To date, our people have made 76 donations, saving 228 lives.

Peter is a technical coordinator with our Water Services team. A few years ago, he and his wife were in a serious road accident and required significant blood transfusions.

He has never forgotten the generosity of the people who helped save their lives and was inspired to become a donor himself.



Like Comment Share



Our first network regulatory determination by the Australian Energy Regulator

The end of 2018-19 marks the beginning for Power and Water under the National Electricity Rules, after an almost five year journey which started with the decision of the government-of-the-day to adopt the national rules back in 2013.

Power and Water, in comparison to its Eastern State counterparts, is the smallest, most isolated and only non-interconnected network provider under the national rules. So transitioning to a set of regulatory standards designed for an interconnected network that spans across five jurisdictions and services around nine million customer connections, was always going to be a tall order for Power and Water.

But we did it, and we did it well and on 30 April 2019 the Australian Energy Regulator (AER) handed down its final decision on Power and Water's regulatory proposal for the period 2019 to 2024.

The customer engagement process for the AER regulatory determination process has been the largest and most successful ever undertaken in Power and Water's history, and has represented a change in the way we engage with our customers across the business.

Throughout this process our Customer Advisory Council came together on a number of occasions, listening to our experts outline our plans for the next five years and taking a 'deep dive' into our proposals. That direct feedback was invaluable to the development of the proposal and the input received fed into the submissions to the AER.

Power and Water also held nine focus groups direct with customers in each of the major centres across the Territory (Darwin, Alice Springs, Katherine and Tennant Creek), 36 in-depth interviews held with major customers and stakeholders, two deliberative forums (Darwin and Alice Springs) and a large energy users forum, where we got even further into the detail of our submission directly with our major customers. A further two consultation papers were released, aimed at market participants including retailers and generators.

For our initial regulatory proposal which was submitted to the AER in March 2018, Power and Water submitted:

- a 153 page overview document;
- 23 complex supporting spreadsheet models;
- 53 supporting reports and documents;

- a further 71 technical reports in support of the capex program alone; and
- three independently audited, regulatory information notices, which attempt to break the information in these documents down into comparable, quantifiable numbers.

Then following the AER's draft decision, Power and Water submitted a revised proposal in November 2018. This comprised of a further:

- 86 page overview document;
- another 22 supporting documents; and
- another 14 complex models.

The result of this was a decision that will allow Power and Water to continue to deliver safe, reliable network services to all of our customers across our regulated network, while reducing the end cost to the customer and still delivering on some really important projects that will change the way we manage the network.



Health and Wellbeing program

Power and Water holds regular Health & Wellbeing Programs across its sites, including:

- Embed the Return to Work Program to support managers and staff.
- Health Checks/On line screening tool including education, training and nurse support.
- Support for National R U OK? Day
- Flu Vaccination Program.
- 10,000 Steps to encourage all employees to improve their overall health.
- Promote the National Ride to Work Day including "Smoothie Bike" activity.
- Wellbeing Workshops to support the THRIVE program.

Power and Water partners to deliver STEM to senior high school students

Power and Water has signed up to a Memorandum of Understanding (MoU) partnering with Casuarina Senior College and industry to deliver a Science, Technology, Engineering and Maths (STEM) program to young people so they can achieve a post-school STEM-related qualification.

Around 75 per cent of the fastest-growing industries in Australia require Science, Technology, Engineering and Maths related skills. The P-Tech pilot program is part of a national government focus on strengthening Australia's competitiveness by building a more skilled labour force that is better prepared for the jobs and industries of the future.

The other partners of the MOU include:

- Norship
- Thales Group
- Austal Services Darwin
- Energy Club NT
- Navy Community Engagement
- Territory Generation.

The partnership will see Power and Water employees participate in a range of activities to support future careers. The P-Tech Program is made up of key components including: innovative curriculum, innovative approaches to learning, industry mentoring and support, a post-school qualification and links to employment.

The partnership will see Power and Water employees participate in a range of activities to support future careers

Working as One



Power and Water

11 February 2019

It's International Day of Women and Girls in Science, and we're celebrating our female scientists and engineers who apply their expertise and knowledge to help benefit fellow Territorians.

Jana MacPherson is a network planning engineer, who is currently on secondment as a system control room coordinator.



👍 Like 💬 Comment ➦ Share

Supporting renewable energy and transforming the network

With the expected significant uptake in renewable energy generators on the NT power systems – particularly solar photovoltaic (PV) systems, Power and Water is working to ensure the ongoing security and reliability of the entire system with an increasingly diverse generation fleet.

We are doing this through the introduction of new Generator Performance Standards (GPS) which will outline to all new generators – traditional thermal and renewable alike, the measures they need to put in place to ensure their impact on the system doesn't negatively impact other users or limit the potential to connect future users and generators to the grid.

Traditional thermal generators, to varying degree, are capable of increasing or decreasing the amount of electricity they produce, to match the demand (known as load) placed on the system by electricity users. By comparison, renewable energy generators like solar PV systems inherently increase or decrease the amount of electricity they produce, simply by the movement of the clouds or a change in the weather.

To ensure the ongoing secure and economic operations of the power system, a 'do no harm' approach in setting the capability requirements has been proposed. This means that new generators connecting to the grid will need to be capable of providing some of the performance attributes of the traditional generators they are displacing, to ensure the security and reliability of the system can be maintained at all times.

Apprentices and Trainees

Power and Water recognises that apprentices and trainees are a key component to our future success and so we remain committed to providing as many opportunities as we can across the Territory to support them in gaining practical experience in their chosen field while completing their studies. In 2018-19 Power and Water filled seven new positions in its apprenticeship and trainee program, which saw our numbers for the year bolster to 53 Apprentices, seven Trainees and six Technical Trainees.

During their time with Power and Water our apprentices work towards Certificate qualifications in fields such as Electrotechnology Electrician, Distribution Overhead power systems, Cable Jointing, and Electronics and Communications. Our Trainees who are traditionally employed in our corporate areas also study towards Certificate qualifications in Business, Water Operations, Work Health and Safety, and Leadership and Management, while our Technical Trainees study towards Diploma qualifications in Electrical Supply – Power Systems.

This year we saw 19 of our Apprentices and Trainees complete their study and 85% went on to permanent employment with us across the Territory





Supporting our leaders

Power and Water has launched an in-house Leadership Development Program, embedding a common approach to leadership behaviours and language across the business, targeting 32 behavioural competencies underpinned by our values that provide the right skills at the right point in a leader's career lifecycle.

Our Leadership Development Program represents a significant investment in an individual's ongoing development and is more than just a series of training courses and workshops.

The Program uses an integrated set of individual and group learning, ranging from leadership readings; feedback mechanisms; self-reflection activities; face-to-face workshops; working with a leadership coach in embedding behaviours; on-the-job activities; peer knowledge sharing and networking groups; and research and interactive assignments.

Our Leadership Development Program adopts a top-down approach to building capability across four levels of the business, ensuring the most senior leaders complete the full program within the next two years.

ESO Safety Culture continuing to mature

It is important for us to empower our people, including our Essential Services Operator (ESO) contractors, to build a proactive safety culture to ensure everyone gets home safely, every day.

Over the past 12 months, several continuous safety improvement opportunities have been identified to further develop a mature safety culture among our contractors and ESOs.

These changes have been well-received by ESO contractors, who have praised Power and Water for supporting them and helping them understand their safety responsibilities.

Power and Water has updated its ESO Operator Manual and developed learning tools to empower ESOs to carry out their work with confidence, as well as provided additional training for a restricted electrical licence so they can replace meters.

In the last 18 months, we've also been working to educate our contract holders who oversee our ESOs to embed a more stringent safety component in their tenders.

We have also carried out ICAMs (Incident Cause Analysis Method) into some incidents and from these, improved our relief notification process. Additionally, we receive safety reports from the contractors where hazards or areas for improvement can be raised and this information is fed back to us where we can address on-site hazards.



Delivering on our Reconciliation Action Plan

In working towards providing the same health, employment and education opportunities to Aboriginal and Torres Strait Islanders (ATSI) as other Territorians, we are guided by our Reconciliation Action Plan (RAP).

In our inaugural RAP covering the period of July 2017 to June 2019, we outlined our action plan to become a corporate leader in promoting reconciliation across the Territory and to be a preferred employer for Aboriginal and Torres Strait Islander people.

Over the last 12 months, we were able to deliver on several actions, including launching Welcome to Country protocols as well as providing regular updates on plan implementation progress through intranet updates and internal newsletters.

We held Territory-wide National Reconciliation Week events, which were well-attended by our employees.

We also began working on a new Reconciliation Action Plan to June 2021.

Customer-friendly website launched

Our fellow Territorians are at the heart of what we do and we are always looking for ways to improve their experience with us.

To enhance the way we communicate with our customers and make it easier for them to find the information they need, we launched a new customer-focused website.

The website is divided into three main sections - one for customers, one for developers and one about us.

The customer section includes more information about our utility services, what they need to do if they're moving or building, outages and faults and our online applications and forms.

The developer's portal provides an overview of what contractors and consultants should know, as well as access to standard drawings, development forms and other technical documents and the section about us outlines regulation, projects and community partnerships, among other things.

We held customer focus groups to help us identify online features people wanted to use and to help us understand their expectations.

Customers have told us they have now found it easier to pay their bills, log a meter reading and check for planned works and outages.

Employees across Power and Water



(Full time equivalent)

847

29%
Women



7%
ATSI



38%
Under 40



Customers told us they have now found it easier to pay their bills

Smartphone App



8,517
Total downloads
2018-19

@PowerWaterCorp on LinkedIn



5,616
Total followers
2018-19

@PowerWaterCorp on Facebook



14,967
Likes
2018-19



66.4%

We achieved a Grade of Service for 2018-19 finishing at 66.4% positioning us 3.4% above our UC target of 63%



86,094
Total calls received
Year to Date 2018-19

334
Average calls per day

Reliability of Electricity Supply



Satisfaction has increased to
80% | 2017-18 74%

Water Quality



Satisfaction has increased to
83% | 2017-18 78%

Resolve faults



Satisfaction has increased to
70% | 2017-18 50%

Phone Enquiries



Satisfaction score increased to
77% | 2017-18 72%

Customer Safety



Satisfaction score increased to
77% | 2017-18 72%

DARWIN
NHULUNBUY
TIWI
WADEYE

Power
network
customers



66,680

Water
customers



38,558

Number of employees (full time equivalents)	715
Apprentices	34
Trainees	4
Technical Trainees	3
% women in workforce	31%
% ATSI in workforce	7%

THE TOP END

In addition to the provision of water and wastewater services and regulated power network services across the Greater Darwin region, across the region Power and Water also:

- provides water, wastewater and electricity supply services to 24 remote communities which represents a population of around 21,000;
- operates diesel-solar hybrid generation plants at 10 remote communities (Galiwinku, Gapuwiyak, Gunbalanya, Maningrida, Milingimbi, Milyakburra, Minjilang, Ramingining, Waruwi and Wurrumiyanga) with a total installed capacity of 5,507kW;
- operates the diesel-solar 1,024kW (1MW) battery hybrid generation plant at the Nauiyu (Daly River) remote community;
- provides non-regulated power network services in Daly River, Jabiru, Angurugu and Umbakumba and Nhulunbuy;
- provides retail services in Jabiru, Angurugu and Umbakumba and Nhulunbuy; and
- provides water and wastewater services to Batchelor, Adelaide River and Pine Creek.



KEY

- Water supply
- Water supply and sewerage
- Power stations
- Connected to electricity grid
- Solar site
- Major Remote Town**





**LIVING
WATER
SMART**

Leanyer Sanderson Inlet Works

The Leanyer Sanderson Waste Stabilisation Ponds were constructed in 1972 and treat wastewater from 50,000 residents, schools and businesses in Darwin's northern suburbs and the Royal Darwin Hospital.

The \$16.2 million upgrade project involved the construction of a new inlet works structure to manage influent wastewater and to remove solids, grit, sanitary products and other debris contained in the incoming sewage to improve treatment performance and environmental outcomes.

The upgrade ensures the capacity and performance of the ponds is improved to accommodate the immediate and long-term wastewater treatment requirements of Darwin's northern suburbs.

After 18 months of construction, the new facility was officially opened in December 2018.

The Leanyer Sanderson Waste Stabilisation Ponds inlet works are a pre-treatment system at the entrance of the waste water treatment facility, which currently receives and screens 15 million litres of wastewater daily.

The primary objective of the inlet works is to remove any gross pollutants larger

than five millimetres, such as litter, debris, sediments, plastics, sanitary products and grit, which contribute to the development of surface scum and blockages in the treatment pond system.

By removing objects that should not be disposed of in the toilet, such as wipes, nappies, and sanitary products, the new inlet works reduces the environmental impacts of wastewater discharge into Buffalo Creek.

It also means that the sludge that accumulates at the bottom of the ponds will be free from gross pollutants, allowing it to be repurposed and used in agriculture, land rehabilitation, horticulture processes and mining.

The new facility will remove more than four tonnes of unwanted bathroom products and 50 tonnes of grit from the ponds annually.

The inlet works are also equipped with an advanced odour control facility which delivers better outcomes for the community. While the upgrade doesn't alleviate all odours associated with the treatment process, it consolidates the most odorous components of the system at a central location to be better managed through extraction and treatment using biological and activated carbon filters.

The Weather Web

Power and Water's Living Water Smart program invited schools in the Darwin and Palmerston regions to participate in its new Weather Web project to help them become more water efficient.

The project included the installation of smart irrigation controllers and rooftop weather stations. Forty schools signed up to the project, which aims to help each school save an average of three million litres of water annually through smarter watering of their garden and oval areas.

The newly installed smart irrigation controller makes daily adjustments based on localised weather data such as rainfall, temperature and evaporation, which is picked up by the weather station installed on the school rooftop. Lesson plans are also being developed for the students that will use their own schools weather and irrigation data to bring saving water to life.



Smart water metering – water stimulus project

Power and Water and the Department of Local Government, Housing and Community Development partnered up this year on a \$2 million project to install digital water meters and upgrade service connections in six priority water-stressed remote communities across the Territory.

The six new communities – Ngukurr, Minyerri, Amanbidji, Engawala, Imanpa and Kintore – bring the total number of communities with smart meters to 14.

The installations have been targeted at the highest priority water-stressed communities in the Territory, enabling remote meter reading and prompt identification of customer leaks. Smart meters allow for easy tracking of water use in real time with high continuous flows now reported directly to customers to help them reduce water bills, identify leaks, minimise excessive usage and highlight individual customers for targeted water efficiency engagement. This year's rollout has enabled reductions in overall demand of approximately 10% in the highest priority water-stressed communities.

Minyerri in the Top End with a population of 588, is a great example of the project outcomes. Minyerri was chosen for smart meter installation as in recent years water demand far exceeded the sustainable yield of the water supply aquifer.

The smart meters have proven invaluable for monitoring leaks across community properties with Power and Water now able to provide fortnightly leak reports to the Department and other customers. The new meters also give a much greater insight into customer behaviour so have enabled a more targeted water efficiency program to be delivered aimed at providing a greater understanding of water supply to the community.

By the end of the financial year the success of this approach was seen through a 70% reduction in leaks measured through minimum overnight water flows, greatly increasing water security for Minyerri.

The 40 weather stations provide a fantastic resource of localised weather information from suburb to suburb that can be accessed by the general public. Darwin's rainfall is patchy and variable throughout the city, where it can be raining in one suburb but not the next, or on one side of the road but not the other. The Weather Web will allow residents, businesses and government to water their gardens and green space areas based on the amount of rainfall their suburb has received.

The Weather Web will help reduce water use in the Darwin region, where more than half of our water use is in the garden. Being aware of the connection between watering schedules and garden requirements is an important part of having a healthy garden while being more water efficient. Darwin loves its gardens! It is part of what makes the Darwin lifestyle great.





Completion of the Solar Energy Transformation Program (SETuP)

After starting in 2014, just five years later Power and Water has now completed the Solar Energy Transformation Program (SETuP) which saw the construction of over 10MW of solar PV systems integrated with traditional diesel plants to create more energy efficient and environmentally friendly hybrid generation systems across 25 remote communities.

This is the largest rollout of solar in the country and it has changed Power and Water's remote community energy supply portfolio and made solar energy an established part of future power station design.

The \$59 million program, jointly funded by the Northern Territory Government and the Australian Government through the Australian Renewable Energy Agency (ARENA), is already reducing community reliance on diesel for electricity generation.

The program goal is a 15% reduction in diesel use for targeted communities over the life of the program, adding up to 94 million litres of diesel savings over a 25-year period.

Other benefits of the program include improved air quality, reduced number of heavy vehicles travelling in and out of a community and lower greenhouse gas emissions.

The program has been received positively and community leaders have been actively engaged to contribute to its successful delivery. The program also contributes to the Northern Territory Government's target of 50 per cent renewable energy by 2030.

The program also included a unique project at Nauiyu (Daly River) that combined a 1MW solar array with a 2MWh battery, allowing for 100% of solar energy use during the day with diesel engines operating at night.

Palmerston Zone Substation

In September 2018 Power and Water commissioned upgrades to its Palmerston Zone Substation and 66kV interconnection to the Archer Zone Substation.

This \$4.8 million upgrade of the power network is designed to cater for load growth in the greater Palmerston and rural area and will ensure greater system security and reliability for approximately 8,000 residential, commercial and industrial customers.



Power and Water

24 August 2018

Power and Water congratulates our Remote and Regions team that recently won a Northern Territory Engineering Excellence Award for our Solar Energy Transformation Program (SETuP).

The program took out the Energy, Water and Resources projects category at the awards, that recognise engineering excellence and will now progress to the national awards in Sydney next month.



Like Comment Share

Trevor Horman Substation (formerly Berrimah Zone Substation)

The current Berrimah Zone Substation was commissioned in 1981 and after almost 40 years, has reached the end of its life and is due to be retired and replaced with a new Zone Substation, following recent approval of the project by the Australian Energy Regulator.

What's unique about this new Zone Substation is that it will be named in honour of one of our longest serving employees, Mr Trevor Horman.

Trevor was recognised at the 2018 Chief Minister's Awards for Excellence in the Public Sector for his 50 years of service to the Northern Territory.

Amongst his seemingly endless list of significant achievements Trevor has

made to Power and Water and the Northern Territory, he was the project manager during the construction of the current Berrimah Zone Substation after Cyclone Tracy.

In the 1960s and 1970s the power supply from Darwin came from the Stokes Hill Power Station, so in 1979 after receiving funding of \$15 million from the Federal Government, Power and Water – under Trevor as project manager – built the substation and connected the two turbines in Berrimah to customers. For its time, this project involved a lot of new technology and it was a success thanks to the dedication of people like Trevor.



KATHERINE
DALY
BORROLOOLA

KATHERINE REGION

Power
network
customers



5,102

Water
customers



2,787

Number of employees (full time equivalents)	31
Apprentices	4
Trainees	1
Technical Trainees	-
% women in workforce	10%
% ATSI in workforce	10%

In addition to the provision of water and wastewater services and regulated power network services across the Greater Katherine region, across the region Power and Water also:

- provides water, wastewater and electricity supply services to 19 remote communities which represents a population of over 7,000;
- operates diesel-solar hybrid generation plants at four remote communities (Bulman, Lajamanu, Minyerri and Ngukurr) with a total installed capacity of 1,197kW;
- runs generation plants at Daly Waters, Timber Creek and Borroloola;
- provides non-regulated power network services in Borroloola, Daly Waters, Timber Creek and Newcastle Waters; and
- provides water and wastewater services to Borroloola, Daly Waters, Newcastle Waters, Mataranka and Larrimah and only water services to Timber Creek.



KEY

- Water supply
- Water supply and sewerage
- Power stations
- Connected to electricity grid
- Solar site

Major Remote Town





Katherine PFAS water treatment plant

Power and Water is continuing to work closely with the Katherine community and the Department of Defence to manage the PFAS groundwater contamination in the Tindal aquifer and ensure the community continues to have access to clean, safe drinking water.

