



2009

POWER AND WATER CORPORATION

ANNUAL
REPORT



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 seventh annual report, for the year ended 30 June 2009, in accordance with the provisions of Section 44 of the *Government Owned Corporations Act*.

Yours sincerely



Judith King
Chairman

30 September 2009



Andrew Macrides
Managing Director

30 September 2009

THIS REPORT

PURPOSE OF THE REPORT

To provide a record of Power and Water Corporation's operations and achievements for the 2008-09 financial year.

Pursuant to Section 44 of the Government Owned Corporations Act, the report aims to inform Parliament, Territorians and other stakeholders of:

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

Power and Water's Sustainability Report is included to provide a single source of information on the Corporation's financial, environment, economic, workforce and community aspects. The Annual Report has been compiled with regard to the Energy Supply Association of Australia's Code of Sustainable Practice.

INTENDED AUDIENCE

This report is firstly tabled in the Northern Territory Legislative Assembly as a reporting mechanism on accountability for Power and Water's shareholding Minister and Parliament. It provides a statement of achievements, income and expenditure for the financial year 2008-09.

Additionally, this Annual Report provides information for others, including the wider public, who may have an interest in the provision of water, sewerage and electricity services in the Northern Territory.

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CHAIRMAN'S REPORT

Territorians know they live in one of the toughest natural environments anywhere in the world. Power and Water Corporation is meeting the significant challenges that come with delivering electricity, water and sewage services across the Northern Territory and achieving success in delivering outcomes to our customers.

The Territory is also experiencing considerable economic and residential growth which is creating demand for new infrastructure development.

The core objective for Directors and employees is improving service delivery to each customer. During 2008-09, this has taken shape in the following areas of the Corporation's business:

- an intense focus on capital investment which will secure long term power, water and sewage services to metropolitan, rural and remote regions;
- building the internal capacity of the Corporation through new training and development opportunities for employees at all levels of the Corporation; and
- a successful drive to advance the safety culture across employees and management for the whole organisation.

Capital investment in Power and Water infrastructure, facilities, machinery and equipment forms part of a five year, \$1.5 billion program targeting ageing and deteriorating assets across the Corporation. This program commenced in the previous financial year with the unflagging commitment of Managing Director, Andrew Macrides, executive management and the entire Power and Water workforce.

In 2008-09, the capital outlay totaled \$223.8 million and included the connection of the new Weddell Power Station to the Darwin-Katherine grid with the expectation of increasing generating capacity by 30 per cent.

Works are also underway to increase the size of the Darwin River Dam which will see the dam wall raised and add 20 per cent to existing capacity.

Equipment outages at the Casuarina Zone Substation in September and October 2008 threw a spotlight on the issues our employees deal with every day. The outages affecting Darwin's northern suburbs resulted in the Government appointment of Mervyn Davies to investigate the operation of the Power Networks' business. The resulting findings and recommendations provided the Corporation with valuable baseline information on the state of the network assets, as well as the priorities and systems upgrades required.

Every recommendation is being implemented across the Power Networks business and will be applied, if appropriate, to the Corporation's other divisions.

The Power Generation division was also impacted by a delay in the new gas supply from the Blacktip gas field, which is intended to replace the declining production from the Central Australian gas fields. Contingency arrangements required the supply of costly distillate but since then an interconnect gas pipeline has been established with the ConocoPhillips' plant at Wickham Point for the supply of backup gas, until the Blacktip supply is secured.

The Corporation's response to the Casuarina event and higher fuel costs contributed to a significant decline in post tax earnings for 2008-09. This saw a net loss after tax of \$26.8 million (2007-08: Profit of \$57.5 million). Power and Water achieved consolidated revenue of \$615.6 million (2007-08: \$550.2 million). No dividend has been declared or paid for the financial year.

The Reeves Report on Power and Water's financial sustainability, commissioned by the NT Government, has also resulted in tariff adjustments

and efficiency reviews. Debt levels are forecast to rise in the short term though they remain within the parameters defined by the Reeves Report and are consistent with other Australian utilities.

The Corporation has worked closely with the Treasurer and our Portfolio Minister and their staff and we record our appreciation for their support.

I close with thanks to my fellow Board members for their contributions over the past year, and I welcome Mervyn Davies as Deputy Chairman and Michael Hannon as a Director to the Board, I would like to acknowledge and record our appreciation of outgoing Chairman Neil Philip who retired from this position in May 2009. Mr Philip has chaired the Board since the Corporation was founded in 2002.

Finally to the Managing Director Andrew Macrides, and all management and employees, I convey my thanks and the thanks of the Board.



Judith King

Judith King
Chairman

30 September 2009

MANAGING DIRECTOR'S REPORT

Last year I used this opportunity to detail Power and Water's commitment to improving its service to customers through a five year, \$1.5 billion capital investment program.

This year has brought this commitment into sharp focus as the Board sanctioned investment in new infrastructure and equipment, the growth of our workforce and their continued training and development.

I am pleased to report our workforce has risen to the challenge of such a massive investment and change program. Our operating performance is improving with every dollar we spend; our customers are benefiting as we build a high performance culture where employees are challenged, motivated, exhibit strong values and a commitment to customers, safety and the environment.

Power and Water is investing in generating capacity to meet projected demands and reduce fuel costs through fuel efficient plant and equipment. This investment will be directed to the recently commissioned Weddell Power Station and the Owen Springs Power Station, as obsolete plant is retired at the Ron Goodin Power Station.

We secured contingency fuel supplies following delays in the new gas supply from the Blacktip gas field, which will replace the declining production from the Central Australian gas fields. Gas from Blacktip is expected in 2009-10.

The Power Networks division is the focus of intensive efforts to replace aged and deteriorating equipment and to overhaul our approach to maintenance. This was accelerated in the wake of equipment failures at the Casuarina Zone Substation in September and October 2008. These failures triggered outages in Darwin's northern suburbs and an external expert Mervyn Davies was engaged to conduct an investigation of our power network system.

Each of Mr Davies' recommendations has been integrated with Power and Water's existing programs. Power Networks has deployed specialist teams under the Remedial Asset Management Program to meet an aggressive timetable across each of the 22 zone substations including Casuarina Zone Substation.

A replacement switchboard will soon be installed at Casuarina and to overcome long lead times while manufacture, installation and commissioning takes place a second temporary switchboard and separate switch room are on site. This will enable an uninterrupted supply while works are completed in coming months.

A key focus for the Water Services division has been raising the full supply level of the Darwin River Dam. This work will continue through 2010-11 and involves increasing capacity by 9,000 megalitres per annum. We are planning for the recommissioning of Manton Dam to add new capacity and provide backup supplies to Darwin, Palmerston and surrounding rural areas.

Planning is underway to decommission the Larrakeyah sewage outfall, which is due to close by October 2011. This will include upgrades to Ludmilla Wastewater Treatment Plant, the East Point effluent rising main and the East Point outfall. Our commitment to rural areas is reinforced by capital expenditure in numerous locations including the Roe Creek borefield at Alice Springs.

Power and Water is developing renewable energy strategies in line with targets set for power utilities across Australia. The Corporation aims to produce 300GWh of electricity output from renewable sources by 2020. We have trialled renewable energy across our operations for more than two decades and these are in use in remote communities.

Our environmental credentials have also been bolstered by Northern Territory's first Green Building Council of Australia Green 4 Star rating for the redevelopment of our Ben Hammond Complex. The refit of our operational headquarters in Darwin has set a benchmark for other major projects to follow.

Power and Water's safety record improved in 2008-09 with a 31 per cent reduction in lost time injuries, for the second year running. In just two years we have brought lost time injuries from 23 down to nine, but our goal is Zero Harm and we continue to strive for this target.

I welcome the appointment of Judith King as Power and Water's new Chairman, Mervyn Davies as Deputy Chairman and Michael Hannon as Director. Their experience and input are invaluable.

On behalf of management, I thank all Power and Water employees for their commitment and dedication to the task they have been set.



Andrew Macrides

Andrew Macrides
Managing Director

30 September 2009

HIGHLIGHTS FROM 2008-09

- Awarded the Green Building Council of Australia Green Star 4 rating for the new Ben Hammond office building
- Commissioned sets 1 and 2 Weddell Power Station
- Owen Springs Power Station brought on line
- Commenced the Darwin River Dam project to increase capacity by 20 per cent
- Began work on a new 1,000mm water transmission pipeline for Palmerston
- Achieved a 31 per cent reduction on Lost Time Injuries
- Delivered new asset investments of \$196.4 million

LINE WORKERS, POWER NETWORKS



OUTLOOK FOR 2009-10

- Manage revenue in line with regulations, applying cost control and efficiency measures to maintain financial sustainability.
- Be environmentally responsible, improving electricity generation technology to reduce greenhouse gas emissions and supporting the research and use of renewable energy.
- Ensure good operational and asset health, improving the asset management philosophy, culture, systems and practice.
- Enhance service reliability, being honest and transparent with stakeholders and the community.
- Continue to develop Power and Water's capabilities and capacity through professional development and recruitment.
- Improve customer satisfaction by enhancing customer service and increasing product and service awareness through engaging, communicating and listening to both domestic and business customers.
- Continue to develop in response to changes in the market and environment.
- Demonstrate commitment to workforce safety through education, awareness and practices targeting zero harm.

DAMIEN EGAN AND MARK KIRBY, POWER NETWORKS







OUR BUSINESS

CHRIS SHEEHAN, WATER SERVICES

ABOUT US

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

Our people work in many environments, from the tropics of the north to the deserts of Central Australia. With assets worth more than \$1 billion, Power and Water is one of the largest businesses in the Northern Territory and employs more than 750 Territorians.

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

We follow government policy in fleet management and procurement and our employment arrangements are 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 as part of the Energy Infrastructure Assurance Advisory Group and the Water Infrastructure Advisory Group.

Some of our services are regulated:

- Electricity network services are regulated by the Utilities Commission;
- Electricity generation is open to competition;

- Water and sewerage services are provided under monopoly licences;
- Electricity retail to large customers (known as contestable customers) is open to competition; and
- Electricity retail to other customers is 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 holding in the Amadeus Gas Trust.



These arrangements are likely to be dissolved when the lease on the pipeline expires in June 2011.

BGP Tenure Holdings Pty Ltd, a third subsidiary, 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.

Indigenous Essential Services (IES) Pty Ltd, a not-for-profit subsidiary of Power and Water, was established in 2003 to provide electricity, water and sewerage services to Indigenous communities. Power and Water has been working in larger Indigenous communities since July 1988.

In 2008-09, IES provided services to 72 communities and over 70 nominated outstations. This comes with the challenges of distance between communities and support centres, poor access and communications, low availability and retention rates of locally employed staff and contractors, extreme and highly variable weather conditions.

Revenue from selling electricity, water and sewerage services covers about 20 per cent of the cost of delivering these services. The Northern Territory Government funds the balance of the cost of service delivery and asset replacement through the Department

of Local Government and Housing.

Power and Water's Remote Operations unit provides management, technical and professional services to IES, with the administrative and technical support of the full Corporation. Across the Territory, 115 Essential Services Operators play a key role in delivering electricity and sewerage services to these communities. They are employed locally by councils or private contractors under period contracts with Power and Water.

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



STAFF PROFILE

Sheryl Murray
Strategic Property Analyst

Sheryl is involved in much of the work on Power and Water infrastructure, advising on all land approvals for new transmission lines, bore fields and much more. She liaises with traditional owners, landholders and other stakeholders.

"It's exciting to be involved in major infrastructure projects for the Territory and know I played a role in delivering that asset to the community," she says.

