



POWER AND WATER CORPORATION

# annual report 2008

# Letter to the Shareholder

The Hon Delia Lawrie MLA  
Treasurer  
Legislative Assembly of the Northern Territory  
DARWIN NT 0800

Dear Minister

On behalf of the Power and Water Corporation it gives us great pleasure to present the Corporation's sixth annual report, for the year ended 30 June 2008, in accordance with the provisions of Section 44 of the *Government Owned Corporations Act*.

Yours sincerely



**Neil Philip**  
Chairman



**Andrew Macrides**  
Managing Director

30 September 2008

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# Chairman's Report

2007-08 has been a transitional year for Power and Water with our new Managing Director, Andrew Macrides, instituting a number of developments and significant changes to the way Power and Water does business.

The Corporation commenced a major asset investment program, restructured our organisation, negotiated a new enterprise agreement, restored services in the wake of Cyclone Helen, responded to fuel supply challenges and worked closely with both the Federal and NT Governments to deliver essential services in remote Indigenous communities.

This work will ensure that the organisation is well placed to meet the external drivers that will have a big impact on our future business activities, enable staff to deliver the \$1 billion asset investment program over the next five years and improve both our safety and environmental performance.

Our Net Profit After Tax (NPAT) of \$57 million was dominated by the impact of a \$50 million capital contribution received from the Northern Territory Government (NTG) in June 2008.

The capital contribution was the first tranche of up to \$100 million in financial assistance to be provided to the Corporation over two years. The assistance package supports the Corporation's five year capital investment program. Investment totalled \$172 million in 2007-08, up \$59 million on the previous year.

The NPAT result was achieved on the back of revenues totalling \$600 million with electricity, water and sewerage sales revenue of \$330 million, meeting expectations. Energy costs of \$248 million comprise 57 per cent of total operating expenditure for the year of \$431 million. Personnel costs were above expectations due to the new Union Collective Agreement.

New borrowings in 2007-08 of \$87 million lifted the Corporation's overall level of debt to \$427 million, with interest expense up 11 per cent to \$28 million.

There will be a continued focus in the coming year on securing long term gas supplies, capital investment and maintenance, providing utilities services in Indigenous communities and minimising our impact on the environment.

I would like to thank Power and Water management and staff for their contributions to another successful year. Their sense of commitment shines through, especially in times of adversity such as the post Cyclone Helen restoration efforts. I would also like to thank my fellow Board members Judith King, Peter Vines, Bob Neil, Margaret Gibson, Barry Chambers and Linda Mackenzie.

In concluding, this will be my final report as Chairman of Power and Water, with my term expiring in April 2009. It is with pride that I look back at the achievements of the Corporation over the past six years, and the role that the Board has played in helping shape the organisation.

Reflecting on the progress of the Corporation over the past six years, there have been a number of major achievements, but none as important as achieving and maintaining certification of the three recognised International and Australian Standards for Occupational Health and Safety, Environmental Protection, and Quality of Products and Services since July 2006.

While there are significant challenges that lie ahead for the Corporation, including financial sustainability, I am confident that Power and Water is well placed to overcome these challenges and emerge as a key business in the Territory, leading the way in the areas of service delivery, capital investment, safety and environmental performance.



# Managing Director's Report

Power and Water is evolving. We are changing to meet the growing demands of doing business and delivering essential services in the Northern Territory.

Over the next five years we will deliver an asset investment program valued in excess of \$1 billion. This major investment program will not only benefit customers through better delivery of essential services, but it will significantly benefit Territory industry. Over the past year we have restructured our organisation to ensure we have the right structures and support in place for our people to do their job.

Construction of the Bonaparte Gas Pipeline began in early 2008, and will be finalised in 2009. It will transport gas from the Blacktip gas field and supply over 95 per cent of the fuel required to generate the Territory's electricity. Securing our long term gas supplies remains an important commercial issue. That said, even if Blacktip is late, we have plans in place to ensure reliable electricity supplies.

In light of the worldwide skills shortage, we continue to build future skills by growing our own workforce through our apprentice, trainee, graduate and undergraduate programs.



This year we have incorporated our Environment Report as part of our Annual Report and reported on the Social aspects of our performance through our work in the community. Minimising our impact on the environment and developing a sustainable energy strategy are key objectives for the Corporation over the coming year.

Over time, Power and Water intends to reduce average emissions per megawatt hour of electricity generated by about 10 per cent. This will be achieved by using the latest technology in our new power stations that will be more efficient and produce fewer emissions than existing plant.

Key projects such as the Frances Bay Zone Substation in the Darwin CBD, Weddell and Owen Springs Power Stations, undergrounding power lines in Darwin and raising the height of the Darwin River Dam, all contribute to increasing the security of supply and reliability of water and electricity services for our customers.

Power and Water had fewer Lost Time Injuries (LTIs) over the past year with 13 LTIs recorded, down from 23 LTIs recorded last year. These results reflect that while we have come a long way, we still have work to do.

I am optimistic about Power and Water rising to meet the significant challenges that lie ahead. I am confident of our staff strengths and expertise and proud of the 'can-do' spirit that shines through in times of adversity, such as post Cyclone Helen restoration efforts in January 2008. I believe Power and Water is a progressive organisation providing a diverse range of opportunities for staff.

It is with regret that we will be farewelling our Chairman, Mr Neil Philip, who has been Chairman since the establishment of the Corporation in July 2002. Mr Philip will not be seeking reappointment as Chairman when his term expires in April 2009 but his positive legacy will be remembered.

# Highlights from 2007-08

- 15 per cent increase in electricity generation capacity on the Darwin - Katherine system
- Completed Frances Bay Zone Substation
- Completed the Alice Springs Water Reuse facilities
- Commenced a major project to improve asset management capability
- Improved service reliability for electricity, water and sewerage
- Delivered new asset investments of \$156.1 million
- Delivered repairs and maintenance of \$41.3 million
- Achieved a 52 per cent reduction on Lost Time Injuries
- Successfully negotiated a new Union Collective Agreement
- Achieved surplus of \$57 million

# Outlook for 2008-09

- Improving financial sustainability, through rigorously managing costs, increasing revenues and improving returns on investment
- Securing fuel supplies, commencing Blacktip gas supply and establishing access to supplementary gas from the Darwin LNG facility
- Delivering capital investment and maintenance, with more than \$200 million to be invested during 2008-09
- Contributing to regulatory and market structure changes, including preparations for full retail contestability
- Providing utilities services in Indigenous communities, in cooperation with the 'Emergency Response' and 'Closing the Gap' initiatives
- Minimising our impact on the environment, by measuring and taking steps to reduce our ecological footprint
- Developing a sustainable energy strategy, in light of proposed new emissions targets and new emissions trading scheme
- Improving Occupational Health and Safety, furthering our commitment to zero harm and implementing new initiatives to reduce injuries



The new Frances Bay Zone Substation



Solar dishes at Ntaria

## OUR BUSINESS

# About Us

Power and Water Corporation provides electricity, water supply and sewerage services to almost 80,000 customers across the Northern Territory – an area of more than 1.3 million square kilometres.

We provide our services across many environments, from the tropics of the north to the deserts of Central Australia. With total assets of more than \$1 billion, Power and Water is one of the largest businesses in the Northern Territory, employing over 750 Territorians.

Power and Water became the Northern Territory's first Government Owned Corporation under the *Government Owned Corporations Act* on 1 July 2002. Our objectives are to operate at least as efficiently as any comparable business and to maximise the sustainable return to the Territory on its investment in the Corporation.

We follow government policy in the areas of fleet management, procurement and employment under the *Public Sector Employment and Management Act*.

We play an integral role in the Northern Territory's counter disaster structure and response, and are a key partner in whole of government counter terrorism programs, belonging to the Energy Infrastructure Assurance Advisory Group and the Water Infrastructure Advisory Group.

Some services are regulated:

- Electricity network services are regulated by the Utilities Commission;
- Electricity generation services are open to competition;
- Water and sewerage services are provided under monopoly licences;

- Electricity retail services to large customers (known as contestable customers) are open to competition; and
- Electricity retail services to other customers are regulated by the Government.

Natural gas, used for more than 90 per cent of our electricity generation, is purchased through our wholly owned subsidiary, Gasgo Pty Limited.

Through a second wholly owned subsidiary, Darnor Pty Limited, Power and Water has a 2.5 per cent interest in NT Gas Pty Ltd, the lessee and operator of the Amadeus Basin to Darwin gas pipeline. Power and Water also has 2.5 per cent of the units in the Amadeus Gas Trust. These arrangements are likely to be dissolved when the lease on the pipeline expires in June 2011.

A third wholly owned subsidiary not-for-profit business, Indigenous Essential Services Pty Ltd (IES), is referred to on page 8.

A fourth subsidiary company, BGP Tenure Holdings Pty Ltd, was established in early 2008 to hold the Corporation's land tenure interests in the Bonaparte Gas Pipeline project. This company is jointly owned with APT Bonaparte Pty Ltd.

### Corporate Restructure

In December 2007, the Corporation underwent a restructure to enhance our service provision capabilities and better meet the demands of the Territory's growing population and economy. The restructure enables us to focus on core services, deliver our capital investment program and build and maintain a safety culture.



Water testing at the Karama water tank

# Power and Water's Strategies 2008-09

There are 10 key strategies for Power and Water identified in the 2008-09 Statement of Corporate Intent:

- Improving financial sustainability
- Securing fuel supplies
- Delivering capital investment and maintenance
- Contributing to regulatory and market structure changes
- Providing utilities services in Indigenous communities
- Minimising our impact on the environment
- Developing a sustainable energy strategy
- Improving organisational capability and performance
- Improving Occupational Health and Safety
- Refocusing risk management

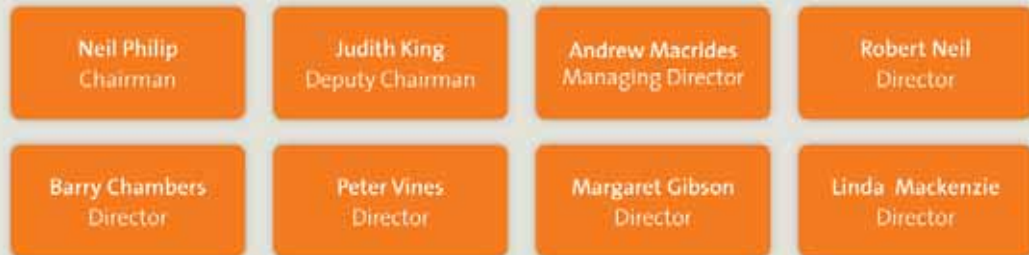


The new Weddell Power Station



# Power and Water Corporation

## Board of Directors



## Executive Management Committee



## Subsidiary Companies



## Indigenous Essential Services

Indigenous Essential Services (IES) Pty Ltd, a not for profit subsidiary company of Power and Water Corporation, was established in 2003 to provide power, water supply and sewerage services to residents in Indigenous communities. Power and Water has provided essential services, continuously, to larger Indigenous communities since it was established in July 1988.

Revenue is collected from the sale of electricity, water supply and sewerage services covering approximately 20 per cent of the cost of the delivery of these services. The Northern Territory Government funds the balance of the costs for service delivery and asset replacement through appropriations to the Department of Local Government, Housing and Sport (DLGH&S), which in turn contracts with IES.

In 2007-08, IES provided services to 72 communities and 33 outstations. Providing these services presents a number of unique challenges including the tyranny of distance

between communities and support centres, poor access and communications, the availability and retention of locally employed staff and contractors, and extreme and highly variable weather conditions.

A key factor in the success of the delivery of these essential services is the role played by the 68 Essential Services Operators, employed locally by councils or provided by private contractors, under period contracts with Power and Water.

Remote Operations provides management, technical and professional services to IES to deliver essential services to Indigenous communities, supported by the Retail, Power Networks, Water Services and corporate support business units.

More information about IES is available in the Annual Report for IES Pty Ltd.



Remote Operations and ESO staff in the field

# Maps

NT Generation, Power Networks and Electricity Retail Locations  
(Retail licences for remote Aboriginal communities are not shown on this map)



## NT Water Supply and Sewerage Service Areas

(Only licenced areas and not remote Aboriginal communities are shown on this map)





## OUR PERFORMANCE

# Services

Power and Water is committed to delivering reliable power, water and sewerage services to the people of the Northern Territory. During the past year the Corporation responded to a range of service-related challenges, including a rapidly growing economy, a significant asset investment program, skills shortages, increasing costs, major developments in Indigenous communities and restoring services in the wake of Cyclone Helen.

The Utilities Commission sets the minimum standards of service for electricity reliability, quality and customer service in the Northern

Territory, which are established in accordance with the Electricity Standards of Service Code. Minimum standards that apply to water supply and sewerage services are set by the Northern Territory Government.

Power and Water has ventured further than the minimum standards in many areas and established service Key Performance Indicator (KPI) targets for customer service and supply reliability, as set out in the annual Statement of Corporate Intent (SCI). A summary of the service KPI targets and results is provided below.

### Service Key Performance Indicators (KPIs)

Service Area	KPI Target	KPI Results	Comments
<b>Customer Service Improvement</b>	Customer satisfaction > 80%	Domestic: 72% Commercial: 77%	The customer survey was conducted in July 2008.
	Connections to existing supply properties within 24 hours > 98%	99%	Connections to existing supply properties in urban areas continue to be completed within the service target through contractor management and connections process initiatives.
	Connections to new subdivisions in major urban areas within 5 working days > 98%	84%	The service target for connections to new subdivisions was not met due to connections in semi-rural areas, where the logistics of travel and small numbers of new connections make it more efficient to wait until more than one request has been received.
	Connections to new subdivisions where minor extensions or augmentation is required within 18 weeks > 90%	66%	The service target for connections to new subdivisions where minor extensions or augmentation is required was not met due to increased development activity and process delays associated with minor projects.
	Average call response time within 20 seconds > 80%	58%	The average call response time service target was not met due to high staff turnover and resourcing difficulties in the call centre.
<b>Electricity Supply Reliability</b>	Average minutes off-supply per customer (SAIDI): Darwin < 220 Katherine < 401 Tennant Creek < 411 Alice Springs < 108	Darwin: 204 Katherine: 314 Tennant Creek: 195 Alice Springs: 96	SAIDI targets were met for all regions due to continued improvement initiatives including further undergrounding of powerlines, installing bat guards on power poles, installing fibreglass cross arms, installing additional reclosers and maintaining overhead earth wires on all powerlines. Immediate interruptions from Cyclone Helen are excluded in line with the major event day exclusion standard methodology applied by utilities.



Equipment testing

Service Area	KPI Target	KPI Results	Comments
	<p>Average number of interruptions per customer (SAIFI):</p> <p>Darwin &lt; 4.2</p> <p>Katherine &lt; 9.6</p> <p>Tennant Creek &lt; 9.8</p> <p>Alice Springs &lt; 2.9</p>	<p>Darwin: 3.3</p> <p>Katherine: 5.4</p> <p>Tennant Creek: 7.2</p> <p>Alice Springs: 2.0</p>	<p>SAIFI targets were met for all regions due to continued improvement initiatives including further undergrounding of powerlines, installing bat guards on power poles, installing fibreglass cross arms, installing additional reclosers and maintaining overhead earth wires on all powerlines. Immediate interruptions from Cyclone Helen are excluded in line with the major event day exclusion standard methodology applied by utilities.</p>
<b>Water Supply Reliability</b>	<p>Average hours off supply for planned interruptions per customer:</p> <p>Darwin &lt; 2.5</p> <p>Alice Springs &lt; 2.5</p>	<p>Darwin: 1.9</p> <p>Alice Springs: 1.6</p>	<p>The good results for water supply reliability are due to proactive maintenance on the water reticulation system through activities such as a program to detect and repair minor leaks, the establishment of a reduced pressure zone in the lower areas of Palmerston and works on pump stations. The accessibility of the Darwin and Alice Springs regions to service crews also assisted.</p>
	<p>Average hours off supply for unplanned interruptions per customer:</p> <p>Darwin &lt; 1.5</p> <p>Alice Springs &lt; 2.0</p>	<p>Darwin: 0.9</p> <p>Alice Springs: 1.7</p>	<p>The good results for water supply reliability are due to proactive maintenance on the water reticulation system through activities such as a program to detect and repair minor leaks, the establishment of a reduced pressure zone in the lower areas of Palmerston and works on pump stations. The accessibility of the Darwin and Alice Springs regions to service crews also assisted.</p>
<b>Sewerage Service Reliability</b>	<p>Average hours off supply for unplanned interruptions per customer:</p> <p>Darwin &lt; 3.0</p> <p>Alice Springs &lt; 2.5</p>	<p>Darwin: 1.7</p> <p>Alice Springs: 1.1</p>	<p>The good results for sewerage service reliability are due to proactive maintenance of the sewerage system through activities such as the sewer relining program and the accessibility of the Darwin and Alice Springs regions to service crews.</p>

# Financial Management

Power and Water established financial KPI targets to provide an insight into the overall returns provided to the Northern Territory and their sustainability, as set out in the annual SCI. A summary of the financial KPI targets and results is provided below. More detailed analysis of the Corporation's financial performance is provided in the Directors' Report at page 47.

## Financial Key Performance Indicators (KPIs)

KPI	KPI Target	KPI Result
<b>Sustainable Return</b>		
Return on Assets	5.5%	10.0%
Return on equity	3.8%	9.8%
Capital expenditure	\$152.9m	\$156.1m
Current ratio	104.0%	118.8%
Leverage	96.9%	91.4%
Gearing	43.0%	41.0%
Interest cover	2.1 times	2.4 times
Cash flow from Operating Activities	\$54.7m	\$97.4m
New borrowings	\$97.0m	\$87.0m
<b>Operating Efficiency</b>		
Adjusted EBITDA	\$29.1m	\$30.7
Total Controllable Costs <sup>#</sup>	\$95.1m	\$108.9
Cost Efficiency <sup>#</sup>	109.7%	110.0%
Efficient R&M	5.0%	4.6%
Debtor Management <sup>#</sup>	48.1 days	37.0 days
Bad Debts Written Off <sup>#</sup>	0.4%	0.3%

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

*#: IES Transactions have now been relocated directly to the legal entity resulting in adjustments to budgeted full year KPIs.*



Line crews at work



# Asset Management

The Northern Territory experiences some of the most extreme and diverse environmental conditions, which presents the Corporation with significant challenges in maintaining and improving assets.

## Increasing Generation Capacity

In response to projected customer growth in the Territory's north, Power and Water is nearing completion of the largest electricity generation project undertaken in the past 20 years. Using more efficient generation plant, Weddell Power Station will add 30 per cent capacity to the power supply for Darwin and Palmerston and provide back-up supply for Katherine.

In late June 2008, Weddell Power Station's first generator was in the final stages of commissioning, with the second generator due for completion in late 2008. The addition of a third generator in the future will add further capacity to the system. Over 40 Territory companies contributed to the Weddell Power Station project.

Responding to an increasing peak demand in Alice Springs, construction commenced on the new Owen Springs Power Station at Brewer Estate. This development will involve the relocation of the Titan and Taurus gas turbines from the Ron Goodin Power Station, as well as the construction and commissioning of additional generation units in 2008-09, 2009-10 and 2010-11.

## Improving Network Reliability

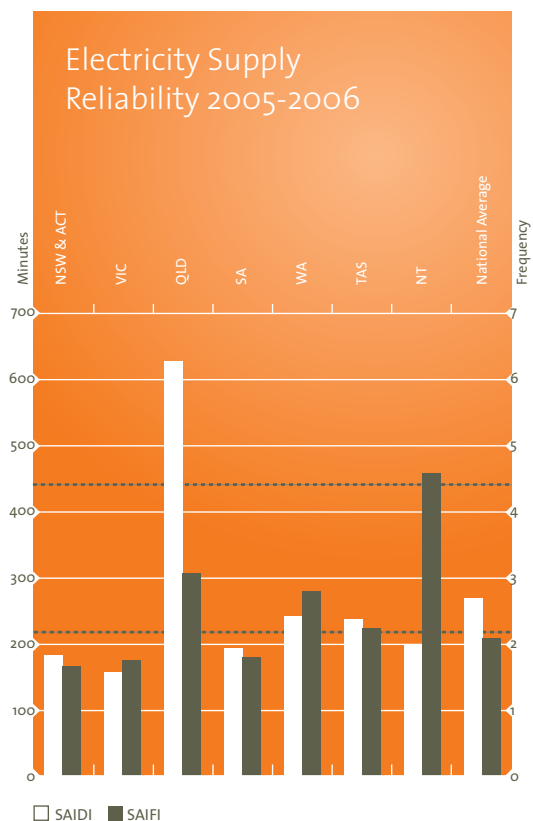
In light of the experiences from Cyclone Helen in January 2008, which caused widespread power outages throughout Darwin, the project to underground powerlines in Darwin was accelerated by the NT Government, and the focus on repairs and maintenance also increased.

Power and Water pays particular attention to vegetation management around powerlines, as a significant proportion of power outages across the Top End are caused by trees and palms touching or falling onto powerlines.

Deteriorated cross-arms on power poles are replaced with a composite fibre variety, helping to reduce power outages caused by fruit bats, lightning strikes and tree branches. The new cross-arms significantly reduce the potential for power outages as they improve electrical insulation.

The reliability of electricity supply is measured using various indices, in particular the System Average Interruption Duration Index (SAIDI), a measure of the average minutes each customer is off supply per annum, or System Average Interruption Frequency Index (SAIFI), how many times each customer is off supply per annum.

Despite the challenging environment in the Northern Territory, including lightning, storms, fruit bats and vegetation, the duration of outages (SAIDI) is less than the national average. The following graph compares our performance with the national average, as published in the *ESAA, Electricity Gas Australia 2007*.



## Cyclone Helen

On 4 January 2008 Darwin and surrounding areas caught the edge of Tropical Cyclone Helen. The category 2 cyclone caused significant damage and disruption to power, water and sewerage services. At 6am on 5 January 2008, around 15,500 residents were without power, with the main cause of outage related to damage from vegetation.

Power and Water staff from all business units throughout the Territory banded together and worked tirelessly to restore essential services and ensure that the public were well informed. By late that afternoon, 12,000 had their electricity restored and by the following day, less than 560 properties were awaiting power, due to the volume of work involved.