The continued response by the community to the water conservation measures has been outstanding. Since the measures were introduced in August 2017, water demand in the community has consistently been about 20% below the historical average.

This has allowed Power and Water to meet the town's demand with its supplies now limited to the surface water available through the existing treatment plant from the Katherine River and only comparably minor amount of treated water from the pilot 1ML per day ECT2 PFAS treatment plant. The plant, which is capable of removing PFAS from the otherwise contaminated groundwater of the Tindal aquifer has been operating successfully now for almost two years and has proven to be an effective way to remove PFAS contaminants using a revolutionary resin replacement technology.

This process is in fact so successful at removing this contaminant, that Power and Water is now well underway to install a much larger 10ML per day plant that will be capable of servicing almost the entire Katherine demand. And once this plant is operational it will work in conjunction with the current water treatment of the river water, to ensure Katherine has a resilient, reliable, clean and safe water supply, for now and in the future.

Smart electricity meter rollout

In November 2018 Power and Water commenced the roll-out of its new 'smart' pre-payment meters, replacing the older token meters which are no longer manufactured.

There are almost 3,000 customers located across the major networks of the Northern Territory (Darwin-Katherine, Tenant Creek and Alice Springs) and user acceptance testing (UAT) commenced in Katherine.

Smart meters are interval meters (recording consumption in 15 and 30 minute intervals) that are remotely read with the individual interval data collected and are equipped with disconnect relays for remote reconnection and disconnection of supply.

This allows retailers and generators to receive data at a much more granular level. In addition to providing increased network functionality such as remote re-energisation and de-energisation of the supply to the consumer and monitoring the quality of electricity supply. Smart meters also significantly decrease the requirement to estimate bills and visit consumers' properties to read meters.

Power and Water has been working with Katherine Solar Pty Ltd and its contractors to connect the 25MW solar PV power station to the grid



Smart meters provide additional options to customers and retailers such as: in-home display, real time consumption monitoring, multiple tariff options including, demand and time of use. The in-home display and real time consumption monitoring functions can be achieved with appropriate back end systems. (i.e. web portal, In Home Display Device and mobile phone apps. which can be provided by the retailer).

This information helps the consumer to better understand when and how much electricity is used, so they can identify ways to save electricity and reduce their power bills.

Connecting renewable energy to the Darwin-Katherine grid

Beyond its mandate to provide electricity network access to third parties is Power and Water's mission to ensure equitable participation for all customers and projects on the grid.

Power and Water has been working with Katherine Solar Pty Ltd and its contractors to connect the 25MW solar PV power station located in the Katherine region, to the Darwin-Katherine grid. Construction of the new 22kV feeder and associated equipment to connect the power station to the network is expected to be completed in late 2019.

Facilitating the connection of large scale renewable energy sources will not only contribute to the Government's 50% Renewable Energy Target, but it will also help drive a lower cost of electricity to all consumers by establishing a more competitive electricity market.



Power and Water

15 April 2019

On the first day of their Career Start program with us, these bright sparks were already put to work to create their own power extension cords!

Year 12 students Tommy and Jamie are among a group of students who have spent some time with us as part of a work placement program in conjunction with Charles Darwin University and the Department of Education NT.

They're both currently completing their Cert II in Electrotechnology and have just completed their first block of training with us and will be back in June for more hands-on learning.



Like Comment Share



Supporting the Government's Remote Housing program in Garawa 1 and 2

Power and Water is supporting the Government's Remote Housing Program by securing the water supply infrastructure in Garawa 1 and Garawa 2 town camps.

It is doing this by constructing a six kilometre mains pipe from the new Borroloola water treatment plant across the bridge and into the community, to replace its aging community bore that is high in minerals and dissolved solids.

The project will ensure the community has access to a secure supply of drinking water that is clean, safe and sufficient to support the town for the next 30 years.

This program commenced in January 2019 at a cost of around \$4.7 million and is scheduled to be completed by late 2019.

Borroloola water treatment plant

Power and Water has constructed a new water treatment plant to deliver an improved quality of drinking water for one of the most remote northern Australian townships.

Borroloola's only water supply is from groundwater, drawn from the Abner Sandstone Aquifer through five bores.

Previously basic spray aerators and calcite filters for stabilisation of the raw water were used on three bores to improve water quality. The remaining two bores underwent no water treatment, aside from the usual chlorine treatment.

The flow from all five bores was blended and chlorinated prior to entering a 2ML storage tank located on Trigg Hill from where the treated water then flows to the town under gravity.

While the previous water supply met Australian Drinking Water Guidelines, the potable water had slightly corrosive tendencies, which can contribute to deterioration of pipes, pumps and tanks.

The new water treatment plant is designed to supply up to three mega litres of improved drinking water per day to businesses and around 900 local residents. This helps to secure Borroloola's water supply system for

The new water treatment plant helps to secure Borroloola's water supply for the next 30 years



Pine Creek Zone Substation upgrade

the next 30 years and incorporates the ability to service Garawa town camps into the future.

To overcome the geographical, climatic and logistical challenges, the water treatment facility was delivered through an innovative containerised solution. All modules were assembled and pre-tested in Darwin before being transported to Borroloola by road for final integration and commissioning.

The new water treatment processes sees raw water from the local bores being aerated through a degassing tower to remove the majority of carbon dioxide and then balanced by the addition of calcium carbonate through the new filters. This helps to prevent corrosion in the distribution system and the pipe network in homes and businesses. The water is then disinfected by a new gas chlorination system before it goes to the homes and businesses. The new \$6.4 million water treatment system was connected to the Borroloola reticulation network in September 2018.

This year Power and Water commenced the refurbishment of the Pine Creek Zone Substation. It will be relocated from EDL's power generation site to our own 132kV Substation site.

The Zone Substation was located on the EDL site due to legacy arrangements when EDL was contracted to generate electricity for Power and Water (now Territory Generation).

These existing assets were sourced from the Stokes Hill Power Station and other substation sites in the mid-1980s, and as such have reached the end of their serviceable life.

Replacing these aging assets with modern equipment not only enhances system reliability and worker safety, but it also serves to support the development of competitive market arrangements in the Territory, whereby EDL is now a stand-alone generator no longer under contract to Territory Generation, thereby giving all participants greater operational flexibility under the new arrangements.

ALICE SPRINGS
 TENNANT CREEK
 YULARA

SOUTHERN REGION

Power
 network
 customers



14,933

Water
 customers

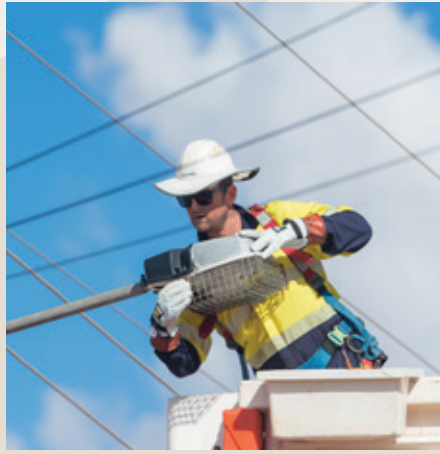


9,451

Number of employees (full time equivalents)	102
Apprentices	15
Trainees	2
Technical Trainees	3
% women in workforce	27%
% ATSI in workforce	6%

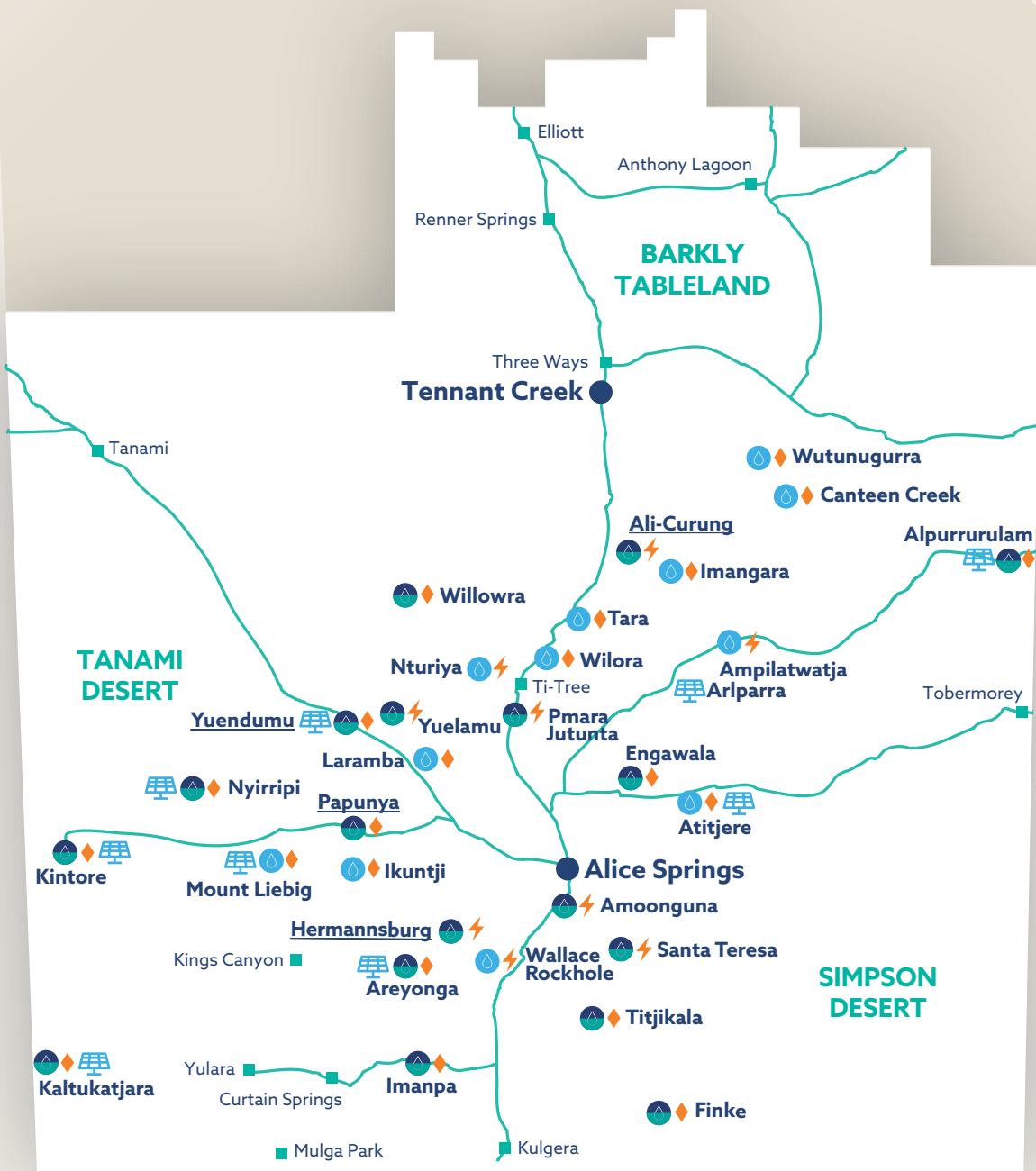
In addition to the provision of water and wastewater services and regulated power network services across Alice Springs and Tennant Creek, across the region Power and Water also provides:

- water, wastewater and electricity supply services to: 23 remote communities representing a population of around 7,500 in the Alice Springs region and a further six remote communities with a population of around 1,600 in the Barkly region;
- operates diesel-solar hybrid generation plants at nine remote communities (Areyonga, Atitjere, Finke, Kaltukatjara, Kintore, Mount Liebig, Nyirripi, Titjikala and Yuendumu), with a total installed capacity of 1,927kW, and at the Utopia outstations of the Arlparra remote community, with an installed capacity of 454kW;
- runs generation plants at Elliott and Ti Tree; and
- water and wastewater services and non-regulated power network services in Kings Canyon, Yulara, Elliott and Ti Tree.



KEY

- Water supply
- Water supply and sewerage
- Power stations
- Connected to electricity grid
- Solar site
- Major Remote Town**





Power and Water

23 November 2018

Three Alice Springs-based apprentices and trainees have been recognised for their dedication and commitment to their studies and work at the recent Charles Darwin University Prize Giving event.

GTNT apprentices Crystal Laverty and Baden Letts, hosted by Power Services, and Joseph Perez (pictured below with Senior Technical Coordinator Danny Boylan) from Water Services all received awards. They were nominated by their respective lecturers in recognition of their achievements during the year.



Like Comment Share

Alice Springs wastewater treatment plant maintenance work

Managing wastewater treatment is a thankless task, but every day Power and Water works hard to ensure it continues to deliver on its obligations to the community, with minimal impact to its neighbours.

As part of its regular maintenance program on the wastewater treatment plant in Alice Springs, Power and Water has recently made a range of extensive upgrades to its inlet pipes to the "B Ponds" pond stream to ensure continued safe and environmentally secure treatment of the incoming raw sewage.

This involved redesigning the inlet pipework arrangement and installing new inlet pipework to ensure an even inflow so as to maximise the efficiency of the treatment process.

To further improve the efficiency and effectiveness of the treatment process, regular desludging is required to ensure the natural microbial processes can work as they are intended.

This involves civil machinery excavating and transporting the sludge from the bottom of the dried primary treatment pond and storing it in an area adjacent to the pond to allow time for stabilisation.

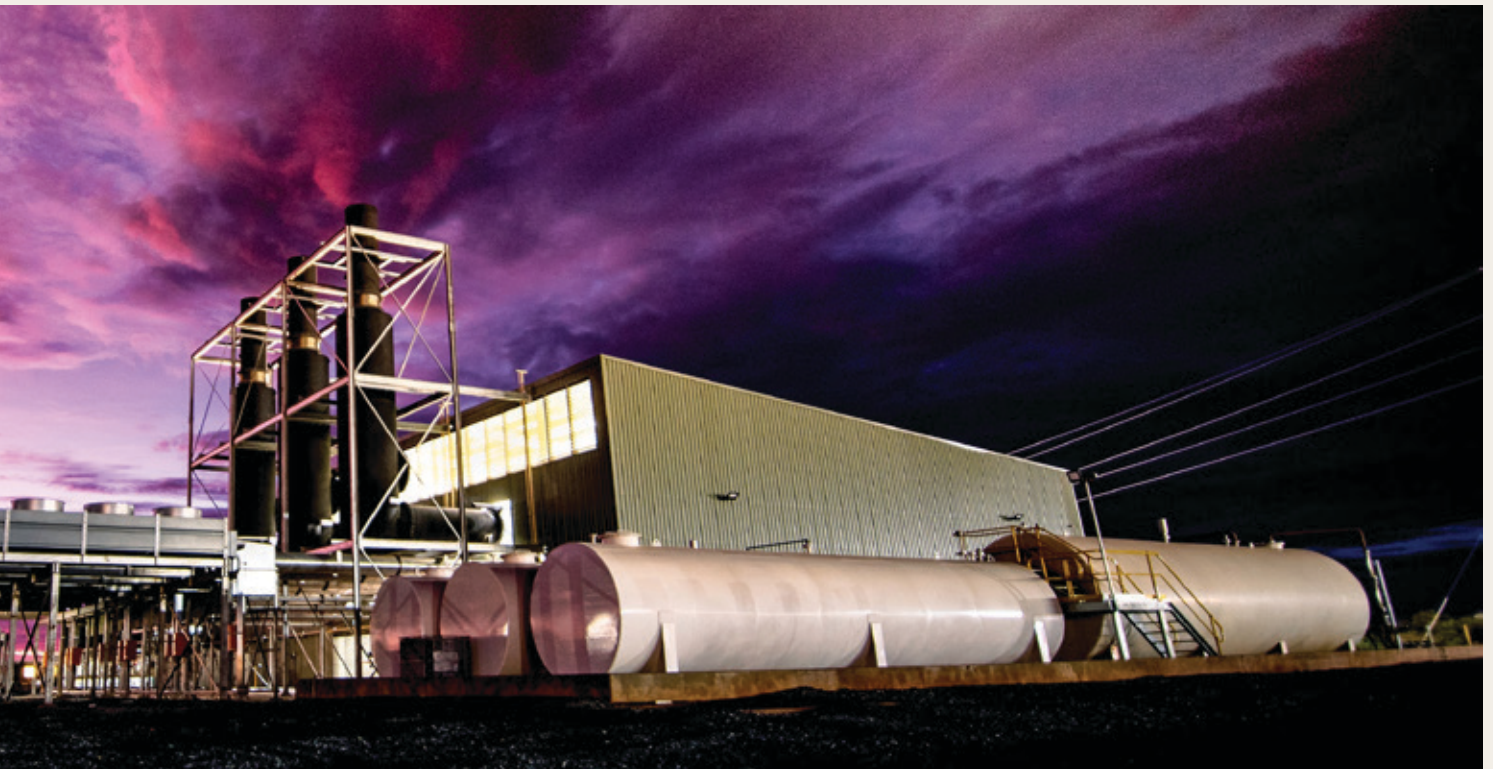
Newmont Tanami pipeline

Power and Water's natural gas has been powering the Newmont Goldcorp's Tanami gold mine since early 2019.

The gas, commissioned through the 440 kilometre Tanami Natural Gas Pipeline, now supplies the Granites and Dead Bullock Soak underground gold mines with safe and reliable energy for power generation.

The mines are two of the most remote mines in the country, located 540 kilometres north west of Alice Springs, in the middle of the Tanami desert.

Power and Water's specialist Gas Services team proposed the change from diesel to natural gas



Upgrading Kings Canyon water supply

Combined, the two mines produce around 500,000 ounces of gold a year with a market price of more than \$600 million.

Historically, the mining operations relied on diesel to operate, which meant production disruptions if roads became inaccessible.

Power and Water's specialist Gas Services team proposed the change from diesel to natural gas and proved the commercial, reliability and reduced emissions of changing to natural gas through a joint feasibility study.

Kings Canyon water and sewerage infrastructure is maintained by the Yulara Power and Water team. The production bores and storage tanks are to the west of Kings Canyon Resort, on an escarpment that is difficult to access.

In 2019, the decision was made to pump test a new production bore, drilled to a depth of 237 metres, 20 metres deeper than other bores in the area. Samples showed traces of red clay, which it was hoped four weeks of pumping would clear.

Power and Water engaged local contractors to install a pump to a depth of 145 metres, a surface manifold, and monitor the bore for the aforementioned four-week period whilst they were on site completing other civil works. The bore did clear up slightly, but not sufficiently.

At the same time, civil works associated with the upgrade of the chlorination and telemetry buildings, mast, and satellite dish adjacent to the water storage tanks are underway.

As access to the tanks has always been difficult, given the rocky terrain, Power and Water upgraded the track but since Kings Canyon Resort lies within the Watarrka National Park, and road-building materials cannot be procured within Park boundaries. Therefore calccrete gravel required for the civil works was hauled from Erldunda to construct the access road and building pads.

Additional production bores, water treatment facilities and access roads will enhance and modernise our facilities at Kings Canyon which in turn will reduce water quality and quantity risks at the site.

Power and Water saw the opportunity to install its own standalone switchboard in the Sadadeen Zone Substation



Power and Water

9 March 2019

The theme for this year's International Women's Day is #BalanceForBetter. How do our people seek to balance their personal and professional lives?

Helen Marsh is our remote services administration coordinator in Tennant Creek. She is often the first point of contact for our customers and contractors.

"To be the best mum, partner and employee, I take care of myself first. This means spoiling myself once a month with a massage or a haircut, eating nutritious food, getting enough sleep and moving my body every day. When you feel taken care of you can serve others better. It's the old adage of 'you can't pour from an empty cup'. At work, being able to ask for help when needed and having supportive colleagues helps too.