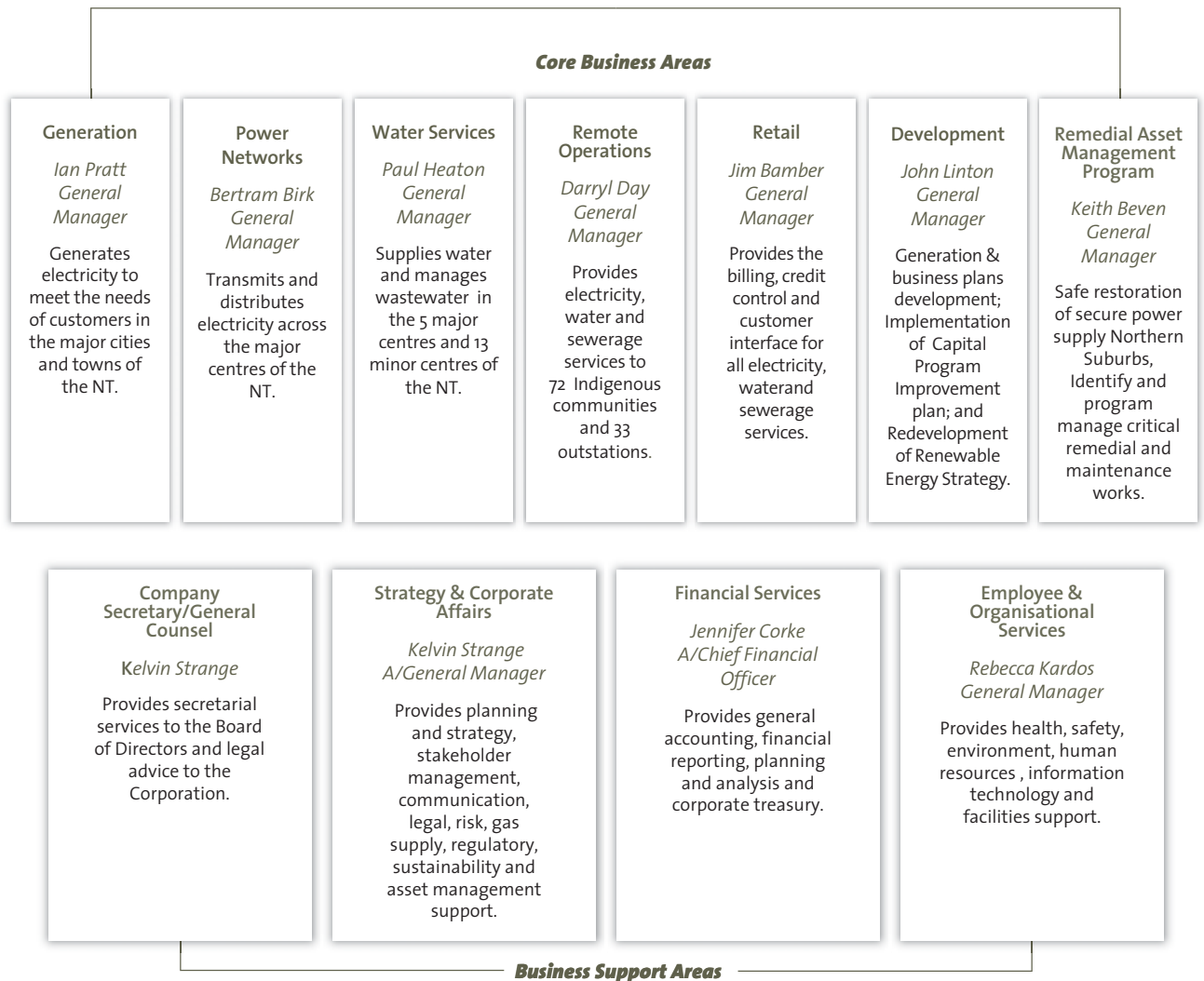
POWER AND WATER CORPORATION

CORPORATE STRUCTURE AS AT 30 JUNE 2009

Board of Directors



Executive Management Committee



Subsidiary Companies



NT GENERATION, POWER NETWORKS AND ELECTRICITY RETAIL LOCATIONS

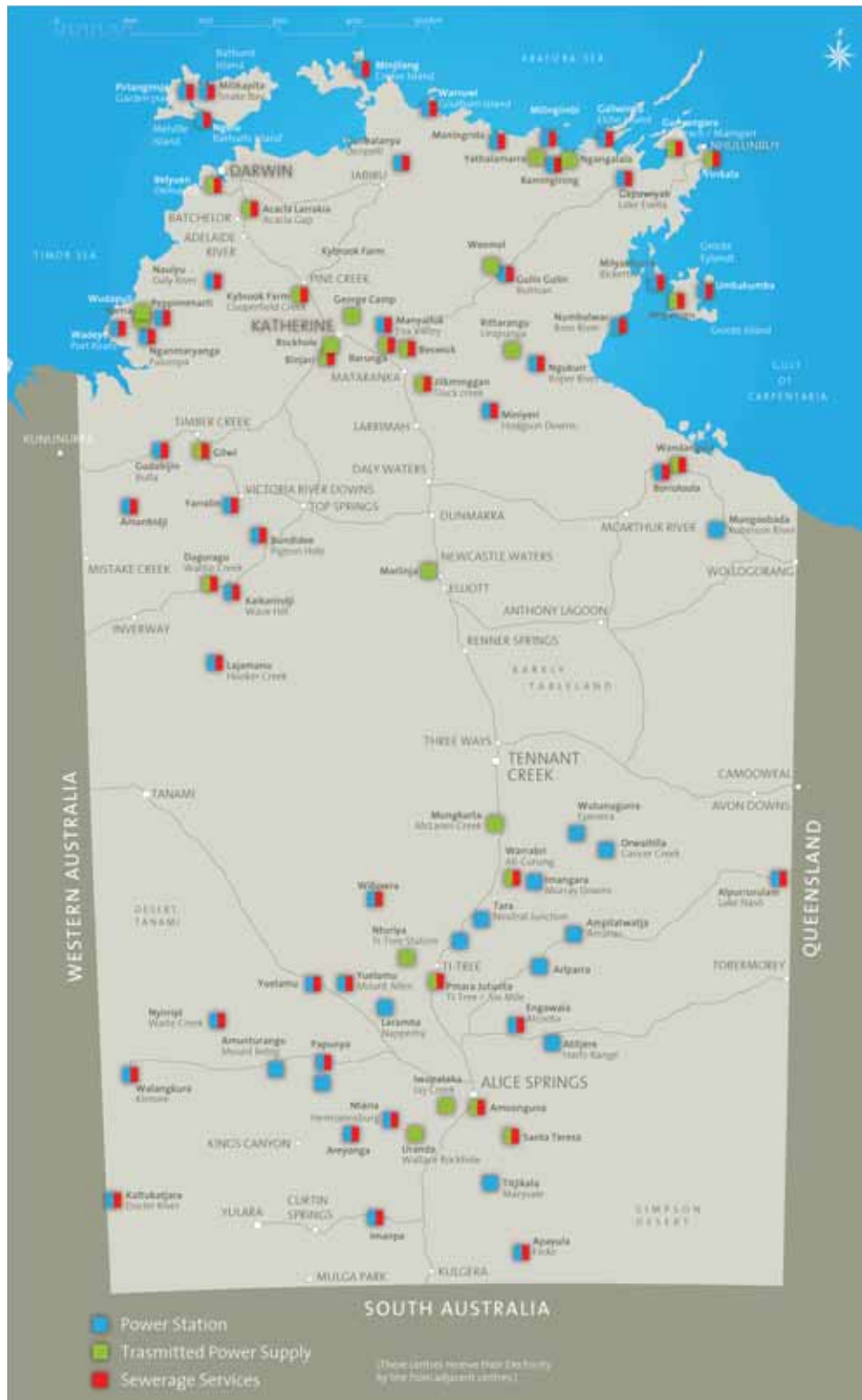


NT WATER SUPPLY AND SEWERAGE SERVICE AREAS



*Only licence areas and not remote Aboriginal communities are shown on this map.

INDIGENOUS COMMUNITIES POWER, WATER SUPPLY AND SEWERAGE SERVICES



*Retail licences for remote Aboriginal communities are not shown on this map.



OUR PERFORMANCE

SERVICES

Power and Water is committed to delivering reliable electricity, water and sewerage services to the people of the Northern Territory. In the past year the Corporation responded to a range of service-related challenges including a rapidly growing economy, significant asset investment program, strong resources sector driving increased material costs and a

highly competitive labour market, major developments in Indigenous communities and a rapidly changing economic climate.

In the Northern Territory the Utilities Commission sets standards for electricity reliability, quality and customer service in accordance with the Electricity Standards of

Service Code. The Northern Territory Government sets standards for water supply and sewerage services.

In many areas Power and Water has exceeded minimum standards and established service Key Performance Indicator (KPI) targets for customer service and supply reliability.

SERVICE KEY PERFORMANCE INDICATORS (KPIs)

Service Area	KPI Target	KPI Results	Comments
Customer Service Improvement	Customer satisfaction > 80%	Domestic: 60% Commercial: 48%	The Casuarina sub-station incident, consequent power outages and ongoing media exposure has had significant impact on customer satisfaction. Water supply satisfaction remained high, however electricity supply satisfaction for domestic and commercial customers declined significantly as a direct result of the Casuarina incident.
	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.
	Connections to new subdivisions in major urban areas within 5 working days > 90%	91%	The service target was achieved.
	Connections to new subdivisions where minor extensions or augmentation is required within 18 weeks > 95%	88%	The service target was not met due to increased customer demand and development activity exceeding available capabilities. Most recent indicators show improving service delivery.
	Average call response time within 20 seconds > 80%	62%	The target was not met, however system and resource constraints have been addressed and show marked improvement in the latter part of the year. Improvements include upgrading the call centre systems software and message handling facility, restructuring the call queues and setting up spillover phones for high call periods.
Electricity Supply Reliability	Average minutes off-supply per customer (SAIDI): Darwin < 200 Katherine < 200 Tennant Creek < 100 Alice Springs < 100	Darwin: 386 Katherine: 300 Tennant Creek: 245 Alice Springs: 593	Targets were not met mainly as a result of the incident at Casuarina zone substation in 2008. Vegetation and animals affecting power lines were also major causes of unplanned outages.
	Average number of interruptions per customer (SAIFI): Darwin < 4.0 Katherine < 5.0 Tennant Creek < 5.0 Alice Springs < 2.5	Darwin: 6.2 Katherine: 5.5 Tennant Creek: 4.2 Alice Springs: 3.7	Planned maintenance outages increased by 300% from 2007-08, as a result of increased asset management and maintenance repairs activity.

SERVICE KEY PERFORMANCE INDICATORS (KPIs)

Service Area	KPI Target	KPI Results	Comments
Water Supply Reliability	Average hours off supply for planned interruptions per customer: Darwin < 2.5 Alice Springs < 2.5	Darwin: 1.1 Alice Springs: 1.4	Water supply interruptions were met well under set targets, achieving a good result for the year.
	Average hours off supply for unplanned interruptions per customer: Darwin < 1.5 Alice Springs < 2.0		
Sewerage Service Reliability	Average hours off supply for unplanned interruptions per customer: Darwin < 3.0 Alice Springs < 3.0	Darwin: 1.5 Alice Springs: 1.2	Sewerage service interruptions were met well under set targets, achieving a good result for the year.

NEW SITE TO POWER ALICE



Power and Water is building a new power station south of Alice Springs.

Owen Springs Power Station is now home to the Taurus gas turbine generator previously housed at Ron Goodin Power Station in town. Over the next year two additional generators will be installed to meet the growing need for electricity in the Red Centre.

Moving Taurus was a large and carefully planned operation, with the generator moved last on its own transport platform. As other generation plant at Ron Goodin comes to the end of its lifecycle it will be replaced at Owen Springs.

FINANCIAL MANAGEMENT

Financial Key Performance Indicator (KPI) targets give an insight into Power and Water's overall returns to the Northern Territory and its sustainability. A summary of targets and results for 2008-09 is provided. More detailed analysis of Power and Water's financial performance is provided in the Directors' Report from page 51.

FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)			
	KPI	KPI Target	KPI Result
Sustainable Return	Return on assets	8.7%	3.5%
	Return on equity	7.9%	1.3%
	Capital expenditure	\$166.6m	\$196.4m
	Current ratio	148.8%	110.7%
	Leverage	93.1%	114.0%
	Debt to equity ratio	77.7%	82.0%
	Gearing	43.7%	45.1%
	Interest cover	3.1 times	1.4 times
	Cash flow from operating activities	\$54.2m	\$54.4m
	New borrowings	\$109.0m	\$144.0m
Operating Efficiency	Adjusted EBITDA	\$16.7m	(\$44.9m)
	Total controllable costs	\$109.6m	\$151.3m
	Cost efficiency	105.0%	89.4%
	Efficient R&M	4.8%	4.9%
	Debtor management	36.4 days	31.6 days
	Bad debts written off	0.3%	1.3%

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

Note 2: Results are unconsolidated and exclude the impairment write-back.

STORMY CENTRE



A severe storm struck Alice Springs on September 22, 2008, leaving about one third of the town without power. High and low voltage lines were damaged, power poles twisted and roads impassable for fallen trees and debris. Power and Water crews worked through the night to restore electricity services, ensure pump stations didn't overflow and answer phone calls from concerned residents.

For information on how to prepare for storms and cyclones go to www.powerwater.com.au

ASSET MANAGEMENT

The Northern Territory experiences extreme and diverse environmental conditions, which present Power and Water with significant challenges in providing, 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 its largest electricity generation project in 20 years. Using more efficient equipment, Weddell Power Station will add 30 per cent capacity to the power supply for the Darwin to Katherine system.

Weddell Power Station's first two generators are complete and in operation. A third generator to be built in 2011 will add further capacity and efficiency to the system. To date, more than 40 Territory companies have contributed to the Weddell Power Station project.

The new Owen Springs power station at Brewer Estate will meet an increasing peak demand in Alice Springs. This development involves the relocation of the Taurus gas turbine from the Ron Goodin Power Station and the construction and commissioning of three additional dual fuel generation units in 2010.

The Titan gas turbine will also be moved from Ron Goodin Power Station in late 2010.

REMEDIAL ASSET MANAGEMENT PROGRAM

Power and Water has worked with consultant Mervyn Davies since the failures at Casuarina Zone Substation and subsequent outages in September and October 2008. Mr Davies recommended a number of

improvements in monitoring and maintenance, which Power and Water is committed to.

Power and Water will:

- assess and document the condition of all Power and Water zone substation assets by the first quarter of 2010;
- identify and manage necessary remedial and maintenance works based on the assessed risks and criticality by the first quarter of 2010;
- provide for any outstanding remedial and maintenance work in the Power Networks' Five-Year Business Plan; and
- communicate and consult with staff and stakeholders.

The Remedial Asset Maintenance Program is on track to meet these milestones.

NETWORK ENHANCEMENT

Work continues to underground powerlines in Darwin, a project accelerated by the NT Government. Completed areas have improved network reliability, reducing outages caused by bats and birds, vegetation and bad weather.

A significant proportion of power outages in the Top End are caused by trees and palms touching or falling onto powerlines. Power and Water is focussing more on vegetation management around powerlines in the urban and rural areas to reduce outages.

Other common causes of outages are fruit bats, vermin and lightning strikes. Power and Water is improving the electrical insulation of power poles with composite fibre cross arms, longer insulators, vermin guards and bat covers.



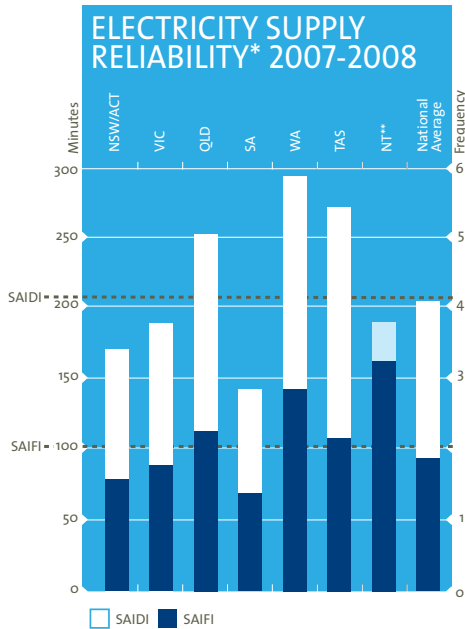
ABOVE ► MICHAEL NORTON, GENERATION

The reliability of electricity supply is measured with 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 in a year.