The Power and Water team worked extremely hard to quickly overcome the immense workload created by Cyclone Helen and ensure that disruptions to customers were minimised.



Lines crew restoring power after Cyclone Helen



Damage to power lines caused by Cyclone Helen

The results of the *Electricity Standards of Service: 2006-07*, released by the Utilities Commission in March 2008, show that infrastructure investments have had positive impacts on service delivery. Power and Water's performance in 2006-07 improved over the previous year.

## Sustaining Water Supply and Sewerage Services

As required under the *Water Supply and Sewerage Services Act*, annual asset management plans were prepared and submitted to the Utilities Commission. These plans cover the 18 water supply licence areas and the 10 sewerage services licence areas managed by Power and Water.

The program to detect and repair leaks on the water reticulation system continued during the year. Work has commenced to establish a reduced pressure zone in the lower areas of Palmerston to help minimise main breaks and leaks.

A trial to test water quality in Manton Dam commenced in May 2008 with continuous discharge to Manton River from the dam. This trial is part of a long-term plan to return the dam to service as an additional water source for the Darwin region. Work has also commenced to augment bores in a number of minor centres to improve water supply reliability and to provide standby capacity.

An upgrade of sewer pumps at Frances Bay and Winnellie pump stations commenced during the year. When complete, these upgrades will replace the older shaft driven pumps with modern dry well pumps to improve reliability, maintainability and efficiency.

Sewer re-lining continued during the year with work undertaken in parts of Parap, Ludmilla and Tennant Creek. A strategic review of the sewer re-lining program was completed with the program extended to define areas to be re-lined over the next 20 years.

## Delivering Capital Investment

As announced in 2007, Power and Water embarked on a significant new capital investment program totalling over \$1 billion over the next five years. The program was developed based on the Corporation's objective needs and its capacity to deliver. The program ensures that service standards for supply reliability are exceeded, where possible. A new Board sub-committee was established to oversee the planning, approval and implementation of the program.

The Corporation made solid progress on the implementation of the new program. Weddell Power Station neared commissioning stage, Frances Bay Zone Substation was completed, preparations commenced for raising Darwin River Dam and works to allow the closure of the Larrakeyah sewerage outfall progressed well.

Other key investments during 2007-08 included:

- Set replacements at Channel Island and Katherine Power Stations;
- Further undergrounding of powerlines in Darwin;
- Connecting power to Browns Oxide mine and Darwin Waterfront project;
- Sewer relining program;
- Upgrading wastewater treatment plants;
- Works on borefields and pump stations;
- Ben Hammond Complex redevelopment (Stage 2); and
- Asbestos removal from facilities.

The Corporation spent \$156.1 million on the capital investment program during 2007-08, and is budgeted to spend \$166.6 million in 2008-09. The costs of the program may increase further, given significant rises in the costs of materials, current skills shortages and a number of projects in higher risk areas such as confined space, tunnelling and dam-related projects.

(\$ million)	2004-05	2005-06	2006-07	2007-08	2008-09 Budget
Capital Investment	63.5	60.4	98.2	156.1	166.6

### Refocusing Repairs and Maintenance

Power and Water has a total asset base valued at more than \$1 billion. Investment in the repairs and maintenance of these assets is a high priority. In 2007-08, \$41.3 million was spent on the repairs and maintenance program, and a further \$50.2 million is budgeted to be spent in 2008-09.

(\$ million)	2004-05	2005-06	2006-07	2007-08	2008-09 Budget
Repairs and Maintenance	41.0	41.2	40.9	41.3	50.2

### Manton Dam Testing

A project to test water quality in Manton Dam began in May 2007. The results will help determine how much treatment would be needed if this source is used in the Top End's drinking water supply.

Specifically, the project will determine water quality at various extraction levels and the environmental effects of releasing water from the Dam. Throughout the project Power and Water will ensure that the boat ramp is serviceable at all times.

### Asset Management Capability (AMC) Project

The Asset Management Capability (AMC) project was established to improve asset-related systems, policies, procedures and culture and will ultimately drive better plant and network reliability and more efficient maintenance. A fundamental review of the delivery strategy was undertaken during 2007-08 and tender processes commenced.



Testing for water leaks

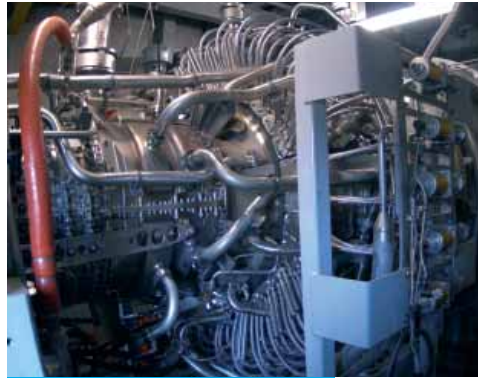
# Gas Supply

After supplying the fuel to generate electricity in the major power stations of Darwin, Katherine, Pine Creek, Tennant Creek and Alice Springs over the past 25 years, the Amadeus Basin gas fields of Palm Valley and, in particular, Mereenie, are now experiencing rapid production declines.

Gas supply from the Blacktip field will commence in 2009 and provide approximately 95 per cent of the fuel to generate electricity over the next 25 years. The 286km Bonaparte Gas Pipeline (BGP), which will haul Blacktip gas from the onshore gas plant near Wadeye to the Amadeus Basin to Darwin pipeline at Ban Ban Springs is progressing on schedule.

In case there is any disruption to Blacktip gas, agreement has been reached for the supply of emergency gas from the Darwin Liquefied Natural Gas (DLNG) plant. If this gas is required, it will be obtained via a pipeline that will link the DLNG facilities at Wickham Point to the Amadeus Basin to Darwin pipeline.

The new Owen Springs Power Station will be supplied with gas from a new 6km spur pipeline



Gas Turbine at Channel Island Power Station

from the Palm Valley to Alice Springs gas pipeline. A route for the spur pipeline was secured with the consent of traditional land owners and the pipeline is expected to be commissioned by end-October 2008.

The Corporation is also assessing opportunities to replace diesel fuel electricity generation with natural gas, including supply to a number of remote communities.



Pressure Reduction Skid for Weddell Power Station

# Statistical Summary

## Power and Water Corporation

As at 30 June 2008	Units	2003	2004	2005	2006	2007	2008
<b>ELECTRICITY</b>							
<b>Generation</b>							
Power and Water Installed Capacity (based on Gross Maximum Capacity)	MW	389	391	375	375	379	428
IPP Contracted Capacity (based on Site Rating)	MW	71	47	71	64	64	64
Electricity Generated	GWh	1,656	1,664	1,350	1,366	1,440	1,475
Electricity Sent Out (inc Purchases from Private Suppliers)	GWh	1,681	1,627	1,712	1,725	1,790	1,821
Independent Power Purchase – Electricity Sent Out	GWh	59	45	400	395	385	382
<b>Networks</b>							
<b>Transmission (33kV &amp; above)</b>							
132kV Overhead	km	340	340	340	340	340	344
66kV Overhead	km	311	315	314	314	314	314
66kV Underground	km	21	17	17	17	17	17
33kV Overhead	km	55	56	56	56	55	55
<b>Distribution (22/11kV &amp; below)</b>							
HV Overhead	km	2,879	2,906	2,965	2,972	3,062	3,147
HV Underground	km	614	598	601	604	618	627
LV Overhead	km	1,755	1,751	1,752	1,740	1,749	1,774
LV Underground	km	1,655	1,636	1,677	1,671	1,750	1,763
<b>Sales</b>	MWh	1,538,053	1,548,560	1,571,788	1,584,357	1,596,452	1,704,377
<b>Customers (ie. Services)</b>		67,413	68,679	69,709	73,339	73,753	74,097
<b>WATER</b>							
System Capability	ML/day	327	336	336	336	322	322
Production	ML	55,764	54,447	58,436	54,797	56,842	57,823
Length of Mains	km	1,945	2,010	2,003	2,019	2,090	2,130
<b>Sales</b>	ML	51,242	50,468	51,225	49,379	51,481	52,206
<b>Customers (ie. Services)</b>		38,631	39,192	39,780	42,970	44,225	44,702
<b>WASTEWATER</b>							
Total Sewerage Collected	ML	18,461	20,579	15,626	19,329	18,897	19,745
Length of Sewer Mains	km	996	997	1,007	1,014	1,036	1,042
Total Recycled Water Supplied	ML	1,715	1,559	2,096	1,983	1,623	1,612
<b>Customers (ie. Services)</b>		44,731	45,612	46,296	48,123	48,661	51,217
<b>STAFF</b>							
Male		527	536	564	573	580	601
Female		192	203	213	213	208	215
<b>TOTAL PERSONNEL</b>		719	739	777	776	788	816

## Indigenous Essential Services

As at 30 June 2008	Units	2003	2004	2005	2006	2007	2008
<b>ELECTRICITY</b>							
<b>Generation</b>							
Installed Capacity (including solar)	MW	43	42	45	48	51	56
Installed Capacity – solar	MW	-	-	-	0.5	0.7	0.7
Electricity Generated (including solar)	GWh	79	79	85	94	95	97
Electricity Generated - Solar	MWh	-	-	-	1.0	1.6	1.0
Electricity Sent Out	GWh	83	73	79	86	86	89
Purchases from Private Suppliers	GWh	7	7	7	7	8	8
<b>Distribution (22/11 kV &amp; Below)</b>							
HV Overhead	km	470	506	526	529	558	534
HV Underground	km	-	1	1	1	1	5
LV Overhead	km	251	243	248	253	278	278
LV Underground	km	1	1	1	1	1	4
SWER All Voltages	km	81	81	81	81	81	81
Sales	MWh	61,514	58,023	58,893	60,019	60,574	63,665
Customers (ie. Services)	No. of	6,710	6,717	6,818	7,213	7,373	7,421
<b>WATER</b>							
Total Sourced Water	ML/day	7,977	9,970	10,104	9,733	9,250	9,846
Length of Mains	km	575	575	583	585	585	585
Customers (ie. Services)	No. of	522	522	530	524	527	1,108
<b>WASTEWATER</b>							
Volume of Sewage Treated	ML	U/A	2,636	2,732	3,508	3,552	3,835
Length of Sewer Mains	km	292	296	302	302	303	303
Volume of Effluent Reused	ML	-	-	-	-	-	-
Customers (ie. Services)	No. of	396	401	407	420	420	426

### Community Power Stations Upgraded

Power and Water upgraded, and in some cases built new power stations to meet rising demand in remote communities. The Maningrida power station was upgraded to accommodate a fourth generating unit and a new power station was constructed at Pigeon Hole.



Part of the 'Vern Pechi' Maningrida Power Station

## OUR SUSTAINABILITY

# Environmental

### Power Generation

#### Generator Efficiency Program and Greenhouse Challenge Plus

Power and Water made a commitment to the Australian Government's Generator Efficiency Program to minimise emissions of greenhouse gases from electricity generation. The program is a voluntary initiative to encourage more efficient use of fossil fuels in electricity generation.

In addition to reporting total emissions of greenhouse gases to the Australian Greenhouse Office (AGO) to meet the requirements of the Greenhouse Challenge Plus program, the AGO also approved an action plan for Channel Island and Ron Goodin power stations. Specific operational efficiency targets for emissions were set for both power stations in the annual Statement of Corporate Intent (SCI), with the results provided in the table below.

KPI Target	2006-07 Achievement	2007-08 Achievement
<b>Channel Island Power Station</b>		
< 640kg of CO <sub>2</sub> per MWh at 80% output factor	596kg of CO <sub>2</sub> per MWh at 82%	589kg of CO <sub>2</sub> per MWh at 80%
<b>Ron Goodin Power Station</b>		
< 690kg of CO <sub>2</sub> per MWh at 85% output factor	661kg of CO <sub>2</sub> per MWh at 88%	665kg of CO <sub>2</sub> per MWh at 85%

Use of natural gas for generating electricity in major centres ensures that the Corporation is better placed than most other electricity generators as far as greenhouse gas emissions (KPI 1).

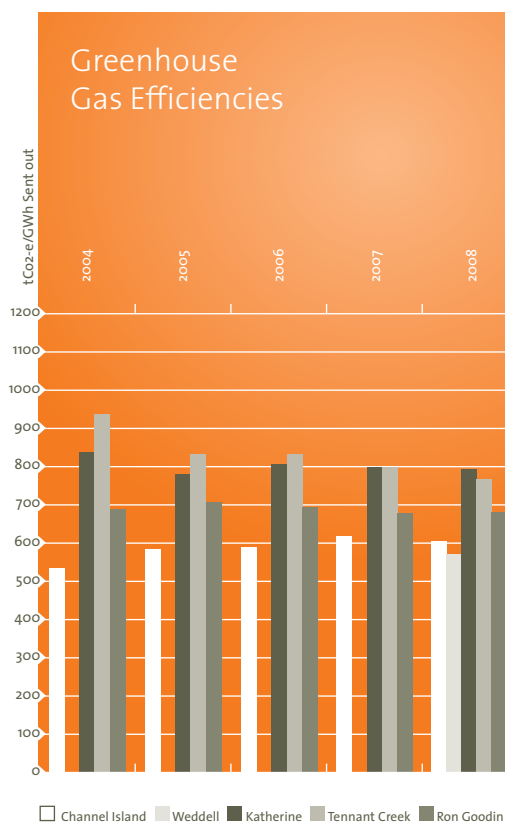
In 2007-08, major power stations in Darwin, Katherine, Tennant Creek and Alice Springs emitted an estimated 872,592 tonnes of CO<sub>2</sub>-e, up from 869,603 tonnes in 2006-07 (see Figure 1.1) This equates to 622 tonnes of CO<sub>2</sub>-e per GWh sent out, down from 635 tonnes in 2006-07 as a result of increased efficiency. The current industry averages for thermal power generation are: overall, 903 tonnes of CO<sub>2</sub>-e/GWh sent out; black coal, 944 tonnes; brown coal 1,341 tonnes; and gas, 551 tonnes.

Channel Island Power Station uses gas turbines and a mix of technologies, such as combined cycle steam generation and ice-cooled air intake, to achieve efficient operation. A new gas-fired

power station at Weddell near Palmerston has been built to meet growth in demand on the Darwin - Katherine interconnected network. The new units are expected to provide 34 per cent efficiency compared with 27 per cent efficiency of the Channel Island open cycle gas turbines. Early data indicate an emissions factor of 575 tonnes of CO<sub>2</sub>-e per GWh sent out compared to Channel Island's 605 tonnes of CO<sub>2</sub>-e per GWh. Relevant KPI targets will be established for the Weddell Power Station following commissioning.

The new Owen Springs Power Station (OSPS) is being developed on a site some 25 km south of Alice Springs by road. OSPS will incorporate new and efficient generators, significantly increasing the plant's operational efficiency and reducing emissions. In addition, two gas turbines will be relocated from Ron Goodin Power Station to the site. Further generation capacity is planned at OSPS to meet demand as older and less efficient plant at Ron Goodin is decommissioned. As part of the site development, a background noise survey was carried out to aid in the compilation of a noise management plan for OSPS.

Figure 1.1 – Greenhouse Gas Efficiencies



**First Green Star Rated Building**

Power and Water's operational headquarters in Darwin, the Ben Hammond Complex is undergoing significant redevelopment. It is estimated that when complete, energy and water use will reduce by around 20 per cent. The new office building is currently on track to become the Territory's first Green Star rated building.

A 4 Star Green Building rating as certified by the Green Building Council of Australia (GBCA) signifies 'Australian Best Practice' in Environmental Sustainable Design. The design emphasizes increased energy efficiency and reduced emissions as the most significant factors in minimising environmental impact.



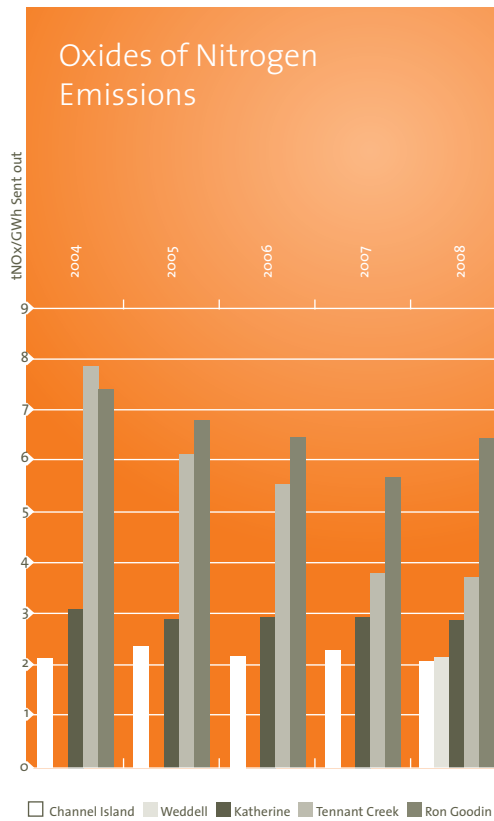
The Ben Hammond Complex Building

**Emissions of Key Pollutants**

Air emissions from major power stations are estimated from fuel volumes and types, and reported annually through the National Pollutant Inventory. Channel Island Power Station runs predominantly on natural gas, and the relatively low levels of NO<sub>x</sub> emissions reflect this. Other power stations use a mix of gas and diesel. The new gas powered generators at Tennant Creek and Ron Goodin power stations markedly reduced NO<sub>x</sub> emissions over 2006 and 2007 and this improving trend continues for 2008 (KPI 2).

In 2007-08, the major power stations emitted an estimated 3,738 tonnes of NO<sub>x</sub>, down from 3,809 tonnes in 2006-07 (see Figure 2.1 below). This equates to 2.66 tonnes of NO<sub>x</sub>/GWh sent out, down from 2.78 tonnes in 2006-07. The current industry averages for thermal power generation are: overall, 3.21 tonnes NO<sub>x</sub>/GWh sent out; black coal, 2.89 tonnes; brown coal, 2.78 tonnes; and gas, 1.40 tonnes.

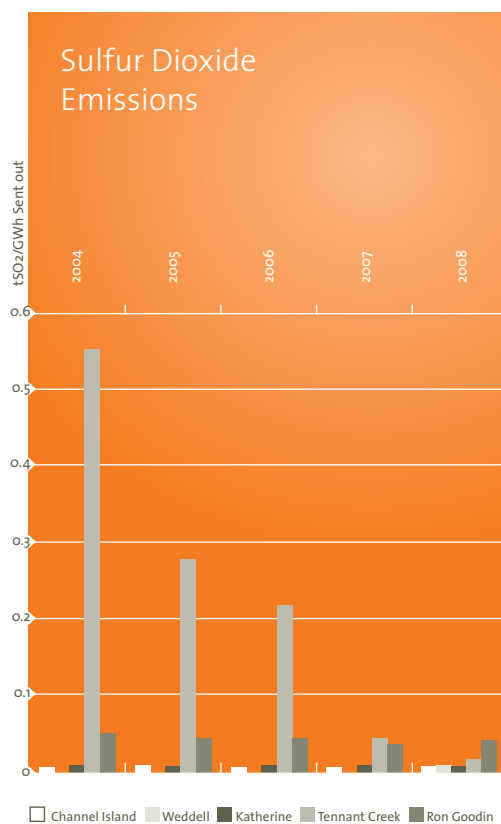
**Figure 2.1 – Oxides of Nitrogen Emissions**





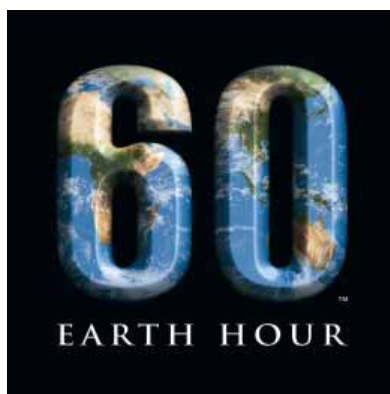
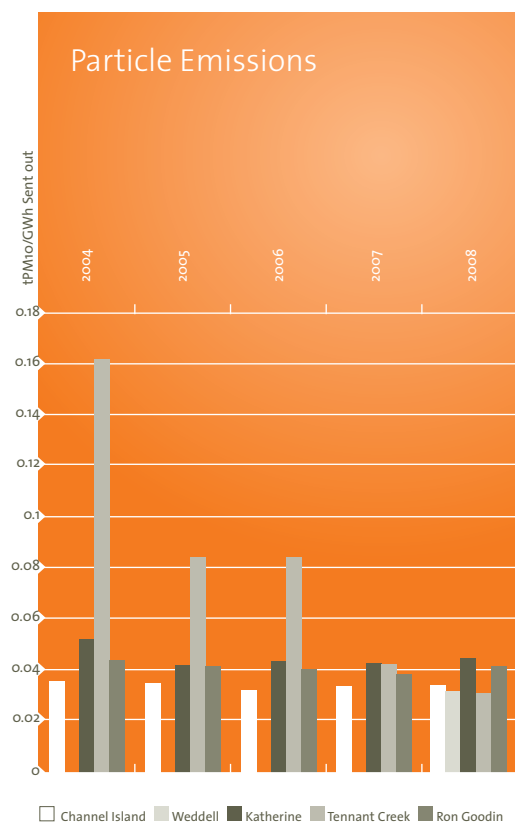
The emissions of sulfur dioxide (SO<sub>2</sub>) per GWh sent out are provided in Figure 2.2 below. The increased use of gas at Tennant Creek continues to drive down SO<sub>2</sub> emissions per GWh. In 2007-08, the major power stations emitted an estimated 10.47 tonnes of SO<sub>2</sub>, or 0.007 t/GWh sent out. Comparable figures for 2006-07 are 11.09 tonnes and 0.008 t/GWh sent out. The current industry averages for thermal power generation are: overall, 2.24 tonnes SO<sub>x</sub>/GWh sent out; black coal, 3.91 tonnes; brown coal, 2.43 tonnes; and gas, 0.034 tonnes.