"Balance is important in my life as makes me appreciate all aspects of what makes me the person I am. I don't always get the balance right but every mistake is opportunity to learn and do things better next time." - Helen



Like Comment Share

Sadadeen 11kV Switchboard

Power and Water is investing in a new 11kV switchboard at the Sadadeen Zone Substation to improve the power reliability of the Alice Springs region and support the new Owen Springs Power Station.

The current switchboard at the Ron Goodin Power Station which currently manages the power network in the area was first commissioned in 1969 and upgraded in 2012. But with the decommissioning of the Ron Goodin Power Station, Power and Water saw the opportunity to install its own standalone switchboard in the Sadadeen Zone Substation. The new switchboard will be of modern design, with improved reliability, reduced maintenance and have safer operations.

Construction has commenced and equipment is expected to be commissioned in mid-2020.

Laramba rising mains replacement

Before investing \$6 million in its water supply, Laramba was a water constrained community with severe leakage problems along the length of its aging concrete/asbestos water supply pipeline from its bore, which was affecting both water supply availability in the community, and water pressure.

This year Power and Water finalised its \$4.5 million investment, replacing approximately 22 kilometres of rising main from the borefield and two kilometres of 100 mm PVC rising main from the storage tanks back to the community with 150 mm polyethylene main, providing the ability to double the water supply pressure to the Laramba Community.

While undertaking this work a further \$1.5 million was invested to upgrade the existing diesel bores to electric to ensure the provision of a local power supply to deliver the increased flow now capable of being supplied through the new rising main.



Ali Curung sewer upgrade

This work increased the water transmission capacity capable of satisfying peak demand and providing increased security of supply to the Laramba Community and Napperby Station.

Upgrading the water supply will also support the Northern Territory Government's Remote Housing Program and in doing so, has provided opportunities for remote economic development and Aboriginal employment.

\$5.3 million has been spent in Ali Curung, to protect public health and prevent the spread of disease through the effective removal of wastewater from living areas with a new sewerage reticulation system installed.

This project saw the replacement of 5.5 kilometres of asbestos cement sewers and associated maintenance holes across the community and the installation of two new pumping stations and 2.5 kilometres of new sewerage rising main. In doing so, 82 septic tanks and connection of those lots to sewerage were decommissioned.

Removing septic tank systems reduces environmental health risks to the communities and broader public health risks from sewerage overflows. It also aids in future community development and reduces overall sewerage system operations and maintenance costs.



FINANCIAL STATEMENTS + EXPLANATORY STATEMENTS

INDEX

Description	Page
Directors' report	44
Independent audit opinion	51
Directors' declaration	56
Consolidated statement of profit or loss and other comprehensive income	57
Consolidated statement of financial position	58
Consolidated statement of changes in equity	59
Consolidated statement of cash flows	60

No.	Notes to the financial statements	Page
1	General information	61
2	Significant accounting policies	61
3	Revenue	79
4	Expenses	81
5	Income tax equivalent expense	82
6	Dividends	82
7	Cash and cash equivalents	82
8	Trade and other receivables	84
9	Inventories	85
10	Investments	85
11	Investment in subsidiaries	86
12	Loans to subsidiaries	87
13	Property, plant and equipment	88
14	Intangible assets	92
15	Trade and other payables	93
16	Unearned revenue	93
17	Interest bearing borrowings	94
18	Finance lease liabilities	94
19	Provisions	95
20	Government grants	96
21	Contributed equity	96
22	Retained earnings	96
23	Asset revaluation reserve	96
24	Risk management objectives	97
25	Financial instruments	99
26	Commitments	101
27	Operating lease arrangements	101
28	Contingent liabilities and contingent assets	101
29	Related party transactions	102
30	Auditor's remuneration	104
31	Events after the reporting period	104

Power and Water Corporation

Directors' report for the year ended 30 June 2019

The Directors present their report together with the financial report of the Power and Water Corporation (the Corporation) and of the consolidated entity, being the Corporation and its controlled entities, for the year ended 30 June 2019 and the Auditor's report thereon.

Directors

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

Name	
Mr John Langoulant OAM (Chairman) B. Economics (Hons)	Mr Langoulant has extensive experience across a range of industries in the public, private and not-for-profit sectors. This includes time as the CEO of the Western Australian Chamber of Commerce and Industry as the Under Treasurer of Western Australia and of Mitsubishi's Oakajee Port and Rail Project. Mr Langoulant is the Independent Chair of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) and of the Telethon Kids Institute. He is also the Chair of the Western Australia Government Employees Superannuation Board, the Rottneet Island Authority and the Dampier to Bunbury Gas Pipeline. He previously held the position of Chair for the Western Australian Treasury Corporation and Director of the Gold Corporation. Mr Langoulant is a member of the Board of the National Disability Insurance Agency. In addition, Mr Langoulant is Chair of the Westpac Group in Western Australia. Mr Langoulant joined the Power and Water Corporation Board in June 2017.
Mr Ken Clarke (Deputy Chairman until resignation from board in August 2018) BCom(Hons), Grad Dip (Mgt), MAICD	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 and resigned in August 2018.
Mr Mervyn Davies BEng (Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)	Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has previously held senior management positions at Energy Australia (now Ausgrid), Australia's largest electricity distribution company. Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in the engineering and economics of the electricity distribution industry. He previously held directorships in electricity distribution businesses in Western Australia, Queensland and Tasmania. 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 re-joined in April 2014. Mr Davis was re-appointed to the Board in April 2019.
Mr Ian Kowalick BSc (Hons), B.Ec, AM	Mr Kowalick brought 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 3 years as chair of the Finance Committee. Mr Kowalick was also one of 3 founding directors of Arafura Resources Ltd., a Western Australian listed Public Company. Mr Kowalick joined the Power and Water Corporation Board in July 2015. Mr Kowalick resigned in August 2018.
Ms Rowena McNally FRI, FAICD, LLB, FIML, MAWA	Ms McNally has been involved in the delivery of infrastructure projects and in the corporate governance of major water, energy and infrastructure entities at a board level for over 20 years. She has extensive previous board experience in key utilities organisations including as Chair of the Mount Isa Water Board and Board Director of Ergon Energy, Burnett Water, Gladstone Area Water and WorkCover Queensland. Ms McNally previously Chaired the Ministerial Advisory Council on Flood Mitigation Manuals and the Sugar Authority and was the Sugar Industry Commissioner for many years and has extensive board experience across regional and remote Australia and not-for-profits. She is the Chair of the National Employment Services Association and Deputy Chair of Isa Rodeo Ltd. Ms McNally is a Member of the International Committee for Health Care Institutions, and previously Chair of Catholic Health Australia and Cerebral Palsy Queensland, Deputy Chair of Cerebral Palsy Australia and a Director of North West Hospital and Health Board and several Boards in the St Vincent's Hospital group in Queensland. Ms McNally is a Member of the Australian Water Association and the Risk Management Institute of Australasia. Ms McNally joined the Power and Water Corporation Board in April 2018 and is also a Director of Indigenous Essential Services Pty Limited.

Power and Water Corporation

Directors' report for the year ended 30 June 2019

Directors (Cont'd)

Name	
Ms Teresa Dyson Masters Applied Finance, LLB, BA, Masters Taxation, GAICD	Ms Dyson has over 25 years of experience within the legal and professional services industry, specialising in tax. Ms Dyson is a professional Non-Executive Director with a broad portfolio of directorships across the listed, government and not-for-profit sectors. Ms Dyson is a Director of Energy Queensland, Genex Power Ltd, Seven West Media Ltd, Energy Super and Consolidated Tin Mines Ltd. She is also a member of the Gold Coast Hospital and Health Services Board. Ms Dyson is a Member of the Foreign Investment Review Board, the Takeovers Panel and the National Housing Finance & Investment Corporation Board. She was the first woman to be appointed as Chair of the Board of Taxation, and has held a number of Federal Treasury Appointments, including as a Member of the Business Tax Working Group, Member of Resources Taxes Implementation Group and Member of the Centre of Excellence for International Finance & Regulation Working Group. In 2011 Ms Dyson was named Woman Lawyer of the Year by the Women Lawyers Association of Queensland. Ms Dyson joined the Power and Water Corporation Board in April 2018.
Mr David Bartholomew BEC, MBA	Mr Bartholomew is the former Chief Executive of DUET Group, an ASX-listed utilities and energy company. He now serves as a Non-executive Director on the boards of: Atlas Arteria (ASX: ALX) a developer and operator of toll roads in France, Switzerland, Germany and the USA; Endeavour Energy, an electricity distributor in NSW; Dussur, the Saudi Arabia Industrial Investment Company; and The Helmsman Project, a not-for-profit organisation providing coaching and development programs for year 9 students, primarily from western Sydney schools. As CEO of DUET Group he was a Director on the boards of: United Energy Distribution and Multinet Gas in Victoria; DBP, the owner-operator of the Dampier to Bunbury Natural Gas Pipeline; Energy Developments Limited, specialising in remote, clean and renewable electricity generation; and DUET's minority-owned businesses, Duquesne Light (USA) and WA Gas Networks. David's previous employment experience includes Hastings Funds Management, Lend Lease, The Boston Consulting Group and BHP Minerals. He holds a Bachelor of Economics (Honours) from Adelaide University and an MBA from the AGSM. Mr Bartholomew joined the Power and Water Corporation Board in April 2018.
Ms Gaye McMath	Ms McMath is an experienced executive and non-executive director. Her executive career has spanned 23 years with BHP and 15 years in the higher education sector. At BHP she held senior strategic and operational roles involving major resource and infrastructure projects and operations. Her roles in higher education included Chief Operating Officer at The University of Western Australia and the Executive Director Perth Education City. She currently serves as Deputy Chair Commissioner at the City of Perth. Ms McMath was a BHP nominated director on both domestic and international mining and steel joint venture boards. She has held a range of non-executive directorships over 20 years on listed companies, government trading enterprises, not-for-profit and national member organisations. Her past boards include The Western Australian Treasury Corporation, Verve Energy and Silver Chain Nursing Association, The Australian Institute of Company Directors WA division, CPA Australia WA division, the Committee for Perth, the State Government Major Stadia Taskforce and the Commonwealth Government Solar Flagship Council. Her current board roles include Gold Corporation, Southern Ports Authority, the Chamber of Arts and Culture WA, Perth Convention Bureau, Study Perth, The Perth Public Arts Foundation, Heritage Perth and The Perth Theatre Trust. Ms McMath holds a Bachelor of Commerce from Melbourne University, a Masters of Business Administration from Melbourne Business School and has completed the Advanced Management Program at the Harvard Business School. Gaye joined Power and Water Corporation Board in September 2018.
Mr Charles Burkitt	Mr Burkitt commenced his career in Darwin, where he was originally from, as an experienced investment adviser specialising in financial markets having worked in that industry for more than 15 years, before being involved in the commercial property sector for a number of years. He now actively works as a consultant still based in Darwin providing Corporate Advisory and Property Solutions for medium-to-large corporate entities, predominantly in Northern Australia. He has also obtained extensive Board experience as an active Board Member of several local organisations for over 20 years, while also currently being a non-executive director of Australian Red Cross and Chair of their Finance Committee. Mr Burkitt enjoys an active lifestyle with an interest in most sports, leisure and local community activities. He has previously undertaken the Australian Institute of Company Directors course. Mr Burkitt joined the Power and Water Corporation Board in September 2018.

Power and Water Corporation

Directors' report for the year ended 30 June 2019

Company Secretary

Ms Lucia Ku
LLB Bbus GAICD

Ms Ku is an executive with over 16 years of legal experience in government and government owned corporations. She has held a number of senior positions within the Solicitor for the Northern Territory including Agency Based Lawyer for various Northern Territory Government Agencies. She has worked across a broad range of functions including legal policy, litigation, and commercial and has been involved in a number of major projects within government. She also has Board level experience which includes current and previous membership on a number of Boards including the Power and Water Corporation's Procurement Appeals Board. She has legal and governance experience currently managing legal services for the Power and Water Corporation in her capacity as General Counsel. Ms Ku is currently the Company Secretary of the Power and Water Corporation and Indigenous Essential Services Pty Limited. Ms Ku is Committee Secretary for Power and Water Corporation's Audit and Risk Management Committee, Regulation and Market Operations Committee and the Safety People and Remuneration Committee. Ms Ku was appointed Company Secretary on 21 July 2017.

Principal activities

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

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

Review of Operations

	Consolidated	
	June 2019 \$ million	June 2018 \$ million
Revenue	775.6	712.6
Total revenue	775.6	712.6
Expenditure	(552.9)	(512.1)
Impairment charge, revaluation of assets and onerous provision adjustments added back	(243.2)	(20.3)
Total expenditure	(796.1)	(532.4)
EBITDA	(20.5)	180.2
Depreciation and amortisation	(162.5)	(164.4)
EBIT	(183.0)	15.8
Interest expense	(50.6)	(47.2)
Net loss before income tax	(233.6)	(31.4)
Income tax benefit/(expense)	33.7	(3.1)
Net loss after income tax	(199.8)	(34.5)
EBITDA before impairment and onerous contract provision adjustments		
EBITDA	(20.5)	180.2
Impairment charge, revaluation of assets and onerous provision adjustments added back	243.2	20.3
Streetlight assets gifted	-	16.4
Underlying EBITDA¹	222.7	216.9
Depreciation and amortisation	(162.5)	(164.4)
Underlying EBIT	60.2	52.5
Interest expense	(50.6)	(47.2)
Underlying net profit before income tax^{1,2}	9.5	5.3
Total assets	3,349.5	3,336.8
Total liabilities	(1,986.9)	(1,876.3)
Total equity	1,362.6	1,460.5

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

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

Power and Water Corporation

Directors' report for the year ended 30 June 2019

Profit from continuing operations

The consolidated entity reported a net loss after tax from continuing operations of \$199.8 million for the year ended 30 June 2019 compared to a net loss after tax of \$34.5 million for the prior year. The increase in the net loss after tax was primarily attributable to a revaluation decrease in Power Services assets of \$136.1 million recognised within the line item 'Impairment of non-current assets and onerous contract provisions' within the statement of profit or loss and other comprehensive income. Refer to Note 4.3 for more details.

The consolidated entity recognised \$775.6 million in revenue for 2018-19 compared to \$712.6 million for the prior year; an increase of \$63.0 million. The increase in revenue recognised was primarily attributable to gas sales which increased by \$52.9 million from \$154.8 million in the prior year to \$207.7 million in the current year due to new contracts commencing in the current reporting period. The adoption of AASB 15 Revenue from Contracts with Customers from 1 July 2018 has not had a significant impact on the revenue recognised and reported by the consolidated entity.

Liquidity and capital resources

The consolidated cash flow statement shows an increase in cash and cash equivalents for the year ended 30 June 2019 of \$73.7 million (2018: \$40.8 million decrease). Operating activities generated \$179.7 million (2018: \$117.4 million) of net cash flows.

The increase in cash inflows in comparison to the prior year is largely due to an increase in the government grants received of \$30.3 million and a reduction in the income tax paid of \$28.3 million compared to the prior year.

Cash flows from operating activities have been offset by net cash used for investing activities of \$164.0 million (2018: \$193.4 million). There was also a \$58.0 million net cash inflow (2018: \$35.2 million) from financing activities, largely due to proceeds from borrowings during the year of \$330.0 million (2018: \$245.0 million) offset by repayment of borrowings of \$272.0 million (2018: \$208.8 million).

Capital expenditure

Capital expenditure in respect of additions to work in progress for the consolidated entity totalled \$156.1 million for the year to 30 June 2019. Major project spending in 2018-19 included:

Entity	Description	\$ million
PWC	Leanyer Sanderson Ponds - Inlet Works	5.7
	Pine Creek 66 & 22KV ZSS Replacement	3.7
	Katherine PFAS Water Treatment Plant	3.6
	Distribution Asset Failure Replacement Program	3.1
	McMinns Pumping Station Power Generator Augmentation	2.6
	Alawa Upgrade to Sewer Lines	2.5
IES	Solar Energy Transformation Project	16.4
	Laramba Asbestos Cement Mains Replacement	5.4
	Tiwi Island Energy Solution	2.2

Loans to subsidiaries

As at 30 June 2019, IES Pty Ltd owed the Corporation \$36.8 million (2018: \$18.2 million) which is made up of an inter-entity receivable of \$11.8 million (2018: \$7.2 million) in relation to services provided and \$25.0 million (2018: \$11.0 million) in loans provided during 2018-19 and 2016-17 in respect of the ARENA IES solar set up project. Refer to Notes 8 and 12 for details. The loans were provided to represent the consolidated entity's contribution towards the forecast \$59.0 million solar set up project. A further \$2.5 million loan is available for IES Pty Ltd to draw upon in 2019-20.

Power and Water Corporation

Directors' report for the year ended 30 June 2019

Review of Operations (Cont'd)

Property, plant and equipment

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

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

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

During 2018-19, the consolidated entity performed valuation exercises on its property, plant and equipment across both the Corporation and IES Pty Ltd resulting in net assets being written down by \$110.3 million, of which \$110.2 million was recognised in Other Comprehensive Income offset by \$220.5 million recognised in impairment expense through profit or loss.

From 2011, the NT Government commenced placing select government infrastructure at various aboriginal communities under lease agreement. The consolidated entity previously recognised only a 12-year life on some of these long life assets, reflecting their finance lease contract period of 12 years. Management was informed in the current period that the intent and practice of Government is to extend these short-term leases to 40 years upon survey of the land and Cabinet has approved the terms of these agreements. As such, management has revised the relevant assets' useful life to align to the lower of their economic life or the finance lease contract term of 40 years. This change in estimated life has resulted in an increase in the value of property, plant and equipment in the current period of \$61.1 million.

Gas contracts

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

The Directors consider these risks as part of their ongoing monitoring of the gas sales strategy and having considered both the risks and opportunities that they consider as more probable than not and which can therefore be quantified and assessed for materiality as required under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', have concluded that at the date of this report there exists an onerous contract which has been quantified at \$66.7 million (2018: \$61.6 million) with the year on year movement recognised as an impairment expense in the statement of profit or loss and other comprehensive income. This results from the estimated cash inflows from future gas sales, being lower than the unavoidable costs of gas purchase and associated transportation agreements.

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

Whilst the onerous contract provision of \$66.7 million (2018: \$61.6 million) is material from an income statement perspective, it is not significant in the context of the remaining fixed cost of committed gas and transportation purchase contracts which amount to approximately \$4.5 billion in today's dollars, with the provision representing approximately only 1.5% of future commitments.

Power and Water Corporation

Directors' report for the year ended 30 June 2019

Review of Operations (Cont'd)

Impairment

Make-up Gas

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 14. The net present value of the cash flows of the Gas Supply Unit under AASB 136 'Impairment of Assets' framework does not however support the continued recognition of this asset. The cash flows which are assessed under AASB 136 are the same as those used in arriving at the onerous contract provision under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' as noted above, albeit they are discounted at a commercial discount rate of 7.4%. Therefore the Corporation has written down the value to \$10.0 million as at 30 June 2019 (2018: \$7.7 million) in accordance with the requirements of Australian Accounting Standards incurring a charge to the income statement of \$17.7 million (2018: \$32.2 million).

There have been no triggering events during the 2018-19 financial year which would require further analysis for an impairment write-down of the consolidated entity's fixed assets.

Dividends

Subsequent to 30 June 2019 the Board resolved to declare a dividend of \$9.64 million, which will be paid from retained earnings during the year ending 30 June 2020. A dividend of \$9.0 million was declared and paid during the year ended 30 June 2019 in relation to the prior year.

Going concern

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

For the year ended 30 June 2019, the Corporation incurred a net loss after tax of \$86.3 million (2018: profit after tax of \$7.2 million). The Corporation is forecast to make profits over the next 4 years as reported in the Statement of Corporate Intent 2018-19 (SCI).

Although the Corporation's current liabilities for the current year exceed its current assets by \$215.3 million (2018: \$202.0 million), this was due to the debt maturity profile of the Corporation. All debt maturing in 2018-19 and in subsequent years of the SCI period is anticipated to the extent required, to be replaced by new long term debt.