The Northern Territory is a challenging environment in which to maintain reliable power supply. Lightning, storms, fruit bats and vegetation result in the duration of outages (SAIFI) being slightly greater than the national average.

The graph on page 20 compares our performance with the national average, as published in the ESAA, *Electricity Gas Australia 2009*.

FIGURE 1.1



* System reliability figures represent the total of all distribution planned and unplanned events, including significant events such as severe storms.

** Northern Territory technical indicators exclude Indigenous Essential Services.

SUSTAINING WATER SUPPLY AND SEWERAGE SERVICES

Work to increase the capacity of Darwin River Dam by 20 per cent started in the 2009 dry season. Eventually the spillway will be raised 1.3m, increasing the dam's capacity to service Darwin's growing population and infrastructure. Power and Water hosted an information session for nearby residents before it started earthworks to reinforce the dam wall.

Power and Water assessed its emergency water supplies at Manton and Copperfield Dams and reviewed dam safety emergency plans for these dams.

Work started on a new 1000mm water transmission pipeline along the Stuart Highway from Lambrick Avenue to Temple Terrace adjacent to Palmerston. This will increase the capacity of supply to the developing eastern Palmerston suburbs.

Additional bores were drilled at the Roe Creek borefield in Alice Springs, at Daly Waters and Kings Canyon in 2008-09. New gas-powered bores were installed at Yulara, boosting production capacity and eliminating the need to store diesel fuel on site.

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 10 sewerage services licence areas managed by Power and Water.

Sewer re-lining continued through the year with work in parts of Ludmilla, The Narrows, Alice Springs and Tennant Creek.

DELIVERING CAPITAL INVESTMENT

Power and Water's infrastructure investment program, which includes capital works, significant repairs and maintenance, has expanded since its foundation in 2007-08. The Corporation has a capital investment program valued at \$1,137.4 million for the five year period 2008-09 to 2012-13. This includes actual spending of \$196.4 million for 2008-09.

The capital investment program will result in an increasingly reliable and robust electricity, water and sewerage service in the Northern Territory.

Following the equipment failure at the Casuarina Zone Substation that caused power outages throughout Darwin's northern suburbs in late 2008, consultant Mervyn Davies conducted an independent review of our power networks systems. His recommendations included improvements to diagnostic testing and an extensive Remedial Asset Management Program, which will contribute to the safe restoration of a secure power system.

To meet growing demand for water, power and sewerage services, the major projects that made up a significant proportion of the capital investment program are well underway.

These major projects include:

- Continuing works on the new Weddell Power station to service customers on the Darwin to Katherine interconnected grid, including Palmerston and the rural area
- Building the new Owen Springs Power Station in Alice Springs
- Progress on the Darwin Sewer Strategy including closing Larrakeyah Outfall and augmenting the Ludmilla wastewater treatment plant
- Continuing works to underground power in Darwin's northern suburbs
- Building the new Archer Zone Substation for Palmerston
- Raising the Darwin River Dam wall to increase water storage capacity
- Continuing assessment of the recommissioning of Manton Dam
- Building the new Palmerston Transmission Line
- Upgrading the Roe Creek Borefield in Alice Springs
- Restoration of Casuarina Zone Substation

In 2009-2010, Power and Water will focus on financial sustainability, progressing the capital investment program and finalising the recommendations of the Mervyn Davies' Report.

(\$ million)	2005-06	2006-07	2007-08	2008-09	2009-10 Budget
Capital Investment	60.4	98.2	156.1	196.4	246.6

REFOCUSING REPAIRS AND MAINTENANCE

Power and Water has a total asset base valued at more than \$1 billion. The Corporation has continued to allocate a high priority to the repairs and maintenance of these assets. In 2008-09, \$51.8 million was spent on the repairs and maintenance program and \$53.7 million is budgeted to be spent in 2009-2010.

(\$ million)	2005-06	2006-07	2007-08	2008-09	2009-10 Budget
Repairs and Maintenance	41.2	40.9	41.3	51.8	53.7

ASSET MANAGEMENT CAPABILITY (AMC) PROJECT

Power and Water owns more than \$1 billion in plant and equipment that require a substantial management and maintenance program. The Asset Management Capability (AMC) project was established to coordinate the drive for a more effective maintenance program, resulting in better plant operation and network reliability. The AMC Project will improve the management of assets through developing and building asset management skills, implementing IT systems to support revised asset management processes and through enhanced processes for data quality management. The project has progressed with process redesign, change management and data improvement. Tenders for software and services for asset and spatial management should be finalised in August 2009. An implementation team will begin the detail work on solution design and implementation from late September 2009 onwards.

STAFF PROFILE

Nerida Beard

Project Manager Community Water Planning

Nerida has worked with Remote Operations since early 2008 on ways to improve reliability of water supplies and responsible use of water resources in Indigenous communities. Nerida is an environmental engineer, engaging with local people to design sustainable water management strategies for the future.



FIVE TICKS FOR POWER AND WATER



Power and Water was the first Territory business to be awarded the “five ticks” for its standards in Environment, Health and Safety and Quality three years ago. SAI Global Audits revisited our sites this year and have recommended Power and Water be recertified in all three areas. The auditors recognised significant improvements in management systems in the past three years.

GAS SUPPLY

After fuelling electricity generation in the Territory's major power stations for 25 years, the Amadeus Basin gas fields of Palm Valley and, in particular, Mereenie, are experiencing steady declines in production. Mereenie is expected to continue to supply Power and Water with gas until the offshore Blacktip gas supply comes online.

Palm Valley will deliver the balance of its contractual obligation until June 2012. The new Owen Springs Power Station started drawing gas for commercial operations via the newly-constructed 6km spur from the Palm Valley to Alice Springs gas pipeline in July 2009.

Gas supply from the Blacktip field is expected in late 2009, providing some 98 per cent of the fuel needed to generate electricity for the next

25 years. The 286km Bonaparte Gas Pipeline (BGP), completed in December 2008, will transport Blacktip gas from the onshore gas plant near Wadeye to the existing pipeline to Darwin at Ban Ban Springs.

In case of any disruption to Blacktip gas supply, Power and Water can purchase gas from the Darwin Liquefied Natural Gas (DLNG) plant. If this is needed, it will come through the new Wickham Point Interconnect pipeline that links the DLNG facilities at Wickham Point to the Amadeus Basin to Darwin pipeline.

Power and Water is assessing further opportunities to replace diesel fuel electricity generation with natural gas, including supply to a number of remote communities, and also to identify new markets for natural gas sales.

GOING UNDERGROUND

A long-term project to replace overhead powerlines with underground cables is progressing through Darwin's older suburbs. Work is completed in Nightcliff and Millner is underway. Placing the lines underground better protects electricity supplies from damage caused by cyclones and storms, as the majority of outages are caused by falling trees and branches. To date, contracts worth more than \$35m have been awarded to Territory businesses for labour and materials associated with the project.



STAFF PROFILE

Andrew Hoffman
Occupational Health and Safety Systems Consultant

Andrew has been with Power and Water for more than four years as a management systems consultant. He's taking on the role of managing Occupational Health and Safety management systems, helping the Corporation fulfil its goal of Zero Harm and maintain certification to international standards.



ABOVE ► JOHN ANSTESS, POWER NETWORKS

STATISTICAL SUMMARY

POWER AND WATER CORPORATION

STATISTICAL SUMMARY AS AT JUNE 2009							
	Units	2004	2005	2006	2007	2008	2009
ELECTRICITY							
Generation							
Power and Water Installed Capacity (based on Gross Maximum Capacity)	MW	391	375	375	379	428	473
IPP Contracted Capacity (based on Site Rating)	MW	47	71	64	64	64	57
Electricity Generated	GWh	1,664	1,350	1,366	1,440	1,475	1,525
Electricity Sent Out (incl Purchases from Private Suppliers)	GWh	1,627	1,712	1,725	1,790	1,821	1,868
Independent Power Purchase - Electricity Sent Out	GWh	45	400	395	385	382	385
Networks							
Transmission (33kV & above)							
132kV Overhead	km	340	340	340	340	344	344
66kV Overhead	km	315	314	314	314	314	314
66kV Underground	km	17	17	17	17	17	17
33kV Overhead	km	56	56	56	55	55	55
Distribution (22/11kV & below)							
HV Overhead	km	2,906	2,965	2,972	3,062	3,147	3,202
HV Underground	km	598	601	604	618	627	637
LV Overhead	km	1,751	1,752	1,740	1,749	1,774	1,758
LV Underground	km	1,636	1,677	1,671	1,750	1,763	1,781
Sales	MWh	1,548,560	1,571,788	1,584,357	1,596,452	1,704,377	1,748,225
Customers (ie. Service)		68,679	69,709	73,339	73,753	74,097	74,365
WATER							
System Capability	ML/day	336	336	336	322	322	322
Production	ML	54,447	58,436	54,797	56,842	57,823	60,707
Length of Mains	km	2,010	2,003	2,019	2,090	2,130	2,173
Sales	ML	50,468	51,225	49,379	51,481	52,206	53,291
Customers (ie. Services)		39,192	39,780	42,970	44,225	44,702	48,400
WASTEWATER							
Total Sewerage Collected	ML	20,579	15,626	19,329	18,897	19,745	19,233
Length of Sewer Mains	km	997	1,007	1,014	1,036	1,042	1,083
Total Recycled Water Supplied	ML	1,559	2,096	1,983	1,623	1,612	1,980
Customers (ie. Services)		45,612	46,296	48,123	48,661	51,217	53,661
STAFF							
Male		536	564	573	580	601	677
Female		203	213	213	208	215	242
TOTAL PERSONNEL		739	777	776	788	816	919

STATISTICAL SUMMARY

INDIGENOUS ESSENTIAL SERVICES

STATISTICAL SUMMARY AS AT JUNE 2009

	Units	2004	2005	2006	2007	2008	2009
ELECTRICITY							
Generation							
Installed Capacity(including solar)	MW	42	45	48	51	56	60
Installed Capacity - solar	MW	-	-	0.5	0.7	0.7	0.8
Electricity Generated (including solar)	GWh	79	85	94	95	97	106
Electricity Generated - Solar	MWh	-	-	1.0	1.6	1.0	0.8
Electricity Sent Out (including solar)	GWh	73	79	86	86	89	109 [^]
Purchases from Private Suppliers	GWh	7	7	7	8	8	8
Distribution (22/11 kV & Below)							
HV Overhead	km	321	341	344	373	349	473
HV Underground	km	1	1	1	1	5	5
LV Overhead	km	243	248	253	278	278	278
LV Underground	km	1	1	1	1	4	3
SWER All Voltages	km	87	87	87	87	87	87
Sales	MWh	58,023	58,893	60,019	60,574	63,665	104,501 [#]
Customers (ie. Services)	No. of	6,717	6,818	7,213	7,373	7,421	7,540
WATER							
Total Sourced Water	ML/day	9,970	10,104	9,733	9,250	9,846	9,848
Length of Mains	km	639	647	649	649	649	652
Customers (ie. Services)	No. of	522	530	524	527	1,108	1,948
WASTEWATER							
Volume of Sewage Treated	ML	2,636	2,732	3,508	3,552	3,835	3,940
Length of Sewer Mains	km	296	302	302	303	303	305
Volume of Effluent Reused	ML	-	-	-	-	-	-
Customers (ie. Services)	No. of	401	407	420	420	426	432

[^] For 2008-09, includes electricity sent out to IES communities purchased from Power and Water power grids. This has not been included in previous years.

[#] For 2008-09, includes all prepayment and credit meter sales. Previous years data does not include all prepayment meter sales.

FIRST GREEN STAR RATED BUILDING



Power and Water's operational headquarters in Darwin, the Ben Hammond Complex, has been named the Northern Territory's first 4 Star Green Star-rated building.

Environmentally friendly design has cut electricity and water use by 20 per cent, earning Ben Hammond best practice recognition.

Temperature control, daylight glare control, facilities for cyclists, water-saving fittings and recycling waste storage all contributed to the Green Star rating.



OUR SUSTAINABILITY

ENVIRONMENTAL

Power and Water signed up to the Energy Supply Association of Australia's Code of Sustainable Practice in March 2009 and has adopted the Sustainable Practice Framework to cover its water and wastewater activities. This approach builds on the current standards of performance and sets 'stretch goals' to help Power and Water enhance sustainability across the whole business over time.

The Framework has been developed to encourage best practice sustainability programs, improve voluntary sustainability reporting and share good environmental, community, governance and workplace practice within the energy supply industry.

The Framework comprises a set of nine sustainability principles covering reporting and innovation in sustainability such as demand management, supply chain and climate change response.

POWER GENERATION

GENERATOR EFFICIENCY PROGRAM AND GREENHOUSE CHALLENGE PLUS

Power and Water has been committed to the Greenhouse Challenge Plus program since 1997. Following the program's termination on 30 June 2009, Power and Water will seek registration under the National Greenhouse and Energy Reporting

Scheme. The following data is from Power and Water's first report following the new scheme.

Power and Water has committed to minimise greenhouse gas emissions under the Australian Government's voluntary Generator Efficiency Standards Program.

Agreed action plans for Channel Island and Ron Goodin power stations contain operational efficiency targets for emissions, with the results provided in the table on page 26. The need to supplement natural gas with distillate resulted in a slight increase on last year's result with Channel Island under KPI target and Ron Goodin just over.