Figure 2.2 – Sulfur Dioxide Emissions



Particle emissions (PM<sub>10</sub>) from the major power stations are reflected in Figure 2.3 below. The reduction in PM<sub>10</sub> emissions at Tennant Creek parallels the reduction in SO<sub>2</sub> emissions. In 2007-08, our major power stations emitted an estimated 49.12 tonnes of PM<sub>10</sub>, or 0.035 t/GWh sent out. Comparable figures for 2006-07 are 47.12 tonnes and 0.034 t/GWh sent out. The current industry averages for thermal power generation are: overall, 0.43 tonnes PM<sub>10</sub>/GWh sent out; black coal, 0.69 tonnes; brown coal, 0.22 tonnes; and gas, 0.08 tonnes.

Figure 2.3 – Particle Emissions

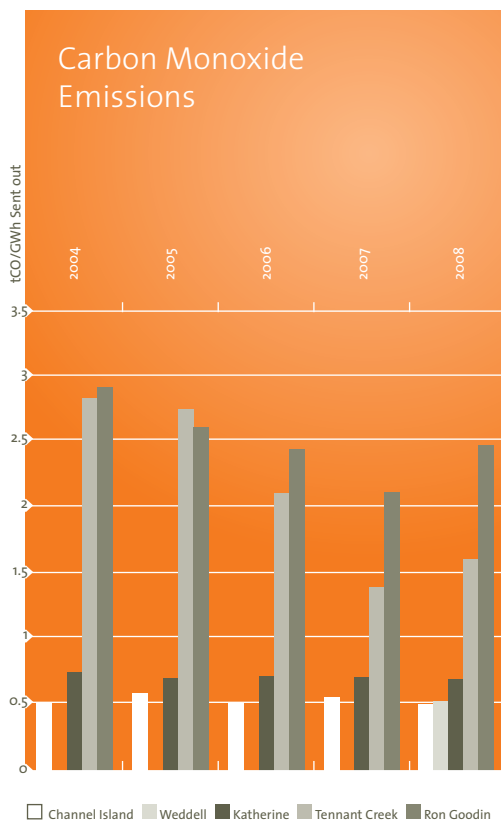


### Earth Hour

When Territorians joined other Australians in switching off lights for Earth Hour, Power and Water monitored and tallied results. Between 8pm and 9pm the Territory's electricity consumption dropped by 5.8MWh or 3.5 tonnes of greenhouse emissions. This is equal to around 6,000 cars being off the road for that hour.

Emissions of carbon monoxide (CO) per GWh sent out at major NT power stations are provided in Figure 2.4 below. There is a marginal increase at Ron Goodin. In 2007-08, the major power stations emitted an estimated 1,088 tonnes of CO, or 0.78 t/GWh sent out. Comparable figures for 2006-07 are 1,082 tonnes and 0.79 t/GWh sent out. No industry averages are available for CO.

**Figure 2.4 – Carbon Monoxide Emissions**



In 2007-08, Channel Island Power Station used 812.6ML of potable water as cooling tower makeup on the steam turbine condensing system, up from 646.8ML in 2006-07 (KPI 6). This is equivalent to 0.71ML/GWh sent out from Channel Island (0.59ML/GWh in 2006-2007). This compares with industry averages for thermal power generation of: overall, 1.25ML per GWh sent out; black coal, 0.92ML; brown coal, 2.19ML, and gas, 0.65ML. While consumption has increased only slightly, investigations are underway on the feasibility of cooling using seawater.

### Risk Reduction Initiatives

Fuel storage bunds were upgraded at Tennant Creek and Ti Tree power stations to minimise the risk of pollution incidents. The Yulara Power Station diesel storages were reconfigured and ducted pipework was installed to reduce the risk of in-ground leaks.

The fuel and chemical storage bunding program to reduce the risk of spills at remote communities is continuing. A 3.75 km underground pipeline was installed from the barge landing to the community power station at Warruwi (South Goulburn Island). This will replace the current process of trucking 4,000-5,000L of fuel two to three times per week between the two points and greatly reduce the risk of a fuel spill. A number of non-return valves in the pipeline will reduce the impact of any breach, should it occur. This is unlikely given that the pipe is buried between 800 and 1200 mm deep. Easement rehabilitation was important to ensure the long term integrity of the pipeline in areas of high erosion risk.

A new flood-proof power station was built at Pigeon Hole, on the Victoria River. This will mitigate the risk of spills affecting the river, and provide certainty of supply during the wet season. Jilkminggan, near Mataranka, was linked to the Darwin-Katherine grid, and the community's diesel fired power station was decommissioned.

### Renewable Energy

Power and Water uses a range of measures to meet the Territory's proportion of the Australian Government Mandated Renewable Energy Target (MRET). The measures include the purchase of Renewable Energy Certificates (RECs) from customers who installed solar hot water systems in their homes.

Our target for RECs in 2007 was 36,385, up from 27,960 in 2006. The renewable energy certificate target is a calendar year target (i.e. as at 31 December 2007) rather than a financial year target. The Corporation was able to exceed the 2007 target with a total of 46,385 RECs, either purchased or created by our investment in solar panels (KPI 7).

We will most likely be unable to meet our future MRET obligations from existing sources and will need to develop additional sources of RECs.

Some future sources of RECs include:

- Solar concentrator dishes at additional remote communities installed by an independent power producer. Power and Water purchases the electricity and integrates the solar power outputs with the existing diesel systems.

- Electricity generated by a private provider from methane gas at the Shoal Bay Landfill in Darwin. Power and Water purchases the electricity.
- Biodiesel in remote community power stations. A trial of biodiesel at Daly Waters Power Station is complete. Power and Water uses more than 30 million litres of automotive diesel each year, and there are potential RECs available by substituting biodiesel for automotive diesel.
- Possible small wind projects across the Barkly Tableland.

The federal government has announced that it plans to increase the Renewable Energy Target (RET) significantly from 2010 as part of its aspiration to achieve 20 per cent renewable energy by 2020. This new RET target will set a new challenge for the Corporation and will require seriously increased acquisition of RECs through to 2020. Investigations into potential large scale renewable sources such as solar thermal and geothermal are being conducted.

In March 2008, the Alice Springs Solar Cities project was launched. Power and Water Corporation is a major stakeholder in the project which aims to explore ways to increase sustainable aspects of living in Central Australia. The project focuses on energy efficiency, cost-reflective energy pricing, demand management, assistance with solar hot water installations and the introduction of distributed generation through roof-top solar panels. In addition, Power and Water is facilitating the development of a 1MW solar farm in Alice Springs, which will supply "DesertSMART" power to consumers in rental premises.

Power and Water has had a buyback arrangement since 2001, which is based on the gross export of electricity from rooftop solar panels. The Corporation is contributing to national discussions on harmonising such arrangements.

### *Preserving Wildlife Habitat at Sadadeen Valley*

*Power and Water's operational headquarters in Alice Springs, Sadadeen Valley, has been entered in the Land for Wildlife scheme. This voluntary scheme is run by the Australian Government's National Heritage Trust to support landholders who provide habitats for wildlife on their property.*

*While Sadadeen Valley is an industrial site, Power and Water aims to preserve its natural habitat, controlling weed growth, rehabilitating disturbed areas to their natural state and controlling feral animals. The gardening contract for Sadadeen now requires native plant use and the removal of plants not native to the area.*



Power and Water's Sadadeen Valley Complex, now part of the Land for Wildlife scheme.

### Alice Springs Solar City

*Power and Water is a major partner in the Solar City consortium, contributing \$1.9 million 'in-kind' and \$360,000 in funding to the project. The fifth Solar City in Australia, Alice Springs aims to become an Energy Champion and gain national recognition for residents' energy efficient living standards.*

*Power and Water's role includes managing the 'cost reflective' pricing trial and installing around 400 smart meters. In addition, the buyback rate for rooftop photovoltaic cells will be increased to reflect peak period supply costs. A power purchase agreement with the Community Access Solar Farm project is being developed.*



Solar panel at Ntaria

### Efficient Water Use

In 2007-08, we lost 3,431 ML, or about 6 per cent of the total water supplied in our major centres. This continues an improving trend as reflected in comparisons with 2004-05 (6,617ML), 2005-06 (4,933ML) and 2006-07 (4,744ML).

Greenhouse gas emissions from our water and wastewater activities in 2007-08 totalled 20,250 tonnes of CO<sub>2</sub>-e. This is equivalent to 0.31 tonnes of CO<sub>2</sub>-e/ML of potable water supplied and 0.13 tonnes of CO<sub>2</sub>-e/ML of wastewater pumped. Comparable figures for previous years are 19,734 tonnes of CO<sub>2</sub>-e in 2006-07 (0.30 tonnes of CO<sub>2</sub>-e/ML of potable water supplied and 0.14 tonnes of CO<sub>2</sub>-e/ML of wastewater pumped) and 19,665 tonnes in 2005-06 (0.29 tonnes of CO<sub>2</sub>-e/ML of potable water supplied and 0.17 tonnes of CO<sub>2</sub>-e/ML of wastewater pumped).

In 2007-08, we reused 1,612 ML of treated wastewater, or 8 per cent of the available volume. Comparable figures for 2005-06 are 1,983ML (10 per cent), and for 2006-07 1,175ML (6 per cent), during which the extended 2006-07 wet season effected the levels of reuse.

### Power Networks

#### Large Transformers across the NT

In 2004, Power and Water initiated a review of zone substations across the Northern Territory. Zone substations contain large transformers that hold thousands of litres of oil. The review was done to ensure compliance with the Australian Standard AS1940 and NT environmental legislation for the safe containment of oil.

As part of a three-year plan, originally due to be completed in 2008, two zone substations at Cox Peninsula (Darwin Harbour) and one at Humpty Doo were upgraded. Design difficulties associated with site layout has delayed an upgrade at McMinns Zone Substation (intersection of Stuart and Arnhem Highways), with completion now expected in 2009. Works additional to the original plan have been identified at three zone substations (Katherine, Manton and Pine Creek 132 kV) and oil separation tanks are planned for installation at these locations in 2009.

A small number of transformers containing large volumes of oil (10,000L to 20,000L) are held at Power and Water sites in Darwin, Katherine, Tennant Creek and Alice Springs. Future site works will be guided by the Energy Supply Association of Australia (ESAA) guideline for the containment of transformer oil.

New zone substations are built to comply with current Australian Standards, and in urban areas go well beyond compliance. Construction of the Frances Bay Zone Substation was completed and commissioning is due in September 2008. The project was nominated for an Engineers Australia engineering excellence award.

### Electricity Supply and Distribution

It is inevitable that electricity transmission and distribution systems incur losses. The Darwin-Katherine, Tennant Creek and Alice Springs transmission and distribution grids lost 116 GWh in 2007-08. This is equivalent to 0.0143 GWh per circuit kilometre, or seven per cent overall. Comparable figures are 160 GWh and 0.0197 GWh per kilometre for 2006-07\* (8.5 per cent), 87 GWh and 0.0111 GWh per kilometre (six per cent) for 2005-06 and 159.44 GWh and 0.0214 GWh per kilometre (10 per cent) for 2004-05. The current industry average for transmission lines is 1.55 GWh/circuit kilometre and 3.73 per cent, and for distribution lines 0.078 GWh/km and 5.44 per cent.

A new powerline and zone substation was completed near Batchelor to service the Compass Resources mining project. The work involved constructing a 132kV link to the zone substation, underground 22kV lines through Batchelor township, and aerial conductors to the mine site.

Power and Water is investigating ways to link some of our remote communities by 22kV powerlines and decommissioning the smaller power stations. Jilkminggan (near Mataranka) was linked to the Darwin-Katherine Grid in 2008. Construction work has started in the Alice Springs region on connecting Wallace Rockhole to the Hermannsburg – Intjartnama line, and on the Atheley to Irrultja line. Planning is well advanced on two further interconnection projects for Ngukurr to Rittarangu in the Katherine region, and Wadeye to Palumpa in the Daly region.

### Undergrounding of Powerlines

Undergrounding of powerlines in the Top End ensures reliability of supply, given the high risk of severe storms and cyclones to overhead systems. It also minimises the need to manage vegetation and reduces the visual impact of poles and wires across our landscapes.

The underground distribution system in the Darwin suburb of Nightcliff has been in operation for over a year and work has moved to the suburbs of Rapid Creek and Millner. These suburbs have a history of power interruptions due to extensive street-front vegetation growth. The change from overhead to underground power will significantly reduce the need for tree trimming, allowing the older established trees to add to the visual amenity of the streets.

In 2007-08, the civil works for the whole of Rapid Creek was completed. Electrical and cabling works is progressing well and some customers were connected to the underground system. Around one third of the civil works for Millner was completed, with the entire suburb scheduled for completion by the end of 2009.

Currently around 2,370 km, or 29 per cent, of the 8,108km transmission and distribution networks is underground. This will increase in 2008-09 as the Darwin undergrounding project progresses (KPI 10), despite being partially offset by the growth in high voltage overhead lines to service rural areas.

## Environmental Incidents

### Response to Incidents

The generation of electricity with diesel fuel and the treatment of wastewater are two areas that have an increased risk of environmental incidents. A program to upgrade fuel storage bunding to reduce the risk of fuel spills and prevent releases to the environment is underway. Relevant Power and Water personnel have received training to deal with land-based fuel spills.

The Remote Operations business unit has a training program in place for Essential Services Operators (ESOs). ESOs are people on the ground in remote communities who are responsible for the day-to-day operation of power, water and sewerage services and managing fuel at remote community power stations. ESO courses include hands-on training in responding to incidents, with 47 participants attending a course in Alice Springs in October 2007.

Fuel spill clean-up kits are kept at every remote power station and other strategic locations. Dry break couplings are fitted to fuel storage tanks to reduce minor spills that occur during fuel delivery.

\* Reported as 171 GWh and 0.0217 GWh in the 2006/07 Environment Report

Sewer maintenance and appropriate design of new sewerage systems prevent sewage overflows. There are occasional dry season blockages and wet season overflows associated with stormwater. There is a comprehensive response protocol for sewage overflows, with a primary focus on clean-up and disinfection because of the potential health impacts.

### Incident Report Database

Power and Water maintains a database of all environmental incidents that occur as a result of operational activities. Incidents are reported by staff and external sources identification of recurrent problem areas and implementation of corrective measures.

In line with section 14 of the *Waste Management and Pollution Control Act*, the Environment Protection Agency (EPA) is notified of all spills or overflows, and the Department of Health and Families is consulted about sewage overflow management.

Incidents that “generally represent those incidents that have the potential to incur a penalty in line with Environmental Offence Levels 1 through 3” are posted on the EPA Register. These incidents are deemed to have caused, or have the potential to cause, environmental harm.

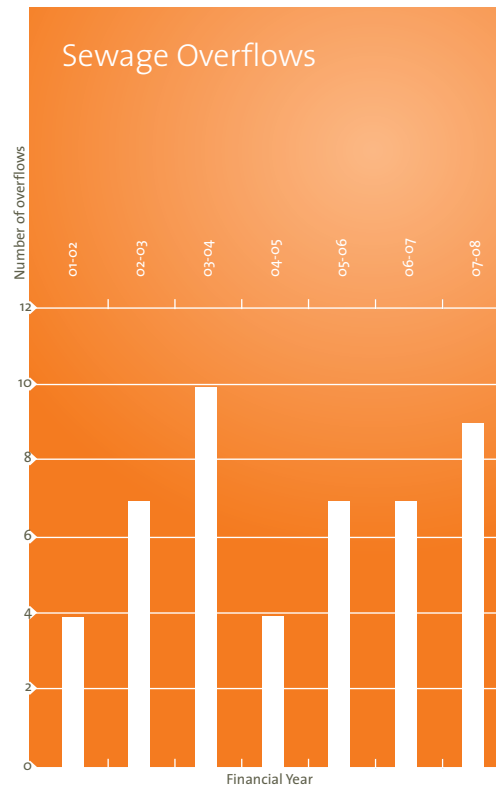
Power and Water achieved its objective of zero pollution incidents causing environmental harm with no incidents occurring in 2007-08 being posted on the EPA Register, which can be viewed on the EPA website.

### Sewerage System Overflows

Figure 3.1 right shows the number of reported sewer overflows in the NT over recent years. Most occurred in major sewerage systems in the Top End because of storm activity affecting infrastructure or stormwater inflow and infiltration during monsoon rain. The yearly changes largely reflect wet season rainfall intensity.

Spills ranged from 30L to 4.3ML, with a median value of 500L. The 4.3ML spill was due to the collapse of a power pole at Alice Springs that cut supply to pumps at the sewage ponds causing an overflow of treated wastewater to Ilparpa Swamp. There were no instances recorded of impacts on human health or the environment as a result of any overflows.

Figure 3.1 – Sewerage System Overflows



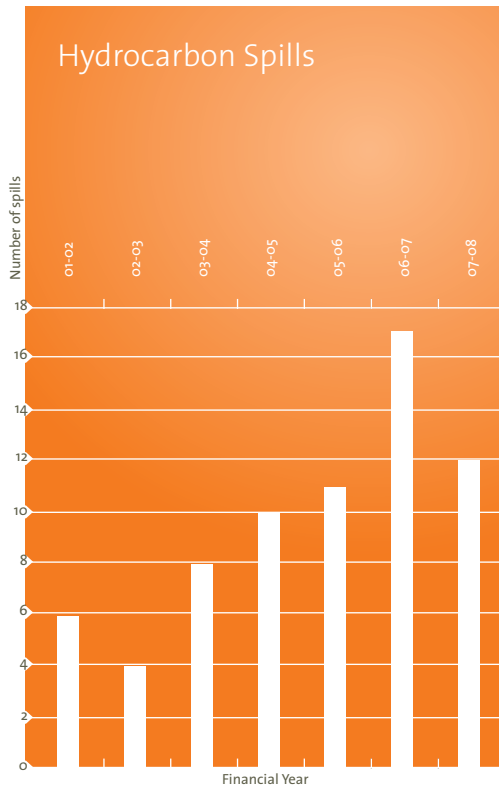
### Fuel Spills

Figure 4.1 in the following table shows the number of reported fuel and oil spills in the past seven years. Most spills occur during fuel delivery to remote community power stations, or as a result of damage to infrastructure.

In 2007-08, there were 11 minor spills and one major spill. Of the 11 minor spills, nine were 50L or less, while the major spill was 2,500L. This compares to 2006-07, where there were 14 minor, one moderate (500L to 1,000L) and two major spills. Of the 14 minor spills, eight were 50L or less and the two major spills totalled 43,000L.

The spike in recent years is due to better reporting of smaller spills, particularly hydraulic and lubricating oils. Overall there is a significant downward trend in the volumes spilt, and in 2007-08 there were no spills released to the environment. This confirms the importance of the bunding review and upgrading program.

Figure 4.1 – Hydrocarbon Spills



**Chemical Leaks**

There were two incidents reported during the year: a minor leak of chlorine gas from a gas bottle; and a minor leak of ammonia from the ice plant at Channel Island Power Station.

**Prosecutions**

The Northern Territory’s principal environment protection legislation is the *Waste Management and Pollution Control Act*. Enforcement actions such as Authorised Officer Directions, Pollution Abatement Notices and prosecutions can be called on under the Act.

During the reporting period, no enforcement actions under the Act, or any other environmental legislation, were taken against Power and Water, and there are no actions pending.

**Alice Springs Water Re-Use Project**

The Alice Springs Water Reclamation Plant was officially opened in May 2008, marking the completion of the five year, \$10 million ‘Water Reuse in the Alice’ Project. Power and Water worked with the Department of Natural Resources, Environment and the Arts, the Department of Primary Industry, Fisheries and Mines and CSIRO to complete this important project.

Initially, the project can recycle up to 600 mega litres of water a year. Water from the wastewater stabilisation ponds undergoes treatment in a Dissolved Air Floatation plant before it is pumped 6.2km to the Arid Zone Research Institute (AZRI). The reclaimed water is then infiltrated through Soil Aquifer Treatment basins and stored in an underground aquifer. In time, it will be used to irrigate horticulture projects.



Alice Springs Water Reclamation Plant

# Social

Power and Water takes pride in its active community focus. As a local business that provides essential services, employs more than 750 Territorians and works with businesses across the Territory, we are an important part of the community.

Power and Water invests in communities through mutually rewarding sponsorship arrangements across a wide range of areas, conducting awareness campaigns and providing educational resources. Our five year, \$1 billion infrastructure investment program has us working more closely with Territory businesses than ever before.



## Promoting Energy and Water Efficiency

Power and Water shone the green torch at the annual Central Australian Expo in Alice Springs, highlighting that it takes only a few small changes to make a big difference – both to hip pockets and to the environment. Tips on reducing energy and water usage included taking shorter showers and planting native trees. The conservation campaign has also extended to visitors, with information cards offering tips on how to be energy and water wise now on display in many hotels.

The Green Guide booklet provides ongoing awareness for promoting energy and water efficiency.



## Waterwise Gardens

Power and Water, alongside the Nursery and Gardening Industry of Australia (NGINT), developed booklets to assist Territorians better use their water. With up to 70 per cent of total household water use being in the garden, the booklet explains how to keep gardens thriving while using less water. The booklet is available from nurseries and Power and Water shopfronts and website.

## Savewater Alliance

Power and Water joined the 'savewater!' alliance, a one-stop shop for water conservation information, in June 2008. Developed to create a central resource for information about water conservation, the alliance works with member businesses, government agencies and product companies to deliver water conservation programs throughout Australia.

Web-based, savewater! offers a combination of resources and practical programs to help change the way water is used. The site provides independent expert advice, information on water conservation tailored for local conditions, access to water saving products and encourages the use of local knowledge and experience.

## Educational Resources

Power and Water provides educational resources on power, water and sewerage for teachers and students via our website. A range of posters can be downloaded for use in classrooms. Subject to operational workloads, the educational resources are supported by student visits to the Corporation's facilities and presentations from Power and Water staff in schools.

## 2008 Melaleuca Awards for Environmental Excellence

Power and Water's annual Melaleuca Awards for Environmental Excellence were presented to winners at a function at Parliament House in June. Recognising environmental initiatives and community effort, the winners were:

- **Commercial/Industry Category:** Darwin International Airport and Greening Australia NT created a 15 hectare conservation reserve on the airport grounds.
- **Small Business Category:** NT Recycling Solutions, a small company that recycles paper and cardboard, collected and processed almost 5,000 tonnes.