Based on the above assessment performed, there are no material uncertainties that cast significant doubt about the Corporation's ability to continue as a going concern. The Corporation continues to work towards being commercially sustainable and until this is fully achieved, remains reliant on the continued support of its sole shareholder, the Northern Territory Government.

Future developments

The consolidated entity will continue to pursue its vision of being a best practice, commercially focused and customer centric multi utility respected in the community for its contribution to the Northern Territory economy and its pursuit of the long term interests of its customers.

Power and Water Corporation

Directors' report for the year ended 30 June 2019

Environmental regulation

The consolidated entity's operations are subject to significant statutory responsibilities under both Commonwealth and Northern Territory legislation. The Corporation has been issued with a direction from the Department of Environment and Natural Resources in relation to tank cleaning activities at McMinns Water Storage Compound and discharge of sediment from the site. No known regulatory breaches have occurred in IES Pty Ltd. The consolidated entity continues to pursue compliance with its statutory obligations and improve processes to meet its responsibilities in this area.

The Corporation has identified environmental contaminants on a number of sites which are yet to be fully quantified; these include chemical and substance contaminants that will require detailed survey and an assessment of remediation cost. Additionally, the remainder of sites owned by the Corporation have had no screening survey to determine environmental contamination. Further the Corporation has a number of known building certification and compliance liabilities which are being quantified, as well as dilapidation assessments on buildings not recently surveyed which may lead to further compliance liabilities. The Corporation is currently developing its Property Strategy which will be finalised in October 2019 and following this, work will be undertaken to develop subordinate plans including environmental and building assessments across owned property. This is likely to take considerable time and resources to adequately baseline. The ultimate cost and effort associated with determining the total liability to any degree of accuracy is not possible at this time.

Subsequent events

The Directors' have declared a final dividend of \$9.64 million in September 2019, payable on 29 November 2019.

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

Indemnification and insurance of directors and officers

Indemnification

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

Insurance premiums

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

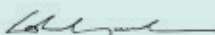
- (i) Group Personal Accident Insurance
- (ii) Professional Indemnity Insurance
- (iii) Directors' and Officers' Liability.

Rounding off

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

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

Dated at Darwin this 15th day of October 2019



John Langoulant
Chair



Auditor-General

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

Page 1 of 5

Opinion

I have audited the financial report of Power and Water Corporation (the Corporation) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In my opinion, the accompanying financial report of the Corporation and the Consolidated Entity is in accordance with the *Government Owned Corporations Act 2014*, including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	Audit scope response to the Key Audit Matter
<p>Unbilled Revenue</p> <p>Revenue from the sale of goods, as disclosed in Note 3.1(a) to the financial statements, includes estimated values for unbilled revenue from Power Networks, System Control, Electricity and Water totalling \$36.164 million. The estimated values are based upon unbilled units supplied to customers between the date of the last meter reading and the year end. The relevant units comprise kilowatt hours for Power Networks, System Control and Electricity, and kilolitres for Water.</p>	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> ▪ obtaining an understanding of the key controls management has in place to determine the accuracy of the estimate of supplied units (sent out data) and related revenue amounts; ▪ comparison of unbilled revenue to the actual subsequent billings; and



Auditor-General

Page 2 of 5

Key Audit Matter	Audit scope response to the Key Audit Matter
<p>The estimation of the unbilled revenue is a key audit matter as it requires significant management judgment to estimate customer consumption between the last invoice date and the end of the reporting period.</p>	<ul style="list-style-type: none"> ▪ analysing the trend in billed revenue throughout the year and the reasonableness of the estimate of unbilled revenue at year end, taking into consideration seasonal fluctuations affecting demand and supply.
<p><i>Valuation of property, plant and equipment</i> Property, plant and equipment, as disclosed in Note 13 to the financial statements, totals \$2,931 million.</p> <p>The valuation of non-current assets is a key audit matter due to the complexity involved in estimating the recoverable amount of assets which requires significant judgement in determining key assumptions supporting the expected future cash flows of the Corporation and expected utilisation of the relevant assets.</p>	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> ▪ obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the Corporation's cash generating units; ▪ checking, on a sample basis, the mathematical accuracy of the cash flow forecast and impairment model and the appropriateness of the inclusion of the specific cash flows in accordance with Australian Accounting Standards; ▪ assessing the consistency of the total forecast cash flow to the Board approved Statement of Corporate Intent; and ▪ performing a sensitivity analysis to test the key assumptions used in the estimate pertaining to key drivers such as growth rates and discount rates.
<p><i>Provision for Onerous Contracts</i></p> <p>As disclosed in Note 19 to the financial statements, the Corporation has recorded a provision of \$66.672 million as the economic costs associated with some gas contracts outweigh the expected benefits to be derived based on current circumstances.</p> <p>The calculation of the net present value of contracts is a key audit matter as the calculation is complex and the valuation model is based on assumptions and estimates that are affected by future performance and market conditions.</p>	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> ▪ assessing and challenging the appropriateness of cash flow projections resulting from management's assumptions; ▪ verifying the inputs used in the model; ▪ recalculating the outputs of the model; ▪ assessing the integrity of the gas contract model used by management based on assumptions around the functionality of the model when compared to industry standards; and



Auditor-General

Page 3 of 5

Key Audit Matter	Audit scope response to the Key Audit Matter
<p><i>Classification and valuation of Capital Work in Progress</i></p> <p>As disclosed in Note 13 to the financial statements, the Corporation has recorded Capital Work in Progress valued at \$251.56 million.</p> <p>The valuation of Capital Work in Progress is a key audit matter due to the judgements and assumptions involved in the valuation of Capital Work in Progress accrued at year end and the degree of judgement involved in the classification between operational and capital expenditure.</p>	<ul style="list-style-type: none">▪ assessing the appropriateness of classification and the adequacy of disclosures in the financial statements. <p>My procedures included but were not limited to:</p> <ul style="list-style-type: none">▪ obtaining an understanding of the key controls associated with the allocation and monitoring of actual project expenditure against the approved budget expenditure for the Corporation's major projects;▪ obtaining an understanding of the key controls associated with the estimation of the stage of completion used to determine the value of costs accrued at year-end;▪ checking the review of capital work in progress performed by the Corporation at year-end; and▪ for a sample of capital project expenditure;<ul style="list-style-type: none">○ tracing the recorded costs to the invoices and assessing whether the nature of the costs represent future benefits to the Corporation in accordance with Australian Accounting Standards;○ tracing accrued expenditure at year-end to any subsequent invoices received from contractors; and○ examining progress reports related to major projects at year-end.



Auditor-General

Page 4 of 5

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Corporation's financial report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The Directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Government Owned Corporations Act 2014*, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155



Auditor-General

Page 5 of 5

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however future events or conditions may cause the Corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Consolidated Entity's audit. I remain solely responsible for my audit opinion.

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

Julie Crisp

Auditor-General for the Northern Territory

Darwin, Northern Territory

15 October 2019

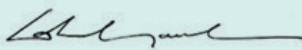
Power and Water Corporation

Directors' Declaration for the year ended 30 June 2019

In the directors' opinion:

- (a) the attached financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act 2001*, including compliance with Accounting Standards in Australia and giving a true and fair view of the financial position and performance of the Corporation and the consolidated entity;
- (b) there are reasonable grounds to believe that the Corporation and the consolidated entity will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2.1 to the financial statements.

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



John Langoulant
Chair

Darwin
15 October 2019

Power and Water Corporation

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2019**

	Note	Consolidated		Corporation	
		June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Continuing Operations					
Revenue from contracts with customers	3.1	668,696	-	625,410	-
Revenue from sale of goods	3.2	-	482,650	-	445,139
Revenue from rendering of services and government grants	3.3	76,354	144,434	-	74,523
Finance revenue	3.4	1,885	1,491	1,427	1,433
Other income	3.5	28,683	83,993	28,683	82,207
Inter-Group sales		-	-	11,260	11,813
		775,618	712,568	666,780	615,115
Energy and materials		(272,364)	(217,039)	(239,089)	(189,601)
Repairs and maintenance expense	4.1	(71,158)	(71,138)	(53,845)	(55,424)
Employee benefits expense	4.2	(99,862)	(98,232)	(87,378)	(85,395)
External service agreements		(47,524)	(40,177)	(31,253)	(27,093)
Impairment of non-current assets and onerous contract provisions	4.3	(243,231)	(20,316)	(156,166)	(20,316)
Net loss on disposal of property, plant and equipment, inc gifted streetlights		(6,801)	(22,308)	(3,212)	(19,571)
Other expenses	4.4	(55,115)	(63,132)	(46,926)	(53,454)
		(796,055)	(532,342)	(617,869)	(450,854)
Earnings before interest, tax, depreciation and amortisation		(20,437)	180,226	48,911	164,261
Depreciation and amortisation expenses	4.5	(162,456)	(164,421)	(119,295)	(107,023)
Finance costs	4.6	(50,571)	(47,254)	(49,600)	(46,981)
(Loss)/profit before tax		(233,464)	(31,449)	(119,984)	10,257
Income tax equivalent expense	5 (a)	33,667	(3,060)	33,667	(3,060)
(Loss)/profit for the year		(199,797)	(34,509)	(86,317)	7,197
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation surplus	23	105,038	120,698	11,942	120,698
Other comprehensive income for the year, net of tax		105,038	120,698	11,942	120,698
Total comprehensive income for the year		(94,759)	86,189	(74,375)	127,895

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

Financial Statements

Power and Water Corporation

Consolidated statement of financial position for the year ended 30 June 2019

	Note	Consolidated		Corporation	
		June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Current assets					
Cash and cash equivalents	7 (a)	177,610	103,914	94,069	59,064
Trade and other receivables	8	102,954	85,908	114,533	92,868
Prepayments		5,339	6,399	5,105	6,146
Current tax assets	5 (c)	4,487	9,933	4,487	9,933
Inventories	9	24,893	24,704	18,682	18,325
Intangible assets	14	928	1,515	850	1,457
Total current assets		316,211	232,373	237,726	187,793
Non-current assets					
Trade and Other Receivables	8	16,112	4,422	16,112	4,422
Loans to subsidiaries	12	-	-	25,000	11,000
Investments	10	3	3	3	3
Property, plant and equipment	13	2,931,219	3,026,347	2,231,498	2,342,927
Intangible assets	14	14,627	11,888	14,466	11,888
Deferred tax assets	5 (b)	71,378	61,830	71,378	61,830
Total non-current assets		3,033,339	3,104,490	2,358,457	2,432,070
Total assets		3,349,550	3,336,863	2,596,183	2,619,863
Current liabilities					
Trade and other payables	15	65,703	71,477	50,137	55,416
Borrowings	17	242,000	204,000	242,000	204,000
Provisions	19	104,419	99,773	104,419	99,773
Unearned revenue	16	56,411	30,584	56,411	30,584
Government grants	20	54,778	73,329	-	-
Finance lease liabilities	18	1,081	1,057	11	12
Total current liabilities		524,392	480,220	452,978	389,785
Non-current liabilities					
Borrowings	17	1,000,000	980,000	1,000,000	980,000
Deferred tax liabilities	5 (b)	94,307	135,863	94,307	135,863
Provisions	19	7,041	6,974	7,041	6,974
Unearned revenue	16	12,157	-	12,157	-
Government grants	20	335,209	265,095	-	-
Finance lease liabilities	18	13,819	8,172	176	187
Total non-current liabilities		1,462,533	1,396,104	1,113,681	1,123,024
Total liabilities		1,986,925	1,876,324	1,566,659	1,512,809
Net assets		1,362,625	1,460,539	1,029,524	1,107,054
Equity					
Contributed equity	21	44,336	34,336	44,336	34,336
Retained earnings	22	278,458	486,099	516,376	614,124
Asset Revaluation Reserve	23	1,039,831	940,104	468,812	458,594
Total equity		1,362,625	1,460,539	1,029,524	1,107,054

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

Power and Water Corporation

Consolidated statement of changes in equity for the year ended 30 June 2019

	Note	Consolidated		Corporation	
		June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Contributed equity					
Balance at beginning of year		34,336	34,336	34,336	34,336
Equity contributions from the Northern Territory Government		10,000	-	10,000	-
Balance at end of year	21	44,336	34,336	44,336	34,336
Retained earnings					
Balance at beginning of year		486,099	515,398	614,124	604,835
Effect of adoption of new accounting standards		(4,155)	-	(4,155)	-
Net (loss)/profit for the year		(199,797)	(34,509)	(86,317)	7,197
Retirements transferred from asset revaluation reserve		5,311	5,210	1,724	2,092
Dividends paid		(9,000)	-	(9,000)	-
Balance at end of year	22	278,458	486,099	516,376	614,124
Asset revaluation reserve					
Balance at beginning of year		940,104	824,616	458,594	339,988
Increase in asset valuation		110,156	172,425	17,060	172,425
Less deferred tax effect recognised in deferred tax liabilities		(5,118)	(51,727)	(5,118)	(51,727)
Retirements transferred to retained earnings		(5,311)	(5,210)	(1,724)	(2,092)
Balance at end of year	23	1,039,831	940,104	468,812	458,594
Total equity		1,362,625	1,460,539	1,029,524	1,107,054
Total equity attributable to owners of the parent		1,362,625	1,460,539	1,029,524	1,107,054

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

Power and Water Corporation

**Consolidated statement of cash flows
for the year ended 30 June 2019**

	Note	Consolidated		Corporation	
		June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Cash flows from operating activities					
Receipts from customers		719,862	644,277	671,683	613,706
Payments to suppliers and employees		(631,968)	(565,442)	(532,547)	(488,206)
Income tax paid	5 (c)	(15,330)	(43,632)	(15,330)	(43,631)
Community Service Obligations received		28,160	31,312	28,160	31,312
Receipt of Government grants		127,918	97,574	-	-
Interest received		1,851	1,557	1,392	1,512
Interest paid		(50,805)	(48,241)	(49,855)	(47,970)
Net cash generated by operating activities	7 (b)	179,688	117,405	103,503	66,723
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		160	373	116	286
Payments for property, plant and equipment		(164,142)	(193,792)	(113,602)	(140,185)
Loans to controlled entity		-	-	(14,000)	-
Proceeds from repayment of loans to controlled entity		-	-	-	967
Net cash used in investing activities		(163,982)	(193,419)	(127,486)	(138,932)
Cash flows from financing activities					
Proceeds from equity injection	21	10,000	-	10,000	-
Repayment of borrowings		(272,000)	(208,805)	(272,000)	(208,805)
Proceeds from borrowings		330,000	245,000	330,000	245,000
Repayment of finance lease liabilities		(1,010)	(1,008)	(12)	(12)
Dividends paid	6	(9,000)	-	(9,000)	-
Net cash provided by/(used in) financing activities		57,990	35,187	58,988	36,183
Net (decrease)/increase in cash and cash equivalents		73,696	(40,827)	35,005	(36,026)
Cash and cash equivalents at beginning of year		103,914	144,741	59,064	95,090
Cash and cash equivalents at end of year	7 (a)	177,610	103,914	94,069	59,064

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

1 General information

Power and Water Corporation (the Corporation) is a government owned corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2019 comprises the Corporation and its subsidiary, Indigenous Essential Services Pty Limited (IES Pty Ltd).

The consolidated entity is principally engaged in the provision of electricity distribution, electricity, water and sewerage services to customers across the Northern Territory. The consolidated entity also sells gas to a number of customers across Australia. Further information of the nature of the operations and principal activities of the consolidated entity is provided in the director's report. Information on other related parties are provided in Note 29.

The financial report was authorised for issue by the Directors on 15 October 2019.

2 Significant accounting policies

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

2.1 Basis of preparation

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

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

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

The consolidated financial statements provide comparative information in respect of the previous period.

Compliance with IFRS

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at 30 June each year (the consolidated entity). A list of subsidiaries appears in Note 11 to the financial statements. Control is achieved when the consolidated entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies

(a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

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

(b) Fair value measurements

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

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

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

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

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

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

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

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

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

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

- Property, plant and equipment Note 13
- Financial instruments Note 25

(c) Revenue from contracts with customers

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

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

Sale of gas

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

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

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

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

Electricity distribution services

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

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

Sale of water, electricity and sewerage services

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

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

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

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

(d) Government grants

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

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

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

(e) Goods and services tax

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

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

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

(f) Borrowing costs

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

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

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

(g) Income tax equivalents

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

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

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

Current tax

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

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

Deferred tax

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

Deferred tax liabilities

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

Deferred tax assets

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

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

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

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

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

Current and deferred tax for the year

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

(h) Cash and cash equivalents

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

(i) Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

The consolidated entity did not have any financial assets at fair value through profit or loss as at and for the year ended 30 June 2019 (2018: Nil).

Derecognition

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

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

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

Impairment of financial assets

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

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

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

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

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

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

Derecognition

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

Offsetting of financial instruments

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

(j) Inventories

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

(k) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

The Group as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the consolidated entity is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 in finance costs in the statement of profit or loss.

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

(k) Leases (cont'd)

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

The Group as lessor

Leases in which the consolidated entity does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

(l) Property, plant and equipment

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

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

Freehold land, buildings, plant and infrastructure assets 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 consolidated entity. Ongoing repairs and maintenance are expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

Freehold land is not depreciated.

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

2.3 Summary of significant accounting policies (cont'd)

(l) Property, plant and equipment (cont'd)

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

(m) Intangible assets

Intangible assets acquired separately

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

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

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

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

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

Purchased software

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

Renewable Energy Certificates

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

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

(n) Employee benefits

Short-term employee benefits

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

Wages and Salaries

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

Annual Leave

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

Long-term employee benefits

Long service leave

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

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 Australian Super.

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.

(o) Provisions

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.3 Summary of significant accounting policies (cont'd)

Onerous contracts

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

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

(p) 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, in principle at a rate of 50% of net profit after income tax, but after covering all requirements of the GOC Act and Corporations Act. See Note 6 for further information.

(q) Impairment of tangible and intangible assets

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

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

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

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

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

(r) Comparative figures

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

2.4 Adoption of new and revised Accounting Standards

(a) New and amended AASB Standards that are effective for the current year

The consolidated entity applied AASB 15 and AASB 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018-19, but do not have an impact on the consolidated financial statements of the consolidated entity. The consolidated entity has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 15 Revenue from contracts with customers

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The consolidated entity adopted AASB 15 using the cumulative-effect method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The consolidated entity elected to apply the standard to all contracts as at 1 July 2018 / only to contracts that are not completed at this date.

The cumulative effect of initially applying AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118 and related interpretations.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.4 Adoption of new and revised Accounting Standards (cont'd)

(a) New and amended AASB Standards that are effective for the current year (Cont'd)

The nature of the adjustments as at 1 July 2018 and the reasons for the significant changes in the statement of financial position as at 30 June 2019 and the statement of profit or loss for the year ended 30 June 2019 are described on the following page.