GREENHOUSE GAS EMISSIONS

	KPI Target	2007-08 Achievement	2008-09 Achievement
Channel Island Power Station	< 640kg of CO2 per MWh at 80% output factor	589kg of CO2 per MWh at 80%	628kg of CO2 per MWh at 81%
Weddell Power Station	2008-09 No Target Set	N/A	551kg of CO2 per MWh at 86%
Ron Goodin Power Station	< 690kg of CO2 per MWh at 85% output factor	665kg of CO2 per MWh at 85%	694kg of CO2 per MWh at 79%

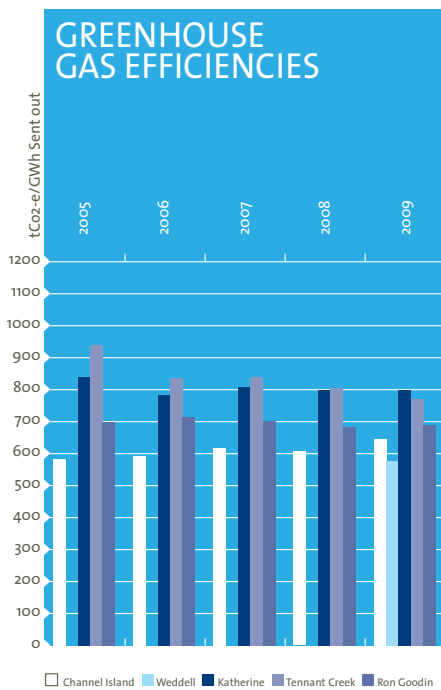
Using natural gas to generate electricity in major centres ensures Power and Water is better placed than most other electricity generators on greenhouse gas emissions.

In 2008-09 major power stations in Darwin, Katherine, Alice Springs and Tennant Creek emitted an estimated 945,708 of CO2-e, up from 872,592 tonnes in 2007-08. This equates to 642 tonnes per GWh generated, up from 622 tonnes in 2007-08. Industry averages for thermal power generation are: overall, 903 tonnes of CO2-e/GWh set 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, to achieve efficient operation. Weddell Power Station near Palmerston, commissioned to meet the growing demand on the Darwin - Katherine network, is even more efficient producing 551 tonnes of CO2 per GWh compared to Channel Island's 628 tonnes of CO2 per GWh.

The new Owen Springs Power Station, 25km south of Alice Springs, will have new generators, significantly increasing the plant's efficiency and reducing emissions. One of the two gas turbines at Ron Goodin Power Station has been relocated to the site and successfully recommissioned. Further generation is planned at Owen Springs to meet demand as older and less efficient plant at Ron Goodin is decommissioned.

FIGURE 1.2



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, but gas supply issues meant that a large volume of diesel was required in 2008-09. 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 NOx emissions.

In 2008-09, the major power stations emitted an estimated 1,620 tonnes of NOx. This equates to 1.10 tonnes of NOx/GWh, down from 2.66 tonnes in 2007-08. It reflects the reduced use of gas and increased use of diesel. The current industry averages for thermal power generation are: overall, 3.21 tonnes NOx/GWh sent out; black coal, 2.89 tonnes; brown coal, 2.78 tonnes; and gas, 1.40 tonnes.

FIGURE 1.3

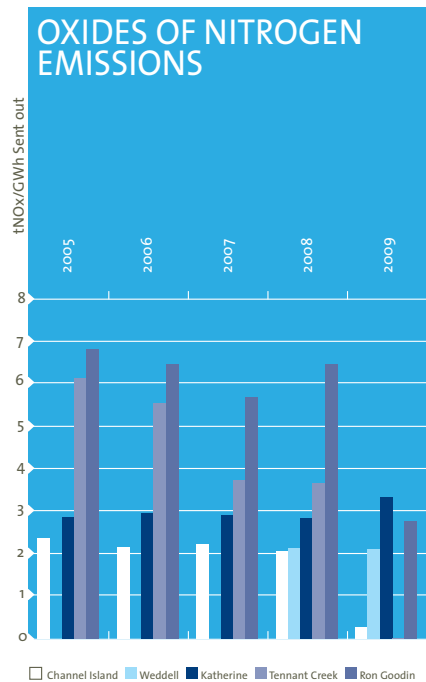
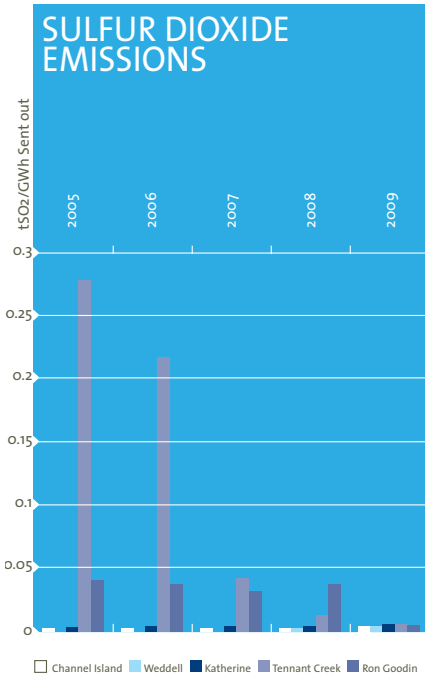
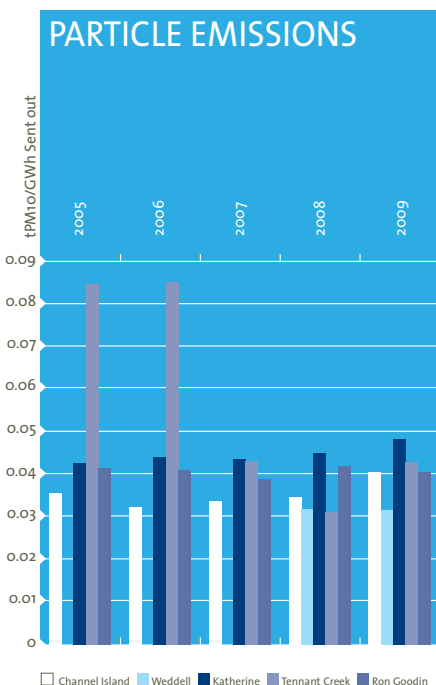


FIGURE 1.4



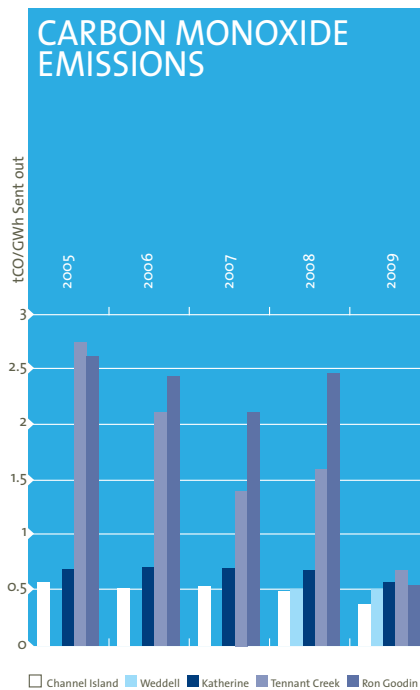
Sulfur dioxide emissions (SO₂) for the major power stations are estimated at 0.005 tonnes/GWh sent out, down from 0.007 tonnes in 2007/08. Part of this reduction is due to changed estimating techniques from National Pollutant Inventory workbooks.

FIGURE 1.5



Particle emissions (PM₁₀) for the major power stations were estimated at 0.040 tonnes/GWh sent out, up from 0.035 tonnes in 2007/08 due to the increased use of diesel instead of gas.

FIGURE 1.6



EMISSIONS

Emissions of carbon monoxide (CO) per GWh from major NT power stations are provided in Figure 1.6 above. There is a marked decrease at Ron Goodin and Tennant Creek power stations, due to a change in the National Pollutant Inventory emission factor used to calculate the data. No industry averages are available for CO.

In 2008-09, Channel Island Power Station used 637.423 ML of potable water as cooling tower makeup on the steam turbine condensing system, down from 812.6 in 2007-08. This is equivalent to 0.72ML/GWh sent out from Channel Island (0.71ML/GWh in 2007-2008). 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.

POWER STATION RISK REDUCTION INITIATIVES

All remote community power station fuel storages in the Katherine region have now been upgraded.

The new power station at Bulman includes a new fuel storage facility. The fuel storage facility at Milikapiti Power Station (Melville Island) has been upgraded and old diesel tanks have been removed. There are now five sites in the Top End to upgrade.

Four fuel transfer trucks have been purchased to replace old fuel trailers at some communities to improve the safety of transferring fuel from the barge landings to the power stations.

A new power station is being constructed at Lake Nash and this will include a new fuel storage facility.

The diesel-fired power stations at Wallace Rockhole and Rittarangu communities were decommissioned after the interconnect powerlines were built.

SUSTAINABLE ENERGY

Power and Water has elevated its commitment to sustainability in recent years in line with community attitudes and global scientific concern.

During the year a Virtual Energy Audit tool was added to Power and Water's website to help customers manage their electricity consumption. Financial commitment to COOLmob was increased so their auditors could help more customers look at ways to minimise their use.

Power and Water introduced a rebate program to help consumers in older homes replace electric hot water systems with solar hot water systems (Solar Hot Water Retrofit program).

Power and Water is monitoring the development of an Emissions Trading Scheme for Australia and the potential impact for its customers.

RENEWABLE ENERGY

Power and Water has made a significant investment in renewable energy ever since its participation in the Australian Cooperative Research Centre for Renewable Energy – now the Research Institute for Sustainable Energy - in 1996. Power and Water's renewable energy generation sites include:

- Solar demonstration site at Jilkminggan near Mataranka (17 kW);
- Flat plate solar power station at Kings Canyon (225 kW);
- Solar concentrator dishes at the remote communities of Hermannsburg, Yuendumu and Lajamanu 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 (1.1MW). Power and Water purchases the electricity;
- A trial of biodiesel at Daly Waters Power Station is complete; and
- An extensive trial of tidal power in the Apsley Strait was sponsored through Charles Darwin University.

The Northern Territory Government has now passed legislation to facilitate geothermal research. This may lead to the identification of a resource and subsequent development of a generation source.

Power and Water is discussing renewable technologies including tidal, bio-fuels, wind, solar thermal and solar voltaic with suppliers.

STAFF PROFILE

Bret Hood
Commercial Manager Generation

A lot goes into keeping the lights on and Bret is one of those people behind the scenes. He supports the business side of electricity generation, making sure the Corporation has all the information it needs to power the Territory. He's had a focus on bringing in our new gas supply from the Bonaparte Gulf to fuel Channel Island Power Station.



RENEWABLE ENERGY LIABILITIES

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

Power and Water met the target of 43,337 in 2008, which was up from 36,385 in 2007. These targets are based on a calendar year target (i.e. as at 31 December 2008) rather than a financial year.

During the year, the Federal Government progressed plans to increase the Renewable Energy Target (RET) significantly from 2010 to achieve 20 per cent renewable energy by 2020. This new goal will set a new challenge for Power and Water and require increased acquisition of RECs through to 2020. Investigations into potential large scale renewable sources such as solar thermal and geothermal are being conducted.

ALICE SPRINGS SOLAR CITIES

Power and Water is a major stakeholder in this project, exploring ways to increase sustainable living in Central Australia. The project focuses on energy efficiency, cost-reflective energy pricing, demand management, encouraging solar hot water

installations and 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. This will provide a solar option for consumers in rental premises. Power and Water is particularly interested in the monitoring and evaluation phase of Alice Springs Solar Cities, which will explore customer consumption patterns and the drivers for change.

FEED-IN TARIFFS

Power and Water has had a buyback arrangement since 2001, which is based on the gross export of electricity from rooftop solar panels. Employees contributed to national discussions on harmonising such arrangements and in December 2008 a meeting of COAG ratified these, encouraging utilities to accommodate small generation units (such as rooftop photovoltaic panels) to the extent of avoided costs.

GREENPOWER

During the year, Power and Water developed a GreenPower offering for both domestic and commercial customers. This gives customers the opportunity to invest in renewable energy as Power and Water purchases Renewable Energy Credits on their behalf. The product was fully accredited by the national GreenPower secretariat and complies with the requirements of ACCC.

WATER AND WASTEWATER

DARWIN RIVER DAM

The Darwin River Dam and Manton Dam catchments cover an area of 28,578 ha. Darwin River Dam is the Territory's largest body of permanent fresh water at about 4,355 ha, and is the main surface water supply for the greater Darwin area.

Power and Water manages the catchment with the main aim of protecting the quality and yield of drinking water. By addressing the key environmental issues that affect ecosystem health, we can maintain and enhance the high biodiversity and conservation values of the catchment, which is home to a number of near-threatened and vulnerable species.

Work has begun to raise the dam level by 1.3m to increase potential yield capacity by about 20 per cent. A study on biodiversity effects indicated that threatened and endangered species will not be affected and two jungle patches are expected to adapt and potentially expand over a decade as the increased inundation takes effect.

An enhanced fire management strategy has been implemented for the catchment in conjunction

with Bushfires NT. This included the development of a 'patch burning plan' which provides for the burning of separate areas at different times to avoid large wild fires. The plan allows for better fire management and fuel reduction across the area. In conjunction with the patch burning plan, the aerial application of weedicide to strategic corridors in the wet season was completed. This was followed by fuel reduction burns before the dry season.

The plan called for the identification and protection of areas of significant or rare native plant species. Fire breaks were extended during the dry season reducing the potential for wild fires to become unmanageable.

The overall approach has proven quite effective during the 2009 dry season with no major wild fires moving across the catchment.

RECYCLED WATER PROJECT, ALICE SPRINGS

Power and Water has spent \$10.4 million on the Water Reuse in the Alice project, which will see a significant horticulture industry development next to the Arid Zone Research Institute (AZRI), 8km south of Alice Springs.

The project involves treating effluent water by dissolved air flotation and disinfection, conveying the water to AZRI by pipeline and infiltrating it through basins to underground aquifer storage so it can be retrieved and used later. The infiltration process, called Soil Aquifer Treatment (SAT), further improves water quality.