*Helping customers prepare for storms and cyclones*

*The Corporation's website now includes dedicated information about what to do before, during and after cyclones and storms. The Cyclone and Storm Centre site provides information on electricity restoration after a storm, getting home generators reconnected and general safety tips. Following a severe storm, this micro site will become the Corporation's Internet home page.*

- **Schools Category:** Mataranka Primary School's senior class took over running the school canteen to help reduce rubbish.
- **Community Category:** Jo Kieboom from COOLmob is a driving force behind activities to change behaviours in reducing greenhouse gas emissions.
- **Chairman's Prize:** The Lajamanu Community Government recycling project reduced litter by more than 60,000 bottles and cans thanks to a program encouraging people to 'manta lartarku' – pick up cans.
- **Environment Grant:** This year, a grant of \$4,000 was made to Conservation Volunteers Australia to help with invasive ant surveys around Nhulunbuy.

**Celebrity Lighten Up Challenge**

In the lead up to Power and Water's environmental excellence awards, the Melaleuca Awards, local celebrities and identities in Darwin, Katherine, Tennant Creek and Alice Springs were challenged to reduce their environmental footprint and be a part of 'Celebrity Lighten Up'.

A consumption graph showing the celebrities' use of power and water was provided on the Power and Water website, giving everyone access to track their progress. This year's winners reduced their energy and water consumption and encouraged the community to do the same:

- **Darwin**  
*Daniel Bourchier, NT News*
- **Katherine**  
*Joyce Adams, Terrace Emporium*
- **Tennant Creek**  
*Alicia Scobie and Tim West, Teachers*
- **Alice Springs**  
*Tony Mayell, Chief Minister's Department*



2008 Melaleuca Award Winners

### Red Cross Canoe Marathon

Power and Water is proud to have been the major sponsor of the Red Cross Canoe Marathon over the past eight years. This year, Power and Water took part in the event held in June 2008 on the Katherine River. It is the only canoe race in the Northern Territory, with an average paddling time of nine hours. The annual fund raising event raises around \$10,000 every year, with the Red Cross using it to provide essential community services in the region.



### Power and Water Sponsorships

Power and Water's sponsorships invest in the communities we service within the Territory. Our sponsorships are wide and varied covering sporting and cultural events through to science and technology and youth development.

Some of the sponsorships during 2007-08 included:

#### NT Garden Spectacular – Creating Water Wise Gardens

Power and Water's sponsorship of the NT Garden Spectacular was aimed to educate and encourage Territorians on wise water use in the garden. Held at the George Brown Botanic Gardens in Darwin, staff volunteers worked on a display created in line with our booklet 'How to Create a Water Wise Garden'. Popular giveaways included four minute shower timers and small watering cans.



Creating a water wise garden

### Top End Science Fair

As a sponsor of the CSIRO's National Science Week event, Power and Water's interactive display focused on the Corporation's Leak Detection Van. The Leak Detection Van is equipped with highly sensitive listening probes that pinpoint underground leaks unable to be seen on the surface. The display included maps of pipe locations, pictures inside large water tanks and the Darwin River and Manton Dams.

### AFL Central Australia Development Squad

The 25 member AFL Central Australia development Squad, sponsored by Power and Water, had their first win in February 2008 when they played the curtain raiser to the AFL preseason match between the West Coast Eagles and Carlton. Since then they have gone on to be the Division 1 grand final winners at the Easter Lightning Carnival in Alice Springs, and won again when they travelled to Melbourne to play against Essendon Keilor College.

### Young Achiever Award for Science and Engineering

Power and Water sponsored the Young Achiever Award for Science and Engineering, which was presented to Rachel Meldrum at an awards dinner in Darwin. Rachel was recognised for her work on the sustainable fishing of jewfish and mentoring young people on the importance of science and its application in everyday life. The Young Achiever Awards encourage and promote the achievements of young Territorians aged between 14 and 26.

### Panasonic World Solar Challenge

The Corporation has significant investment in solar technology and proudly sponsored the Kormilda College team 'Towards Tomorrow' in the World Solar Challenge. Power and Water encourages community awareness of renewable energies and participated in celebrations for the 20th anniversary of the World Solar Challenge. As the only solar car event to traverse an entire continent, the challenge is open to cars that are powered solely by the sun.

### Show Santa Where You Live

Our annual Show Santa Where You Live competition ran during November and December 2007. The competition ran in the major regional centres of Darwin, Palmerston and the rural area, Katherine, Tennant Creek and Alice Springs. Entrants were judged on visual impact, design creativity and effort, with Power and Water encouraging entrants to also 'think green' this year by using energy saving LED lights, recycling older lights and using a timer. Prizes to place winners in the domestic and commercial categories were a combination of discounted power bills and donations to favourite charities.

### Tackling Graffiti

Power and Water is working with the Alice Springs Town Council to tackle graffiti in the area. A \$1,000 reward was made available for people who provide information that leads to the conviction of offenders who graffiti Council or Power and Water property. This benefits both the Corporation and the community as our buildings and power boxes are a frequent target. Considerable cost and time are spent each year tackling graffiti.

### Australia's largest Christmas Star

Power and Water again decorated the Parap water tank for Christmas. The giant Christmas star was Australia's largest, measuring 8 metres across and set 27 metres up in the air. This year, Power and Water promoted a 'green Christmas' message encouraging people to put their decorative lights on a timer and use LED lights.



## Working with Business

The Corporation's five year, \$1 billion infrastructure investment program in upgrading and maintaining our assets is the largest investment in essential services in the Territory's history. Power and Water has allocated \$748 million for capital investment and \$258 million for repairs and maintenance across the power, water, sewerage and corporate areas. In supporting our community, Power and Water purchases goods and services from local suppliers wherever possible.

Examples of goods purchased include electrical equipment for the generation and distribution of electricity – generators, transformers, insulators and cables – as well as technologies to provide renewable energy sources. In water and sewerage, we purchase pumps, reticulation supplies and filtration chemicals. In addition, we purchase office equipment and supplies for our many locations across the Territory. Examples of services contracted include electrical and water infrastructure repairs and maintenance, vegetation management, and consultancies in engineering, design, construction and market research.

The significant infrastructure investment program is providing Territory businesses with unprecedented opportunities. Regular industry briefings provided by the Corporation assist businesses to plan for the future and to ensure that they have the necessary resources and capacity to be competitive when tendering. Power and Water gives three months notice of various tender opportunities via the Government Tenders Online website and the Northern Territory News.

## Protecting Information

Power and Water is committed to the responsible collection, storage and use of customer and supplier information in line with the National Privacy Principles. In compliance with the *Privacy Act 1988 (Commonwealth)* and *Information Act 2002 (NT)*, 1777 inquiries regarding customer and supplier information were received during 2007-08, compared with 2087 inquiries received in 2006-07. There were no requests for changes to information during the year. The Corporation's privacy and information handling policy can be found at [www.powerwater.com.au](http://www.powerwater.com.au)



The new Frances Bay Substation

# Economic

## Network Access Prices

In accordance with the Electricity Networks (Third Party Access) Code, the Utilities Commission undertakes electricity network price regulation. The Utilities Commission has approved network tariffs and charges that relate to the use of the Corporation's prescribed electricity networks for 2008-09.

The third regulatory period, the period between major price reviews (or 'resets') during which time the network price control mechanism is held constant, commences in July 2009. During 2007-08, Power and Water participated in the Utilities Commission's review of the current price control mechanism, which is facilitated through broad stakeholder and public consultation. For further information visit the Utilities Commission website at <http://utilicom.nt.gov.au>

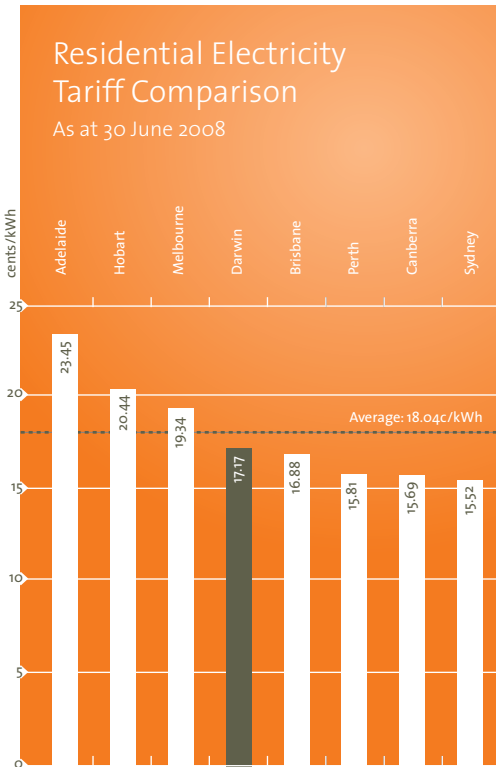
During 2008-09, it is expected that the details of a revised regulatory proposal will be finalised and that the Utilities Commission's final determination of the regulatory arrangements to apply from July 2009 will be published.



Power and Water Retail staff member

## Retail Pricing

The following charts compare prices for electricity and water in the Northern Territory with those in capital cities across Australia, as at 30 June 2008.



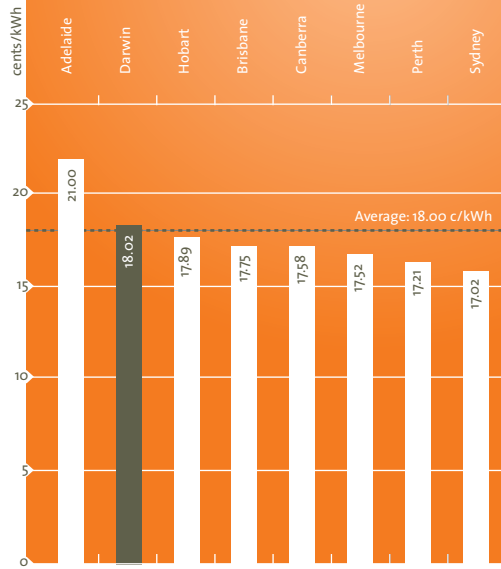
Source: Retailers Published Tariffs

### Chart notes:

- Tariff comparisons are based on average annual consumption of 5,000kWh, with the exception of Hobart and Canberra being based on an average consumption of 7,500kWh per annum (ESAA average).
- Tariffs include a variable consumption charge and fixed daily charge component.

## Commercial Electricity Tariff Comparison

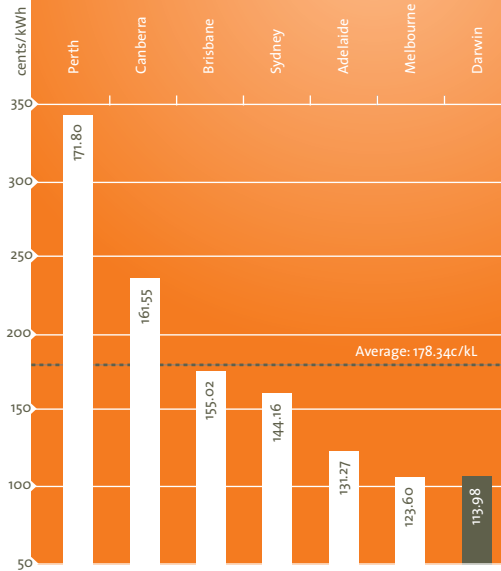
As at 30 June 2008



Source: Retailers Published Tariffs

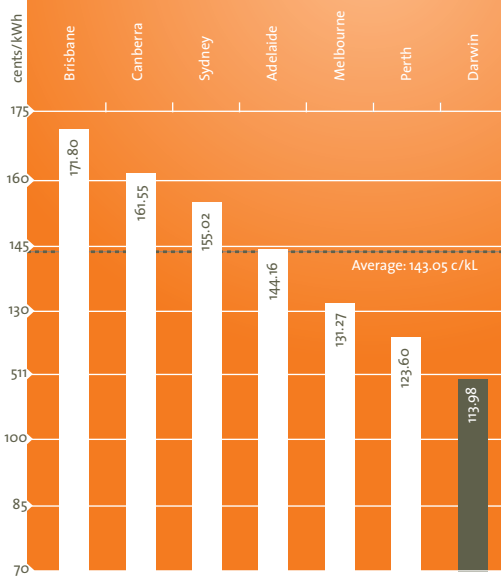
## Commercial Water Tariff Comparison

As at 30 June 2008



## Residential Water Tariff Comparison

As at 30 June 2008

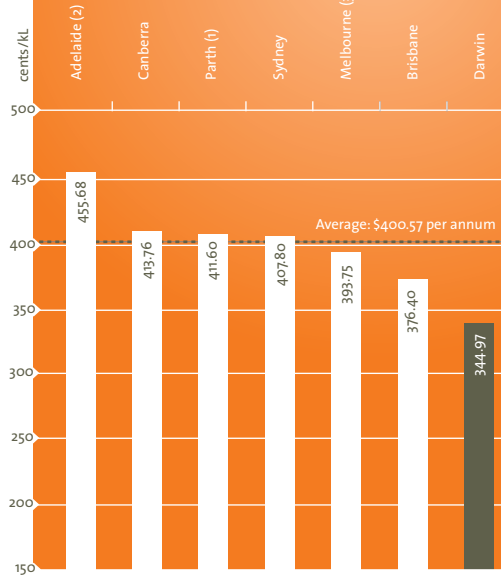


### Chart notes:

- Tariff comparisons are based on average annual consumption of 266kL (WSAA Facts).
- Tariffs include a variable consumption charge and fixed daily charge component.

## Average Annual Residential Sewerage Bill

As at 1 January 2008



### Chart notes:

- Sewerage rates are calculated based on the Gross Rental Value (GRV) of the property. The rateable value is derived from the GRV (gross rental value, or estimated gross annual rent) determined by the Office of the Valuer General.
- A sewerage disposal charge is billed based on water usage

## Community Service Obligations

A Community Service Obligation (CSO) arises when a government requires a public enterprise to provide services at a price or in a way that it would not elect to do on a commercial basis.

Power and Water is paid a CSO by the Northern Territory Government to lessen the impact that government policy has on Power and Water's financial performance. Such policies include pensioner concessions, uniform tariffs (ensuring all customers pay the same rate no matter where they live in the Territory), and the Tranche 4 electricity policy.

In 2007-08, the Northern Territory Government paid Power and Water \$54.7 million in CSO payments.

## 2007-08 Cost Recovery – Water Supply and Sewerage Services

The following tables show the 2007-08 costs and revenue for water supply and sewerage services. This table is in accordance with National Water Initiative (NWI) blueprint for national water reform. The NWI builds on the previous Council of Australian Governments (COAG) Strategic Framework for Water Reform.

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

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

Community Service Obligations (CSOs) are received in all centres for the provision of subsidised water supply in accordance with the Territory Government's Uniform Tariff Policy. CSOs are also received for the provision of subsidised water supply and sewerage services to customers who are in receipt of the Territory Government's Pensioner Concession Scheme. Power and Water received CSO funding of \$5.8 million during the 2007-08 financial year for the provision of these services.

MINIMUM COST RECOVERY CHECK	Darwin \$000	Katherine \$000	Tennant Creek \$000	Alice Springs \$000	Total \$000
<b>WATER</b>					
Operations, maintenance, administration	19,471	3,939	1,856	10,693	35,959
Debt servicing	3,108	979	458	3,398	7,943
Asset consumption	9,405	1,502	780	2,968	14,655
Minimum viability costs	31,984	6,420	3,094	17,059	58,557
Total Revenue - from Trading (excl. CSO)	35,230	2,977	1,482	8,587	48,276
Surplus/(deficit) (excl. CSO)	3,246	(3,443)	(1,612)	(8,472)	(10,281)
Surplus/(deficit) (incl. CSO)	4,694	(3,317)	1,003	(7,121)	(4,741)
<b>SEWERAGE</b>					
Operations, maintenance, administration	15,742	1,247	672	4,163	21,824
Debt servicing	911	131	57	431	1,530
Asset consumption	1,042	68	32	202	1,344
Minimum viability costs	17,695	1,446	761	4,796	24,698
Total Revenue - from Trading (excl. CSO)	22,960	893	619	5,101	29,573
Surplus/(deficit) (excl. CSO)	5,265	(553)	(142)	305	4,875
Surplus/(deficit) (incl. CSO)	5,554	(553)	(142)	305	5,164

# Safety



Power and Water lineworkers fitted in PPE (Personal Protective Equipment)

## Zero Harm

We remain committed to our long term goal of zero harm in the workplace. The aim is to continually improve our occupational health and safety management system to assist in the elimination of illness and injury in our workplaces. Our safety vision is zero harm, zero incidents, and zero unsafe acts and practices in our workplaces.

## Occupational Health and Safety

Power and Water is committed to improving workplace facilities and health and safety systems to ensure the health and safety of staff. This is achieved by implementing appropriate risk management systems and reporting processes, and through the continued involvement of the workforce.

While we did not achieve our lost time injury target for the year, we significantly reduced the number of lost time injuries recorded. We have continued to examine the influencing factors to improve our health and safety performance and have continued to apply a behavioural based approach to health and safety.

The numbers of incidents reported and investigated each month are key performance indicators. The number of incidents reported gradually declined over the course of the year and the percentage of incidents investigated within 30 days was 91 per cent.

Safe act observations encourage interaction and discussion on health and safety matters in the workplace between operational staff and their peers. Safe act observations allow managers to see how the safety program is progressing and

to observe workers in workplace environments. Safe act observations are one of the foundations for improving Occupational Health and Safety performance. During the year, 84 per cent of the safe act observations conducted were deemed to be safe.

## Lost Time Injuries

In 2007–08, 13 lost time injuries were recorded, and the lost time injury frequency rate was nine. This is a significant reduction on the 2006–07 result, when there were 23 lost time injuries recorded and the lost time injury frequency rate was 15.

The most serious injury for the year occurred when the jockey wheel of a trailer collapsed and the trailer fell onto an employee's foot. Musculoskeletal injuries caused by poor core muscle strength and poor manual handling techniques were the most common types of injuries through the year.

## Management Systems Certification AS/NZ 4801

The Corporation continues its certification to the Occupational Health and Safety management system standard (AS/NZ 4801), which was verified through an external surveillance audit. The certification resulted initially from the introduction of an Integrated Management System, which has seen three management systems (Occupational Health and Safety, Quality and Environment) certified simultaneously.



# Development

## 2007 Union Collective Agreement

The 2007-2010 Power and Water Corporation Union Collective Agreement (UCA) came into effect in November 2007.

The key features of the UCA included:

- Annual salary increases of 4 per cent, 3 per cent and 3 per cent respectively over the three year period;
- New and increased allowances, including Professional Development, Service Co-ordinator and Industry Specific Skills allowances;
- Bonus for reaching safety goals with reduced lost time injuries;
- Bonus available for staff at the top of their salary range;
- Improved work-life balance arrangements including recreation leave at half pay, purchased leave and an extended leave scheme; and
- Substantial increases to apprentice salaries of up to 30 per cent.

## Apprentice and Graduate Program

In order for Power and Water to achieve its asset investment program, there is recognition for the need to invest in skilled employees. Power and Water continues to invest in the future through the employment and development of apprentices and graduates. During 2007-08, 12 new apprentices were employed bringing the total number of apprentices to 59. The program has continued to produce high calibre employees with several apprentices recognised with awards through the year:

- **Territory Construction Association Excellence Awards 2007**  
Richard Baldock  
– 2007 Electrical Apprentice of the Year
- **NT Training Awards 2007**  
Rachael Ayres  
– Trainee of the Year
- **NT Training Awards, Austin Asche Apprentice of the Year**  
Ben Cooper  
– Special recognition



A Retail staff member

## Group Training Northern Territory Awards 2008

- **Darwin**  
Luke Garrett  
– Outstanding Apprentice Stage One  
Richard Baldock  
– Outstanding Apprentice Stage Two  
Jason Holland  
– Indigenous Apprentice of the Year  
Brendan Killalea  
– Runner up, Apprentice of the Year
- **Alice Springs**  
Robert Cheslett  
– Outstanding Apprentice Stage Two
- **Katherine**  
Ben Howard  
– Outstanding Apprentice Stage Two

An additional six engineering graduates were appointed to roles within the Corporation in Generation, Power Networks and Water Services, bringing the total number of graduates to 18. Power and Water is assisting eight of these graduates achieve professional recognition through the achievement of Chartered Engineer status with Engineers Australia.

## Essential Services Operators

In October 2007, 42 Essential Services Operators (ESOs), many of whom are Indigenous, travelled to Alice Springs from surrounding remote areas to attend a three day course focussed on keeping the power, water and sewerage services in their community connected and maintained. Power and Water's 68 ESOs service some of the Territory's most remote areas, often in harsh and difficult conditions, and play an important role in keeping the electricity and water operating in these locations.

## Training and Development

Power and Water continues a strong focus in developing the skills and knowledge of its employees through training in technical, professional and safety areas. During 2007-08, a total of 38,943 training hours were provided to employees (excluding apprenticeship programs and studies assistance), which equates to an average of 52 hours per employee.

This has also been supported by a comprehensive roll out of Fitness for Work training across the organisation which commenced in March 2008. This includes awareness sessions on the impact of fatigue, drugs and alcohol on individual fitness for work. These programs complement existing safety initiatives and work-life balance strategies.

A review of Power and Water's training framework and arrangements commenced during the year. The review is being undertaken to ensure training delivery will meet the needs of the workforce now and into the future and address the diverse training requirements of the Corporation in a cost-effective manner.



Equipment testing

## Service Recognition

Long serving staff across the Territory were officially recognised in Service Recognition events in November 2007. Across the Corporation, 40 employees achieved their 30 year milestone, 100 their 20 year milestone, 180 their 10 year milestone and 100 their 5 year milestone. Approximately 60 per cent of staff have worked with Power and Water for longer than five years, which compares with a national average of less than three years.

## Employee Satisfaction

Overall employee satisfaction in Power and Water has increased since the 2006 survey with 82 per cent of employees rating their overall satisfaction as five out of 10 or higher. This is the highest result since the first survey was conducted in 2002. Overall employee satisfaction is broadly comparable to results from companies within the Energy Sector and Australian Industry in general. However, results from employees recommending the Corporation as a good employer (81 per cent) exceed those from the Energy Sector (67 per cent) and Australian Industry generally (60 per cent).