The effect of adopting AASB 15 as at 1 July 2018 was, as follows:

	Reference	Consolidated Increase/ (decrease) \$'000	Corporation Increase/ (decrease) \$'000
Liabilities			
Contract liabilities (non-current)	(iii)	8,146	8,146
Contract liabilities (current)	(iv)	7,880	7,880
Unearned revenue (current)	(iii),(iv)	(10,091)	(10,091)
Deferred tax liabilities	(v)	(1,780)	(1,780)
Total liabilities		4,155	4,155
Total adjustment on equity:			
Retained earnings	(v)	4,155	4,155
Total equity		4,155	4,155

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2019 as a result of the adoption of AASB 15. The adoption of AASB 15 did not have a material impact on Other Comprehensive Income or the consolidated entity's operating, investing and financing cash flows. The first column shows amounts prepared under AASB 15 and the second column shows what the amounts would have been had AASB 15 not been adopted:

Statement of profit or loss for the year ended 30 June 2019

	Reference	Amounts prepared under		Increase/ (decrease)
		AASB 15 \$'000	Previous AASB \$'000	\$'000
Consolidated entity				
Revenue from contracts with customers	(i),(ii),(iii),(iv)	668,886	-	668,886
Sale of goods	(i),(ii)	-	551,068	(551,068)
Rendering of services	(iii)	-	79,518	(79,518)
Other income	(iv)	-	34,588	(34,588)
Total revenue	(i),(ii),(iii),(iv)	668,886	665,174	3,712
Earnings before interest, tax, depreciation and amortisation	(i),(ii),(iii),(iv)	(20,437)	(24,149)	3,712
(Loss)/profit before tax	(i),(ii),(iii),(iv)	(233,464)	(237,176)	3,712
Income tax expense		33,667	34,781	(1,114)
(Loss)/profit for the year	(i),(ii),(iii),(iv)	(199,797)	(202,396)	2,599
Corporation				
Revenue from contracts with customers	(i),(ii),(iii),(iv)	625,410	-	625,410
Sale of goods	(i),(ii)	-	512,801	(512,801)
Rendering of services	(iii)	-	76,448	(76,448)
Other income	(iv)	-	32,449	(32,449)
Total revenue	(i),(ii),(iii),(iv)	625,410	621,698	3,712
Earnings before interest, tax, depreciation and amortisation	(i),(ii),(iii),(iv)	48,911	45,199	3,712
(Loss)/profit before tax	(i),(ii),(iii),(iv)	(119,984)	(123,696)	3,712
Income tax expense		33,667	34,781	(1,114)
(Loss)/profit for the year	(i),(ii),(iii),(iv)	(86,317)	(88,916)	2,599

Statement of financial position as at 30 June 2019

	Reference	Amounts prepared under		Increase/ (decrease)
		AASB 15 \$'000	Previous AASB \$'000	\$'000
Consolidated entity				
Non-current assets				
Deferred tax asset	(v)	71,378	70,711	667
Total non-current assets		3,033,339	3,032,672	667
Total assets				
Current liabilities				
Unearned revenue	(i),(ii),(iv)	56,411	66,345	(9,934)
Total current liabilities		524,392	534,326	(9,934)
Non-current liabilities				
Unearned revenue	(ii)	12,157	-	12,157
Total non-current liabilities		1,462,533	1,450,376	12,157
Total liabilities		1,986,925	1,984,702	2,223
Total net assets		1,362,625	1,364,181	(1,556)
Equity				
Retained earnings	(iv)	278,458	280,014	(1,556)
Total equity		1,362,625	1,364,181	(1,556)

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

2.4 Adoption of new and revised Accounting Standards (cont'd)

(a) New and amended AASB Standards that are effective for the current year (cont'd)

	Reference	Amounts prepared under AASB 15 \$'000	Previous AASB \$'000	Increase/ (decrease) \$'000
Corporation				
Non-current assets				
Deferred tax asset	(v)	71,378	70,711	667
Total non-current assets		2,358,457	2,357,790	667
Total assets		2,596,183	2,595,516	667
Current liabilities				
Unearned revenue	(i),(ii),(iv)	56,411	66,345	(9,934)
Total current liabilities		452,978	462,912	(9,934)
Non-current liabilities				
Unearned revenue	(ii)	12,157	-	12,157
Total non-current liabilities		1,113,681	1,101,524	12,157
Total liabilities		1,566,659	1,564,436	2,223
Total net assets		1,029,524	1,031,080	(1,556)
Equity				
Retained earnings	(iv)	516,376	517,932	(1,556)
Total equity		1,029,524	1,031,080	(1,556)

(i) Sale of electricity, water and electricity distribution services

The consolidated entity has concluded that the adoption of AASB 15 has not had a significant impact on the accounting and revenue recognition from the sale of electricity, water and electricity distribution services. However, amounts that were previously classified as Sale of goods of \$341.6 million (Corporation: \$303.5 million) have been reclassified to revenue from contracts with customers for the year ended 30 June 2019 and customer payments received in advance of \$9.5 million (Corporation: \$9.5 million) as at 30 June 2019 have been reclassified from Unearned revenue (current) to Contract liabilities (current).

The consolidated entity has also concluded that a receivable continues to be recognised under the new AASB 15 when the electricity distributions services, water or electricity is transferred to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Therefore, there is no impact on the consolidated financial statements.

(ii) Sale of gas

While the consolidated entity has concluded that the adoption of AASB 15 has not had a significant impact on the accounting and revenue recognition from the sale of gas to customers, for some take-or-pay contracts however, the adoption of AASB 15 will result in a change in how revenue from breakage will be accounted for under the new standard. Under the previous standard any gas paid for but not taken delivery of by the customer was accounted for as an intangible asset (referred to as make-up gas in these financial statements) until such time as the customer takes delivery of that gas or forfeits its rights to the gas. Under the new AASB 15, the consolidated entity is required to estimate and recognise revenue breakage at the end of each reporting period to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognised will not occur.

The consolidated entity has undertaken assessment of the estimated breakage as at 30 June 2018 and 2019 and has concluded that for both periods it is not probable that the customer will not exercise its remaining rights to the make-up gas and that a significant reversal in the amount of cumulative revenue recognised will not be reversed. Therefore, the consolidated entity has not recognised any revenue from breakage for the years ended 30 June 2018 or 2019.

Amounts for make-up gas previously recognised as current liabilities have been reclassified to non-current liabilities. The impact of this reclassification is an increase to non-current unearned revenue of \$12.2 million (Corporation: \$12.2 million) as at 30 June 2019 and a corresponding decrease in current unearned revenue for the same amount.

The consolidated entity has also concluded that a receivable continues to be recognised under the new AASB 15 when the gas is transferred to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Therefore, there is no impact on the consolidated financial statements.

(iii) Sale of waste management services, including sewerage services

The consolidated entity has concluded that the adoption of AASB 15 has not had a significant impact on the accounting and revenue recognition in relation to sewerage services and other waste management services provided to customers.

(iv) Capital contributions received from customers

Before the adoption of AASB 15, revenue from gifted assets received from customers were recognised at the point in time when control of the asset being gifted was transferred and accepted by the consolidated entity together with the related risks and rewards of ownership transfer and the revenue can be reliably measured. Capital contributions are received upfront and were accounted for as a liability upon receipt and only recognised as revenue using the stage-of-completion method, i.e. revenue was released to the profit or loss over time as the related costs in constructing the associated infrastructure assets were incurred.

Under the new AASB 15, the amount and timing of revenue recognition from gifted assets and capital contributions is dependent on whether the consolidated entity has any further promises for related goods or services to be provided under the contract with the customer.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.4 Adoption of new and revised Accounting Standards (cont'd)

For those contracts that include further promises of goods or services to be supplied under the contract such as an ongoing supply of electricity, electricity distribution or water that relate to the gifted asset or capital contribution, the promises are bundled together to form one single performance obligation that is satisfied over time as the consolidated entity transfers control of the bundled goods or services to the customer who simultaneously receives and consumes the benefits from those bundled goods or services. The consolidated entity has concluded that this change in accounting policy did not have a significant effect on the accounting as these type of contracts with customers only represent a small proportion of total gifted and capital contributions received from customers in terms of both quantity and value.

For those contracts for gifted assets that do not include any further promises of related goods or services, the consolidated entity has concluded that the change in accounting policy did not have a significant impact of current accounting practices, i.e. revenue continues to be recognised at a point in time, being the point in time when control of the gifted asset is transferred to the consolidated entity, is connected to the power or water network system and is ready for use.

For those contracts for capital contributions paid upfront, the consolidated entity has concluded that the adoption of AASB 15 has resulted in a change in the accounting for these contracts compared to how they were previously accounted for under the old revenue standards. Under the previous accounting standard revenue was recognised as the associated asset was being constructed and measured using the stage of completion method i.e. revenue was released to the profit or loss as the consolidated entity incurred the related costs of the construction. Under AASB 15, revenue is only recognised at a point in time, being the point in time when the customer is connected (after the construction of the associated asset is completed) and ready to receive the benefits of that connection to the power or water network system.

Therefore, on adoption of AASB 15, the consolidated entity increased Unearned revenue (current) by \$5.9 million (Corporation: \$5.9 million), decreased Deferred tax asset by \$1.8 million and decreased Retained earnings by \$4.2 million as at 1 July 2018. In addition, the consolidated entity reclassified \$1.2 million (Corporation: \$1.2 million) from Unearned revenue (current) to Contract liabilities (current) as at 1 July 2018.

As at 30 June 2019, under AASB 15 the consolidated entity reclassified \$0.95 million (Corporation: \$0.95 million) from Unearned revenue (current) to Contract liabilities (current). In addition, as at 30 June 2019 AASB 15 increased Contract liabilities (current) by \$0.42 million (Corporation: \$0.42 million), decreased Retained earnings by \$2.6 million (Corporation: \$2.6 million), increased Revenue from contracts with customers by \$3.7 million (Corporation: \$3.7 million) and decreased tax expense by \$1.1 million for the year ended 30 June 2019.

(v) Other adjustments

In addition to the adjustments described above, other items of the financial statements such as deferred taxes and retained earnings were adjusted as necessary.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The consolidated entity applied AASB 9 prospectively, with an initial application date of 1 July 2018. The consolidated entity has not restated the comparative information, which continues to be reported under AASB 139. The consolidated entity has concluded that the adoption of AASB 9 has not had a significant impact on the consolidated financial statements at the date of initial application as at 1 July 2018 or as at and for the year ended 30 June 2019.

Other amendments to standards and interpretations

In the current year, a number of other amendments to AASB Standards and Interpretations were issued that are effective for annual reporting periods that begin on or after 1 January 2018, however are not applicable to the consolidated entity. They are as follows:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

<i>Standard or Interpretation</i>	<i>Effective annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 17 'Insurance contracts'	1 January 2021	30 June 2022
Amendments to AASB 9 'Financial Instruments' - Prepayment Features with Negative Compensation	1 January 2019	30 June 2020
Amendments to AASB 128 - Long-term Interests in Associates and Joint Ventures	1 January 2019	30 June 2020
Annual Improvements to AASB Standards 2015-2017 Cycle - Amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs	1 January 2019	30 June 2020
Amendments to AASB 119 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019	30 June 2020
AASB 10 Consolidated Financial Statements and AASB 128 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		Deferred indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.4 Adoption of new and revised Accounting Standards (cont'd)

(b) Standards and Interpretations in issue not yet adopted

The consolidated entity does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the consolidated entity in future periods, except as noted below:

AASB 16 Leases

General impact of application of AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 Leases for the consolidated entity will be 1 July 2019.

The consolidated entity has chosen the cumulative-effect method for application of AASB 16 in accordance with AASB 16:C5(a). Consequently, the comparative financial statements will not be restated.

For contracts in respect of lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease

The consolidated entity will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The consolidated entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the consolidated entity has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the AASB 16.

Impact on Lessee Accounting

Operating leases

AASB 16 will change how the consolidated entity accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the consolidated entity will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the consolidated entity will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the consolidated entity has non-cancellable operating lease commitments of \$6.8 million, see Note 27.

A preliminary assessment indicates that 230 of arrangements assessed relate to leases other than short-term leases and leases of low-value assets, and hence the consolidated entity will recognise a right-of-use asset of \$15.0 million and a corresponding lease liability of the same amount in respect of all these leases. The impact on profit or loss for the year ended 30 June 2020 is to decrease other expenses by \$5.5 million, to increase depreciation by \$5.3 million and to increase interest expense by \$0.3 million.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by \$5.5 million and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the consolidated entity recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application, the consolidated entity will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the consolidated entity's finance leases as at 30 June 2019 on the basis of the facts and circumstances that existed at that date, the preliminary assessment indicates that this will have no impact on the financial statements of the consolidated entity.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.4 Adoption of new and revised Accounting Standards (cont'd)

(b) Standards and Interpretations in issue not yet adopted (cont'd)

Determining whether an arrangement not in the legal form of a lease contains a lease

The consolidated entity undertook a detailed review of its arrangements that are not in the legal form of a lease to identify those that may contain a lease under AASB 16, for which it concluded that there are four non-cancellable arrangements that meet the definition of a lease under AASB 16 and as such right-of-use assets and corresponding lease liabilities for an estimated \$333.8 million will be recognised on the date of initial application for these arrangements.

Of these arrangements, the consolidated entity has sub-leased the underlying asset of one of these arrangements to a third party which it has been concluded that the sub-lease arrangement meets the classification requirements under AASB 16 of a finance lease; and hence the related right-of-use assets will be de-recognised and replaced with a finance lease receivable for an estimated \$8.1 million. In addition the Corporation has entered in an arrangement with its subsidiary which meets the definition of a lease and the classification requirements of a finance lease under AASB 16 and hence the related item of property, plant and equipment will also be de-recognised and replaced with a finance lease receivable for an estimated \$17.1 million which will be eliminated on consolidation.

Impact on Lessor Accounting

Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

Because of this change the consolidated entity will reclassify certain of its sublease agreements as finance leases. As required by AASB 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

Determining whether an arrangement not in the legal form of a lease contains a lease

The consolidated entity identified an arrangement not in the legal form of a lease which also meets the definition of a lease, with the consolidated entity as lessor in which the underlying asset is accounted for in property, plant and equipment with a current carrying value of \$12.2 million. As such the item of property, plant and equipment will be de-recognised and replaced with a finance lease receivable for an estimated \$5.6 million.

In relation to the consolidated entity's existing finance leases no significant impact is expected as an asset and related finance lease liability are already recognised for these lease arrangements in the consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards of which two are applicable to the consolidated entity.

AASB 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

AASB 123 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The directors of the consolidated entity do not anticipate that the application of the amendments in the future will have an impact on the consolidated entity's financial statements.

Amendments to AASB 119 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). AASB 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under AASB 19.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to AASB 19 are first applied. The amendments to AASB 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The consolidated entity does not anticipate that the application of the amendments in the future will have an impact on the consolidated entity's financial statements.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

2.4 Adoption of new and revised Accounting Standards (cont'd)

(b) Standards and Interpretations in issue not yet adopted (cont'd)

AASB 10 Consolidated Financial Statements and AASB 128 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to AASB 10 and AASB 128 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The consolidated entity anticipates that the application of these amendments may have an impact on the consolidated entity's financial statements in future periods should such transactions arise.

The consolidated entity does not anticipate that the application of the amendments in the future will have an impact on the consolidated entity's financial statements.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a consolidated entity
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 July 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. The consolidated entity does not anticipate that the application of the amendments in the future will have an impact on the consolidated entity's financial statements.

2.5 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the consolidated entity's policies

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

Capitalisation of borrowing costs on qualifying assets

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

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

Under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', for contracts that are onerous the present obligation under the contract shall be recognised and measured as a provision. The definition of an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs of a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Significant judgement is required when selecting the discount rate that shall be applied in determining the carrying amount of the provision. The consolidated entity has determined that any provision cash-flow workings shall be discounted using the long term bond yield rate of 2.8%. Refer to Note 19 for further details.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

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

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 13.

Impairment write-back

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

Impairment write-off

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

Unbilled revenue

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

Useful lives of property, plant and equipment

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

Capitalisation of expenses

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

(i) Borrowing costs

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

(ii) Labour recovery costs

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

(iii) Indirect costs supporting capital projects

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

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

	Consolidated			Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000	June 2018 \$'000
3 Revenue					
3.1 Revenue from contracts with customers					
Revenue from contracts with customers	668,696	-	625,410	-	-
	668,696		625,410		

(a) Disaggregation of revenue from contracts with customers

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

	For the year ended 30 June 2019							Total \$'000
	Gas \$'000	Electricity distribution \$'000	System Control \$'000	Water \$'000	Sewerage \$'000	Electricity \$'000	Gifted assets & capital contributions \$'000	
Consolidated entity								
Revenue from external customers	207,685	181,648	1,747	123,942	79,518	35,665	25,015	13,476
Timing of revenue recognition								
- Over time	207,685	181,648	1,747	123,942	79,518	35,665	-	6,405
- At a point in time	-	-	-	-	-	-	25,015	7,071
	207,685	181,648	1,747	123,942	79,518	35,665	25,015	13,476
								668,696
Corporation								
Revenue from external customers	207,685	181,551	1,747	118,396	76,448	3,422	24,140	12,021
Timing of revenue recognition								
- Over time	207,685	181,551	1,747	118,396	76,448	3,422	-	5,166
- At a point in time	-	-	-	-	-	-	24,140	6,855
	207,685	181,551	1,747	118,396	76,448	3,422	24,140	12,021
								625,410

(b) Assets and liabilities related to contracts with customers

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

	Consolidated			Corporation	
	June 2019 \$'000	1 July 2018 \$'000	June 2019 \$'000	1 July 2018 \$'000	1 July 2018 \$'000
Receivables*	45,091	30,625	44,966	30,478	
Contract liabilities (current)	56,411	7,880	56,411	7,880	
Contract liabilities (non-current)	12,157	8,146	12,157	8,146	

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

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

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

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

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

3.1 Revenue from contracts with customers (Cont.)

(b) Assets and liabilities related to contracts with customers (cont'd)

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

	Consolidated		Corporation	
	Contract assets \$'000	Contract liabilities \$'000	Contract assets \$'000	Contract liabilities \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	7,233	-	7,233
Increases due to cash received, excluding amounts recognised as revenue during the period	-	13,496	-	13,496

* The consolidated entity recognised the cumulative effect of initially applying AASB 15 as an adjustment to opening balances as at 1 July 2016

(c) Transaction price allocated to the remaining performance obligations

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

	1 to 2 years \$'000	3 to 5 years \$'000	6 to 10 years \$'000	10 years + \$'000
Gas sales	164	-	11,993	-
Capital contributions & gifted assets	42,803	2,000	-	-

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

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

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
3.2 Sale of goods				
Network services and system control	-	173,791	-	173,791
Gas	-	154,765	-	154,765
Water	-	118,639	-	113,337
Electricity	-	35,455	-	3,246
	-	482,650	-	445,139
3.3 Revenue from rendering of services and government grants				
IES capital government grants	20,460	19,023	-	-
IES recurrent government grants	55,894	47,849	-	-
Services rendered	-	77,562	-	74,523
	76,354	144,434	-	74,523
3.4 Finance revenue				
Interest income:				
Financial instruments measured at amortised cost:				
Bank deposits	1,231	1,486	773	928
Loans to related party	654	5	654	505
	1,885	1,491	1,427	1,433
3.5 Other income				
<i>Community Service Obligations:</i>				
Uniform tariffs	6,798	6,727	6,798	6,727
Gas CSO	16,200	18,700	16,200	18,700
Pensioner Concessions Scheme	5,162	5,885	5,162	5,885
	28,160	31,312	28,160	31,312
<i>Developer, customer and other capital contributions:</i>				
Gifted assets	-	22,410	-	22,410
Other	-	7,375	-	7,375
	-	29,785	-	29,785
Recoverable works	-	6,641	-	5,347
Temporary service provision	-	3,727	-	3,727
Other revenue	523	12,528	523	12,036
	28,683	83,993	28,683	82,207