Four SAT basins are operational and work has begun on a fifth basin. The Alice Springs Water Reclamation Plant has been supplying Blatherskite Park with reclaimed water since January 2008 and the SAT basins since May 2008. Horticultural trials with reclaimed water are expected to start at AZRI in 2009-10.

More information about this project is at www.powerwater.com.au/powerwater/aboutus/water_reuse.htm

WASTEWATER TREATMENT

Power and Water provides water and sewerage services to more than 93,000 people in Darwin and Palmerston, the two major urban centres on Darwin Harbour. Treated wastewater is discharged into the greater Darwin Harbour from facilities at Larrakeyah, Leanyer, Ludmilla, Berrimah and Palmerston.

We are working with Charles Darwin University (CDU) to use hydrodynamic modelling to track nutrients from the discharges to determine the dispersion of contaminants, and to define regulatory mixing zones around outfalls.

Major projects to reduce wastewater impacts on Darwin Harbour include:

- Closure of the Larrakeyah macerator and outfall;
- Upgrades to the capacity and performance of the extension of the Ludmilla wastewater treatment plant; and
- Extension of the East Point outfall to improve dispersion of treated wastewater.

BELOW ► NADINE RIETHMULLER, ENVIRONMENTAL SERVICES
TESTING WATER AT DARWIN RIVER DAM





A preliminary study of the sea floor offshore of East Point identified potential outfall sites; this was followed by a comprehensive bathymetric survey to accurately map the bottom contours.

Dive teams have traversed a possible pipeline route and established a number of transects to measure benthic habitat biodiversity. Using a number of permanent reference sites in Darwin Harbour, the survey indicated that the pipeline route was low in biodiversity and had fewer organisms by comparison.

The final outfall location will be determined using hydrodynamic model results and following consultation with the environmental regulator. A Notice of Intent has been prepared to initiate consultation with the regulator and other NT Government agencies with an interest in managing Darwin Harbour.

Population growth in the Humpty Doo district centre has placed the sewage treatment plant under pressure and planning is well advanced for an expansion of the ponds and treated wastewater irrigation area.

BIOSOLIDS MANAGEMENT, LUDMILLA WASTEWATER TREATMENT PLANT

Power and Water is assessing the disposal of biosolids from the Ludmilla wastewater treatment plant in accordance with the National Environmental Protection measure for the Assessment of Contaminated Sites. Sludge has historically been deposited as landfill at the site.

MANAGING TRADE WASTE

Power and Water's Trade Waste Management System and Guidelines were introduced in January 2002. More than 700 businesses now hold Trade Waste Permits and Agreements.

Trade Waste Guidelines provide a preventative framework for managing risks to the wastewater system and a process for establishing wastewater quality criteria for wastewater collection, transfer, treatment and disposal.

This has helped manage:

- the safety of workers and the public;
- wastewater system assets;
- treatment processes;
- environmental licence and regulatory compliance; and
- recycling of treated wastewater and biosolids.

Trade waste charges are being phased in for major industrial sites to help recover the full cost and real rate of return on the assets. The charges are consumption-based incorporating pay for use and fee for service. Trade waste charges encourage compliance, waste minimisation and the introduction of cleaner technology.

EFFICIENCIES IN WATER SUPPLY AND WASTEWATER SYSTEMS

Power and Water uses hydraulic pumping efficiency studies to optimise management and maintenance of assets, reducing energy use.

A new pump station has been designed for Tennant Creek based on such studies, and tenders will be called for construction in mid-2009. New pumps and manifold variations have been identified at Darwin River Dam to enhance pumping efficiency as well as cater for additional capacity. Works are planned to replace two pumps in early 2010. In addition, new pumps have been selected for the McMinns Transfer Pumping Station and are due to be installed in early 2010.

EFFICIENT WATER USE

In 2008-09 Power and Water produced 60,707 ML of water. During this time 53,291 ML of water was sold. Water losses for this period equalled 7,416 ML (12.2 per cent of total production) compared to 3,431 ML in 2007-08, 4,744 ML in 2006-07 and 4,933 ML in 2005-06

This increase is due to losses in the Darwin region associated with higher production, unmetered and unauthorised water use for non-residential purposes.

Greenhouse gas emissions from our water and wastewater activities in Darwin and Alice Springs for 2008-09 have been calculated using the Water Services Association of Australia key indicators. In Darwin, emissions from potable water supply were 171.3 tonnes per 1,000 properties, and for sewage, 32.88 tonnes per 1,000 properties. Comparable data for Alice Springs are 659.08 tonnes and 29.73 tonnes per 1,000 properties respectively.

In 2008-09 we reused 1,638 ML of treated wastewater, or 11.5 per cent of the available volume. Comparable figures for 2007-08 are 1,612 ML and 8 per cent; for 2005-06 1,983 ML and 10 per cent; and for 2006-07 1,175 ML (6 per cent).

POWER NETWORKS

LARGE TRANSFORMERS ACROSS THE TERRITORY

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 to ensure compliance with the Australian Standard AS1940 and NT environmental legislation for the safe containment of oil.

Remedial actions are now largely complete, but the installation of oil separation tanks at three zone

substations (Katherine, Manton and Pine Creek 132 kV) was delayed due to access restrictions for all substations following the incident at the Casuarina Zone Substation.

ELECTRICITY SUPPLY AND DISTRIBUTION

Power and Water is investigating ways to link remote communities by high voltage powerlines and decommission smaller power stations. In 2008 the Wallace Rockhole community in the Alice Springs region was connected to the Hermannsburg – Intjartnama line, and the Irrultja community was connected to the Atheley community's power station. The Yuendumu to Yuelamu 22 kV interconnect is in the advanced planning stage and should be complete in February 2010.

In the Katherine region, the Ngukurr to Rittarangu interconnect was completed in May 2009.

Greenhouse gas savings from these projects can be significant. For example, the Wallace Rockhole project will save an estimated 19 tonnes of CO₂ per year even after allowing for increased generation at Hermannsburg and transmission losses. Similarly, the Rittarangu project will save an estimated 52 tonnes yearly and the Yuelamu project 13 tonnes yearly.

UNDERGROUNDING POWERLINES

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

The northern suburbs of Darwin 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

RAISING DARWIN RIVER DAM

Work started in June to increase the capacity of Darwin River Dam by 20 per cent. It's a complex project and a panel of experts with experience in the fields of civil engineering, dam construction and dam safety have provided advice on the project. Tonnes of rock has been excavated to install sand and gravel filters and will be replaced so the dam can safely hold the extra water. The height of the spillway will then be raised 1.3 metres.

Power and Water won a 2008 Engineering Excellence in the Northern Division Award for its submission on raising Darwin River Dam main embankment and spillway. The water services team, consultants and technical experts produced a series of reports covering the engineering, cost, heritage and environmental impact of the project.



established trees to add to the visual amenity of the streets.

Undergrounding supply in the suburb of Nightcliff was completed in 2008. The electrical works for Rapid Creek were completed in June 2009, with changeovers scheduled by Dec 2009. Undergrounding for Millner is scheduled to be complete by the end of 2009.

Currently about 2,435 km, or 30 per cent, of the 8,108km transmission and distribution networks is underground. This will increase as the undergrounding project progresses and as newer suburbs such as Lyons and Bellamack are developed with underground supply.

WILDLIFE PROTECTION

Many power outages are attributed to wildlife coming into contact with the conductors. Although the power interruptions annoy our customers the unfortunate creatures (some of which are endangered species) do not survive the experience. These events are minimised by improving the insulation on power poles thereby providing benefit to both wildlife and customers.



STAFF PROFILE

Christina Camilleri

Project Manager Casuarina Zone Substation Restoration

Christina, who has an electrical engineering background going back 10 years with Power and Water, is overseeing the restoration of the zone substation that failed last year, causing outages in Darwin's northern suburbs.

By early 2010, Casuarina Zone Substation will be restored to safe and reliable operation, with a new 11kV switchboard installed.

BEN HAMMOND COMPLEX

The Ben Hammond Complex is the operational base to over 300 Power and Water employees, including engineering, technical, administration and field based staff.

The new office building at the Ben Hammond Complex is the first building in the Northern Territory to achieve a Green Star certification from the Green Building Council of Australia. The Green Star 4 rating denotes Best Practice in environmental sustainability.

The Green Star environmental rating system for buildings was developed by the Green Building Council of Australia and is the nation's first comprehensive rating system for evaluating environmental design and performance.

In addition to the Green Star rated building, redevelopment across the Ben Hammond Complex incorporates a comprehensive environmental strategic design resulting in a 20% reduction in energy and water use across the entire site.

Environmental sustainability was a key component of the design for these buildings, as was the requirement to provide staff with a safe, functional and pleasant work environment.



ENVIRONMENTAL INCIDENTS

There is an inherent risk of environmental incidents in Power and Water's business, but comprehensive strategies are in place to achieve our goal of zero harm.

Using diesel fuel to generate electricity, treating wastewater and holding a combined safe-fill storage of 8,137,250 litres does create a potential for risk. Power and Water has a program of upgrading fuel storage bunding to reduce the risk of fuel spills and has trained staff to deal with land-based spills to prevent release to the environment.

Fuel (hydrocarbon) spill clean-up kits are located at each remote power station as well as other strategic locations. Power and Water is fitting dry break couplings to fuel storage tanks to reduce minor spillages around fuel delivery.

There are occasional dry season blockages and wet season overflows associated with stormwater but sewer maintenance and appropriate design of new sewerage systems

prevent sewage overflows. Power and Water has a comprehensive response protocol for sewage overflows, with a primary focus on clean-up and disinfection to protect the health of community members.

The Strategic Indigenous Housing Infrastructure Program (SIHIP) is evaluating the cost of upgrading existing wastewater facilities in remote communities across the Northern Territory. Funding from this program will upgrade several facilities to meet future demands.

INCIDENT REPORT DATABASE

Power and Water maintains a database of all environmental incidents that occur as a result of our activities, reported by staff and external sources. This enables us to identify and address problem areas.

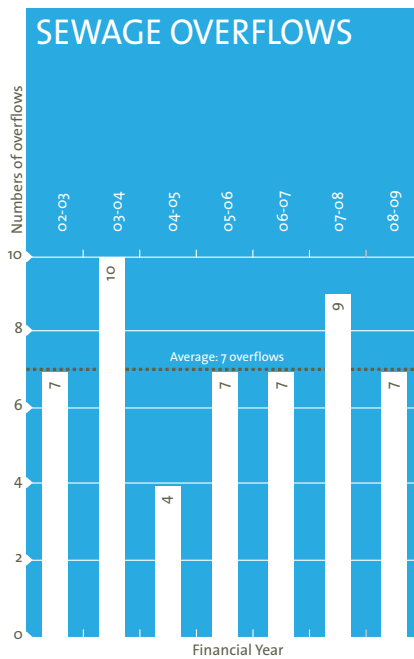
In line with s14 of the Waste Management and Pollution Control Act, we notify the environmental regulator of any spills or overflows and consult the Department of Health and Community Services about sewage overflow management and clean-up.

Incidents deemed to have caused, or with the potential to cause, environmental harm are posted on the Environmental Protection Authority register. In 2008-09 Power and Water achieved its goal of zero pollution incidents causing environmental harm.

SEWERAGE SYSTEM OVERFLOWS

Figure 1.7 shows the number of reported sewer overflows in the Territory in the past seven years. Most occurred in major sewerage systems in the Top End when storm activity affected infrastructure or as a result of stormwater inflow and infiltration during monsoon rain.

FIGURE 1.7



Source: Retailers Published Tariffs

Seven sewerage spills were recorded in 2008-09, including one below the reporting threshold of 1,000L. The highest single loss of 2,000,000L was at Alice Springs. There were no recorded instances of impact on human health or the environment.

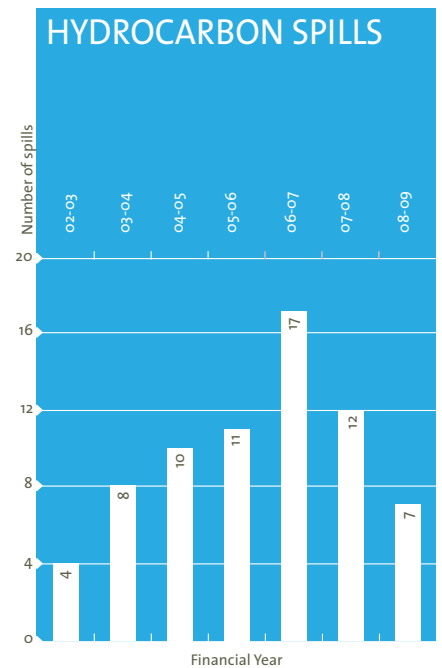
FUEL SPILLS

Figure 1.8 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, as a result of damage to infrastructure or human error.

This year Power and Water reduced its reportable spills by 36 per cent, to seven. The largest was 700 litres. In 2007-08 there were 11 minor spills, nine of 50L or less. There was one major spill of 2500L.

There has been a significant decrease in the number of reportable spills over the past two years and no spills were released to the environment. This confirms the importance of our bunding review, improved staff training and upgrading program.

FIGURE 1.8



CHEMICAL LEAKS

There were six incidents reported this year including two ammonia leaks (largest 10kg) from the ice plant at Channel Island Power Station. The ice plant has now been decommissioned.

There were two minor chlorine spills, a single mercury spill of 20 g from a thermometer breakage and 5kg of sulphur hexafluoride gas. SF6 has a greenhouse warming potential 23,900 times that of CO2 and as such this leak is significant.

GREENPOWER

Power and Water offers its customers the choice to help promote investment in renewable energy by signing up for Territory GreenPower.

When customers sign up for Territory GreenPower, Power and Water will purchase renewable energy credits from GreenPower accredited generators on their behalf.