### *Raising Darwin River Dam*

*A panel of experts with experience in the fields of civil engineering, dam construction and dam safety have provided advice on the project to raise the height of the Darwin River Dam by 1.3 metres, which will increase water yield by 20 per cent.*

*The panel provided expert advice on conceptual designs, detailed designs and construction practices for construction works. This advice complements cultural, historical and environmental consultation.*



Darwin River Dam

## OUR GOVERNANCE

# Corporate Governance Principles

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

### Principle 1 – Lay solid foundations for management and oversight

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

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

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

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

### Committee Structures

The Corporation's committee structure is as follows:

- Audit and Risk Management Committee;
- Capital Investment, Asset Management and Fuel Supply Committee;
- Health, Safety and Environment Committee;
- Nomination Committee; and
- Remuneration and Organisation Committee.

The **Audit and Risk Management Committee** oversees Power and Water's financial management, external reporting, audit, risk management and statutory and other compliance. Ernst and Young is Power and Water's internal audit provider. The committee met six times during the year.

The **Capital Investment, Asset Management and Fuel Supply Committee** assists the Board fulfil its corporate governance and oversight responsibilities in relation to the Corporation's capital investment, asset management and fuel supply activities. This recognises the critical nature and materiality of these activities in achieving the Corporation's commitments outlined in the Statement of Corporate Intent. The committee met seven times during the year.

The **Health, Safety and Environment Committee** oversees the Corporation's environmental performance and compliance with regulatory requirements. Power and Water is committed to achieving its long-term aim of zero harm and strives to protect the environment through managing the impact of its operations. The committee met five times during the year.

The **Nomination Committee** assists the Board in the effective discharge of its responsibilities for ensuring that the Board of the Corporation, and its subsidiaries, comprises individuals who are best able to discharge the responsibilities of directors, having regard to the *Government Owned Corporations Act*, the *Corporations Act* and the highest standards of governance. The committee met twice during the year.

The **Remuneration and Organisation Committee** is responsible for evaluating the performance of the Managing Director and determining and recommending his remuneration package, and those for the Corporation's senior executive contracts, to the Board. The Committee also informs the Board about executive remuneration matters in general. The committee met three times during the year.

**Gasgo Pty Limited** is a wholly owned subsidiary of the Corporation and purchases gas on behalf of the Corporation. The Board for Gasgo comprises an external Chairman and three directors from Power and Water.

**Darnor Pty Limited** is a wholly owned subsidiary and holds Power and Water's 2.5 per cent interest in NT Gas Pty Ltd, the lessee / operator of the Amadeus Basis to Darwin gas pipeline, and 2.5 per cent of the units in the Amadeus Gas Trust. The Board for Darnor comprises an external Chairman and three directors from Power and Water.

**Indigenous Essential Services Pty Limited** is a wholly owned subsidiary that provides electricity, water and sewerage services to remote communities in the Territory. The subsidiary Board for IES comprises a subset of directors from the Corporation's Board.

The Board receives monthly performance reports from each of the business units in Power and Water, which report progress against Key Result Areas and Key Performance Indicators from the Statement of Corporate Intent. In addition, various Board and Committee papers and briefings are provided as required. The Company Secretary/ General Counsel provides administrative and legal support to the Power and Water Board, its subsidiary Boards, and the Managing Director including advice on Corporate Governance related issues.

## Principle 2 – Structure the board to add value

Directors are appointed by the Administrator of the Northern Territory on the recommendation of the Shareholding Minister. The Board comprises seven non-executive Directors and the Corporation's Managing Director, with a broad cross-section of relevant skills and experience. Director's profiles are provided in the Directors' Report on pages 48 to 49. There were no new directors appointed during the 2007-08 period.

The Board conducts a review of its performance on a biennial basis. This review is conducted by an external party. Director's fees are determined by the Shareholding Minister and provided at Note 28 to the Financial Statements. Directors are not eligible for retirement benefits.

## Principle 3 – Promote ethical and responsible decision making

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

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

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

Power and Water conducted its Annual General Meeting on 5 December 2007 with the Shareholding Minister's representatives. Power and Water also conducted its stakeholders' meeting on 10 December 2007 for major customers, business partners, industry and government representatives. A summary of Power and Water's annual performance was presented at the meeting.

Power and Water's disclosure line allows staff to report concerns about fraud and misconduct within the organisation. It allows confidential reporting and discussion of issues of concern, provides a forum for staff to obtain information on policies and procedures, and helps staff with any ethical dilemmas and concerns. The line is monitored continuously and complies with the relevant standard (AS 8000). To 30 June 2008, Ernst and Young had received no enquiries on the disclosure line.

## Principle 4 – Safeguard integrity in financial reporting

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

Ernst and Young provide specialist professional audit services to Power and Water and its subsidiaries. In this role, it provides Power and Water with assurances that it is achieving its commercial goals in accordance with better practice and due process. Power and Water has a policy of contracting its internal audit services every five years through an open tender process.

Internal audit provides assurances that its financial and operational information is reliable, that laws, regulations, policies and procedures are complied with, that appropriate procedures are in place to safeguard assets and revenue and that appropriate procedures are in place to ensure the effective use of resources.

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

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

Power and Water has in place monthly business reporting and annual reporting to the Shareholder on the targets (including financial) contained in the Statement of Corporate Intent. The Chief Financial Officer attends Board meetings and reports on the financial performance of Power and Water.

## Principle 5 – Make timely and balanced disclosure

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

Under the Act, the Shareholding Minister must be immediately notified of matters that may prevent Power and Water from achieving the targets contained in the Statement of Corporate Intent.

Power and Water provides monthly reports to NT Treasury representing the Shareholding Minister. The Corporation's Annual Report of operations, including financial statements and Auditor-General's report, is provided to the Shareholding Minister and tabled in the Legislative Assembly each financial year. Regular informal updates are also provided as required by the Chairman and Managing Director.

Power and Water's Chairman and Managing Director appeared before the Government Owned Corporation's Scrutiny Committee on 20 June 2008 to answer questions on the activities, performance, practices and financial management of the Power and Water Corporation.

## Principle 6 – Respect the rights of shareholders

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

The *Government Owned Corporations Act* gives the Shareholding Minister and the Portfolio Minister a right to direct Power and Water under certain circumstances. A copy of any such statutory directions must be tabled in the Legislative Assembly within six sitting days. There were no statutory directions during 2007-08.

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

The Corporation seeks to provide as many opportunities as possible to engage with Territorians. Information brochures on Power and Water's services are made available to customers and regular campaigns are conducted through various media. We also take part in the annual Northern Territory show circuit in all regions. The Corporation's Statement of Corporate Intent and Annual Report are available to the public and are published on our website.

## Principle 7 – Recognise and manage risk

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

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

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

In addition, in order to maintain its triple certification of the recognised standards for Occupational Health and Safety (AS/NZS 4801), Quality (ISO 9001) and Environment (ISO 14001), Power and Water is subject to regular surveillance audits by SAI Global on its policies and practices.

## Principle 8 – Remunerate fairly and responsibly

Director's remuneration is disclosed in Note 28 to the financial statements. The Remuneration and Organisation Committee makes recommendations to the Board concerning executive management remuneration. Conditions of service and remuneration arrangements for executive contract officers are in accordance with the *Public Sector Employment and Management Act*.

In addition, the Corporation's employees have individual annual performance plans and targets, which are linked to salary progression. A Union Collective Agreement is in place between Power and Water and its employees, which was negotiated in 2007 and is effective to 2010.

# Financial Statements

for the year ended 30 June 2008

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# Directors' Report

## Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

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 2008 and the Auditor's report thereon.

### Directors

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

Name	Experience and Special Responsibilities
<p><b>Mr Neil Philip</b> (Chairman) LLB (Hons)</p>	<p>Mr Philip has been Chairman since the establishment of Power and Water Corporation on 1 July 2002. Mr Philip was a founding shareholder and the former Chairman of Nexus Energy Ltd, a Melbourne based publicly listed company. Mr Philip is a former partner of national law firm Clayton Utz and he established the Darwin office of that firm. Mr Philip was born in Darwin, attended all his primary and secondary schooling in Darwin and is a graduate in law from the University of Queensland.</p>
<p><b>Ms Judith King</b> (Deputy Chairman) BA, Foundation Fellow AICD</p>	<p>Ms King is currently Deputy Chairman, and has been a director of Power and Water Corporation since its establishment. With extensive board experience in the private and public sector, she was formerly a director of Melbourne Water Corporation and Citipower and closely involved in the restructure and reform of the Victorian utility sector. Ms King's current appointments include Swinburne Ventures Ltd; National Ageing Research Institute; the Victorian Commission for Gambling Regulation; and Board of the NT Environmental Protection Authority. Ms King was awarded an Australian Centenary Medal in 2003.</p>
<p><b>Mr Peter Vines</b> B.Com, MBA, FIE Aust., MAICD</p>	<p>Mr Vines has been a member of Power and Water Corporation's board since 2005. He has extensive experience in the energy and infrastructure industry both in Australia and internationally. He was previously Managing Director of a major US utility in Australia, Vice President of International M&amp;A and Executive General Manager of Origin Energy. He has been a director of various companies as part of his executive responsibilities and he is also currently a board member of Melbourne Water Corporation, JackGreen Limited and Carroll and Richardson Pty Ltd.</p>
<p><b>Mr Robert Neil</b> B.Sc, B.E. (Hons), Dipl. Bus. Admin., FIE Aust., FAICD</p>	<p>Mr Neil has been a member of Power and Water Corporation's board since 2005. He has a private and public sector background in the oil, gas and electricity industries in Australia and the USA through roles with Esso Australia, Western Mining Corporation and the NSW and Tasmanian Governments. He also has extensive experience in strategic planning and in the gas production and pipelines industry segments. Mr Neil was the Director-General of NSW Department of Energy from 1996 to 2001 and worked with the Tasmanian Government to complete Tasmania's entry into the National Electricity Market in 2005.</p>



# Directors' Report

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

Name	Experience and Special Responsibilities
<p><b>Mr Barry Chambers</b> FIE Aust., FAICD</p>	<p>Appointed to the Power and Water Corporation board in March 2007, Mr Chambers has extensive experience as a professional engineer working for local, Territory and Federal governments in the areas of engineering services, infrastructure, public buildings, town planning, land management and environmental services. For 13 years he held Chief Executive Officer positions in NT government agencies including the former Power and Water Authority and as a director and chairman of various Corporations Act entities. He has extensive experience in strategic planning, project management, budget management, workplace relations, government decision making processes and ministerial liaison. He is currently Chairman of NT Build and Chairman of the PT Building Practitioners board.</p>
<p><b>Ms Margaret Gibson</b> LLB (Hons), BCom, FCA, FTIA, FAICD</p>	<p>Ms Gibson was appointed to the Power and Water Corporation board in March 2007. A retired partner of PricewaterhouseCoopers, where she was a member of the Board of Partners, she is currently director and Chairman of the Audit and Risk Committee of Airtrain Holdings Pty Ltd and Australia Post Corporation. Ms Gibson is a member of the Australia and New Zealand Corporate Advisory Board of Unisys (Australia) Pty Ltd, board member of DLA Phillips Fox and Councillor and Treasurer of the RSPCA (Queensland).</p>
<p><b>Mrs Linda Mackenzie</b> B Com (Hons), CA</p>	<p>Appointed to the Power and Water Corporation board in March 2007, Mrs Mackenzie worked for the Northern Territory Treasury for nine years until she resigned from her position of Assistant Under Treasurer (commercial) in January 2007. Mrs Mackenzie is also a member of the Darwin Port Corporation Advisory Board, and previously she worked for Macquarie Bank Limited in Sydney. She is a chartered accountant and holds a Bachelor of Commerce (Hons) majoring in Finance from the University of Queensland.</p>
<p><b>Mr Andrew Macrides</b> Dip Bus (Mgt), B Bus (Acc), MBA, FCPA, FAICD</p>	<p>Mr Macrides was appointed Managing Director of the Power and Water Corporation in June 2007. Born and raised in Darwin, Mr Macrides has extensive government and management experience, beginning his career in the accounting field in 1978. Prior to joining Power and Water Corporation in 1998, he worked across a range of sectors in the NT Government, including health, housing, community services and tourism. Following corporatisation on 1 July 2002, Mr Macrides was appointed General Manager Business Services and Chief Financial Officer with the Power and Water Corporation, and in May 2003 was appointed Company Secretary in addition to his role as General Manager Business Services.</p>

# Directors' Report

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## Review of Operations

Summarised financial information

	Consolidated	
	June 2008 \$ Million	June 2007 \$ Million
Total revenue	600.2	527.0
EBITDA	166.4	(15.0)
Net profit/(loss) before income tax	82.1	(98.8)
Income tax (expense)/benefit	(24.6)	29.6
Net profit/(loss) after income tax	57.5	(69.2)
Total assets	1,371.1	1,186.6
Total liabilities	756.8	631.2
<b>Total equity</b>	<b>614.4</b>	<b>555.4</b>

## Principal Activities

The consolidated entity's principal activities in the course of the financial year were the provision of electricity, water and sewerage services to the people of the Northern Territory.

## Changes in the State of Affairs

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

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

Net profit after tax for the year was \$57.5 million compared to a net loss after tax of \$69.2 million for the prior year.

No impairment write-down in the value of power, water and sewerage assets was made in the year, compared to the \$102.5 million post-tax (\$146.4 million pre-tax) impairment write-down booked at 30 June 2007.

Revenue and profit was positively impacted by a \$50.0 million pre tax (\$35.0 million post-tax) capital contribution from the Northern Territory Government to provide financial assistance in regards to the significant cost of the capital program that the Corporation is currently undertaking.

Electricity, water and sewerage sales all benefited from the 4.4% tariff increase from 1 July 2007. Sales were also positively impacted by increased customer demand.

Operating costs rose 9.6% over the previous year. Energy costs rose 8.8% as high cost distillate was used in place of gas to power generators. The production from the Amadeus basin gas fields deteriorated at a greater rate than expected over the year requiring the switch from gas to distillate.

A new Union Collective Agreement was negotiated during the year, which resulted in significant enhancements to employee benefits as well as a 4% wage increase for 2007-2008. The benefit enhancements were included to improve the competitiveness of Power and Water Corporation in the marketplace and to better attract and retain staff at the Corporation. This resulted in a large increase in personnel costs for the year.

Repairs and maintenance expenditure rose 18% on the prior year due to an increase in the works program and higher contractor and materials costs. The strong Northern Territory economy has caused pressure on contractor rates, while the boom in commodity prices has impacted material costs.

Consolidated cash at bank of \$89.3 million at year's end was \$46.5 million higher than the previous year. Net cash received from operating activities was \$48.8 million higher due principally to the receipt of the \$50.0 million capital contribution from the Northern Territory Government in mid-June 2008 and additional funding received by Indigenous Essential Services Pty Limited (IES). IES received the additional funding from the Northern Territory Government in relation to the Federal Government's Intervention into Indigenous Communities.

# Directors' Report

## Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

Capital expenditure totalled \$174.6 million over the year, with the major projects including: \$59.3 million on generation augmentation in Darwin and Alice Springs, \$7.6 million on the underground power project, \$7.1 million on the Channel Island Set 7 engine replacement, \$3.8 million on the Frances Bay zone substation, \$2.8 million on Alice Springs waste water discharge and \$2.0 million on sewer re-lining. In addition, \$18.5 million was spent on remote communities' plant and equipment.

The consolidated entity borrowed a further \$87.0 million from the Northern Territory Government which was used to fund the capital expenditure program.

### Dividends

The Directors have not declared a dividend due to a two year dividend moratorium being granted to the Corporation by its shareholder, the Northern Territory Government, covering the years ending June 2008 and June 2009. No dividends have been paid or declared during the current financial year.

### Future Developments

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

Eni Australia B.V. (Eni) is contracted to deliver first gas from the Blacktip gas field from 1 January 2009, replacing production from the declining Amadeus Basin. There is a risk of a delay. Any such delay would require the use of higher cost alternative energy sources (including distillate), which is likely to have a detrimental impact on the cash flow and profitability of the Corporation in the coming year.

At the date of this report, there are no developments in the operations of the consolidated entity that, in the opinion of the directors, are likely to significantly impact the Corporation during the 2009 financial year.

### Environmental Regulation

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

### Subsequent Events

On 16 September 2008 the Corporation became aware that GBS Gold Australia Pty Ltd was placed into voluntary administration with administrators being appointed. No impairment adjustment has been made to the accounts as at 30 June 2008 as the amounts owed by GBS Gold Australia Pty Ltd were received in full by the Corporation in early July 2008.

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

### Indemnification and Insurance of Directors and Officers

#### Indemnification

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

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

#### Insurance premiums

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

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

# Directors' Report

## Directors' Meetings

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

Director	Board Meetings		Audit and Risk Management		Remuneration and Organisation		Health, Safety and Environment		Capital Invest, Asset Management and Fuel Supply		Nomination	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr Neil Philip	8	8			4	4					2	2
Mr Peter Vines	7	8	1	6	3	4	3	4			1	2
Ms Judith King	8	8			4	4	4	4			2	2
Mr Robert Neil	8	8	6	6					9	9	2	2
Mr Barry Chambers	8	8			4	4			9	9	2	2
Ms Margaret Gibson *	4	8	3	6			2	4			0	2
Mrs Linda Mackenzie	7	8	6	6					9	9	2	2
Mr Andrew Macrides	8	8	6	6	4	4	4	4	8	9	2	2

A - Number of meetings attended

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

\* Ms Gibson was granted leave of absence by the Board of Directors due to illness.

## Rounding Off

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

Dated at Darwin this 30th day of September 2008.

This report is made in accordance with a resolution of Directors pursuant to S298(5) of the *Corporations Act 2001*.



Mr Neil Philip  
Director and Chairman



Mr Andrew Macrides  
Managing Director

# Directors' Declaration

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

- (a) the financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act*, including:
  - (i) giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Dated at Darwin this 30th day of September 2008.

This report is made in accordance with a resolution of Directors pursuant to S295(5) of the *Corporations Act 2001*.



Mr Neil Philip  
Director and Chairman



Mr Andrew Macrides  
Managing Director

# Independent Audit Opinion



AUDITOR-GENERAL

## Independent Auditor's Report to the Board of Directors Power and Water Corporation Year ended 30 June 2008

Page 1 of 2

I have audited the accompanying financial report of Power and Water Corporation ("the Corporation"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration, of the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

### The Responsibility of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation and true and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Government Owned Corporations Act*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

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

### Basis for Qualified Auditor's Opinion

Application of AASB 136 Impairment of Assets to the results reported for the comparative year ended 30 June 2007.

In accordance with AASB 136 *Impairment of Assets*, the Corporation performed an impairment test and determined that the recoverable amount of the Corporation's and consolidated entity's water system assets was \$251.802 million as at 30 June 2007. A write down of \$88.567 million was applied to the water system assets for the year ended 30 June 2007. Had \$43.723 million of the write down been appropriately applied in the previous year, the impact on the income statement for the year ended 30 June 2007 would have been to recognise an impairment loss of \$44.844 million rather than an impairment loss of \$88.567 million. Accordingly, the net loss for the year ended 30 June 2007 reported for the Corporation and the consolidated entity would have been \$25.589 million and \$25.481 million respectively.

As a result of the paragraph above, my opinion in relation to the comparative year ended 30 June 2007 is qualified as I am of the opinion the loss reported in the Income Statement and the Statement of Changes in Equity for the Corporation and the consolidated entity is overstated by \$43.723 million for the comparative year ended 30 June 2007.

Level 12 Northern Territory House 22 Mitchell Street Darwin NT 0800 Tel: 08 8999 7155 Fax: 08 8999 7144

# Independent Audit Opinion



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## Qualified Auditor's Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the preceding paragraph, the financial report of the Corporation and the consolidated entity is in accordance with the *Government Owned Corporations Act*, including:

- giving a true and fair view of the Corporation and the consolidated entity's financial position as at 30 June 2008 and of their financial performance for the year ended on that date; and
- complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Government Owned Corporations Act*.



E. McGuinness  
Auditor-General for the Northern Territory  
Darwin, Northern Territory  
30 September 2008

# Income Statement

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

	Note	Consolidated		Corporation	
		June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>Continuing Operations</b>					
Revenue from sale of goods	4 (a)	382,118	360,423	297,262	278,699
Revenue from rendering of services	4 (a)	76,013	78,103	29,207	27,192
Finance revenue	4 (a)	2,663	2,161	2,066	2,087
Other income	4 (b)	139,428	86,341	134,769	86,787
<b>Revenue</b>		<b>600,222</b>	<b>527,028</b>	<b>463,304</b>	<b>394,765</b>
Change in inventories of finished goods		(386)	(433)	(386)	(433)
Raw materials and consumables used		(255,316)	(234,525)	(162,555)	(145,550)
Repairs and maintenance expense		(41,508)	(36,203)	(32,773)	(28,074)
Employee benefits expense		(73,573)	(63,434)	(60,685)	(49,183)
Property costs		(5,706)	(4,945)	(5,572)	(4,788)
Information technology and communications expense		(7,607)	(7,689)	(7,321)	(7,452)
Insurance costs		(2,518)	(3,630)	(2,504)	(3,617)
Community Contract fees		(6,198)	(6,117)	(1,359)	(1,314)
Depreciation and amortisation expenses	4 (d)	(58,919)	(61,156)	(45,130)	(47,783)
Impairment of non-current assets		-	(146,431)	-	(146,431)
Other expenses		(38,322)	(36,437)	(35,079)	(34,440)
Finance costs	4 (c)	(28,063)	(24,808)	(27,975)	(24,633)
<b>Profit/(loss) before income tax</b>		<b>82,106</b>	<b>(98,780)</b>	<b>81,965</b>	<b>(98,933)</b>
Income tax gain/(expense)	5 (a)	(24,640)	29,576	(24,607)	29,621
<b>Net profit/(loss) for the year from continuing operations</b>		<b>57,466</b>	<b>(69,204)</b>	<b>57,358</b>	<b>(69,312)</b>
<b>Profit/(loss) attributable to the equity holder of the parent entity</b>		<b>57,466</b>	<b>(69,204)</b>	<b>57,358</b>	<b>(69,312)</b>

The income statement is to be read in conjunction with the notes to the financial statements.