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

	Consolidated		Corporation	
	June 2019	June 2018	June 2019	June 2018
	\$'000	\$'000	\$'000	\$'000
4 Expenses				
4.1 Repairs and maintenance expense				
Materials	46,235	45,144	31,800	31,855
Labour	24,923	25,994	22,045	23,569
	71,158	71,138	53,845	55,424
4.2 Employee benefits expense				
Personnel	128,190	127,422	112,768	110,554
Superannuation	13,632	13,923	12,104	12,306
Contract and apprentice labour	5,400	5,774	4,753	5,712
	147,222	147,119	129,625	128,572
Less: capital and maintenance labour recovery	(47,360)	(48,887)	(42,247)	(43,177)
	99,862	98,232	87,378	85,395
Consolidated personnel expenses include superannuation costs of \$13.6 million (2018: \$13.9 million).				
4.3 Impairment of non-current assets and onerous contract provisions				
Impairment of make up gas	17,687	32,161	17,687	32,161
Increase in provision for onerous contract	5,068	19,542	5,068	19,542
Revaluation increase	(2,692)	(31,889)	(2,692)	(31,889)
Revaluation decrease	223,168	502	136,103	502
	243,231	20,316	156,166	20,316
30 June 2019				
As at 30 June 2019, the Corporation revalued its assets resulting in a revaluation decrease in Power Services assets of \$136.1 million reflected in the profit or loss. Buildings and land were also revalued resulting in a revaluation uplift of \$2.7 million as a reversal of impairment charges previously taken to the prior year income statements. The valuation of the consolidated entity's property, plant and equipment has resulted in a revaluation decrease of \$223.2 million reflected in the profit or loss, of which \$87.1 million relates to IES Pty Ltd.				
A review of the value of make-up gas resulted in an impairment expense of \$17.7 million. Together with an increase in the value of the onerous contract of \$5.1 million, the gas contracts resulted in a net expense of \$22.8 million.				
30 June 2018				
As at 30 June 2019 Water Services and Power Network assets were revalued resulting in a revaluation uplift of \$10.2 million and \$21.7 million reflected in the profit and loss respectively as a reversal of impairment charges previously taken to the prior year income statements. The revaluation on gas assets resulted in a devaluation of \$0.5 million reflected in the profit and loss.				
4.4 Other expenses				
Impairment of trade receivables	1,696	(367)	1,696	337
Freight	1,428	1,513	293	369
Grants and subsidies	1,518	1,162	1,517	1,162
Information technology and communications expense	10,928	9,782	9,463	8,348
Insurance costs	2,568	2,802	2,562	2,768
Laboratory fees and environmental compliance	4,339	4,552	3,476	3,719
Motor vehicle	5,771	5,385	4,776	4,398
Other expenses	7,840	19,346	5,381	14,679
Property costs	15,356	15,344	14,946	14,971
Training	1,708	1,721	1,608	1,526
Travel and accommodation	1,963	1,892	1,208	1,177
	55,115	63,132	46,926	53,454
During the year ending 30 June 2019 \$3.3 million (2018: \$10.3 million) relating to 2 (2018: 19) projects has been written off from work-in-progress.				
4.5 Depreciation and amortisation expense				
<i>Depreciation</i>				
Buildings	1,354	1,201	1,354	1,201
Plant and equipment	4,447	3,595	4,283	3,355
Infrastructure	151,823	152,415	110,510	96,147
Finance leases	959	896	7	7
Total depreciation	158,583	158,107	116,154	100,710
<i>Amortisation</i>				
Intangible assets	3,873	6,314	3,141	6,313
Total amortisation	3,873	6,314	3,141	6,313
Total depreciation and amortisation expense	162,456	164,421	119,295	107,023
4.6 Finance costs				
Interest Expense - Government	54,316	54,758	54,316	54,757
Interest Expense - Other	1,465	276	494	4
Total interest expense for financial liabilities not classified as at FVTPL	55,781	55,034	54,810	54,761
Less: Capitalised finance costs	(5,210)	(7,780)	(5,210)	(7,780)
	50,571	47,254	49,600	46,981
Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowings pool and are calculated by applying a capitalisation rate of 4.49% per annum (2018: 4.62%) to expenditure on such assets.				

Financial Statements

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
5 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
<i>Current income tax</i>				
Current income tax charge	15,988	10,301	15,988	10,301
<i>Deferred income tax</i>				
Over from prior years	2,322	(17)	2,322	(17)
Relating to origination and reversal of temporary differences	(51,977)	(7,224)	(51,977)	(7,224)
Income tax expense reported in profit or loss	(33,667)	3,060	(33,667)	3,060
Numerical reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax from continuing operations	(233,464)	(31,449)	(119,984)	10,256
At the consolidated entities' statutory income tax rate of 30% (2018: 30%)	(70,039)	(9,434)	(35,995)	3,077
Over provision from prior years	2,322	(19)	2,322	(19)
Expenditure not allowable for income tax purposes	34,050	12,513	6	2
Income tax expense on pre-tax profit	(33,667)	3,060	(33,667)	3,060
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Property, plant and equipment	94,251	135,805	94,251	135,805
Prepayments	56	58	56	58
Gross deferred income tax liabilities	94,307	135,863	94,307	135,863
<i>Movements:</i>				
Opening balance at 1 July	135,863	73,502	135,863	73,502
Over/(under) provision from prior years	-	3,545	-	3,545
Credited/(charged) to profit or loss	(46,674)	7,089	(46,674)	7,089
DTL on revaluation recognised directly against ARR	5,118	51,727	5,118	51,727
Closing balance at 30 June	94,307	135,863	94,307	135,863
<i>Deferred tax assets</i>				
Employee provisions	13,483	13,628	13,483	13,628
Unearned revenue	667	-	667	-
Allowance for doubtful debts	2,102	1,652	2,102	1,652
Obsolete stock provision	229	565	229	565
Provision for onerous contract	20,002	18,482	20,002	18,482
Renewable energy provision	2	12	2	12
Make up gas impairment	32,205	26,898	32,205	26,898
Accrued expenses	39	593	39	593
Board approved write-offs	2,649	-	2,649	-
Gross deferred income tax assets	71,378	61,830	71,378	61,830
<i>Movements:</i>				
Opening balance at 1 July	61,828	47,517	61,828	47,517
Under/(over) provision from prior years	2,467	-	2,467	-
Tax effect of adoption of new accounting standards	1,780	-	1,780	-
Credited/(charged) to profit or loss	5,303	14,313	5,303	14,313
Closing balance at 30 June	71,378	61,830	71,378	61,830
Net deferred tax assets and deferred tax liabilities	(22,929)	(74,033)	(22,929)	(74,033)
Deferred tax expense	(51,977)	(7,224)	(51,977)	(7,224)

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
5 Income tax equivalent expense (Cont'd)				
(c) Income tax (receivable)/payable				
Opening balance at 1 July	(9,933)	26,959	(9,933)	26,959
Under/(over) provision from prior years	4,788	(3,562)	4,788	(3,562)
Income tax paid	(15,330)	(43,631)	(15,330)	(43,631)
Current year income tax expense	15,988	10,301	15,988	10,301
Closing balance at 30 June	(4,487)	(9,933)	(4,487)	(9,933)

6 Dividends

Dividends paid to its shareholder during the financial year were as follows:
Dividend paid during the year on ordinary shares:

	9,000	-	9,000	-
	9,000	-	9,000	-

Subsequent to 30 June 2019 the Board resolved to declare a dividend, but not recognised as a liability at year end of \$9.64 million to be paid on the 29 November 2019 out of retained earnings at 30 June 2019.

7 Cash and cash equivalents

(a) Reconciliation of cash

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

Cash assets	177,610	103,914	94,069	59,064
-------------	----------------	----------------	---------------	---------------

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

Net (loss)/profit	(199,797)	(34,509)	(86,317)	7,197
<i>Adjustments for:</i>				
Depreciation and amortisation	162,456	164,421	119,295	107,022
Impairment writedown	243,231	20,316	156,166	20,316
Contributed assets provided free of charge	(17,451)	(22,410)	(17,451)	(22,410)
Write-off of WIP	3,334	10,271	3,334	10,273
Net loss on disposal of property, plant and equipment, inc gifted streetlights	6,801	22,308	3,212	19,571
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	(188)	(234)	(356)	1,120
(Increase)/decrease in trade and other receivables	(34,670)	(12,726)	(39,289)	(9,440)
(Increase)/decrease in current intangible assets	587	(58)	606	(1)
(Increase)/decrease in prepayments	1,055	(4,200)	1,041	(4,188)
Decrease in net deferred tax payable	(56,224)	(3,678)	(56,224)	(3,678)
(Decrease)/increase in current tax liabilities	7,227	(36,893)	7,227	(36,893)
(Decrease)/increase in trade and other payables	(25,865)	(21,790)	(25,370)	(28,050)
Increase in government grants	51,563	30,702	-	-
Increase/(decrease) in provisions	(355)	844	(355)	844
Increase in unearned revenue	37,984	5,041	37,984	5,040
Net cash flows from operating activities	179,688	117,405	103,503	66,723

(c) Non-cash transactions

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$17.5 million (2018: \$22.4 million) by means of gifts. These acquisitions are not reflected in the statement of cash flows.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
8 Trade and other receivables				
(a) Current				
<u>Service receivables</u>				
Service receivables	42,560	23,640	42,435	23,494
Loss allowance	(7,006)	(5,509)	(7,006)	(5,509)
	35,554	18,131	35,430	17,985
Unbilled consumption	36,164	35,480	36,164	35,480
	71,718	53,611	71,593	53,465
<u>Other receivables</u>				
Receivables from controlled entities	-	-	11,806	7,230
Loss allowance	-	-	-	-
	-	-	11,806	7,230
Other receivables	31,236	32,297	31,134	32,173
	31,236	32,297	42,940	39,403
	102,954	85,908	114,533	92,868

Risk profile of service receivables

The average age of these receivables is 37 days (2018: 30 days). No interest is charged and no collateral is held on outstanding service receivables.

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

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

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

As at 30 June 2019, trade receivables of \$7.0 million (2018: \$5.5 million) had lifetime ECL of the full value of the receivables.

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

	Current \$000	<30 days \$000	30–60 days \$000	61–90 days \$000	>91 days \$000	Total \$000
30 June 2019						
Expected credit loss rate	0.4%	1.1%	8.6%	13.1%	70.7%	16.5%
Gross carrying amount	12,695	18,134	1,791	737	9,202	42,560
Expected credit loss	53	197	154	96	6,506	7,006

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019	June 2018	June 2019	June 2018
	\$'000	\$'000	\$'000	\$'000

8 Trade and other receivables (Cont'd)

Movement in the allowance for doubtful debts:

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

Balance at beginning of year	(5,509)	(6,262)	(5,509)	(5,557)
Impairment losses recognised on receivables	(1,696)	(336)	(1,696)	(336)
Written off as uncollectible	292	1,227	292	522
Written off debts subsequently collected	(93)	(138)	(93)	(138)
Balance at end of year	(7,006)	(5,509)	(7,006)	(5,509)

Explanation of significant changes

Changes in the gross carrying amount of the trade receivables of seven customers contributed to approximately three quarters of the increase in the loss allowance.

Risk profile of other receivables

The expected credit losses on the receivables from controlled entities has been assessed at nil on the basis of historical default experience and the financial position of the controlled entity as at 30 June 2019. The balance was subsequently settled in July 2019.

(b) Non Current

Other receivables

Other receivables	16,112	4,422	16,112	4,422
	16,112	4,422	16,112	4,422

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

9 Inventories

Materials and stores	16,932	16,864	16,932	16,864
Fuel stocks	6,744	6,939	534	560
Gas stocks	1,142	772	1,141	772
Tokens	75	129	75	129
	24,893	24,704	18,682	18,325

The cost of inventories recognised as an expense during the year in respect of continuing operations for the Corporation and the consolidated entity respectively was \$151.2 million and \$178.9 million (2018: \$116.5 million and \$138.6 million respectively). The cost of inventories recognised as an expense for the Corporation and the consolidated entity includes \$0.2 million (2018: \$0.3 million) in respect of write-downs of inventory to net realisable value.

10 Investments

2,500 \$1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation	3	3	3	3
---	----------	----------	----------	----------

The Corporation also holds 5 (2018: 5) ordinary shares of \$1 each in NT Gas Pty Limited.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

11 Investment in subsidiaries

	Consolidated		Corporation	
	June 2019	June 2018	June 2019	June 2018
	\$	\$	\$	\$
Indigenous Essential Services Pty Limited	-	-	10	10
	-	-	10	10

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

Name of subsidiary	Place of incorporation and operation	Equity Interest	
		June 2019	June 2018
BGP Tenure Holdings Pty Limited	Australia	50%	50%
Indigenous Essential Services Pty Limited	Australia	100%	100%

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2019 owned 100% (2018: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

Principal activities of the subsidiaries

Indigenous Essential Services Pty Limited

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

BGP Tenure Holdings Pty Limited

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

Details of non-controlling interests in subsidiaries

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

BGP Tenure Holdings Pty Limited is a non-trading entity and as such did not make a profit for the year ended 30 June 2019 (2018: \$Nil).

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

	Corporation	
	June 2019	June 2018
	\$	\$
Non-current assets	100	100
Equity	100	100
Equity attributable to the Corporation		
- Corporation	50	50
- Non-controlling interests	50	50

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

There have been no changes in the ownership interests held by the consolidated entity in any of its subsidiaries during the year ended 30 June 2019 (2018: Nil).

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

11 Investment in subsidiaries (Cont'd)

Financial support

The financial statements for IES Pty Ltd has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. IES Pty Ltd has incurred a net loss for the year ended 30 June 2019 of \$6.6 million and a net loss of \$9.3 million for the year ended 30 June 2018. IES Pty Ltd's net working capital at 30 June 2019 was a deficit of \$10.3 million and a deficit of \$15.1 million at 30 June 2018. Current liabilities, excluding unearned revenue and finance lease liabilities at 30 June 2019 and 2018 include \$27.4 million and \$23.3 million of trade and other payables respectively.

Assets are fundamental to the essential services provided by IES Pty Ltd. Accordingly, IES Pty Ltd is economically dependent on the Northern Territory Government to fund its future capital expenditure as well as a significant portion of its operating expenses. IES Pty Ltd's cash balances as at 30 June 2019 increased by \$38.7 million from \$44.8 million to \$83.5 million due to cash inflows for grants received in advance to purchase property, plant and equipment.

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

	Consolidated		Corporation	
	June 2019	June 2018	June 2019	June 2018
	\$'000	\$'000	\$'000	\$'000

12 Loans to subsidiaries

Financial assets measured at amortised cost:

Non-current	-	-	25,000	11,000
	-	-	25,000	11,000

On 18 March 2019, the Corporation provided a loan of \$14.0 million to its subsidiary IES Pty Ltd taking the total loans provided since 2017-18 (\$7.5 million on 29 March 2017 and \$3.5 million on 29 June 2017) to \$25.0 million. The loans were provided to IES Pty Ltd as capital assistance towards the Arena Solar Project where IES Pty Ltd is building a solar farm to reduce the cost of electricity production in the communities it services.

The three loans provided are interest only fixed term loans for five years ending 29 March 2022, 29 June 2022 and 17 March 2024. Interest is charged on the outstanding balances at 4.55% for the two loans provided in 2016-17 and 3.88% on the loan provided during 2018-19.

The expected credit losses on the loans to subsidiaries has been assessed at nil as at 30 June 2019 on the basis that the third party funding provider has given written agreement that they will fund the current long-term cash shortfall of the subsidiary from distillate cost savings arising from the solar project.

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

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

Financial Statements

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
13 Property, plant and equipment				
Carrying amounts of:				
Land at fair value	80,078	82,672	80,078	82,672
Buildings at fair value	25,848	23,672	25,848	20,231
Infrastructure at fair value	2,539,141	2,591,245	1,920,800	1,985,404
Plant and Equipment at fair value	18,600	17,819	17,153	16,024
Finance Leased Land at cost	15,995	10,273	232	239
Capital Work in Progress at cost	251,557	300,666	187,387	238,357
	2,931,219	3,026,347	2,231,498	2,342,927

Movement in carrying amounts	Land at fair value \$'000	Buildings at fair value \$'000	Infrastructure at fair value \$'000	Plant and Equipment at fair value \$'000	Finance Leased Land at Cost \$'000	Work in Progress at cost \$'000	Total Property, Plant and Equipment \$'000
------------------------------	------------------------------	-----------------------------------	--	---	---------------------------------------	------------------------------------	---

Year ended 30 June 2019

Consolidated

Opening Balance	82,672	23,672	2,591,245	17,819	10,273	300,666	3,026,347
Transfer/Adjustments	-	(3,441)	(853)	(416)	-	7,065	2,355
Additions	-	-	18,823	-	6,681	156,141	181,645
Depreciation	-	(1,354)	(151,822)	(4,448)	(959)	-	(158,583)
Transfers from WIP	287	3,623	199,442	5,648	-	(212,315)	(3,315)
Disposals	-	-	(6,909)	(3)	-	-	(6,912)
Revaluation	(2,881)	3,348	(110,785)	-	-	-	(110,318)
Closing balance	80,078	25,848	2,539,141	18,600	15,995	251,557	2,931,219

Corporation

Opening Balance	82,672	20,231	1,985,404	16,024	239	238,357	2,342,927
Transfer/Adjustments	-	-	(3,595)	(224)	-	7,065	3,246
Additions	-	-	18,823	-	-	105,601	124,424
Depreciation	-	(1,354)	(110,510)	(4,283)	(7)	-	(116,154)
Transfers from WIP	287	3,623	150,772	5,639	-	(163,636)	(3,315)
Disposals	-	-	(3,276)	(3)	-	-	(3,279)
Revaluation	(2,881)	3,348	(116,818)	-	-	-	(116,351)
Closing balance	80,078	25,848	1,920,800	17,153	232	187,387	2,231,498

Year ended 30 June 2018

Consolidated

Opening Balance	82,208	20,268	2,385,334	19,220	9,639	285,491	2,802,160
Transfer/Adjustments	-	3,045	(3,482)	(1,548)	-	(3,863)	(5,848)
Additions	464	-	13,123	-	1,530	198,242	213,359
Depreciation	-	(1,201)	(152,414)	(3,596)	(896)	-	(158,107)
Transfers from WIP	-	2,079	167,034	3,743	-	(179,204)	(6,348)
Disposals	-	(519)	(22,161)	-	-	-	(22,680)
Revaluation	-	-	203,811	-	-	-	203,811
Closing balance	82,672	23,672	2,591,245	17,819	10,273	300,666	3,026,347

Corporation

Opening Balance	82,208	20,268	1,754,874	17,185	246	238,876	2,113,657
Transfer/Adjustments	-	(396)	(246)	(1,343)	-	(3,863)	(5,848)
Additions	464	-	13,123	-	-	144,635	158,222
Depreciation	-	(1,201)	(96,147)	(3,355)	(7)	-	(100,710)
Transfers from WIP	-	2,079	129,327	3,537	-	(141,291)	(6,348)
Disposals	-	(519)	(19,338)	-	-	-	(19,857)
Revaluation	-	-	203,811	-	-	-	203,811
Closing balance	82,672	20,231	1,985,404	16,024	239	238,357	2,342,927

Note: Depreciation and Transfers from WIP do not include the amounts in relation to intangible assets. For depreciation and transfer from WIP relating to intangible assets refer to Note 14.

Historical Cost Basis

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

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Land	17,517	17,517	17,517	17,517
Buildings	25,848	23,672	25,848	20,231
Infrastructure	1,963,322	1,860,560	1,630,950	1,553,133
	2,006,687	1,901,749	1,674,315	1,590,881

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

13 Property, plant and equipment (Cont'd)

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

Property Plant and Equipment	June 2019	June 2018
Plant and equipment	2 to 50 years	2 to 50 years
Buildings	5 to 53 years	5 to 53 years
Infrastructure	4 to 100 years	4 to 100 years

As at 30 June 2019

During 2018-19, the consolidated entity undertook a review of property, plant and equipment and their remaining useful lives for both the Corporation and its subsidiary, IES Pty Ltd.

The review identified a number of assets that require a life adjustment in order to align with the replacement lifecycle of the asset and the consolidated entity's future capital replacement program. The main indicator of the asset life adjustments required was an assessment undertaken to establish updated standard useful lives per asset category. These re-life adjustments have the effect of reducing the Corporation's current year depreciation expense by \$3.6 million. The effect in IES Pty Ltd was reflected directly in the asset revaluation reserve through Other Comprehensive Income.