Our local accredited provider of GreenPower is the Shoal Bay landfill methane system (LMS). The one megawatt engine at Shoal Bay is powered by burning methane, which is stripped out of the landfill as it decomposes. Power and Water is pursuing other local renewable energy sources. In the meantime, if demand exceeded our local supply of renewable energy credits Power and Water would source renewable energy credits interstate.

PROSECUTIONS

The Northern Territory's principal environment protection legislation is the Waste Management and Pollution Control Act.

Under that Act, Power and Water is subject to enforcement actions such as Authorised Officer Directions, Pollution Abatement Notices and prosecutions. No enforcement actions under the Act were taken against Power and Water during the reporting period and none are pending.

No prosecutions or actions were taken, or are pending, against Power and Water under other environmental legislation.



SOCIAL



CONNECTING WITH OUR COMMUNITY

Power and Water takes pride in its active community focus. As a local business providing essential services, employing more than 900 Territorians and working with businesses across the Territory, we are an integral 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 and Industry Associations than ever before.

2009 MELALEUCA AWARDS FOR ENVIRONMENTAL EXCELLENCE

Power and Water's annual Melaleuca Awards for Environmental Excellence were presented at Darwin's beautiful heritage-listed Burnett House this year.

The judging panel was impressed with the quality and diversity of submission, with winners ranging from small to big business, remote to city schools.

Crowne Plaza Alice Springs won the commercial / industry category for its \$3.3m solar system and \$50,000 in-house energy efficiency program.

The hotel is reducing its "footprint" with water-efficient shower heads, energy-efficient light bulbs and an "energy eye" to monitor and regulate temperature.

Brolga Homes won the small business award for its energy efficient new display home. The Port Douglas features louvres, insulation, passive solar design, energy efficient lighting, water efficient fixtures and fittings. The house was given a National House Energy Rating Scheme score of 7.1 star.

Millner Primary School's sustainable community hall won it the schools category. The Green Hall doesn't have air conditioning, it will be kept cool by a transpiration garden and solar-powered, industrial-sized fans. The school should save \$10,000 in operating costs and 46 tonnes of greenhouse gas emissions a year.

Alice Springs residents are more aware of their water use thanks to a documentary produced by the Arid Lands Environment Centre Climate Action Group, who took out the community award. "Water in Alice Springs" shows the local water cycle from Roe Creek bore field, town storage tanks, waste-water treatment plant and the water reuse project. It is a great educational tool.

Papunya School won the Chairman's prize for its recycling program. Papunya is a remote community and

transport distances are a challenge, so the school is composting all its paper and food waste. The students use the compost to plant more trees around the school and help the local aged care facility with its garden. A great example of what can be achieved in remote locations.

This year, as part of the Melaleuca Awards, an environment grant was given to the Arid Lands Environment Centre COOLmob to run the Alice Springs Sustainability Fair. The YMCA of Katherine will use their grant to upgrade taps, toilet cisterns and shower heads in the Henry Scott Recreation Centre. Our final grant helped Alice Springs Landcare and Braitling Primary School planted 240 local native tree seedlings in Dixon Park.

IT'S SHOWTIME!

Power and Water has a presence at each of the Northern Territory's shows, in Alice Springs, Tennant Creek, Katherine and Darwin. The display shows visitors ways to reduce electricity and water use – and save money at the same time. The Power and Water space at the shows always provides seats and a drink of cold water, very welcome for show-goers. It's a great opportunity for members of the public to talk to Power and Water staff and gain an understanding of the services on offer.

ABOVE LEFT ▶ MELALEUCA AWARD WINNERS ROBYN, LISA AND RUTH

ABOVE CENTRE ▶ CENTRAL AUSTRALIAN AFL POWER AND WATER DEVELOPMENT SQUAD

ABOVE RIGHT ▶ LUDMILLA PRIMARY SCHOOL STUDENTS PLANT TREES AT THE WASTEWATER TREATMENT PLANT

KIDS PARTNER TO PRETTY UP LUDMILLA

Ludmilla Primary School students got their hands dirty to help put in native plants at our wastewater treatment plant on Dick Ward Drive in May.

The area was cleared of weeds like coffee bush before students planted some 100 native plants. The kids who helped put their handprints on a “planters” sign at the site.

In a similar project, Palmerston students also came on board to help plant 400 trees to rehabilitate an area at Mitchell Creek. Power and Water partnered with Greening Australia to select appropriate species for the sites.

SUPPORTING OUR COMMUNITY

Power and Water’s sponsorships invest in our communities right across the Northern Territory. They are many and varied, covering sport and cultural events, technology and youth development.

Some of our exciting partnerships in 2008-09 included:

KEEPING COOL

COOLmob in Darwin and Alice Springs help Power and Water customers help their environment. With Power and Water’s financial backing, they provide home energy audits for just \$10. These audits show customers where they use the most electricity and ways to save. Everyone who has an audit receives a copy of Power and Water’s Green Guide, Waterwise Garden Guide and an energy-saver lightbulb.

CHRISTMAS CHEER

The Special Children’s Christmas party offers hundreds of Darwin children with special needs and their families a day of fun. Power and Water helps fund this party and again in 2008 staff lined up for the chance to hand out gifts to these children. This year Power and Water staff also

walked the hospital wards to spread some Christmas cheer to those who couldn’t spend the festive season at home with their families. Volunteers handed out hampers in Darwin, Katherine, Tennant Creek and Alice Springs, then gave the extra hampers to local charities.

YOUNG ACHIEVER AWARD

Simone Liddy was the first indigenous Territorian to graduate with a degree in pharmacy. At 22, she is a leader and mentor to other young indigenous people. Her degree has given her the opportunity to travel to regional areas of the Territory and she hopes it will help her improve health in communities. Simone won the Power and Water Science and Engineering Award and went on to be named the Northern Territory’s overall Young Achiever.

POWER AND WATER AFL DEVELOPMENT SQUAD

In a mighty effort in AFL Central Australia, the Power and Water Development Squad finished the Ngurratjuta Lightning Carnival undefeated. The side took out Division 1 with a 7.6 (48) to 4.1 (25) win over Western Aranda. They beat Nywente in the semi final. A record 28 teams entered the carnival, described as the biggest and most successful in 30 years. Power and Water has been the 25-man squad’s major sponsor since 2007.

POWER IN THE WATER

Swimming NT’s annual Power in the Water NT Virtual Series gives the Territory’s best junior swimmers a chance to challenge themselves across a season. Recognition goes to swimmers based on their time improvement over the series, putting the focus on participation, development and encouraging emerging talent. Some 650 swimmers took part in the series in 2008, in Darwin, Katherine, Alice Springs and Nhulunbuy.



UPPER ▶ NT THUNDER PLAYER AND POWER AND WATER MANAGEMENT ACCOUNTANT IAIN MACPHERSON

CENTRE ▶ YOUNG ACHIEVER NT WINNER SIMONE LIDDY WITH THE POWER AND WATER SCIENCE AND ENGINEERING AWARD

LOWER ▶ ALICE SPRINGS STEINER SCHOOL STUDENTS WITH THEIR NEW WATER TANK AND POWER AND WATER AREA MANAGER ALICE SPRINGS /YULARA ALAN WHYTE

WATERWISE SCHOOLS

Central Australian schools are getting smarter about the way they use water. Power and Water helps fund grants so schools can upgrade their facilities or install new equipment to conserve this precious resource. This year, we helped Ross Park Primary School replace some of its lawn with arid zone gardens and Ti Tree School replace its old taps with new ones that stop automatically.

A GREAT MATCH

Tennis NT brings the best juniors from Australia and the world to Darwin to compete in the Power and Water NT ITF junior circuit. Again in 2008 and 2009 we partnered with Tennis NT to put on the tournament at Gardens Tennis Complex.

LIGHTING DARWIN FESTIVAL

Darwin has an influx of artists over its tropical August evenings and Power and Water is pleased to help this happen. Each year we sponsor the Darwin Festival, helping to support Territory artists and bring international talent to town.

SPACE FOR YOUTH

Power and Water has partnered with InCite Youth Arts in Alice Springs to mentor young indigenous aerosol artists. Sponsorship has helped bring professional artists to Central Australia to teach and encourage these young people, their canvases then include some of our sites. The program was initiated in 2008 to provide safe, legal graffiti sites and link young people with positive role models. Their first site was Power and Water's Traegar Park pump station and the Australian artwork was well received.

WORKING WITH BUSINESS

The Corporation's infrastructure investment program to upgrade and maintain our assets is the largest investment in essential services in the Territory's history. In supporting our community, Power and Water purchases goods and services from local suppliers wherever possible.

This year Power and Water met with businesses across the Territory at the "meet the buyers" expos in Alice Springs, Tenant Creek, Katherine and Darwin. The expos provide business with information on the major projects being planned and how to do business with Power and Water. Information and 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. Power and Water provides notice of works through industry briefings and advertisement of future tender opportunities 90 days in advance of tenders being released, via the Government Tenders Online website and the Northern Territory News. This assists businesses to plan for the future and to ensure that they have

the necessary resources and capacity to be competitive when tendering.

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)*, 1086 enquiries regarding customer and supplier information were received during 2008-09, compared with 1777 inquiries received in 2007-08. There were no requests for changes to information during the year. Read our privacy and information handling policy www.powerwater.com.au



ECONOMIC

NETWORK ACCESS PRICES

The Utilities Commission regulates electricity network prices in accordance with the Electricity Networks (Third Party Access) Code. The Utilities Commission has approved network tariffs and charges relating to the use of Power and Water networks for 2009-10.

The third regulatory period, the period between major price reviews (or 'resets') during which time the network price control mechanism is held constant, commenced in July 2009. During 2008-09, Power and Water participated in the Utilities Commission's review of the current price control mechanism, which is facilitated through stakeholder and public consultation. For further information visit the Utilities Commission website at <http://utilicom.nt.gov.au>

UTILITIES COMMISSION'S STRENGTHENED AND EXPANDED ROLE

Following the Reeves Report into Power and Water's financial sustainability, the NT Government announced that Power and Water would be subject to increased scrutiny by a revamped Utilities Commission (UC).

Power and Water welcomes the Commission's strengthened and expanded role, which will result in increased oversight of our capital program, tariffs, customer service standards and system reliability. A regulatory regime that sets and administers a customer standards of service code including compensation, prices for contestable customers and which reviews retail tariffs and community service obligations will benefit consumers and Power and Water.

NEW NT ELECTRICITY RING-FENCING CODE

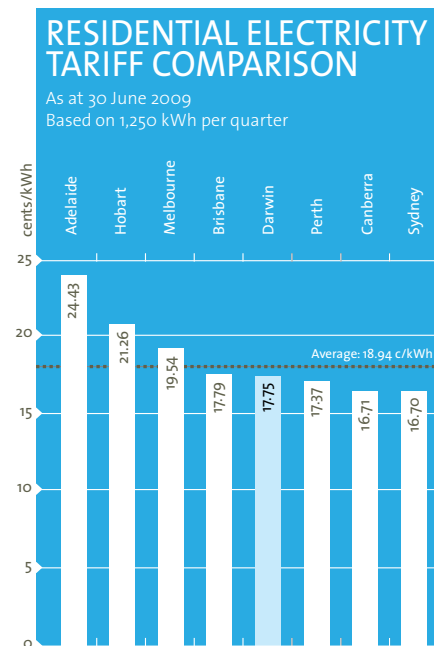
The ring-fencing code should create an environment where the price, quantity and quality of electricity – for contestable and non-contestable electricity customers – is not biased as a result of Power and Water's vertical integration. The code aims to ensure that "prescribed" monopoly businesses (Generation, Power Networks and Franchise Retail) in regulated industries do not discriminate against a competitor of their related contestable businesses (Generation and Contestable Retail).

The Commission finalised its review of the ring-fencing arrangements in December 2008, with the new code effective from 1 January 2009. Power and Water, NT Treasury and NT Major Energy Users contributed to the review.

RETAIL PRICING

The following charts compare prices for electricity, water and sewerage in the Northern Territory with capital cities across Australia, as at 30 June 2009.

FIGURE 1.9



Source: Retailers Published Tariffs

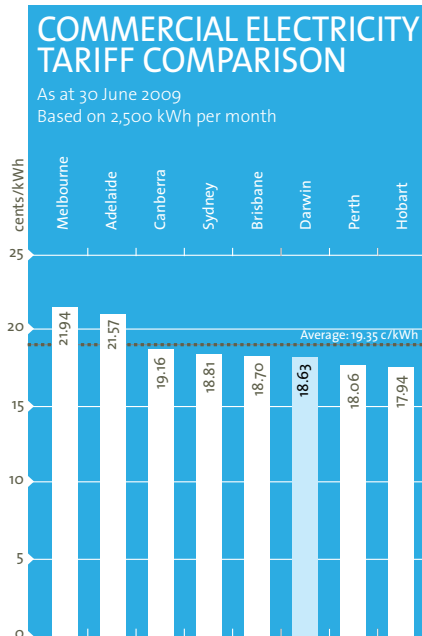
Chart notes:

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



ABOVE ► POWER NETWORKS STAFF STEP FROM HELICOPTER TO POLE TO PERFORM LIVE WIRE MAINTENANCE.

FIGURE 1.10

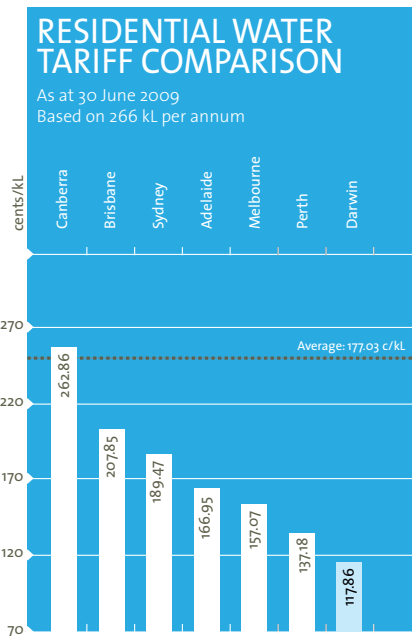


Source: Retailers Published Tariffs

Chart notes:

- Tariff comparisons are based on average monthly consumption of 2,500 kWh.
- Tariffs include a variable consumption charge and a fixed daily charge component.