# Statement of Changes in Equity

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

	Note	Consolidated		Corporation	
		June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
Equity at the beginning of the year		555,410	623,488	554,838	623,024
Overstatement of income tax relating to prior year	5 (f)	-	3,930	-	3,930
Gain/(loss) on cash flow hedges	19	1,494	(2,804)	1,494	(2,804)
Net profit for the year		57,466	(69,204)	57,358	(69,312)
<b>Equity at the end of the year</b>		<b>614,370</b>	<b>555,410</b>	<b>613,690</b>	<b>554,838</b>

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



# Balance Sheet

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

	Note	Consolidated		Corporation	
		June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7(a)	89,264	42,746	56,565	30,368
Trade and other receivables	8	64,071	59,787	71,308	64,797
Inventories	9	23,168	18,066	17,036	12,379
Prepayments		3,416	1,815	3,404	1,793
<b>Total current assets</b>		<b>179,919</b>	<b>122,414</b>	<b>148,313</b>	<b>109,337</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	597	570	597	4,274
Investments	10	3	3	-	-
Investment in subsidiaries	10	-	-	3,812	3,026
Property, plant and equipment	11	1,130,771	999,511	968,463	846,563
Deferred tax assets	5(b)	51,240	49,819	49,737	49,068
Intangible assets	11	3,943	4,983	3,943	4,983
Other	12	4,651	9,303	-	-
<b>Total non-current assets</b>		<b>1,191,205</b>	<b>1,064,189</b>	<b>1,026,552</b>	<b>907,914</b>
<b>Total assets</b>		<b>1,371,124</b>	<b>1,186,603</b>	<b>1,174,865</b>	<b>1,017,251</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	89,444	71,081	73,785	64,565
Borrowings	14	5,951	9,945	5,532	7,953
Current tax liabilities	5(c)	18,395	11,329	18,395	11,329
Provisions	15	16,340	14,582	16,340	14,582
Government grants	16	35,680	24,908	9,349	8,913
Other financial liabilities		1,442	2,633	1,442	2,633
<b>Total current liabilities</b>		<b>167,252</b>	<b>134,478</b>	<b>124,843</b>	<b>109,975</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	14	421,287	338,401	421,287	338,401
Deferred tax liabilities	5(b)	8,231	7,527	8,231	7,527
Provisions	15	6,814	6,060	6,814	6,060
Government grants	16	153,170	144,277	-	-
Other financial liabilities		-	450	-	450
<b>Total non-current liabilities</b>		<b>589,502</b>	<b>496,715</b>	<b>436,332</b>	<b>352,438</b>
<b>Total liabilities</b>		<b>756,754</b>	<b>631,193</b>	<b>561,175</b>	<b>462,413</b>
<b>Net assets</b>		<b>614,370</b>	<b>555,410</b>	<b>613,690</b>	<b>554,838</b>
<b>EQUITY</b>					
Reserves	19	(1,310)	(2,804)	(1,310)	(2,804)
Retained earnings	20	615,680	558,214	615,000	557,642
<b>Total equity</b>		<b>614,370</b>	<b>555,410</b>	<b>613,690</b>	<b>554,838</b>

The balance sheet is to be read in conjunction with the notes to the financial statements.

# Cash Flow Statement

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

	Note	Consolidated		Corporation	
		June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		501,305	413,764	392,768	336,748
Payments to suppliers and employees		(419,542)	(395,741)	(306,351)	(275,271)
Income tax paid	5(c)	(18,292)	(6,046)	(18,292)	(6,046)
Community Service Obligations received		54,771	56,430	54,771	56,430
Receipt of Government grants		47,511	46,697	-	(10,937)
Interest received		2,947	2,080	2,034	1,513
Interest paid		(27,634)	(24,930)	(27,546)	(24,755)
<b>Net cash provided by operating activities</b>	7 (b)	141,066	92,254	97,384	77,682
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		1,154	206	1,122	194
Interest received from controlled entities		-	-	391	480
Payments for property, plant and equipment		(174,629)	(112,979)	(156,129)	(98,158)
Proceeds from repayment of related party loans		1	-	2,964	2,222
Amounts advanced to related parties		(1)	-	-	(1,750)
Distribution from trust		35	113	-	-
<b>Net cash used in investing activities</b>		(173,440)	(112,660)	(151,652)	(97,012)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		(8,108)	(18,066)	(6,535)	(16,496)
Proceeds from borrowings		87,000	37,000	87,000	37,000
Dividends paid	6	-	(10,249)	-	(10,249)
<b>Net cash provided by financing activities</b>		78,892	8,685	80,465	10,255
<b>Net increase/(decrease) in cash and cash equivalents</b>		46,518	(11,721)	26,197	(9,075)
<b>Cash and cash equivalents at beginning of year</b>		42,746	54,467	30,368	39,443
<b>Cash and cash equivalents at end of year</b>	7(a)	89,264	42,746	56,565	30,368

The cash flow statement is to be read in conjunction with the notes to the financial statements.

# Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## 1. Corporate information

The financial report of Power and Water Corporation (the Corporation) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of Directors on 30 September 2008.

The Corporation is a Government Owned Corporation.

## 2. Statement of significant accounting policies

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

### (a) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards and Interpretations and the Government Owned Corporations Act. The Government Owned Corporations Act requires the financial statements of the Corporation and the consolidated entity to comply with the requirements of the *Corporations Act 2001*.

#### *Adoption of new and revised Accounting Standards*

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Corporation and its financial report:

Standard	Effective annual reporting periods beginning on or after
AASB 101 'Presentation of Financial Statements' – revised Sept 2007	1 January 2009

The Directors anticipate that the adoption of the following Standards and Interpretations in the future period will have no material financial impact on the financial statements of the Corporation:

Standard	Effective annual reporting periods beginning on or after
AASB Interpretation 12 'Service Concession Arrangements'	1 January 2008
AASB 2007-2 'Amendments to Australian Accounting Standards arising from Interpretation 12'	1 January 2008
AASB 8 'Operating Segments'	1 January 2009
AASB 123 'Borrowing Costs' – revised standard	1 January 2009
AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009

These Standards and Interpretations will be first applied in the financial report of the Corporation that relates to the annual reporting period beginning after the effective date of each pronouncement.

### (b) Basis of preparation

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

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

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

# Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its controlled entities as at 30 June each year (the consolidated entity). A list of controlled entities appears in Note 25 to the financial statements.

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

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

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

## (d) Revenue recognition

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

### *Sale of goods*

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

### *Rendering of services*

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

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### *Community service obligation revenue*

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

### *Government grants*

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is recognised as deferred income and released to revenue over the life of the asset.

### *Investment revenue*

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

### *Interest revenue*

Interest revenue is recognised as it accrues.

# Notes to the Financial Statements

## Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

### *Contribution of assets*

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

Developer or customer contributions of non-current assets are recognised as revenue and an asset, based on valuations, when the Corporation gains control of the contribution.

Developer or customer contributions of cash are recognised as revenue to the extent that the extensions or modifications are complete with the balance recognised as deferred income.

### *Sale of non-current assets*

The net profit of non-current asset sales is recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

### **(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 the asset or as part of the expense.

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

Cash flows are included in the cash flow statement 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) Finance costs**

Finance costs include interest. Finance costs are recognised as an expense in the period in which they are incurred regardless of how the borrowings are applied.

### **(g) Income tax**

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

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.

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.

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 balance sheet date.

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

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

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

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

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

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

# Notes to the Financial Statements

## Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 each balance sheet date 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### *Tax consolidation*

The Corporation is the head entity in a tax-consolidated group comprising of all its wholly-owned controlled entities apart from Indigenous Essential Services Pty Limited. Indigenous Essential Services Pty Limited was exempted from the National Tax Equivalent Regime effective 1 July 2003 which was the date of incorporation of the company. The implementation date for the tax-consolidated group was 1 July 2002. The head entity and each subsidiary entity has adopted the 'stand alone taxpayer' basis resulting in each entity accounting for its tax consequences as if it continued to be a taxable entity in its own right.

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

### **(h) Use and revision of accounting estimates**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash in banks, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **(j) Receivables**

Service debtors are on 21 days terms and other debtors are on 30 day terms and are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts.

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

### **(k) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Costs are assigned to inventory based on the weighted-average purchase cost of bringing each item to its present location and condition.

### **(l) Investments**

Investments in controlled entities are carried at cost.

As the Corporation does not have a Tax Funding Arrangement or a Tax Sharing Agreement, additional investment into controlled entities are brought about when tax is paid on behalf of those controlled entities.

Other investments are classified as being available-for-sale and are stated at fair value. Gains and losses arising from material changes in fair value are recognised in the investment revaluation reserve with the exception of impairment losses. Investments are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

# Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## (m) Leased assets

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

### *Finance leases*

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

Finance leases are capitalised as at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

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

### *Operating leases*

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

## (n) Property, plant & equipment

### *Acquisition of assets*

Freehold land and buildings and electricity, water and sewerage system assets are originally stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

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

Freehold land and buildings and electricity, water and sewerage system assets are measured at deemed cost, being the fair value of assets at the transition date to AIFRS on 1 July 2004, less accumulated depreciation and less any impairment losses recognised at that date.

### *Depreciation and amortisation*

#### *Complex Assets*

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

#### *Useful Lives*

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

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

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

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

	June 2008	June 2007
<b>Building, plant and equipment</b>		
Electricity system	1-100 years	3-99 years
Water system	1-100 years	3-99 years
Sewerage system	1-80 years	3-99 years
<b>Non-System related</b>		
Building and improvements	15-63 years	10-50 years
Plant and equipment	3-35 years	3-99 years

# Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## *Impairment of assets*

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

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

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

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

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment loss is recognised immediately in the income statement.

## *Derecognition and disposal*

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

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

## **(o) Intangible assets**

Intangible assets consist of purchased software and in-house installation thereof. Intangible assets are originally stated at cost less accumulated amortisation and any accumulated impairment losses.

All intangible assets have limited useful lives and are amortised using the straight-line method over their estimated useful lives. Assets are amortised from the date of acquisition or from the time the asset is held ready for use. Amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

## **(p) Deferred development expenditure**

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

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

## **(q) Payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obligated to make future payments in respect of the purchase of these goods and services. Trade accounts payable are normally settled within 30 days.

## **(r) Interest bearing borrowings**

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

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.



# Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## (s) Employee benefits

### *Wages, salaries, sick leave and airfares*

Provisions for wages and salaries, including non-monetary benefits and accumulating sick leave 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. They are measured at the amounts expected to be paid when the liabilities are settled.

### *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. Any amount expected to be settled beyond 12 months is recognised as a non-current provision.

### *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 National Government Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### *Superannuation plans*

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

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

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

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

## (t) Provisions

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

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. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## (u) Dividends

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

## (v) Renewable Energy Credits Scheme

The Renewable Energy Credits (RECs) Scheme is a Commonwealth Government initiative to promote alternative means of energy generation. Under the Scheme, utility production entities are required to hold an appropriate number of RECs for the production year to meet the annual production figures for the year. RECs are currently obtained

# Notes to the Financial Statements

## Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

through the provision of a rebate paid by the Corporation to householders installing solar hot water systems and through a contract to purchase landfill gas certificates. RECs are expended once purchased, unless surplus to the current year's requirements, in which case the surplus is recorded as an asset at the estimated market value at reporting date.

### (w) Derivative financial instruments

The consolidated entity uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement for the year except for those that are designated and qualify as effective cash flow hedges.

The fair values of forward currency contracts are calculated using present value techniques based on current forward exchange rates that correspond to the remaining term of each contract.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the consolidated entity formally designates and documents the hedge relationship to which the consolidated entity wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges that meet the strict criteria for hedge accounting are accounted for as follows.

#### *Cash flow hedges*

Cash flow hedges are hedges of the consolidated entity's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction affects profit or loss. If the related transaction is not expected to occur, the amount is taken to the income statement.

Note 21 contains details of the fair values of the cash flow hedge. Movements in the hedging reserve in equity are also detailed in note 19.

# Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2008

## 3. Segment information

The segment reporting format differentiates business segments by the risks and rates of return for products and services produced.

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

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

Segment capital expenditure includes the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period, and the fair value of assets gifted to each segment by third parties.

### Business segments

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

Power	Generation, transmission and distribution of electricity
Water	Extraction, storage, treatment and transportation of water
Sewerage	Treatment and disposing of sewerage waste collected by the reticulation network
Commercial	Investment in telecommunication infrastructure
Gas	Purchase and sale of natural gas by a controlled entity
Investment	Equity holdings in a gas related entity
Non Commercial	Indigenous Essential Services Pty Limited (IES) general operations

### Geographical segments

The consolidated entity operates predominantly in Australia.

	Power \$'000	Water \$'000	Sewerage \$'000	Commercial \$'000	Gas \$'000	Investment \$'000	Non- Commercial \$'000	Elimination \$'000	Unallocated \$'000	Consolidated \$'000
<b>Year Ended 30 June 2008</b>										
<b>Revenue</b>										
External sales segment revenue	377,014	53,819	29,862	2,594	69,009	188	78,423	(10,700)	13	600,222
Inter-segment sales	5,907	963	59	-	-	-	1,011	(7,940)	-	-
Total revenue	382,921	54,782	29,921	2,594	69,009	188	79,434	(18,640)	13	600,222
<b>Result</b>										
Segment result before interest and income tax	98,925	3,202	6,694	1,304	535	113	9,806	(10,224)	(186)	110,169
Interest expense	18,500	7,943	1,530	-	535	-	-	(447)	2	28,063
Income tax expense	-	-	-	-	-	33	-	-	24,607	24,640
Net profit (loss)	80,425	(4,741)	5,164	1,304	-	80	9,806	(9,777)	(24,795)	57,466
Depreciation and amortisation	23,980	14,655	1,344	479	4,651	-	9,138	-	4,672	58,919
<b>Assets and Liabilities</b>										
Segment assets	661,577	262,729	48,324	6,716	13,332	2,485	199,885	(299,118)	155,432	1,051,362
Inter-entity	-	-	-	-	-	-	-	-	319,762	319,762
Total Assets	661,577	262,729	48,324	6,716	13,332	2,485	199,885	(299,118)	475,194	1,371,124
Segment liabilities	70,840	10,118	8,772	49	11,263	13	20,257	(151,698)	467,378	436,992
Inter-entity	226,353	73,005	7,113	2,054	73	5	11,159	-	-	319,762
Total Liabilities	297,193	83,123	15,885	2,103	11,336	18	31,416	(151,698)	467,378	756,754
<b>Other Information</b>										
Acquisition of non-current assets	36,198	19,254	23,358	-	-	-	13,087	-	96,141	188,038

	Power \$'000	Water \$'000	Sewerage \$'000	Commercial \$'000	Gas \$'000	Investment \$'000	Non- Commercial \$'000	Elimination \$'000	Unallocated \$'000	Consolidated \$'000
<b>Year Ended 30 June 2007</b>										
<b>Revenue</b>										
External sales segment revenue	311,227	52,538	28,438	2,540	69,031	283	70,570	(7,624)	25	527,028
Inter-segment sales	5,663	872	34	-	-	-	983	(7,552)	-	-
Total revenue	316,890	53,410	28,472	2,540	69,031	283	71,553	(15,176)	25	527,028
<b>Result</b>										
Segment result before interest, impairment and income tax	52,575	8,436	3,489	(776)	744	152	6,520	(7,090)	8,409	72,459
Impairment	-	88,567	57,864	-	-	-	-	-	-	146,431
Interest expense	15,629	4,428	2,996	326	744	-	-	(569)	1,254	24,808
Income tax expense	-	-	-	-	-	45	-	-	(29,621)	(29,576)
Net profit (loss)	36,946	(84,559)	(57,371)	(1,102)	-	107	6,520	(6,521)	36,776	(69,204)
Depreciation and amortisation	28,290	10,940	2,946	460	4,651	-	8,721	-	5,148	61,156
<b>Assets and Liabilities</b>										
Segment assets	581,926	264,578	35,889	7,212	17,066	2,393	168,935	(286,162)	128,037	919,874
Inter-entity	-	-	14,709	-	-	-	-	32,918	219,102	266,729
Total Assets	581,926	264,578	50,598	7,212	17,066	2,393	168,935	(253,244)	347,139	1,186,603
Segment liabilities	66,293	6,299	16,528	(2,188)	15,821	40	2,253	(105,243)	364,776	364,579
Inter-entity	117,818	130,767	-	10,010	-	-	8,019	-	-	266,614
Total Liabilities	184,111	137,066	16,528	7,822	15,821	40	10,272	(105,243)	364,776	631,193
<b>Other Information</b>										
Acquisition of non-current assets	36,260	11,191	9,566	-	-	-	13,409	-	59,438	129,864

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>4. Revenue and expenses</b>				
<b>Revenue and expenses from continuing operations</b>				
<b>(a) Revenue</b>				
Sale of goods	382,118	360,423	297,262	278,699
Rendering of services	76,013	78,103	29,207	27,192
Finance revenue	2,663	2,161	2,066	2,087
	460,794	440,687	328,535	307,978
<i>Breakdown of rendering of services:</i>				
IES capital grant	4,439	8,442	-	-
IES recurrent grant	41,617	41,850	-	-
Services rendered	29,957	27,811	29,207	27,192
	76,013	78,103	29,207	27,192
<i>Breakdown of finance revenue:</i>				
Bank interest	2,611	2,149	1,675	1,607
Interest - controlled parties	-	-	391	480
Income from investments	52	12	-	-
Total finance revenue	2,663	2,161	2,066	2,087
<b>(b) Other income</b>				
Community Service Obligations:				
Uniform tariffs	51,162	51,305	51,162	51,305
Other	3,549	3,478	3,549	3,478
	54,711	54,783	54,711	54,783
Developer, customer and other capital contributions:				
Gifted network assets	13,093	13,015	13,093	13,015
Northern Territory Government capital contribution	50,000	-	50,000	-
Other	8,694	10,237	8,694	10,224
	71,787	23,252	71,787	23,239
Net gain/(loss) on disposal of property, plant and equipment	(2,078)	36	(2,110)	24
Recoverable works	7,262	2,223	2,563	1,957
Other revenue	7,746	6,047	7,818	6,784
	139,428	86,341	134,769	86,787

Various government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attaching to these grants.

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>(c) Finance costs</b>				
Bank loans	88	382	-	207
NT Treasury loans	27,975	24,426	27,975	24,426
Total finance costs	28,063	24,808	27,975	24,633
<b>(d) Depreciation and amortisation</b>				
<b>Depreciation</b>				
Buildings	2,866	4,190	2,866	3,610
Plant and equipment	47,033	45,219	37,895	37,076
Rotable spares	894	919	894	919
Total depreciation	50,793	50,328	41,655	41,605
<b>Amortisation</b>				
Intangible assets	3,475	2,710	3,475	2,710
Development costs	4,651	4,651	-	-
Leased plant and equipment	-	3,467	-	3,468
Total amortisation	8,126	10,828	3,475	6,178
Total depreciation and amortisation	58,919	61,156	45,130	47,783
<b>(e) Net bad and doubtful debts write back/ (expense) including movements in provision for:</b>				
Doubtful service debts	616	(1,559)	616	(1,559)
<b>(f) Cost of inventories included in the income statement</b>				
Write down in value of inventories	(113)	(134)	(113)	(134)

	Note	Consolidated		Corporation	
		June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>5. Income tax</b>					
The major components of income tax expense are:					
<b>(a) Income Statement</b>					
<i>Current income tax</i>					
Current income tax charge		25,357	15,337	24,572	14,565
<i>Deferred income tax</i>					
Adjustments in respect of permanent differences		-	156	-	156
Relating to origination and reversal of temporary differences		(717)	(45,069)	35	(44,342)
Income tax expense reported in the income statement		24,640	(29,576)	24,607	(29,621)
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>					
Accounting profit before income tax		82,106	(98,780)	81,965	(98,933)
At the consolidated entities' statutory income tax rate of 30% (2007: 30%)		24,631	(29,634)	24,589	(29,680)
Expenditure not allowable for income tax purposes		9	58	18	59
Income tax expense on pre-tax profit		24,640	(29,576)	24,607	(29,621)
<b>(b) Deferred income tax</b>					
Deferred income tax at 30 June relates to the following:					
<i>Deferred tax liabilities</i>					
Prepayments		43	48	43	48
Unbilled consumption		8,096	7,410	8,096	7,410
Accrued interest		92	69	92	69
Gross deferred income tax liabilities		8,231	7,527	8,231	7,527
<i>Movements:</i>					
Opening balance at 01 July		7,527	15,735	7,527	15,733
Over/(under) provision from prior years		-	1,209	-	1,209
Credited/(charged) to the income statement		704	(9,417)	704	(9,415)
Closing balance at 30 June		8,231	7,527	8,231	7,527



	Note	Consolidated		Corporation	
		June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<i>Deferred tax assets</i>					
Employee provisions		6,772	6,106	6,772	6,106
Doubtful debts provision		951	1,135	951	1,135
Obsolete stock provision		579	615	579	615
Accrued expenses		696	690	687	684
Property, plant and equipment		42,242	41,273	40,748	40,528
Gross deferred income tax assets		51,240	49,819	49,737	49,068
<i>Movements:</i>					
Opening balance at 01 July		49,819	14,219	49,068	14,193
Under/(over) provision from prior years		-	(52)	-	(52)
Credited/(charged) to Income tax payable		-	-	-	-
Credited/(charged) to the income statement		1,421	35,652	669	34,927
Closing balance at 30 June		51,240	49,819	49,737	49,068
Net deferred tax assets and deferred tax liabilities		43,009	42,292	41,506	41,541
Deferred tax income/(expense)		(717)	(45,069)	35	(44,342)
<b>(c) Income tax payable</b>					
Balance at beginning of the year		11,329	3,144	11,329	3,144
Income tax paid		(18,292)	(6,046)	(18,292)	(6,046)
Current year income tax expense		24,572	14,564	24,572	14,564
Subsidiary income tax expense		786	773	786	773
Under/(over) provision from prior years		-	(1,106)	-	(1,106)
Closing balance at end of year		18,395	11,329	18,395	11,329
<b>(d) Equity contributions to subsidiaries in relation to income tax payable</b>					
Darnor Pty Limited				35	46
Gasgo Pty Limited				751	727
				786	773

The potential deferred tax asset arising from capital losses has not been recognised as an asset because recovery of capital tax losses is not probable. The future tax asset relating to capital losses carried forward is \$1,720,000 (2007: \$1,720,000).