As at 30 June 2018

The consolidated entity undertook a review of the Corporation's property, plant and equipment and the remaining useful lives during 2017-18. The review identified a number of assets that require a life adjustment in order to align with its replacement lifecycle and the Corporation's future capital replacement program. The main indicator of the asset life adjustments required was an assessment of the Corporation's future capital spend against assets reaching the end of their useful life. These re-life adjustments have now been processed and have the effect of reducing current year depreciation expense for the consolidated entity \$29.1 million. The impact in 2019-20 to 2023-24 on depreciation is anticipated to be an increase of \$11.6 million per year.

Depreciation and amortisation of 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 2019	June 2018
Plant and equipment	8 to 40 years	8 to 40 years
Buildings	1 to 40 years	1 to 40 years
Infrastructure	8 to 40 years	8 to 40 years
Finance leases	12 to 40 years	12 to 40 years

Fair value measurement of property, plant and equipment (excluding finance leased assets and capital works in progress)

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

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

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

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

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

The fair value of the freehold land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of infrastructure system assets was determined using the Income approach. This reflects the cost a market participant would be willing to pay if buying an asset. The Income approach converts future amounts (e.g., Cashflows or income and expenses) to a single current (ie. discounted) amount. When the Income approach is used, the fair value measurement reflects current market expectations about those future amounts. The significant factors include the transportation factor, foreign exchange rates, CPI Index, Reserve Bank cash rates and the construction cost factor.

The fair value of non-specialised plant and equipment were determined using historical cost as these are minor asset items such as operating and office equipment.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

13 Property, plant and equipment (Cont'd)

Revaluation of property, plant and equipment

As at 30 June 2019

During 2018-19, the consolidated entity performed valuation exercises on its property, plant and equipment across both the Corporation and IES Pty Ltd resulting in net assets being written down by \$110.3 million, of which \$110.2 million was recognised in Other Comprehensive Income offset by \$220.5 million recognised in impairment expense through profit or loss.

The Corporation's assets are stated at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation losses. The fair value measurement of the Corporation's infrastructure assets as at 30 June 2019 ("Valuation Date") was performed by the Corporation with an independent consulting firm engaged to assess the valuation model, approach and methodology used and derive the fair value. This has resulted in the Corporation's net assets decreasing by \$116.3 million, of which \$17.1 million was recognised in Other Comprehensive Income and \$133.4 million recognised in profit or loss.

In relation to IES Pty Ltd, the reassessment of the remaining useful lives of IES Pty Ltd's property plant and equipment was performed as part of the valuation exercise undertaken by IES Pty Ltd in conjunction with an independent valuer, GHD. As part of this assessment, the valuers undertook a full review of standard useful lives for each asset category, as well as estimating revised remaining useful lives for some assets. The impact of adjusting the asset lives was an increase in the value of property, plant and equipment in the current period of \$69.5 million. In addition, from 2011, the NT Government commenced placing select government infrastructure at various aboriginal communities under lease agreement. The consolidated entity previously recognised only a 12-year life on some of these long life assets, reflecting their finance lease contract period of 12 years. Management was informed in the current period that the intent and practice of Government is to extend these short-term leases to 40 years upon survey of the land and Cabinet has approved the terms of these agreements. As such, management has revised the relevant assets' useful life to align to the lower of their economic life or the finance lease contract term of 40 years. This change in estimated life has resulted in an increase in the value of property, plant and equipment in the current period of \$61.1 million reflected in the asset revaluation reserve through Other Comprehensive Income and through an increase in lease liabilities.

In relation to IES Pty Ltd, independent valuers, GHD, were engaged to undertake a valuation of the infrastructure assets. The asset valuation was based on the service capability and in-service age of the assets as at the nominated date for the valuation i.e. assets under construction at 30 June 2019 were not included in the valuation. The valuation has resulted in an increase in the value of property, plant and equipment of \$6.0 million, of which \$93.1 million was recognised in Other Comprehensive Income offset by \$87.1 million recognised in impairment expense through profit or loss.

As at 30 June 2018

In relation to IES Pty Ltd, independent valuers, GHD, were engaged to undertake a review of the asset base and factors that formed a material part of the asset valuation calculations for the financial year ending 30 June 2018. Following this review, GHD's opinion was that none of these factors have materially changed and therefore there was no impact to the value of the asset base as at 30 June 2018. The significant factors include the transportation factor, foreign exchange rates, CPI Index, Reserve Bank cash rates and the construction cost factor.

There have been no changes to the valuation techniques during the year ended 30 June 2019.

Details of the consolidated entity's land, buildings, infrastructure and plant and equipment and information about their fair value hierarchy as at the end of the reporting are as follows:

Consolidated entity	Level 2 \$'000	Level 3 \$'000	Fair value \$'000
Fair value as at 30 June 2019			
Freehold land	80,078	-	80,078
Buildings	-	25,848	25,848
Infrastructure	-	2,539,141	2,539,141
Plant and equipment	-	18,600	18,600
Finance leased assets	-	15,995	15,995
Work in progress	-	251,557	251,557
Total	80,078	2,851,141	2,931,219
Fair value as at 30 June 2018			
Freehold land	82,672	-	82,672
Buildings	-	23,672	23,672
Infrastructure	-	2,591,245	2,591,245
Plant and equipment	-	17,819	17,819
Finance leased assets	-	10,273	10,273
Work in progress	-	300,666	300,666
Total	82,672	2,943,675	3,026,347

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

13 Property, plant and equipment (Cont'd)

There were no transfers of assets between Level 1 and Level 2 during the year.

Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability either directly or indirectly. Valuation techniques are described above.

Level 3 inputs are unobservable inputs for the asset or liability. Valuation techniques are described above.

Core operational assets of Power Networks and Water and Sewerage business units are valued using the income approach. Consistent with the accounting standards, the income approach has a 'purchaser of the business' perspective and is based on the net present value of the forecasted cash flows of these businesses applying anticipated market conditions. Significant unobservable inputs in the model and sensitivity analysis are outlined below.

	Valuation Techniques	Significant unobservable inputs	Sensitivity
Power Networks - Infrastructure Assets	Income Approach	Weighted average cost of capital (WACC) rate, taking into account the long term view of the market cost of capital, of 6.25% (2018: 6.50%) supportable by key assumptions in the beta range being based on analysis of observed 5-year monthly asset betas of listed companies and gearing range being based on industry research of 5 year average debt to enterprise value ratio of the guideline listed companies.	A significant decrease in the WACC or discount rate while holding other variables constant would significantly increase the carrying amount of the infrastructure assets, and vice versa.
		Regulated Asset Base (RAB) Multiple to the terminal value assumption of 1.0 (2018: 1.0), taking into account the latest RAB multiples implied by publicly traded infrastructure assets and recent transactions.	A slight increase in the RAB multiple while holding other variables constant would significantly increase the carrying value of the infrastructure assets, and vice versa.
Water Services - Infrastructure assets	Income Approach	WACC rate, taking into account the long term view of the market cost of capital, of 6.25% (2018: 6.50%) supportable by key assumptions in the beta range being based on analysis of observed 5-year monthly asset betas of listed companies and gearing range being based on industry research of 5-year average debt to enterprise value ratio of the guideline listed companies.	A significant decrease in the WACC or discount rate while holding other variables constant would significantly increase the carrying amount of the infrastructure assets, and vice versa.
		Gordon Growth Method to the terminal value assumption of 2.21% perpetuity growth rate, supportable for long-life, critical infrastructure assets not subject to regulatory limitations on rates of return.	A slight increase in the growth rate while holding other variables constant would significantly increase the carrying value of the infrastructure assets, and vice versa.

Impairment losses recognised in the year

There were no triggering events to require further analysis for an impairment write-down of property, plant and equipment for both years ended 30 June 2019 or 2018.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

14 Intangible assets

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Current				
<i>Renewable energy certificates</i>				
At cost	928	1,515	850	1,457
Total current - written down value	928	1,515	850	1,457
Non-current				
<i>Make up gas</i>				
At cost	117,403	97,312	117,403	97,312
Accumulated impairment	(107,349)	(89,662)	(107,349)	(89,662)
Written down value	10,054	7,650	10,054	7,650
<i>Other intangible assets</i>				
At cost	91,526	87,318	90,546	87,232
Accumulated amortisation	(86,953)	(83,080)	(86,134)	(82,994)
Written down value	4,573	4,238	4,412	4,238
Total non-current - written down value	14,627	11,888	14,466	11,888
Total				
At cost	209,857	186,145	208,799	186,001
Accumulated amortisation	(86,953)	(83,080)	(86,134)	(82,994)
Accumulated impairment	(107,349)	(89,662)	(107,349)	(89,662)
Written down value	15,555	13,403	15,316	13,345
Movement in carrying amounts				
<i>Renewable energy certificates</i>				
Opening balance	1,515	1,456	1,457	1,457
Additions	20	59	-	-
Disposals	(607)	-	(607)	-
Closing balance	928	1,515	850	1,457
<i>Make up gas</i>				
Opening balance	7,650	5,631	7,650	5,631
Additions	20,091	34,180	20,091	34,180
Impairment	(17,687)	(32,161)	(17,687)	(32,161)
Closing balance	10,054	7,650	10,054	7,650
<i>Other intangible assets</i>				
Opening balance	4,238	4,256	4,238	4,255
Transfer/Adjustments	893	(52)	-	(52)
Amortisation	(3,873)	(6,314)	(3,141)	(6,313)
Transfer from WIP	3,315	6,348	3,315	6,348
Closing balance	4,573	4,238	4,412	4,238
<i>Total</i>				
Opening balance	13,403	11,343	13,345	11,343
Transfer/Adjustments	893	(52)	-	(52)
Additions	20,111	34,239	20,091	34,180
Amortisation	(3,873)	(6,314)	(3,141)	(6,313)
Transfer from WIP	3,315	6,348	3,315	6,348
Disposals	(607)	-	(607)	-
Impairment - specific assets	(17,687)	(32,161)	(17,687)	(32,161)
Closing balance	15,555	13,403	15,316	13,345

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019	June 2018	June 2019	June 2018
	\$'000	\$'000	\$'000	\$'000
14 Intangible Assets (Cont'd)				
Current				
Renewable energy certificates	928	1,515	850	1,457
	928	1,515	850	1,457
Non-current				
Other intangible assets	4,573	4,238	4,412	4,238
Make up gas	10,054	7,650	10,054	7,650
	14,627	11,888	14,466	11,888
Total	15,555	13,403	15,316	13,345

Impairment losses recognised during the year

The current gas contracts relating to the sale and purchase of gas result in the Corporation having to pay for gas that will only be sold in future financial years. These payments are classified as intangible assets and disclosed under 'Make up Gas'. The net present value of the cash flows of the Gas Supply Unit under AASB 136 'Impairment of Assets' framework does not however support the continued recognition of this asset. The cash flows which are assessed under AASB 136 are the same as those used in arriving at the onerous contract provision under AASB 137, albeit they are discounted at a commercial discount rate of 7.4%. Therefore the Corporation has written down the value by \$17.1 million (2018: \$32.2 million) to \$10.1 million as at 30 June 2019 (2018: \$7.7 million) in accordance with the requirements of Australian Accounting Standards. The remaining balance of \$10.1 million (2018: \$7.7 million) represents that portion of the banked gas that has been sold to third parties however not taken as at 30 June 2019.

15 Trade and other payables

Service creditors	25,881	42,349	18,947	30,670
Other creditors and accruals	39,822	29,128	31,190	24,746
	65,703	71,477	50,137	55,416

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is less than 30 days. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. Thereafter, interest may be charged on the outstanding balances at the Northern Territory Government bank rate. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The consolidated entity considers that the carrying amount of trade payables approximates their fair value.

16 Unearned revenue

Capital contributions - government (i)	41,634	12,999	41,634	12,999
Capital contributions - non-government (i)	3,169	1,193	3,169	1,193
<i>Contract liabilities arising from contracts with customers</i>				
Banked gas arising from sales to third parties (ii)	12,157	8,582	12,157	8,582
Customer payments received in advance for water, electricity and sewerage services (iii)	9,472	6,688	9,472	6,688
Recoverable works (iv)	328	-	328	-
Other	1,808	1,122	1,808	1,122
	68,568	30,584	68,568	30,584
Provided for in the financial statements as:				
Current	56,411	30,584	56,411	30,584
Non-current	12,157	-	12,157	-
	68,568	30,584	68,568	30,584

(i) Capital contributions are contributions provided by customers towards the construction of new or upgrades to existing infrastructure assets for the purpose of being connected to the network system. The consolidated entity retains control and ownership of these assets. Capital contributions are billed and paid for upfront prior to any work commencing and are recognised as a contract liability until construction of the asset is completed and the customer is connected to the network system, at which time the capital contribution is transferred from contract liabilities to revenue.

(ii) A contract liability arises in respect of take-or-pay contracts with customers for the sale of gas with the amount recognised as a contract liability representing the volume of gas paid for but not taken.

(iii) For sales of electricity and water (and in some instances sewerage services) revenue is recognised when control of the goods and/or services passes to the customer. Payments received in advance are recognised as a contract liability until the goods and/or services have been transferred to the customer.

(iv) Contract liabilities relating to recoverable works are balances due to customers under construction contracts. As with capital contributions customers are billed in advance with payment expected prior to any construction work commencing and is recognised as a contract liability until the consolidated entity achieves particular milestones.

The increase in the capital contribution balances during the reporting period was mainly a result of \$30.0 million received from a Commonwealth Department in respect of capital contributions for upgrades to existing infrastructure and rectification works.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
17 Interest bearing borrowings				
<i>Unsecured borrowings at amortised cost</i>				
Government loans - current	242,000	204,000	242,000	204,000
	242,000	204,000	242,000	204,000
Government loans - non-current	1,000,000	980,000	1,000,000	980,000
	1,000,000	980,000	1,000,000	980,000
	1,242,000	1,184,000	1,242,000	1,184,000

The consolidated entity has 19 unsecured government loans. All loans were provided by its parent entity, the Northern Territory Government with loan terms of either 5 years or 10 years. The consolidated entity obtained four of these loans in the current year totalling \$330.0 million. During the current year the consolidated entity repaid in full four loans with an outstanding balance of \$272.0 million.

The portion recognised as current liabilities represents borrowings payable within one year, being \$242.0 million (2018: \$204.0 million). The non-current balance of interest-bearing liabilities represents the portion of the consolidated entity's borrowings not due within one year. The weighted average effective interest rate on the loans is 4.4% (2018: 4.6%).

18 Finance lease liabilities

18 (a) Leasing arrangements

The consolidated entity leased land for its existing infrastructure assets on Indigenous land in 62 communities throughout the Northern Territory. IES Pty Ltd holds 126 leases for land with lease terms vary between 12 and 40 years with most of them providing the Company with lease extension options between 15 and 40 years. The present value discount factor used for the minimum lease payments is between 2.5% and 5.07%. Leases added in 2019 have been calculated using a present value discount factor of 3% (2018: 3.2%) being the Northern Territory Government's weighted average 10 year fixed borrowing rate for 2018-19.

	Consolidated			
	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Not later than one year	1,338	1,274	1,081	1,057
1 to 5 years	4,553	4,836	3,319	3,600
Later than 5 years	24,943	9,929	10,500	4,572
	30,834	16,039	14,900	9,229
less: future finance charges	(15,934)	(6,810)	-	-
Total present value of minimum lease payments	14,900	9,229	14,900	9,229

Note: the above information is presented at a consolidated entity level only and not at a Corporation level as the portion of finance lease liabilities that relate to the Corporation is immaterial at less than \$0.2 million.

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
Provided for in the financial statements as:				
Current	1,081	1,057	11	12
Non-current	13,819	8,172	176	187
	14,900	9,229	187	199

Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

18 (b) Reconciliation of liabilities arising from financing activities

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

	Finance lease liabilities \$'000	Borrowings \$'000	Total financing activities \$'000
Consolidated			
Opening balance	9,229	1,184,000	1,193,229
Financing cash flows	(1,010)	58,000	56,990
<i>Non-cash changes</i>			
New finance leases	6,681	-	6,681
Closing balance	14,900	1,242,000	1,256,900

*Borrowings are included in Note 17

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

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
19 Provisions				
Current				
Employee benefits (i)	37,077	37,625	37,077	37,625
Other provisions:				
Employee related provisions	662	505	662	505
Renewable Energy Certificates	8	39	8	39
Onerous contracts	66,672	61,604	66,672	61,604
	104,419	99,773	104,419	99,773
Non-current				
Employee benefits	7,041	6,974	7,041	6,974
	7,041	6,974	7,041	6,974

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees (if any).

Other provisions

Employee related provisions

Carrying amount at beginning of year	505	704	505	704
Provisions made during the year	9,832	8,637	9,832	8,637
Payments made during the year	(9,675)	(8,836)	(9,675)	(8,836)
Carrying amount at end of year	662	505	662	505

The employee related provisions represents accrued fringe benefits tax and payroll taxes.

Renewable Energy Certificates

Carrying amount at beginning of year	39	36	39	36
Provisions made during the year	5	3	5	3
Surrenders made during the year	(36)	-	(36)	-
Carrying amount at end of year	8	39	8	39

The provision for Renewable Energy Certificates represents the consolidated entity's obligation to meet the Clean Energy Renewable (CER) targets by surrendering renewable energy certificates equivalent to the calculated liability on the consumption sold to customers.

Onerous contracts

Carrying amount at beginning of year	61,604	42,063	61,604	42,063
Provisions made during the year	5,068	19,541	5,068	19,541
Carrying amount at end of year	66,672	61,604	66,672	61,604

The provision for onerous contract represents the present value of the future outlays that the consolidated entity is presently obligated to make under non-cancellable onerous contracts, less revenue expected to be earned on those contracts. The estimate may vary as a result of any new sales agreements the consolidated entity enters into and the volatility in the market price of gas.

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

The Directors consider these risks as part of their ongoing monitoring of the gas sales strategy and having considered both the risks and opportunities that they consider as more probable than not and which can therefore be quantified and assessed for materiality as required under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", have concluded that at the date of this report there exists an onerous contract which has been quantified at \$66.7 million as at 30 June 2019 (2018: \$61.6 million) with the year on year movement recognised as an impairment expense in the statement of profit or loss and other comprehensive income. This results from the estimated cash inflows from future gas sales, being lower than the unavoidable costs of gas purchase and associated transportation agreements.

The sources of estimation uncertainty in the onerous contract provision that have a significant risk of resulting in a material adjustment to this provision include the underlying assumption that all gas purchased is on sold, the outcome of current contract negotiations with Territory Generation, renewables penetration, the east coast gas market outlook, the forward Henry Hub gas price outlook and the outlook for other key economic factors such as CPI and the wages index.