FIGURE 1.11

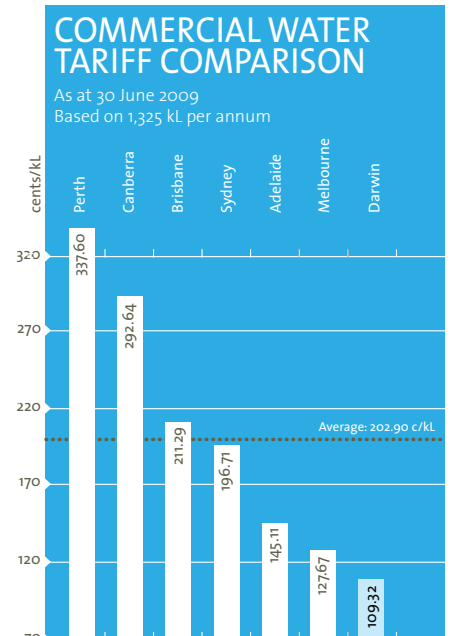


Source: Retailers Published Tariffs

Chart notes:

- Tariff comparisons are based on average annual consumption of 266 kL (WSAAsFacts). Consumption may vary on a state by state basis from this derived average as a result of water restriction policies.
- Tariffs include a variable consumption charge and fixed daily charge component.

FIGURE 1.12

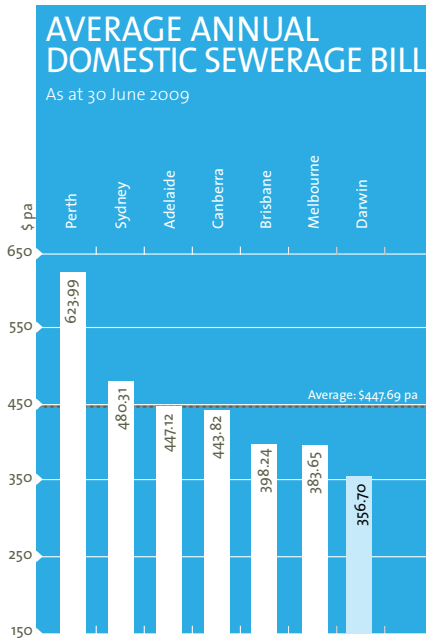


Source: Retailers Published Tariffs

Chart notes:

- Tariff comparisons are based on average annual consumption of 1,325 kL (WSAAsFacts).
- Tariffs include a variable consumption charge and fixed daily charge component.

FIGURE 1.13



Source: Retailers Published Tariffs

Chart notes:

- Perth sewerage rates are calculated based on the Gross Rental Value of the property. The rateable value is derived from the rental value determined by the Office of the Valuer General.
- Adelaide sewerage rates are calculated as a percentage of the capital value of the property or the declared minimum rate, whichever is greater. The capital value of the property or declared minimum rate is based on the median price of established house transfers published by the ABS (Catalogue No 6416).
- Melbourne sewerage disposal charge is billed based on water usage.



ABOVE ► POWER NETWORKS TEAMS WORKING ON LINES OVER GARDENS PARK GOLF COURSE IN DARWIN CITY

COMMUNITY SERVICE OBLIGATIONS

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

Northern Territory Government contributions enable Power and Water to offer uniform tariffs regardless of where customers live, give pensioner concessions and apply the Tranche 4 electricity policy. In 2008-09, the Northern Territory Government paid Power and Water \$58.5 million in Community Service Obligations.

Community Service Obligations (CSOs) are received in all centres to subsidise water supply in accordance with the Territory Government's Uniform Tariff Policy. These also subsidise water supply and sewerage services to customers receiving the Northern Territory Government's Pensioner and Carer Concession Scheme. Power and Water received \$5.9 million during the 2008-09 financial year to provide these services.

2008-09 COST RECOVERY – WATER SUPPLY AND SEWERAGE SERVICES

The following tables show 2008-09 costs and revenue for water supply

and sewerage services in accordance with National Water Initiative (NWI) blueprint for water reform. This blueprint builds on the previous Council of Australian Governments (COAG) Strategic Framework for Water Reform.

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

These tables include both major and minor urban service centres but exclude Indigenous communities.

MINIMUM COST RECOVERY CHECK

	Darwin \$000	Katherine \$000	Tennant Creek \$000	Alice Springs + Yulara \$000	Total \$000
WATER					
Operations, maintenance, administration	23,303	4,114	2,157	10,560	40,134
Debt servicing	5,613	2,126	559	1,902	10,200
Asset consumption	9,897	1,602	539	3,124	15,162
Minimum viability costs	38,813	7,842	3,255	15,586	65,496
Total Revenue - from Trading (excl. CSO)	37,221	3,538	1,595	8,442	50,796
Surplus/(deficit) (excl. CSO)	(1,592)	(4,304)	(1,660)	(7,144)	(14,700)
Surplus/(deficit) (incl. CSO)	(114)	(4,177)	0	(4,845)	(9,136)
SEWERAGE					
Operations, maintenance, administration	15,431	2,242	983	4,701	23,357
Debt servicing	990	274	76	198	1,538
Asset consumption	1,272	145	62	713	2,192
Minimum viability costs	17,693	2,661	1,121	5,612	27,087
Total Revenue - from Trading (excl. CSO)	25,348	1,040	635	5,312	32,335
Surplus/(deficit) (excl. CSO)	7,655	(1,621)	(486)	(300)	5,248
Surplus/(deficit) (incl. CSO)	7,970	(1,621)	(486)	(300)	5,563

RISK MANAGEMENT

RISK MANAGEMENT

Power and Water has a corporation-wide structure to manage the risks that come with providing essential services in our environment.

Risk management enables Power and Water to meet its objectives under the Government Owned Corporations Act and helps address challenges facing the Corporation. Our policy is based on the Australia/New Zealand Standard "AS/NZ 4360: Risk Management".

The methodologies and principles in the Risk Management Foundation Documents help Power and Water:

- comply with corporate governance legislation; and
- apply risk management processes consistently across the Corporation.

NEW WEDDELL POWER STATION

Two units of our brand new gas-powered station came online this year. Weddell Power Station, near Darwin, will add 30 per cent of generation capacity to the Darwin – Katherine electricity system. It has highly efficient "lean burn" machines on natural gas, ensuring it emits far less greenhouse gases than other comparable power stations. The first two 43MW generators are complete and commissioned, a third is planned for 2011-12. Weddell is the largest electricity generation project in the NT in 20 years – totalling \$136m - and more than 40 Territory companies have been part of its construction.



ABOVE ► WILSON LEE, WATER SERVICES AT DARWIN RIVER DAM



OUR PEOPLE

SAFETY

ZERO HARM

Power and Water remains committed to continually improving occupational health and safety management to eliminate illness and injury in the workplace. Our safety vision is zero harm, zero incidents, and zero unsafe acts and practices in the workplace.

OCCUPATIONAL HEALTH AND SAFETY

Power and Water is improving facilities and systems to ensure the health and safety of its workers using risk management, reporting systems and the aim of total workforce involvement.

Power and Water achieved its lost time injury target, a 30 per cent reduction, in 2008-09. This is the second year in a row Power and Water has reduced lost time injuries significantly. The Corporation continues to look at ways to improve health and safety performance, applying a behavioural-based approach to health and safety.

The number of incidents reported and investigated each month is a key indicator of our progress. This has declined over the course of the year and 91 per cent of incidents reported are investigated with 30 days.

Senior Power and Water staff conduct regular Safe Act Observations,

promoting discussion on health and safety in the workplace. These observations ensure workers are carrying out duties safely and help measure the effectiveness of our safety program. This year, 81 per cent of those observed were deemed safe. Activities that didn't meet guidelines were stopped until they could be completed safely.

LOST TIME INJURIES

In 2008-09, nine (9) lost time injuries were recorded and the lost time injury frequency rate was six (6). This is a significant reduction on 2007-08, when there were 13 lost time injuries recorded and the frequency rate was nine (9).

ABOVE ► [L TO R] SCOTT PLANT, WATER SERVICES; ELLA PATTERSON, WATER SERVICES; JOHANNES RICKERMANN, GENERATION; ROZ SMITH, REMOTE OPERATIONS AND AMOL GUPTA, WATER SERVICES ALICE SPRINGS

MANAGEMENT SYSTEMS CERTIFICATION AS/NZ 4801

Power and Water continues its certification to the Occupational Health and Safety management system (AS/NZ 4801), verified through external audits. Power and Water has an Integrated Management System, which saw three key systems (Occupational Health and Safety, Quality and Environment) certified simultaneously.



ABOVE ► THE NEW 1,000MM WATER MAIN TO PALMERSTON

POWER NETWORKS STAFF WORK ON LINES,
SUSPENDED 50M ABOVE THE ELIZABETH RIVER



DEVELOPMENT

HUMAN RESOURCES STRATEGY

Power and Water needs the people, capability and capacity to meet its customers' current and future needs. With this in mind, a five-year human resources strategy was developed.

Our priorities are:

- safety, health and wellbeing,
- workforce design, development and planning,
- learning and development, and
- motivation, performance and reward.

This directs initiatives to ensure Power and Water can recruit, retain and develop skilled employees now and in the future.

APPRENTICE AND GRADUATE PROGRAMS

Power and Water continues to secure its future workforce by employing and developing apprentices and graduates. In 2008-09, 13 new apprentices were employed boosting the total number to 62. In addition, Power and Water employs three trainees in Retail. Existing employees are offered - and several have taken up opportunities to gain additional skills and qualifications with adult apprenticeships.

BELOW ► PAUL RATCLIFFE, WATER SERVICES



Power and Water apprentices continue to be recognised for outstanding achievement with a number of awards this year:

Group Training Northern Territory Awards 2009

Katherine

Outstanding Apprentice stage 1 – Trent Tschirpig

Outstanding Apprentice stage 2 – Thomas Parrish

Supervisor of the Year – Robert Hore

Alice Springs

Outstanding Apprentice stage 2 – Ronnel Colon

Power and Water's Graduate Program was reviewed in 2008 and 10 new graduates from engineering and environmental science disciplines began a two-year rotation in February 2009. These graduates will work across at least three Power and Water business units with structured development and mentoring. The opportunity to work in regional locations and participate in external secondments is available in their second year. Power and Water continues to support existing graduates to achieve professional recognition through Chartered Engineer status with Engineers Australia.

ESSENTIAL SERVICES OPERATORS

Essential Services Operators (ESOs) attended training courses in Darwin, Katherine and Alice Springs. ESOs, many of whom are Indigenous, travelled from surrounding remote areas to attend the three-day course focussed on keeping the power, water and sewerage services in their community connected and maintained. 115 ESOs play a key role in keeping electricity and water operating in some of the Territory's most remote areas, often in harsh and difficult conditions.

TRAINING AND DEVELOPMENT

Power and Water continues a strong push to develop its employees' skills and knowledge through training in technical, professional and safety areas. In 2008-09, a total of 49,392 training hours were provided to employees (excluding apprenticeship programs and studies assistance), an average of 59 hours per employee.

Power and Water reviewed its training framework and arrangements this year, improving internal processes to meet its diverse training requirements more easily. The new panel arrangement gives greater flexibility to undertake accredited and non-accredited training.

Power Networks staff are undertaking additional technical training in response to the recommendations from the Mervyn Davies Report. Senior managers are trialling a leadership development program which could be used across Power and Water.

54 employees accessed study assistance within the Union Collective Agreement to complete undergraduate and post graduate courses.

SERVICE RECOGNITION

Long-serving staff across the Territory were recognised with special events in November 2008. Three employees achieved their 30 year milestone, 18 achieved their 20 year milestone, 23 achieved their 10-year milestone and 40 achieved their five-year milestone. About 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

Employee satisfaction continues to improve. 72 per cent of employees rate their overall satisfaction with Power and Water as six out of 10 or higher and 87 per cent rate Power and Water as a good employer who they would recommend to others.

Employee satisfaction is broadly comparable to results from companies in the energy sector and Australian industry in general. However, the percentage of employees recommending the Corporation as a good employer (87 per cent) exceeds those from the energy sector (67 per cent) and Australian industry generally (60 per cent).

ESSENTIAL SERVICE OPERATORS VITAL TO REMOTE COMMUNITIES

More than 70 remote Territory communities rely on Essential Services Operators to keep water, power and sewerage services running. These contractors are trained in safety, electrical basics, electrical generation basics, water infrastructure, sampling and quality, remote sewer and sewer pump stations as well as high and low voltage pole work. Their job and skills are many and varied. This year, essential services operators managed the airlift of 41,000 litres of emergency fuel into the flooded Alpururulam community and shutting down the Mt Liebig power station to ensure safety during flooding.



ABOVE ► MICK THEODORE, POWER NETWORKS

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 five 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 six 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 four 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 did not meet 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. The Directors' profiles are provided in the Directors' Report section of the Annual Report. Mervyn Davies was appointed as a Director during the 2008-09 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 26 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 10 December 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). During 2008-09 there was one enquiry received by Ernst and Young 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 19 June 2009 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 2008-09.

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 26 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.