#### **(e) Tax effect accounting by members of the tax consolidated group**

Members of the tax consolidated group have not entered into a tax funding agreement. The head entity and each subsidiary entity has adopted the 'stand alone taxpayer' basis resulting in each entity accounting for its tax consequences as if it continued to be a taxable entity in its own right. The Corporation provides additional equity to its subsidiaries each year to fund their annual tax payable. The tax consolidated group's total income tax payable liability balance is recognised in the Corporation's accounts.

**(f) Prior period error**

Power and Water Corporation re-lodged income tax returns for the years ending June 2003 to 2007 and as a result paid a further \$2,939,597 in income tax. The National Tax Equivalent Regime applied a Standard Interest Charge of \$655,580 for these late payments.

Due to the number of years over which the errors occurred, it is not practical to restate balances for all prior years. The following table shows the impact of the errors on the balances as at 30 June 2007.

	Note	Consolidated June 2007 \$'000	Corporation June 2007 \$'000
Current tax liabilities prior to the error		(8,971)	(8,971)
Error adjustment		(2,358)	(2,358)
Restated current tax liabilities		(11,329)	(11,329)
Deferred tax assets prior to the error		43,530	42,779
Error adjustment		6,289	6,289
Restated deferred tax assets		49,819	49,068
Retained earnings prior to the error		(554,284)	(553,712)
Error adjustment		(3,930)	(3,930)
Restated retained earnings	20	(558,214)	(557,642)

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>6. Dividends</b>				
<b>Declared and paid during the year:</b>				
Dividends on ordinary shares:	-	-	-	-
	-	-	-	-
Final dividend paid in 2008 \$NIL (2007: \$10,248,609 )				

The Directors have not declared a dividend as a two year dividend moratorium was granted to the Corporation by its shareholder, the Northern Territory Government, for the years ending June 2008 and June 2009.

## 7. Cash and cash equivalents

### (a) Reconciliation of cash

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

Cash assets	89,264	42,746	56,565	30,368
<b>(b) Reconciliation of net profit after tax to net cash flows from operations</b>				
Net Profit	57,466	(69,204)	57,358	(69,312)
<i>Adjustments for:</i>				
Depreciation and amortisation	58,919	61,156	45,130	47,783
Distribution from trust	(35)	(113)	-	-
Recoverable amount write-down	-	146,431	-	146,431
Contributed assets provided free of charge	(13,093)	(13,015)	(13,093)	(13,015)
Interest on loans to subsidiary companies	-	-	(391)	(480)
Net (profit)/loss on disposal of property, plant and equipment	2,078	(36)	2,110	(24)
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in inventories	(5,100)	(787)	(4,656)	(368)
(Increase)/decrease in trade and other receivables	(4,309)	1,358	(5,799)	1,107
(Increase)/decrease in prepayments	(1,603)	226	(1,611)	210
(Decrease)/increase in net deferred tax payable	(717)	(46,166)	(750)	(46,212)
(Decrease)/increase in current tax liabilities	7,065	10,544	7,065	10,544
(Decrease)/increase in trade and other payables	18,994	2,358	12,129	8,859
(Decrease)/increase in government grants	19,054	(1,446)	(2,449)	(8,800)
(Decrease)/increase in provisions	2,347	948	2,341	959
Net cash flows from operating activities	141,066	92,254	97,384	77,682

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

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$13.1 million (2007: \$13.0 million) by means of a gift. These acquisitions are not reflected in the cashflow statement.

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>8. Trade and other receivables</b>				
<b>Current</b>				
Service receivables	21,666	25,251	20,131	25,245
Allowance for doubtful debts	(3,318)	(3,784)	(3,168)	(3,784)
Unbilled consumption	26,987	24,702	26,987	24,702
	45,335	46,169	43,950	46,163
Other receivables	18,736	13,618	12,362	7,650
Loans and advances to controlled entities	-	-	14,996	10,984
Total current receivables	64,071	59,787	71,308	64,797
<b>Non-current</b>				
Loans and advances to controlled entities	-	-	-	3,704
Development loans	597	570	597	570
Total non-current receivables	597	570	597	4,274

#### (a) Service receivables

Service receivables are non-interest bearing and are generally 21 day terms. An allowance for doubtful debts is made when there is objective evidence that a service receivable is impaired. An allowance of \$3.2 million has been recognised as a provision in the current year for specific debtors for which such evidence exists. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

#### (b) Other receivables

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

#### (c) Development loans

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

#### Analysis of trade and other receivables

##### Fully performing financial assets:

Service receivables	16,589	15,054
Unbilled	26,987	26,987
Other Receivables	18,736	12,362
Loans and Advances to Controlled Entities	-	14,996
<b>Past due but not impaired financial assets:</b>		
Service receivables	1,473	1,473
<b>Impaired financial assets:</b>		
Service receivables	3,604	3,604
Impairment	(3,318)	(3,168)
The balance of impaired financial assets relates to Northern Territory inter-government agencies	286	436
	64,071	71,308

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>9. Inventories</b>				
Materials and stores - at cost	6,705	6,672	6,705	6,672
Fuel stocks - at cost	16,010	10,828	9,878	5,141
Gas stocks - at cost	61	60	61	60
Tokens - at cost	392	506	392	506
Total inventories	23,168	18,066	17,036	12,379

## 10. Investments

### Non-current

2,500 \$1 unlisted units, in Amadeus Gas Trust beneficially held by Darnor Pty Limited	3	3	-	-
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Unlisted shares, also held as follows:

- 10 (2007: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 10 (2007: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2007: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 15 (2007: 15) ordinary shares of \$1 each held by Darnor Pty Limited in NT Gas Pty Limited

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

### Investment in subsidiaries

Darnor Pty Limited	-	-	235	200
Gasgo Pty Limited	-	-	3,577	2,826
Total investment in subsidiaries	-	-	3,812	3,026

Movement in investments relates to contributions for income tax payable balances. See note 5.

## 11. Property, plant and equipment and intangibles

Consolidated	Non-System Related										Total Property, plant and equipment \$'000	Intangible assets \$'000	
	Electricity system assets \$'000	Leased electricity system assets \$'000	Water system assets \$'000	Sewerage system assets \$'000	Indigenous Essential Services \$'000	Freehold land improvements \$'000	Building and improvements \$'000	Plant and equipment \$'000	Capital work in progress \$'000	Rotable spares \$'000			
<b>June 2008</b>													
<b>Cost</b>													
Opening Balance	932,983	133,747	426,903	39,098	288,575	2,758	27,899	30,439	109,205	9,569	2,001,176	13,468	
Transfer / Restructure	142,643	(133,747)	126	19	-	(608)	(59)	(10,269)	-	(14)	(1,909)	1,895	
Additions	5,566	-	4,040	3,803	-	-	-	-	174,287	342	188,038	-	
Transfer From WIP	27,640	-	15,214	19,555	13,087	-	1,822	4,413	(83,096)	-	(1,365)	1,365	
Disposals	(13,998)	-	(1)	-	(406)	-	-	-	-	-	(14,405)	-	
Rounding	-	-	-	3	1	(1)	-	(2)	(32)	(1)	(32)	-	
Closing Balance	1,094,834	-	446,282	62,478	301,257	2,149	29,662	24,581	200,364	9,896	2,171,503	16,728	
<b>Accumulated Depreciation</b>													
Opening Balance	(512,137)	(133,747)	(175,101)	(15,610)	(142,377)	-	(9,628)	(10,450)	-	(2,615)	(1,001,665)	(8,485)	
Transfer / Restructure	(138,278)	133,747	(2)	(8)	-	-	21	5,344	-	25	849	(824)	
Depreciation	(19,823)	-	(14,439)	(1,251)	(9,138)	-	(768)	(4,480)	-	(894)	(50,793)	(3,475)	
Disposals	10,450	-	1	-	406	-	-	-	-	-	10,857	-	
Rounding	13	-	-	-	5	-	1	-	-	1	20	(1)	
Closing Balance	(659,775)	-	(189,541)	(16,869)	(151,104)	-	(10,374)	(9,586)	-	(3,483)	(1,040,732)	(12,785)	
<b>Written Down Value</b>													
Opening Balance	420,846	-	251,802	23,488	146,198	2,758	18,271	19,989	109,205	6,954	999,511	4,983	
Transfer / Restructure	4,365	-	124	11	-	(608)	(38)	(4,925)	-	11	(1,060)	1,071	
Additions	5,566	-	4,040	3,803	-	-	-	-	174,287	342	188,038	-	
Depreciation	(19,823)	-	(14,439)	(1,251)	(9,138)	-	(768)	(4,480)	-	(894)	(50,793)	(3,475)	
Transfer From WIP	27,640	-	15,214	19,555	13,087	-	1,822	4,413	(83,096)	-	(1,365)	1,365	
Disposals	(3,548)	-	-	-	-	-	-	-	-	-	(3,548)	-	
Rounding	13	-	-	3	6	(1)	1	(2)	(32)	-	(12)	(1)	
Closing Balance	435,059	-	256,741	45,609	150,153	2,149	19,288	14,995	200,364	6,413	1,130,771	3,943	

The Corporation engaged Sinclair Knight Merz (SKM) to undertake a verification of its property, plant and equipment. As a result of the verification the Corporation adopted the useful lives of the assets as advised by SKM and recalculated the depreciation expense in accordance with the useful lives. Overall, SKM assessed the useful lives of assets to be shorter than the lives in the fixed asset register. This has resulted in fewer years over which to depreciate the assets' cost and a corresponding increase in the annual depreciation expense of \$2.4 million.

Leased electricity system assets became wholly owned by the Corporation as of 1 July 2007. The values of these assets have been transferred to the Electricity system assets category.

Non-System Related												
	Electricity system assets \$'000	Leased electricity system assets \$'000	Water system assets \$'000	Sewerage system assets \$'000	Indigenous Essential Services \$'000	Freehold land \$'000	Building and improvements \$'000	Plant and equipment \$'000	Capital work in progress \$'000	Rotable spares \$'000	Total Property plant and equipment \$'000	Intangible assets \$'000
<b>June 2007</b>												
<b>Cost</b>												
Consolidated	909,741	133,747	565,901	125,967	275,538	2,758	20,548	24,285	71,018	1,550	2,131,053	13,316
Opening Balance	-	-	(150,155)	(96,323)	-	-	-	-	-	-	(246,478)	-
Impairment	4,324	-	4,796	3,227	-	-	-	-	109,498	8,019	129,864	-
Additions	31,413	-	6,363	6,227	13,409	-	7,540	6,207	(71,311)	-	(152)	152
Transfer From WIP	(12,495)	-	(2)	-	(372)	-	(189)	(53)	-	-	(13,111)	-
Disposals	932,983	133,747	426,903	39,098	288,575	2,758	27,899	30,439	109,205	9,569	2,001,176	13,468
Closing Balance												
<b>Accumulated Depreciation</b>												
Opening Balance	(497,342)	(130,281)	(226,181)	(51,713)	(134,027)	-	(8,486)	(7,261)	-	(1,651)	(1,056,942)	(5,775)
Impairment	-	-	61,588	38,458	-	-	-	-	-	-	100,046	-
Depreciation	(23,242)	(3,466)	(10,513)	(2,598)	(8,722)	-	(1,145)	(3,190)	-	(919)	(53,795)	(2,710)
Disposals	8,447	-	5	243	372	-	3	1	-	(45)	9,026	-
Closing Balance	(512,137)	(133,747)	(175,101)	(15,610)	(142,377)	-	(9,628)	(10,450)	-	(2,615)	(1,001,665)	(8,485)
<b>Written Down Value</b>												
Opening Balance	412,399	3,466	339,720	74,254	141,511	2,758	12,062	17,024	71,018	(101)	1,074,111	7,541
Impairment	-	-	(88,567)	(57,865)	-	-	-	-	-	-	(146,432)	-
Additions	4,324	-	4,796	3,227	-	-	-	-	109,498	8,019	129,864	-
Depreciation	(23,242)	(3,466)	(10,513)	(2,598)	(8,722)	-	(1,145)	(3,190)	-	(919)	(53,795)	(2,710)
Transfer From WIP	31,413	-	6,363	6,227	13,409	-	7,540	6,207	(71,311)	-	(152)	152
Disposals	(4,048)	-	3	243	-	-	(186)	(52)	-	(45)	(4,085)	-
Closing Balance	420,846	-	251,802	23,488	146,198	2,758	18,271	19,989	109,205	6,954	999,511	4,983

## 11. Property, plant and equipment and intangibles (continued)

Corporation	Non-System Related											Total Property, plant and equipment \$'000	Intangible assets \$'000	
	Electricity system assets \$'000	Leased electricity system assets \$'000	Water system assets \$'000	Sewerage system assets \$'000	Freehold land \$'000	Building and improve- ments \$'000	Plant and equipment \$'000	Capital work in progress \$'000	Rotable spares \$'000	Property, plant and equipment \$'000	Intangible assets \$'000			
<b>June 2008</b>														
<b>Cost</b>														
Opening Balance	932,983	133,747	426,903	39,098	2,758	27,899	30,439	102,455	9,569	1,705,851	13,468			
Transfer / Restructure	142,643	(133,747)	126	19	(608)	(59)	(10,269)	-	(14)	(1,909)	1,895			
Additions	5,566	-	4,040	3,803	-	-	-	155,787	342	169,538	-			
Transfer From WIP	27,640	-	15,214	19,555	-	1,822	4,413	(70,009)	-	(1,365)	1,365			
Disposals	(13,998)	-	(1)	-	-	-	-	-	-	(13,999)	-			
Rounding	-	-	-	3	(1)	-	(2)	(24)	(1)	(25)	-			
Closing Balance	1,094,834	-	446,282	62,478	2,149	29,662	24,581	188,209	9,896	1,858,091	16,728			
<b>Accumulated Depreciation</b>														
Opening Balance	(512,137)	(133,747)	(175,101)	(15,610)	-	(9,628)	(10,450)	-	(2,615)	(859,288)	(8,485)			
Transfer / Restructure	(138,278)	133,747	(2)	(8)	-	21	5,344	-	25	849	(824)			
Depreciation	(19,823)	-	(14,439)	(1,251)	-	(768)	(4,480)	-	(894)	(41,655)	(3,475)			
Disposals	10,450	-	1	-	-	-	-	-	-	10,451	-			
Rounding	13	-	-	-	-	1	-	-	1	15	(1)			
Closing Balance	(659,775)	-	(189,541)	(16,869)	-	(10,374)	(9,586)	-	(3,483)	(889,628)	(12,785)			
<b>Written Down Value</b>														
Opening Balance	420,846	-	251,802	23,488	2,758	18,271	19,989	102,455	6,954	846,563	4,983			
Transfer / Restructure	4,365	-	124	11	(608)	(38)	(4,925)	-	11	(1,060)	1,071			
Additions	5,566	-	4,040	3,803	-	-	-	155,787	342	169,538	-			
Depreciation	(19,823)	-	(14,439)	(1,251)	-	(768)	(4,480)	-	(894)	(41,655)	(3,475)			
Transfer From WIP	27,640	-	15,214	19,555	-	1,822	4,413	(70,009)	-	(1,365)	1,365			
Disposals	(3,548)	-	-	-	-	-	-	-	-	(3,548)	-			
Rounding	13	-	-	3	(1)	1	(2)	(24)	-	(10)	(1)			
Closing Balance	435,059	-	256,741	45,609	2,149	19,288	14,995	188,209	6,413	968,463	3,943			



Non-System Related												
	Electricity system assets \$'000	Leased electricity system assets \$'000	Water system assets \$'000	Sewerage system assets \$'000	Freehold land \$'000	Building and improvements \$'000	Plant and equipment \$'000	Capital work in progress \$'000	Rotable spares \$'000	Total Property, plant and equipment \$'000	Intangible assets \$'000	
Corporation												
June 2007												
<b>Cost</b>												
Opening Balance	909,741	133,747	565,901	125,967	2,758	20,548	24,285	65,681	1,550	1,850,178	13,316	
Impairment	-	-	(150,155)	(96,323)	-	-	-	-	-	(246,478)	-	
Additions	4,324	-	4,796	3,227	-	-	-	93,875	8,019	114,241	-	
Transfer From WIP	31,413	-	6,363	6,227	-	7,540	6,207	(57,902)	-	(152)	152	
Disposals	(12,495)	-	(2)	-	-	(189)	(53)	801	-	(11,938)	-	
Closing Balance	932,983	133,747	426,903	39,098	2,758	27,899	30,439	102,455	9,569	1,705,851	13,468	
<b>Accumulated Depreciation</b>												
Opening Balance	(497,342)	(130,281)	(226,181)	(51,713)	-	(8,486)	(7,261)	-	(1,651)	(922,915)	(5,775)	
Impairment	-	-	61,588	38,458	-	-	-	-	-	100,046	-	
Depreciation	(23,242)	(3,466)	(10,513)	(2,598)	-	(1,145)	(3,190)	-	(919)	(45,073)	(2,710)	
Disposals	8,447	-	5	243	-	3	1	-	(45)	8,654	-	
Closing Balance	(512,137)	(133,747)	(175,101)	(15,610)	-	(9,628)	(10,450)	-	(2,615)	(859,288)	(8,485)	
<b>Written Down Value</b>												
Opening Balance	412,399	3,466	339,720	74,254	2,758	12,062	17,024	65,681	(101)	927,263	7,541	
Impairment	-	-	(88,567)	(57,865)	-	-	-	-	-	(146,432)	-	
Additions	4,324	-	4,796	3,227	-	-	-	93,875	8,019	114,241	-	
Depreciation	(23,242)	(3,466)	(10,513)	(2,598)	-	(1,145)	(3,190)	-	(919)	(45,073)	(2,710)	
Transfer From WIP	31,413	-	6,363	6,227	-	7,540	6,207	(57,902)	-	(152)	152	
Disposals	(4,048)	-	3	243	-	(186)	(52)	801	(45)	(3,284)	-	
Closing Balance	420,846	-	251,802	23,488	2,758	18,271	19,989	102,455	6,954	846,563	4,983	

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>12. Other non-current assets</b>				
Deferred development expenditure	58,255	58,255	-	-
Less: Accumulated amortisation	(53,604)	(48,952)	-	-
Total other non-current assets	4,651	9,303	-	-

### 13. Trade and other payables

Service creditors	40,416	36,144	28,667	30,381
Other creditors and accruals	49,028	34,937	45,118	34,184
Total payables	89,444	71,081	73,785	64,565

### 14. Interest bearing borrowings

#### Current

Government loans - unsecured	5,532	7,953	5,532	7,953
Commercial bill facility - secured	419	1,992	-	-
Total current borrowings	5,951	9,945	5,532	7,953

#### Non-current

Government loans - unsecured	421,287	338,401	421,287	338,401
Total non-current borrowings	421,287	338,401	421,287	338,401

The government loans and commercial bill facility in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$5.9 million (2007: \$9.9 million).

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

Government loans at the reporting date have been fully utilised.

The total bank overdraft facility available at the reporting date is \$2.0 million (2007: \$2.0 million). The unused bank overdraft facility available at the reporting date is \$2.0 million (2007: \$2.0 million). Interest on the bank overdraft is charged at prevailing market rates. The bank overdraft is payable on demand. This facility is available until 2011.

#### *Security for the commercial bill facility:*

The Northern Territory Treasurer has provided a Letter of Undertaking to the Bank of South Australia, whereby the Northern Territory guarantees the loan, interest costs and any indemnities owed to the Bank pursuant to the Facility Agreement it has with Gasgo Pty Limited.

The total commercial bill facility available at the reporting date is \$16.0 million (2007: \$10.0 million). The unused commercial bill facility available at the reporting date is \$15.6 million.

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>15. Provisions</b>				
<b>Current</b>				
Employee benefits	15,646	14,185	15,646	14,185
Employee related provisions	524	397	524	397
Self insurance provision	170	-	170	-
Total current provisions	16,340	14,582	16,340	14,582
<b>Non-current</b>				
Employee benefits	6,814	6,060	6,814	6,060

#### Reconciliations

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

##### *Employee related provisions*

Carrying amount at beginning of year	397	496	397	496
Provisions made during the year	5,110	5,433	5,110	5,433
Payments made during the year	(4,983)	(5,532)	(4,983)	(5,532)
Carrying amount at end of year	524	397	524	397

##### *Dividends*

Carrying amount at beginning of year	-	10,249	-	10,249
Payments made during the year	-	(10,249)	-	(10,249)
Carrying amount at end of year	-	-	-	-

#### 16. Government grants

Operational grants held by the Corporation relate to funds held on behalf of the Northern Territory Government Department of Local Government and Housing for works on Aboriginal Town Camps. As a result of the Federal Government's Aboriginal Intervention programme these funds will be returned to the Department of Local Government and Housing in the June 2009 financial year.

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

Capital grants held by the Corporation's subsidiary, Indigenous Essential Services Pty Limited, relate to funding received from the Department of Local Government and Housing for the development of power, water and sewerage infrastructure in remote indigenous communities.

Operational grants	26,543	16,190	9,349	8,913
Capital grants	162,307	152,995	-	-
Total government grants	188,850	169,185	9,349	8,913
<b>Provided for in the financial statements as:</b>				
Current	35,680	24,908	9,349	8,913
Non-current	153,170	144,277	-	-
	188,850	169,185	9,349	8,913

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000

## 17. Other liabilities

Deferred gain on sale and lease back of generation plant and equipment:

Net gain	-	15,793	-	15,793
Less: Accumulated amortisation	-	(15,793)	-	(15,793)
Total other liabilities	-	-	-	-

## 18. Contributed equity

Share capital				
1 Share (2007: 1 Share)	-	-	-	-

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

## 19. Reserves

### Cash flow hedging reserve

The forward currency contracts are considered to be fully effective hedges as they are matched exactly against scheduled payments for the construction project and any gain or loss on the contracts is taken directly to equity. When the construction project's asset is delivered, the amount recognised in equity is released to the Corporation's project asset account in the Corporation's balance sheet. During the year \$1,494,000 was released from equity by the Corporation.