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

Sensitivity analysis

% movement	NPV change as a result of:	
	Henry Hub average price movement	Forex rate movement
5%	\$27.9m	(\$26.5m)
10%	\$55.7m	(\$50.7m)
20%	\$111.5m	(\$92.9m)

Financial Statements

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
20 Government grants				
The Corporation's subsidiary, IES Pty Ltd receives both operational and capital grant funding, with the majority received from the Northern Territory's Department of Local Government and Community Services as follows:				
(a) Operational grants - for the provision of power, water and sewerage services to remote Indigenous communities				
(b) Capital grants - for the development of power, water and sewerage infrastructure in remote Indigenous communities.				
Operational grants	9,506	13,850	-	-
Capital grants	380,481	324,574	-	-
	389,987	338,424	-	-
Provided for in the financial statements as:				
Current	54,778	73,329	-	-
Non-current	335,209	265,095	-	-
	389,987	338,424	-	-
21 Contributed equity				
Share capital				
1 Share (2018: 1 Share)	-	-	-	-
Equity contribution	50,000	40,000	50,000	40,000
Debt to equity swap	322,582	322,582	322,582	322,582
Transfer of assets and liabilities to new entities	(328,246)	(328,246)	(328,246)	(328,246)
Total contributed equity	44,336	34,336	44,336	34,336
Contributed equity at beginning of year	34,336	34,336	34,336	34,336
Equity contributions from the Northern Territory Government	10,000	-	10,000	-
Total contributed equity	44,336	34,336	44,336	34,336
The <i>Government Owned Corporations Act 2001</i> 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.				
22 Retained earnings				
Retained earnings at beginning of year	486,099	515,398	614,124	604,835
Effect of adoption of new accounting standards	(4,155)	-	(4,155)	-
Net (loss)/profit for the year	(199,797)	(34,509)	(86,317)	7,197
Retirements moved from asset revaluation reserve	5,311	5,210	1,724	2,092
Dividends provided for or paid	(9,000)	-	(9,000)	-
Retained earnings at end of the year	278,458	486,099	516,376	614,124
23 Asset revaluation reserve				
Balance at beginning of year	940,104	824,616	458,594	339,988
Increase in asset valuation	110,156	172,425	17,060	172,425
Less deferred tax effect recognised in deferred tax liabilities	(5,118)	(51,727)	(5,118)	(51,727)
Revaluation surplus	105,038	120,698	11,942	120,698
Retirements transferred to retained earnings	(5,311)	(5,210)	(1,724)	(2,092)
Asset revaluation reserve at end of the year	1,039,831	940,104	468,812	458,594
The asset revaluation reserve arises on the revaluation of property, plant and equipment (assets). When revalued assets are sold, the portion of the asset's revaluation reserve that relates to those assets is transferred directly to retained earnings.				

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

24 Risk management objectives

(a) Financial risk management objectives

The consolidated entity's principal financial instruments are government loans and cash. The main purpose of these financial instruments is to raise finance for the consolidated entity's operations. The consolidated entity has various other financial instruments such as trade receivables and trade payables. It is the consolidated entity's policy not to trade in financial instruments. The Board of Directors reviews and agrees policies for managing the consolidated entity's financial risks and these are summarised below.

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

The consolidated entity's overall strategy remains unchanged from 2018.

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

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

(b) Market risk

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

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

- Operate at least as efficiently as a comparable business; and
- To maximise the sustainable return to the Northern Territory Government on its investment in the consolidated entity.

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

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

(c) Interest rate risk management

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

The consolidated entity's policy is to manage its interest cost using fixed rate debt. The following table shows the consolidated entity's debt and interest obligations to the Northern Territory Government and the impact of a change in interest rates:

Loan term	Consolidated			Corporation		
	Fixed and Variable Rate Loans	Average Interest Rate	Increase in annual interest expense if interest rates rise by 1%	Fixed and Variable Rate Loans	Average Interest Rate	Increase in annual interest expense if interest rates rise by 1%
	\$'000	%	\$'000	\$'000	%	\$'000
2019						
<1 to 2 years	526,000	4.38%	876	526,000	4.38%	876
2 to 5 years	716,000	4.35%	503	716,000	4.35%	503
5+ years	-	0.00%	-	-	0.00%	-
	1,242,000		1,379	1,242,000		1,379
2018						
<1 to 2 years	204,000	5.48%	1,565	204,000	5.48%	1,565
2 to 5 years	980,000	4.50%	806	980,000	4.50%	806
5+ years	-	0.00%	-	-	0.00%	-
	1,184,000		2,371	1,184,000		2,371

(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.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2019

24 Risk management objectives (Cont'd)

(e) Liquidity risk management

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of government loans and finance leases. Each year the consolidated entity prepares an SCI which is tabled with the Shareholding Minister for approval. The SCI is a detailed four year projection of the consolidated entity's financial position. The current year actual results are reported against the SCI budget. The consolidated entity seeks approval from the Shareholding Minister for funding requirements for the forthcoming year on an annual basis based on the SCI. If the consolidated entity is unable to meet SCI targets it is able to apply to the Northern Territory Government for additional loan funding.

(f) Foreign currency risk management

The consolidated entity has transactional currency exposures. Such exposure arises from purchases in currencies other than the functional currency. The consolidated entity is exposed to foreign currency risk in the normal course of its operations through its procurement contracts. Large contracts are reviewed to determine if any mitigation strategies should be applied to reduce this risk. Material exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and a foreign currency bank account. The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was \$nil (2018: \$nil).

(g) Commodity price risk

The consolidated entity is exposed to changes in the price of gas that is sold to customers, however this has been mitigated through the negotiation and signing of a long-term fixed price gas purchase agreement that limits the exposure of the consolidated entity to CPI price increases in gas until the agreement expires in 2034.

The consolidated entity is exposed to changes in the price of distillate which is used to power electricity generators. Each year, grant funding received by the subsidiary from the Northern Territory Government is based on an operational budget that includes an estimated cost of distillate consumption. In the event the distillate price varies upwards and the subsidiary does not have sufficient grant funds to continue operating, the subsidiary can apply to the Northern Territory Government for additional grant funds.

(h) Capital risk management

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

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital and retained earnings as disclosed in Notes 21 and 22 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.

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	Corporation	
	June 2019 \$'000	June 2018 \$'000
Debt	1,242,000	1,184,000
Cash and cash equivalents	(94,069)	(59,064)
Net debt	1,147,931	1,124,936
Equity	1,029,524	1,107,054
Net debt to equity ratio	112%	102%

Debt is defined as long-term and short-term borrowings as described in Note 17. Equity includes all capital and reserves of the Corporation that are managed as capital.

(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.

Power and Water Corporation
Notes to the financial statements
for the year ended 30 June 2019

25 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 \$1,275.5 million (2018: \$1,193.1 million).

Consolidated entity	Level 2	Fair value as at 30 June 2019	Level 2	Fair value as at 30 June 2018
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
Borrowings	1,276	1,276	1,193	1,193

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

Liquidity risk management

The following table sets out the carrying amount, by maturity, of the financial instruments for the consolidated entity:

Consolidated	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Fixed and floating interest maturing in:			Total \$'000
					1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2019								
Financial Assets								
Cash assets	1.47%	177,610	-	-	177,610	-	-	177,610
Receivables	4.39%	-	1,296,493	119,066	102,954	16,112	-	119,066
Investments	4.12%	-	15,514	3	-	-	3	3
		177,610	1,312,007	119,069	280,564	16,112	3	296,679
Financial Liabilities								
Payables		-	-	65,703	65,703	-	-	65,703
Government loans		-	1,296,493	-	252,618	1,043,875	-	1,296,493
Finance lease liability		-	15,514	-	1,126	3,456	10,933	15,514
		-	1,312,007	65,703	319,446	1,047,331	10,933	1,377,710
2018								
Financial Assets								
Cash assets	1.76%	103,914	-	-	103,914	-	-	103,914
Receivables		-	-	90,330	85,908	4,422	-	90,330
Investments		-	-	3	-	-	3	3
		103,914	-	90,333	189,822	4,422	3	194,247
Financial Liabilities								
Payables		-	-	71,477	71,477	-	-	71,477
Government loans	4.62%	-	1,383,114	-	307,580	1,075,534	-	1,383,114
Finance lease liability	4.29%	-	9,625	-	1,102	3,754	4,768	9,625
		-	1,392,738	71,477	360,159	1,079,288	4,768	1,464,215

Power and Water Corporation
Notes to the financial statements
for the year ended 30 June 2019

25 Financial instruments (Cont'd)

Corporation	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Fixed and floating interest maturing in:			Total \$'000
					1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2019								
Financial Assets								
Cash assets	1.47%	94,069	-	-	94,069	-	-	94,069
Receivables	-	-	-	130,645	114,533	16,112	-	130,645
Loans to subsidiaries	4.17%	-	26,044	-	-	26,044	-	26,044
Investments	-	-	-	3	-	-	3	3
		94,069	26,044	130,648	208,602	42,156	3	250,761
Financial Liabilities								
Payables	-	-	-	50,137	50,137	-	-	50,137
Government loans	4.39%	-	1,296,493	-	252,618	1,043,875	-	1,296,493
Finance lease liability	5.07%	-	187	-	11	39	137	187
		-	1,296,680	50,137	302,766	1,043,914	137	1,346,817
2018								
Financial Assets								
Cash assets	1.76%	59,064	-	-	59,064	-	-	59,064
Receivables	-	-	-	97,290	92,868	4,422	-	97,290
Loans to subsidiaries	4.55%	-	11,501	-	-	11,501	-	11,501
Investments	-	-	-	3	-	-	3	3
		59,064	11,501	97,293	151,932	15,923	3	167,858
Financial Liabilities								
Payables	-	-	-	55,416	55,416	-	-	55,416
Government loans	4.62%	-	1,383,114	-	307,580	1,075,534	-	1,383,114
Finance lease liability	5.07%	-	209	-	13	43	153	209
		-	1,383,323	55,416	363,008	1,075,577	153	1,438,739

Power and Water Corporation

**Notes to the financial statements
for the year ended 30 June 2019**

	Consolidated		Corporation	
	June 2019 \$'000	June 2018 \$'000	June 2019 \$'000	June 2018 \$'000
26 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable within one year:	37,755	43,686	28,498	22,021
Purchase expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Repairs and maintenance	9,463	9,181	6,128	6,087
Purchase expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Gas purchase	3,133,701	3,384,675	3,133,701	3,384,675
Gas transportation	1,326,890	1,104,487	1,326,890	1,104,487
	4,460,590	4,489,162	4,460,590	4,489,162
Payable:				
Within one year	301,194	278,429	288,601	253,670
One year or later and no later than five years	1,386,234	1,248,128	1,386,234	1,248,128
Later than five years	2,820,381	3,015,472	2,820,381	3,015,472
	4,507,808	4,542,029	4,495,216	4,517,270

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 purchase agreement with Eni Australia B.V., the first supply of which commenced in the 2009-10 financial year.

Remuneration commitments

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

Within one year	17,510	18,398	17,510	18,398
After one year but not more than five years	24,121	17,406	24,121	17,406
	41,631	35,804	41,631	35,804

27 Operating lease arrangements

Operating leases relate primarily to leases of motor vehicles and property.

Payments recognised as an expense

Minimum lease payments:

- Motor vehicles	3,957	3,614	3,309	2,970
- Property leases	2,737	2,765	2,733	2,762
- Other	130	145	130	145
	6,824	6,525	6,172	5,877

28 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 identified environmental contaminants on a number of sites which are yet to be fully quantified; these include chemical and substance contaminants that will require detailed survey and an assessment of remediation cost. Additionally, the remainder of sites owned by the Corporation have had no screening survey to determine environmental contamination. Further the Corporation has a number of known building certification and compliance liabilities which are being quantified, as well as dilapidation assessments on buildings not recently surveyed which may lead to further compliance liabilities. The Corporation is currently developing its Property Strategy which will be finalised in October 2019 and following this, work will be undertaken to develop subordinate plans including environmental and building assessments across owned property. This is likely to take considerable time and resources to adequately baseline. The ultimate cost and effort associated with determining the total liability to any degree of accuracy is not possible at this time.

There are no other contingent liabilities or assets for the year ended 30 June 2019.

Power and Water Corporation

Notes to the Financial Statements for the year ended 30 June 2019

29 Related party transactions

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 2019 owned 100% (2018: 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 Government), director related entities and associates. All financial transactions between the consolidated entity and related parties are at arm's length terms.

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

Transitional service agreements 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. For 2018-19 and 2017-18 all transactions between Jacana Energy and Territory Generation were at an arm's length basis in the normal course of business and on commercial terms and conditions.

Trading transactions

Balances and transactions between the Corporation and its controlled entity, which is a related party of the Corporation, have been eliminated on consolidation and are not disclosed in this note.

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

Related Party		Revenue from related parties (1)	Purchases from related parties (2)	Amounts owed by related parties (3)	Amounts owed to related parties (4)
		\$'000	\$'000	\$'000	\$'000
The ultimate parent entity, the Northern Territory Government, including all entities that are associated with the parent entity including Territory Generation and Jacana Energy	June 2019	368,397	104,641	47,963	1,245,349
	June 2018	369,014	91,417	50,168	1,185,142

(1) During the year ending 30 June 2019, the revenue received by the Corporation for services provided under the TSA from Jacana Energy was \$1.4 million (2018: \$3.6 million) and the total revenue from Territory Generation was \$0.1 million (2018: \$0.1 million).

The consolidated entity receives grants from the Northern Territory Government in the form of Community Service Obligations and other miscellaneous grants. See Notes 2.3 (d), 3.3, 3.5 and 20 for further details.

(2) For the year ended 30 June 2019, purchases from the Northern Territory Government includes interest paid on borrowings of \$54.3 million (2018: \$54.8 million) refer to Note 4.6.

(3) As at 30 June 2019, the amounts owed by related parties relate to amounts outstanding for the provision of electricity, water and standard control services, as well as accrued revenue for the supply of gas.

(4) For the year ended 30 June 2019, the amount owed to the Northern Territory Government includes borrowings of \$1,242.0 million (2018: \$1,184.0 million) refer to Note 17.

Loans to related parties

As disclosed in Note 12 Loans to subsidiaries, the Corporation has provided three interest only fixed loans to its subsidiary, IES Pty Ltd. The first two loans for \$11.0 million were provided in 2016-17 for a loan term of 5 years ending in 2021-22. Interest is charged at 4.55% per annum on the outstanding balance. The third loan of \$14.0 million was provided in 2018-19 for a loan term of 5 years ending in 2023-24 with interest charged at 3.88% per annum.

The Corporation provides electricity, water and sewerage services to its subsidiary, IES Pty Ltd in the normal course of business and on normal terms and conditions.

Power and Water Corporation

**Notes to the Financial Statements
for the year ended 30 June 2019**

29 Related party transactions (Cont'd)

To ensure that IES Pty Ltd is able to pay its debts as and when they fall due, a letter of financial support dated 28 October 2015 was provided by the Corporation to the subsidiary which guarantees support should IES Pty Ltd not be able to pay its debts as and when they fall due. This letter is valid for the period 28 October 2015 to such time as IES Pty Ltd ceases to be a wholly owned subsidiary of the Corporation.

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 includes the following items of expenses that resulted from transactions, other than compensation with key management personnel or their related entities:

	Consolidated		Corporation	
	June 2019 \$	June 2018 \$	June 2019 \$	June 2018 \$
Expense transactions with key management personnel	10,989	26,385	10,989	26,385

For the year ended 30 June 2019, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$nil (2018: \$nil).

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.

Remuneration of key management personnel

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

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

		Short-term employee benefits	Post employment benefits	Total
		Salary & Fees \$	Superannuation \$	\$
Non-executive directors				
Mr John Langoulant (Chairperson) (Term commenced June 2017)	June 2019	144,821	12,564	157,385
	June 2018	128,912	10,926	139,838
Mr Ken Clarke (Deputy Chairperson) (Term commenced December 2013; ended August 2018)	June 2019	14,593	1,266	15,859
	June 2018	69,362	6,539	75,901
Mr Richard Griffiths (Term commenced January 2014; ended December 2017)	June 2019	-	-	-
	June 2018	26,357	2,466	28,823
Emeritus Prof MaryAnn Bin-Sallik (Term commenced April 2014; ended April 2018)	June 2019	-	-	-
	June 2018	39,935	3,794	43,729
Mr Mervyn Davies (Term recommenced April 2019)	June 2019	56,911	4,937	61,848
	June 2018	51,569	4,876	56,446
Ms Helen Stanton (Term commenced April 2014; ended April 2018)	June 2019	17,546	1,522	19,069
	June 2018	40,342	3,873	44,215

Financial Statements

Power and Water Corporation

Notes to the Financial Statements for the year ended 30 June 2019

29 Related party transactions (Cont'd)

	Year	Short-term employee benefits	Post employment benefits (superannuation)	Total
		\$	\$	\$
Mr Ian Kowalick (Term commenced July 2015; ended August 2018)	June 2019	10,788	954	11,741
	June 2018	51,671	4,876	56,547
Ms Rowena McNally (Term commenced April 2018)	June 2019	56,847	4,932	61,778
	June 2018	11,687	1,072	12,759
Mr David Bartholomew (Term commenced April 2018)	June 2019	56,911	4,937	61,849
	June 2018	10,227	939	11,166
Ms Teresa Dyson (Term commenced April 2018)	June 2019	56,847	4,932	61,778
	June 2018	11,687	1,072	12,759
Ms Gaye McMath (Term commenced September 2018)	June 2019	46,571	4,040	50,612
	June 2018	-	-	-
Charles Burkitt (Term commenced September 2018)	June 2019	44,299	3,843	48,142
	June 2018	-	-	-
Total non-executive directors	June 2019	506,136	43,929	550,066
	June 2018	441,749	40,435	482,184

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

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

	Consolidated		Corporation	
	June 2019	June 2018	June 2019	June 2018
	\$	\$	\$	\$
Short-term employee benefits	2,836,024	2,915,793	2,836,024	2,915,793
Other long-term benefits	235,673	136,601	235,673	136,601
Termination benefits	258,787	-	258,787	-
Total compensation of key management personnel (excluding non-executive directors)	3,330,483	3,052,394	3,330,483	3,052,394

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.

30 Auditor's remuneration

Audit of the financial statements	274,000	304,556	214,000	246,356
	274,000	304,556	214,000	246,356

The auditor of the Corporation and the consolidated entity is the Auditor-General for the Northern Territory.

31 Events after the reporting period

Subsequent to the year end the Director's declared a final dividend of \$9.64 million, payable on 29 November 2019.

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

ATTACHMENT

Definition of 2018-19 key performance indicators

HEALTH AND SAFETY

Health and safety index

A composite measure of health and safety indicators focusing on employee, contractor and public safety performance, effectiveness and verification.

PEOPLE AND CULTURE

Employee engagement survey

The level of favourable engagement for employees based on survey respondents measured annually.

Organisation culture index

Targeted improvement is an aggregate percentage increase in constructive behaviours for preferred styles each year. An organisational culture survey was carried out in June 2017 to set the baseline and will be updated every two years. An internal pulse survey is conducted annually.

Aboriginal employment

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

FINANCIAL PERFORMANCE

Return on capital employed

EBIT/Capital Employed where EBIT = Taxed earnings before interest and tax adjusted for non-cash impairments and depreciation calculated using Depreciated Replacement Cost for asset valuations; and Capital Employed = Equity adjusted for assets also at Depreciated Replacement Cost + Borrowings.

Infrastructure return on capital employed

Power Networks and Water Services EBIT/Capital Employed where EBIT = Taxed earnings before interest and tax adjusted for non-cash impairments and depreciation calculated using Depreciated Replacement Cost for Power Networks and Water Services infrastructure asset valuations; and Capital Employed = Equity adjusted for infrastructure assets also at Depreciated Replacement Cost + Borrowings.

Debt to equity ratio

(Term debt + current debt)/equity.

Funds from operations to interest

EBITDA on a statutory basis less gifted assets and non-cash impairments less tax paid/interest expense

Liquidity (Quick ratio)

(Current assets – inventories)/current liabilities excluding short-term debt.

Statutory net profit after tax

In line with Statutory Accounts.

Underlying earnings before interest, tax, depreciation and amortisation

Total revenue less total operating expenditure excluding non-cash impairments.

Operating cost efficiency

Operating costs excluding depreciation, amortisation, impairments, interest, tax and gas costs / Revenue excluding gas revenue.

Operating cost ratio

Current year opex / 2016-17 base level opex. Measure of adoption of efficiencies to maintain total opex at the same level as total opex in the 2016-17 base year by absorbing inflation impacts. Opex excludes depreciation, amortisation, impairments, interest, tax and gas costs.

CUSTOMER

Customer satisfaction index

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

Complaints resolved

Average number of business days taken to resolve customer complaints.

Power and Water Corporation

Level 2, Mitchell Centre
55 Mitchell Street, Darwin
Phone 1800 245 092

powerwater.com.au

PowerWater



@PowerWaterCorp