Balance at beginning of year	(2,804)	-	(2,804)	-
Movement for the year:				
Gains/(losses) on cash flow hedging instruments	(685)	(3,218)	(685)	(3,218)
Gains/(losses) transferred to the acquisition cost	2,179	414	2,179	414
Total movement for the year	1,494	(2,804)	1,494	(2,804)
<b>Balance at end of year</b>	<b>(1,310)</b>	<b>(2,804)</b>	<b>(1,310)</b>	<b>(2,804)</b>

## 20. Retained earnings

Retained earnings at beginning of year	558,214	623,488	557,642	623,024
Overstatement of income tax relating to prior year	-	3,930	-	3,930
Net profit for the year	57,466	(69,204)	57,358	(69,312)
Retained earnings at end of the year	615,680	558,214	615,000	557,642

## 21. Risk management objectives

### (a) Financial risk management objectives and policies

The consolidated entity's principal financial instruments are comprised of bank loans and overdrafts, 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, trade payables and derivatives. It is, and has been throughout the period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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

The Corporation's overall strategy remains unchanged from 2007.

### (b) Market risk

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

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

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

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

Services either regulated or open to competition are:

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

### (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 reset over the life of the loans.

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

The following table shows the Corporation'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 Vairable Rate Loans \$'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% \$'000	Fixed and Vairable Rate Loans \$'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% \$'000
1 to 2 years	69,905	7.60	113	69,905	7.60	113
2 to 5 years	94,373	6.58	80	94,373	6.58	80
5 years+	484,958	7.33	4,074	484,958	7.33	4,074
	649,236		4,267	649,236		4,267

### (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 on the balance sheet is the carrying amount net of any provision for doubtful debts. The consolidated entity has a minimal concentration of credit risk as it undertakes transactions with a large number of customers and counterparties. The consolidated entity is not materially exposed to any individual customer. There are no major concentrations of credit risk on service debtors due from customers within particular industries.

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

### (e) Liquidity risk management

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

Each year the Corporation prepares a Statement of Corporate Intent (SCI) which is tabled with the shareholding Minister for approval.

The SCI is a detailed 5 year projection of the Corporation's financial position. The current year actual results are reported against the SCI budget.

If the Corporation is unable to meet SCI targets it is able to apply to the Northern Territory Government for additional loan funding.

At 30 June 2008, \$6.0 million of the consolidated entity's debt will mature in less than one year (2007: \$9.9 million).

#### (f) Foreign currency risk management

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

Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Corporation's foreign currency denominated monetary liabilities at the reporting date was as follows:

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
US Dollars	7,696	34,256	7,696	34,256

#### (g) Commodity price risk

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

#### (h) Forward currency contracts - cash flow hedges

In order to protect against exchange rate movements and to manage the cost of construction, the Corporation has entered into forward exchange contracts to purchase US Dollars. These contracts are hedging highly probable forecast payments timed to mature, including rollover strategy, when payments are scheduled to be made.

The cash flows are expected to occur between 2-12 months from 30 June 2008. The income statement will be affected as the project's assets are used and depreciated over their useful lives. At balance date, the details of outstanding contracts are:

	Consolidated			
	June 2008 \$'000	June 2007 \$'000	June 2008 Average Exchange Rate	June 2007 Average Exchange Rate
Buy US\$/Sell Australian \$				
Maturity < 12 months	7,696	29,160	0.7624	0.7701
Maturity > 12 months	-	5,096	-	0.7597
Total	7,696	34,256	0.7624	0.7685

	Corporation			
	June 2008 \$'000	June 2007 \$'000	June 2008 Average Exchange Rate	June 2007 Average Exchange Rate
Buy US\$/Sell Australian \$				
Maturity < 12 months	7,696	29,160	0.7624	0.7701
Maturity > 12 months	-	5,096	-	0.7597
Total	7,696	34,256	0.7624	0.7685

## 22. Financial instruments

### Fair values

Net fair values of financial assets and liabilities approximate carrying values except for government loans, which have a fair value of \$417.6 million (2007: \$343.9 million).

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

### Interest rate risk

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

Consolidated	Weighted average interest rate %	Fixed and floating interest maturing in:					Total \$'000
		Floating interest rate \$'000	Fixed interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	
<b>2008</b>							
<b>Financial Assets</b>							
Cash assets	6.50%	89,264	-	89,264	-	-	89,264
Receivables	-	-	-	-	-	64,668	64,668
Investments	-	-	-	-	-	3	3
		<b>89,264</b>	-	<b>89,264</b>	-	<b>64,671</b>	<b>153,935</b>
<b>Financial Liabilities</b>							
Payables	-	-	-	-	-	89,444	89,444
Government loans	6.96%	-	426,819	5,532	1,492	419,795	426,819
Commercial bill facilities	7.49%	419	-	419	-	-	419
Employee benefits	-	-	-	-	-	23,154	23,154
		<b>419</b>	<b>426,819</b>	<b>5,951</b>	<b>1,492</b>	<b>112,598</b>	<b>539,836</b>
<b>2007</b>							
<b>Financial Assets</b>							
Cash assets	5.88%	42,746	-	42,746	-	-	42,746
Receivables	-	-	-	-	-	60,357	60,357
Investments	-	-	-	-	-	3	3
		<b>42,746</b>	-	<b>42,746</b>	-	<b>60,360</b>	<b>103,106</b>
<b>Financial Liabilities</b>							
Payables	-	-	-	-	-	71,081	71,081
Government loans	6.94%	-	346,354	7,953	46,837	291,564	346,354
Commercial bill facilities	6.37%	1,992	-	1,992	-	-	1,992
Dividends payable	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	20,642	20,642
		<b>1,992</b>	<b>346,354</b>	<b>9,945</b>	<b>46,837</b>	<b>291,564</b>	<b>440,069</b>



Corporation	Fixed and floating interest maturing in:							Total \$'000
	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
<b>2008</b>								
<b>Financial Assets</b>								
Cash assets	6.50%	56,565	-	56,565	-	-	-	56,565
Receivables	-	-	-	-	-	-	71,905	71,905
Investments	-	-	-	-	-	-	-	-
		<b>56,565</b>	-	<b>56,565</b>	-	-	<b>71,905</b>	<b>128,470</b>
<b>Financial Liabilities</b>								
Payables	-	-	-	-	-	-	73,785	73,785
Government loans	6.96%	-	426,819	5,532	1,492	419,795	-	426,819
Commercial bill facilities	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	23,154	23,154
		-	<b>426,819</b>	<b>5,532</b>	<b>1,492</b>	<b>419,795</b>	<b>96,939</b>	<b>523,758</b>
<b>2007</b>								
<b>Financial Assets</b>								
Cash assets	5.88%	30,368	-	30,368	-	-	-	30,368
Receivables	-	-	-	-	-	-	69,071	69,071
Investments	-	-	-	-	-	-	-	-
		<b>30,368</b>	-	<b>30,368</b>	-	-	<b>69,071</b>	<b>99,439</b>
<b>Financial Liabilities</b>								
Payables	-	-	-	-	-	-	71,081	71,081
Government loans	6.94%	-	346,354	7,953	46,837	291,564	-	346,354
Commercial bill facilities	-	-	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	20,642	20,642
		-	<b>346,354</b>	<b>7,953</b>	<b>46,837</b>	<b>291,564</b>	<b>91,723</b>	<b>438,077</b>

	Consolidated		Corporation	
	June 2008 \$'000	June 2007 \$'000	June 2008 \$'000	June 2007 \$'000
<b>23. Commitments</b>				
<b>Capital expenditure commitments</b>				
Contracted but not provided for and payable within one year:	64,621	69,765	52,101	69,765
<b>Purchase, lease and hire expenditure commitments (non-cancellable)</b>				
Contracted but not provided for:				
Plant and equipment	68,545	67,311	68,545	67,311
Electricity purchase	66,350	73,682	66,350	73,682
Gas purchase	4,315,216	4,632,115	4,236,175	4,500,211
Gas transportation	814,206	762,976	814,206	762,976
	5,264,317	5,536,084	5,185,276	5,404,180
<b>Payable:</b>				
Within one year	222,744	169,190	158,717	115,651
One year or later and no later than five years	716,788	694,385	689,253	616,021
Later than five years	4,389,407	4,742,275	4,389,407	4,742,275
	5,328,939	5,605,850	5,237,377	5,473,947

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 recently concluded 25-year gas sale agreement with Eni Australia B.V., the first supply of which is contracted to commence on 1 January 2009.

#### Remuneration commitments:

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

	Consolidated		Corporation	
	June 2008 \$	June 2007 \$	June 2008 \$	June 2007 \$
Within one year	7,979,086	6,299,132	7,812,030	6,178,660
After one year but not more than five years	13,439,151	7,559,808	13,327,017	7,348,238
	21,418,237	13,858,940	21,139,047	13,526,898

## 24. Contingent liabilities and contingent assets

### Litigation

The consolidated entity has no contingent liabilities or contingent assets as at the date of signing these financial statements.

## 25. Related party information

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

Name	Country of Incorporation	% Equity Interest		Investment	
		June 2008 %	June 2007 %	June 2008 \$	June 2007 \$
Darnor Pty Limited	Australia	100%	100%	10	10
Gasgo Pty Limited	Australia	100%	100%	10	10
Indigenous Essential Services Pty Limited	Australia	100%	100%	10	10
				30	30

Power and Water Corporation is the ultimate Australian parent company and the ultimate parent of the consolidated entity is the Shareholding Minister, who holds the share on behalf of the Northern Territory.

### Transactions

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

Related Party		Sales to related parties \$'000	Purchases from related parties (1) \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties (2) \$'000
The parent entity including all entities that are associated with the parent entity being the Northern Territory Government - see explanation above.	June 2008	89,031	39,187	4,762	485,470
	June 2007	97,954	54,277	5,888	353,996
Darnor Pty Limited (subsidiary)	June 2008	-	13	-	-
	June 2007	-	-	-	-
Gasgo Pty Limited (subsidiary)	June 2008	-	15	-	-
	June 2007	-	-	-	-
Indigenous Essential Services Pty Limited (subsidiary)	June 2008	60,562	198	1,057	7,625
	June 2007	56,660	-	-	1,824

(1) For the year ended 30 June 2008, purchases from the NT Government include interest paid on borrowings of \$27,974,634 (2007: \$24,426,374) refer to note 4(c).

(2) For the year ended 30 June 2008, the amount owed to the NT Government includes borrowings of \$426,819,542 (2007: \$346,354,458) refer to note 14.

The Corporation has a loan to a related entity, Gasgo Pty Limited, on which interest is charged monthly at a current weighted average of 7.37% p.a. (2007: 6.40% p.a.) on the outstanding balance.

All transactions with non-director related parties are on normal commercial terms and conditions.

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

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

## 25. Related party information (continued)

For the year ended 30 June 2008, the consolidated entity has made an allowance for doubtful debts of \$0.4 million relating to amounts owed by related parties (2007: \$0.2 million). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the consolidated entity recognises an allowance for the impairment loss.

## 26. Events after the balance sheet date

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

	Consolidated		Corporation	
	June 2008 \$	June 2007 \$	June 2008 \$	June 2007 \$
<b>27. Auditor's remuneration</b>				
<b>Audit services:</b>				
Auditors of the Corporation	423,078	503,178	354,052	420,481
- NT Auditor-General				
	423,078	503,178	354,052	420,481

## 28. Director and executive disclosures

### Remuneration of key management personnel

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

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

		Primary	Post	Total
		Salary & Fees \$	employment Superannuation benefits \$	
<b>Non-executive directors</b>				
Mr Neil Philip (Chairperson)	June 2008	71,277	6,369	77,646
	June 2007	81,177	6,369	87,546
Mr Peter Vines	June 2008	52	44,786	44,838
	June 2007	18,915	25,866	44,780
Ms Judith King	June 2008	30,157	14,681	44,838
	June 2007	41,102	3,678	44,780
Mr Robert Neil	June 2008	51,122	4,568	55,690
	June 2007	51,102	3,678	54,780
Mr Barry Chambers	June 2008	52	55,638	55,690
	June 2007	2,500	12,398	14,898
Ms Margaret Gibson	June 2008	41,160	3,678	44,838
	June 2007	11,393	1,302	12,695
Mrs Linda Mackenzie	June 2008	49,550	4,568	54,119
	June 2007	12,965	1,146	14,111
Total non-executive directors	June 2008	243,369	134,290	377,659
	June 2007	219,154	54,437	273,591

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

In addition to the above payments, Mr Neil Philip was paid \$2,138, Mr Robert Neil was paid \$713 and Mr Barry Chambers was paid \$1,013 in relation to the recalculation of superannuation entitlements for prior years' duties as directors of Darnor Pty Limited and Gasgo Pty Limited.

### Executives' remuneration

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

	Consolidated		Corporation	
	June 2008 \$	June 2007 \$	June 2008 \$	June 2007 \$
Short-term employee benefits	2,440,482	2,629,416	2,240,934	2,487,469
Other long-term benefits	455,333	435,173	325,222	348,053
Total compensation of key management personnel (excluding non-executive directors)	2,895,815	3,064,589	2,566,156	2,835,521

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

### Other transactions with key management personnel

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

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

## 29. Restatement of comparatives

From 1 July 2007 transactions undertaken by Power and Water Corporation (the Corporation), as a service provider to its 100% owned subsidiary, Indigenous Essential Services Pty Limited (IES), were accounted for directly in IES's general ledger. In the previous year transactions were first accounted for in the Corporation's general ledger and then on-charged to IES. This had the effect of inflating the Corporation's revenue and expenses, but not changing the profit as all work is carried out on a not-for-profit basis. In addition, financial ratios for the Corporation were diluted by the not-for-profit service. Therefore, due to these effects and for transactional efficiency the Corporation introduced direct accounting for IES transactions.

To provide meaningful comparisons to the June 2008 figures, the following table restates the 2007 figures for both the Corporation and the consolidated entity in relation to the above change and in relation to the prior period error as outlined in note 5(f).

Income Statement Restatement	Note	Consolidated			Corporation		
		Original \$'000	30 June 2007 Restated \$'000	Change \$'000	Original \$'000	30 June 2007 Restated \$'000	Change \$'000
<b>Continuing Operations</b>							
Revenue from sale of goods		360,423	360,423	-	291,497	278,699	(12,798)
Revenue from rendering of services		78,103	78,103	-	27,809	27,192	(617)
Finance revenue		2,161	2,161	-	2,087	2,087	-
Other income		86,341	86,341	-	157,017	86,787	(70,230)
<b>Revenue</b>		<b>527,028</b>	<b>527,028</b>	<b>-</b>	<b>478,410</b>	<b>394,765</b>	<b>(83,645)</b>
Change in inventories of finished goods		(8,549)	(433)	8,116	(22,685)	(433)	22,252
Raw materials and consumables used		(234,525)	(234,525)	-	(184,981)	(145,550)	39,431
Repairs and maintenance expense		(28,087)	(36,203)	(8,116)	(28,074)	(28,074)	-
Employee benefits expense		(63,434)	(63,434)	-	(64,121)	(49,183)	14,938
Property costs		(4,945)	(4,945)	-	(4,945)	(4,788)	157
Information technology and communications expense		(7,689)	(7,689)	-	(7,689)	(7,452)	237
Insurance costs		(3,630)	(3,630)	-	(3,630)	(3,617)	13
Community Contract fees		(6,117)	(6,117)	-	(6,117)	(1,314)	4,803
Depreciation and amortisation expenses		(61,156)	(61,156)	-	(47,783)	(47,783)	-
Impairment of non-current assets		(146,431)	(146,431)	-	(146,431)	(146,431)	-
Other expenses		(36,437)	(36,437)	-	(36,254)	(34,440)	1,814
Finance costs		(24,808)	(24,808)	-	(24,633)	(24,633)	-
<b>Profit/(loss) before income tax</b>		<b>(98,780)</b>	<b>(98,780)</b>	<b>-</b>	<b>(98,933)</b>	<b>(98,933)</b>	<b>-</b>
Income tax gain/(expense)		29,576	29,576	-	29,621	29,621	-
<b>Net profit/(loss) for the year from continuing operations</b>		<b>(69,204)</b>	<b>(69,204)</b>	<b>-</b>	<b>(69,312)</b>	<b>(69,312)</b>	<b>-</b>
<b>Statement of Changes in Equity</b>							
Statement of Changes in Equity Restatement	Note	Consolidated			Corporation		
		Original \$'000	30 June 2007 Restated \$'000	Change \$'000	Original \$'000	30 June 2007 Restated \$'000	Change \$'000
Equity at the beginning of the year		623,488	623,488	-	623,024	623,024	-
Overstatement of income tax relating to prior year	5 (f)	-	3,930	3,930	-	3,930	3,930
Gain/(loss) on cash flow hedges		(2,804)	(2,804)	-	(2,804)	(2,804)	-
Net profit for the year		(69,204)	(69,204)	-	(69,312)	(69,312)	-
Equity at the end of the year		551,480	555,410	3,930	550,908	554,838	3,930

	Note	Consolidated			Corporation		
		Original \$'000	30 June 2007 Restated \$'000	Change \$'000	Original \$'000	30 June 2007 Restated \$'000	Change \$'000
Balance Sheet Restatement							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents		42,746	42,746	-	30,368	30,368	-
Trade and other receivables		59,787	59,787	-	64,797	64,797	-
Inventories		18,066	18,066	-	12,379	12,379	-
Prepayments		1,815	1,815	-	1,793	1,793	-
<b>Total current assets</b>		<b>122,414</b>	<b>122,414</b>	<b>-</b>	<b>109,337</b>	<b>109,337</b>	<b>-</b>
<b>NON-CURRENT ASSETS</b>							
Receivables		570	570	-	4,274	4,274	-
Investments		3	3	-	-	-	-
Investment in subsidiaries		-	-	-	3,026	3,026	-
Property, plant and equipment		999,511	999,511	-	846,563	846,563	-
Deferred tax assets	5 (f)	43,530	49,819	6,289	42,779	49,068	6,289
Intangible assets		4,983	4,983	-	4,983	4,983	-
Other		9,303	9,303	-	-	-	-
<b>Total non-current assets</b>		<b>1,057,900</b>	<b>1,064,189</b>	<b>6,289</b>	<b>901,625</b>	<b>907,914</b>	<b>6,289</b>
<b>Total assets</b>		<b>1,180,314</b>	<b>1,186,603</b>	<b>6,289</b>	<b>1,010,962</b>	<b>1,017,251</b>	<b>6,289</b>
<b>CURRENT LIABILITIES</b>							
Trade and other payables		87,267	71,081	(16,186)	73,477	64,565	(8,912)
Borrowings		9,945	9,945	-	7,953	7,953	-
Current tax liabilities	5 (f)	8,971	11,329	2,358	8,971	11,329	2,358
Provisions		14,582	14,582	-	14,582	14,582	-
Government grants		8,721	24,908	16,187	-	8,913	8,913
Other financial liabilities		2,633	2,633	-	2,633	2,633	-
<b>Total current liabilities</b>		<b>132,119</b>	<b>134,478</b>	<b>2,359</b>	<b>107,616</b>	<b>109,975</b>	<b>2,359</b>
<b>NON-CURRENT LIABILITIES</b>							
Borrowings		338,401	338,401	-	338,401	338,401	-
Deferred tax liabilities		7,527	7,527	-	7,527	7,527	-
Provisions		6,060	6,060	-	6,060	6,060	-
Government grants		144,277	144,277	-	-	-	-
Other financial liabilities		450	450	-	450	450	-
<b>Total non-current liabilities</b>		<b>496,715</b>	<b>496,715</b>	<b>-</b>	<b>352,438</b>	<b>352,438</b>	<b>-</b>
<b>Total liabilities</b>		<b>628,834</b>	<b>631,193</b>	<b>2,359</b>	<b>460,054</b>	<b>462,413</b>	<b>2,359</b>
<b>Net assets</b>		<b>551,480</b>	<b>555,410</b>	<b>3,930</b>	<b>550,908</b>	<b>554,838</b>	<b>3,930</b>
<b>EQUITY</b>							
Contributed equity		-	-	-	-	-	-
Reserves		(2,804)	(2,804)	-	(2,804)	(2,804)	-
Retained earnings	5 (f)	554,284	558,214	3,930	553,712	557,642	3,930
<b>Total equity</b>		<b>551,480</b>	<b>555,410</b>	<b>3,930</b>	<b>550,908</b>	<b>554,838</b>	<b>3,930</b>



Cash Flow Restatement	Consolidated			Corporation		
	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	430,505	413,764	(16,741)	420,392	336,748	(83,644)
Payments to suppliers and employees	(411,269)	(395,741)	15,528	(358,915)	(275,271)	83,644
Income tax paid	(6,046)	(6,046)	-	(6,046)	(6,046)	-
Community Service Obligations received	56,430	56,430	-	56,430	56,430	-
Receipt of Government grants	45,471	46,697	1,226	(10,937)	(10,937)	-
Interest received	2,080	2,080	-	1,513	1,513	-
Interest paid	(24,917)	(24,930)	(13)	(24,755)	(24,755)	-
<b>Net cash provided by operating activities</b>	<b>92,254</b>	<b>92,254</b>	<b>-</b>	<b>77,682</b>	<b>77,682</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment	238	206	(32)	226	194	(32)
Interest received from controlled entities	-	-	-	480	480	-
Payments for property, plant and equipment	(113,011)	(112,979)	32	(98,190)	(98,158)	32
Proceeds from repayment of related party loans	-	-	-	2,222	2,222	-
Amounts advanced to related parties	-	-	-	(1,750)	(1,750)	-
Distribution from trust	113	113	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(112,660)</b>	<b>(112,660)</b>	<b>-</b>	<b>(97,012)</b>	<b>(97,012)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of borrowings	(18,066)	(18,066)	-	(16,496)	(16,496)	-
Proceeds from borrowings	37,000	37,000	-	37,000	37,000	-
Dividends paid	(10,249)	(10,249)	-	(10,249)	(10,249)	-
<b>Net cash provided by financing activities</b>	<b>8,685</b>	<b>8,685</b>	<b>-</b>	<b>10,255</b>	<b>10,255</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11,721)</b>	<b>(11,721)</b>	<b>-</b>	<b>(9,075)</b>	<b>(9,075)</b>	<b>-</b>
Cash and cash equivalents at beginning of year	54,467	54,467	-	39,443	39,443	-
Cash and cash equivalents at end of year	42,746	42,746	-	30,368	30,368	-



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