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DIRECTORS' REPORT

The directors present their report together with the financial report of the Power and Water Corporation (the Corporation) and of the consolidated entity, being the Corporation and its controlled entities, for the year ended 30 June 2009 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>Mr Neil Philip (Chairman until May 2009) LLB(Hons)</p>	<p>Mr Philip has been Chairman since the establishment of Power and Water Corporation on 1 July 2002 until his retirement in May 2009. 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>Ms Judith King (Chairman from May 2009) BA, Foundation Fellow AICD</p>	<p>Judith King stepped into the role of board chair in May 2009, having been a director of Power and Water Corporation since its establishment. Ms King has extensive board experience in the private and public sectors, 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 the Board of the NT Environmental Protection Authority. Ms King was awarded an Australian Centenary Medal in 2003.</p>
<p>Mr Mervyn Davies (Deputy Chairman) BEng(Elec - Power & Control) (Hons 1st class), MEngSc, BCom(Econ)</p>	<p>Joining the Power and Water Corporation board in May 2009, Mervyn Davies has worked in all areas of electricity distribution, gaining extensive experience managing the business's financial and technical performance. He has held senior management positions at Energy Australia, the country's largest electricity distribution company and his resume includes periods as Managing Director. Since leaving Energy Australia in 2002, Mr Davies has established a small engineering consultancy, specialising in electricity distribution system management. He has spent time developing and negotiating long-term capital expenditure plans and performance outcomes affecting the security of electricity supply to Sydney. He has University of NSW qualifications in engineering and economics.</p>
<p>Mr Peter Vines BCom, MBA, FIE Aust., MAICD</p>	<p>Peter Vines has been a member of Power and Water Corporation's board since 2005. He has worked 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&A and Executive General Manager of Origin Energy. Mr Vines has been a director of various companies as part of his executive responsibilities and is currently a board member of Melbourne Water Corporation, JackGreen Limited and Carroll and Richardson Pty Ltd.</p>
<p>Mr Robert Neil BSc, BEng(Hons), DipBusAdmin, FIE Aust., FAICD</p>	<p>Robert Neil has been a member of Power and Water Corporation's board since 2005. He has 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. Mr Neil 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>

Name	Experience and Special Responsibilities
Mr Barry Chambers FIE Aust., FAICD	Appointed to the Power and Water Corporation board in March 2007, Barry Chambers has been a professional engineer with 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 the NT Building Practitioners board.
Ms Margaret Gibson LLB(Hons), BCom, FCA, FTIA, FAICD	Margaret 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 director and Chairman of the Audit and Risk Committee of Airtrain Holdings Pty Ltd and Australia Post Corporation. Ms Gibson is a Councillor of the RSPCA (Queensland).
Mrs Linda Mackenzie BCom(Hons), CA	Appointed to the Power and Water Corporation board in March 2007, Linda 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.
Mr Andrew Macrides DipBus(Mgt), BBus(Acc), MBA, FCPA, FAICD	Andrew 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. In May 2003, he was appointed Company Secretary in addition to his role as General Manager Business Services.
Mr Michael Hannon AM	Michael Hannon AM was appointed to the Power and Water Corporation board in August 2009. Mr Hannon is chairman of the Hannon Group of Companies, a family-owned group operating public transport, property development, crocodile farming and exporting businesses. Mr Hannon was born and permanently resides in Darwin and developed his career in the Northern Territory. The Hannon Group also has business interests in Queensland, Victoria and New South Wales. They employ more than 300 Territorians and that number again interstate.

DIRECTORS' REPORT

SUMMARISED FINANCIAL INFORMATION

	Consolidated	
	June 2009 \$ Million	June 2008 \$ Million
Total revenue (excl impairment write-back and Northern Territory Government capital contributions)	615.6	550.2
Impairment write-back	161.3	-
Capital contributions	50.0	50.0
Total expenses	(548.7)	(431.1)
EBITDA	278.2	169.1
Depreciation	(72.6)	(58.9)
Interest expense	(32.6)	(28.1)
Net profit/(loss) before income tax	173.0	82.1
Income tax (expense)/benefit	(51.9)	(24.6)
Net profit/(loss) after income tax	121.1	57.5
Impairment write-back	161.3	-
Capital contributions	50.0	50.0
Tax effect of write-back and Northern Territory Government capital contributions	(63.4)	(15.0)
Underlying net profit/(loss) after income tax	(26.8)	22.5
Total assets	1,668.2	1,371.1
Total liabilities	931.4	756.8
Total equity	736.8	614.4

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

DIRECTORS' REPORT

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 financial year.

REVIEW OF OPERATIONS

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

The consolidated entity's underlying result at the end of June 2009 was a loss after tax of \$26.8 million compared to an after tax profit of \$22.5 million for the year ending June 2008. Including the effects of extraordinary transactions, the consolidated entity's profit after tax at the end of June 2009 was \$121.1 million, compared to \$57.5 million for June 2008.

The extraordinary transactions in 2009 related to the reversal of impairment write-downs and the receipt of capital contributions from the Northern Territory Government. The reversal of impairment write-downs is a non-cash accounting entry required by the Australian Accounting Standards. Write-downs in the value of water and sewerage assets in the years ending June 2005 and June 2007 were reversed in June 2009 increasing the profit after tax by \$112.9 million (\$161.3 million before tax). This transaction is explained in greater detail below.

The Northern Territory Government has made large capital contributions to the Corporation over the last two years increasing the June 2009 profit after tax by \$35 million (\$50 million before tax) and the June 2008 profit after tax by \$35 million (\$50 million before tax).

Two major issues arose during the year to June 2009 that impacted on the Corporation's profitability resulting in the underlying loss of \$26.8 million.

Firstly, in September and October 2008 there were significant equipment failures at the Casuarina Zone Substation in Darwin's northern suburbs. Following this, the Corporation hired a number of generators at a cost of \$10 million to provide security of electricity supply to the affected suburbs. The Corporation has since established the Remedial Asset Management Program (RAMP) to oversee restoration of the zone substation, assess the condition of the Corporation's power system assets and manage critical remedial and maintenance works. This program is responsible for implementing the recommendations of the Mervyn Davies Report.

Secondly, Eni Australia B.V. (Eni) was contracted to deliver first specification gas from the Blacktip gas field from 1 January 2009, replacing supply from the declining Amadeus Basin. Eni now estimates that first gas will be delivered from the end of September 2009. In the interim, the Corporation has needed to use alternative energy sources including distillate. Energy costs were \$60 million higher than the previous year, with distillate worth \$53 million. The contract with Eni allows for the Corporation to recover costs attributed to the delay in

delivery of first gas and accordingly, to the end of June 2009 the Corporation had received \$6.3 million from Eni.

Excluding the impact of the write-back and the Northern Territory Government capital contributions, the underlying revenue for the year ending June 2009 increased \$65.4 million to \$615.6 million from \$550.2 million for the previous year.

Revenue from the sale of goods increased by \$17.7 million or 5% mainly due to a CPI tariff increase of 3.4% and consumption increases caused by both population and organic growth in relation to electricity and water sales.

The increase of \$20.9 million in government grants, gifted assets and recoverable works revenue predominantly relates to additional funds and resources received by not-for-profit subsidiary Indigenous Essential Services Pty Limited (IES). This reflects government policies to improve remote Indigenous communities in the Northern Territory.

Other income increased by \$12.6 million as the Corporation received \$6.3 million from Eni and \$6.3 million from a bank guarantee held against the Compass Resources network investment near the township of Batchelor. Compass Resources went into administration in January 2009, triggering receipt of the bank guarantee that offset a write-down of the related network assets.

Total expenses for the year ending 30 June 2009 increased by \$117.6 million to \$548.7 million, compared to \$431.1 million for the prior year. \$60 million of this increase related to energy and material costs mainly due to the contracted gas delay and increased electricity demand.

DIRECTORS' REPORT

Repairs and maintenance costs rose \$12.1 million, reflecting the Casuarina Zone Substation incident but also the Corporation's focus on this area.

Employee costs rose \$6.5 million as Power and Water employed additional people and increased wages and allowances flowed from the Union Collective Agreement signed in 2007. The Corporation has suffered staff and skill shortages for a number of years as a result of mining industry demand for resources. In the past year this has started to turn around and the Corporation is increasing staff numbers and recruiting many highly skilled individuals.

Other expenses rose \$25.8 million, including \$10 million to hire generators as outlined above, increased purchases of Renewable Energy Certificates of \$3.1 million under the Mandated Renewable Energy Targets scheme, and increased bad and doubtful debts of \$4 million following the mining company, GBS Gold, going into receivership.

External service agreement costs rose by \$7.1 million. IES entered into agreements with the new Northern Territory shires to provide Essential Services Operators to maintain equipment in remote areas and the Corporation contracted consultants to help with the planning and assessment of a new Asset Management System.

Depreciation and amortisation expenses have increased \$13.6 million on the previous year reflecting the Corporation's investment in capital over the past few years.

The \$5.7 million impairment of non-current assets in this year's result relates to the write-down of the network assets constructed near the town of Batchelor to supply electricity to the Compass Resources' mine site. Compass Resources went into

voluntary administration in January 2009. The Corporation has lodged a proof of debt with the liquidator seeking recovery of funds owed under agreements held with Compass Resources.

Capital expenditure increased by \$49 million to \$223.8 million compared to \$174.6 million the previous year. Major project spending included: Owen Springs new power station and network of \$36.8 million; Darwin Undergrounding Power Project of \$14.8 million; Wickham Point gas pipeline interconnect of \$15.9 million; two new generators at Weddell Power Station of \$7.2 million; Archer Zone Substation of \$6.5 million; continued redevelopment of the Ben Hammond Complex of \$10 million; Roe Creek borefield augmentation of \$7.9 million; Palmerston water rising main of \$4.7 million and IES projects totalling \$32.3 million.

The Corporation borrowed a further \$144 million from the Northern Territory Government compared to \$87 million the prior year. Borrowings were used to fund the capital expenditure program.

The consolidated entity's cash balance at the end of June 2009 was \$103.7 million of which \$45.8 million was held by subsidiaries, predominantly IES. IES has received significant government grants over the past year in relation to remote Aboriginal area reforms. The Corporation received \$30 million in grants from the Northern Territory Government in June 2009, resulting in a large cash balance of \$57.9 million at the end of June 2009.

REVERSAL OF IMPAIRMENT WRITE-DOWNS

Australian Accounting Standards require that the carrying value of assets not exceed the net present value of future cash flows generated by those assets. For the years ending June 2005 and June 2007, it was found that the future cash flows for the water and sewerage assets were insufficient to support the value of the assets, and therefore the assets were written down.

At that time, tariff increases had not kept pace with operating cost increases. Whilst the Corporation was receiving minimal tariff increases to improve revenue income, costs, particularly personnel costs, were escalating by CPI or greater. The Northern Territory was experiencing a mining and commodity boom causing labour and other shortages and driving prices up.

On 7 April 2008 the Treasurer of the Northern Territory Government announced electricity, water and sewerage tariff increases effective from 1 July 2009. The water and sewerage tariff increases of 20% for the years 2009, 2010 and 2011, followed by CPI increases, provided sufficient increased future cash flows to enable the previous write-downs in asset values to be reversed as at 30 June 2009.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

DIRECTORS' REPORT

DIVIDENDS

The Directors have not declared a dividend due to an ongoing dividend moratorium being granted to the Corporation by its shareholder, the Northern Territory Government. 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) was contracted to deliver first specification gas from the Blacktip gas field from 1 January 2009, replacing production from the declining Amadeus Basin. Eni now estimates that first gas will be delivered from the end of September 2009. Delays in gas delivery required the Corporation to use higher cost alternative energy sources (including distillate) which has a detrimental impact on cash flow to the extent that higher costs are not covered by damages received from Eni.

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 2010 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

Other than the matters discussed previously, 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 wholly 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

ROUNDING OFF

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

Dated at Darwin this 25th day of September 2009.

This report is made in accordance with a resolution of Directors pursuant to s.298(5) of the Corporations Act 2001.



Mrs Judith King
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 2009 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 25th day of September 2009.

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



Mrs Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

INDEPENDENT AUDIT OPINION



AUDITOR-GENERAL

Independent Auditor's Report to the Board of Directors Power and Water Corporation Year ended 30 June 2009

I have audited the accompanying financial report of Power and Water Corporation ("the Corporation"), which comprises the balance sheet as at 30 June 2009, 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.

Auditor's Opinion

In my opinion 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 2009 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*.

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

F. McGuinness
Auditor-General for the Northern Territory
Darwin, Northern Territory
25 September 2009

INCOME STATEMENT

	Note	Consolidated		Corporation	
		June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
Continuing Operations					
Revenue from sale of goods		399,828	382,118	316,394	297,262
Revenue from rendering of services	3 (a)	92,244	76,013	30,705	29,207
Finance revenue	3 (a)	3,047	2,663	2,189	2,066
Other income	3 (b)	331,803	139,428	320,393	134,769
Inter-Group sales		-	-	7,269	6,784
Revenue		826,922	600,222	676,950	470,088
Energy and materials		(312,897)	(252,672)	(219,978)	(161,803)
Repairs and maintenance expense	3 (f)	(64,251)	(52,145)	(51,760)	(41,252)
Employee benefits expense	3 (e)	(71,904)	(65,356)	(67,091)	(61,413)
External service agreements		(25,575)	(18,429)	(17,191)	(13,179)
Impairment of non-current assets	11	(5,718)	-	(5,718)	-
Other expenses	3 (g)	(68,356)	(42,532)	(61,339)	(37,371)
Depreciation and amortisation expenses	3 (d)	(72,558)	(58,919)	(48,334)	(45,130)
Finance costs	3 (c)	(32,618)	(28,063)	(32,612)	(27,975)
Profit/(loss) before income tax		173,045	82,106	172,927	81,965
Income tax gain/(expense)	4 (a)	(51,903)	(24,640)	(51,867)	(24,607)
Net profit/(loss) for the year from continuing operations		121,142	57,466	121,060	57,358
Profit/(loss) attributable to the equity holder of the parent entity		121,142	57,466	121,060	57,358

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

STATEMENT OF CHANGES IN EQUITY

	Note	Consolidated		Corporation	
		June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
Equity at the beginning of the year		614,370	555,410	613,690	554,838
Gain/(loss) on cash flow hedges	18	1,310	1,494	1,310	1,494
Net profit for the year		121,142	57,466	121,060	57,358
Equity at the end of the year		736,822	614,370	736,060	613,690

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

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

BALANCE SHEET

	Note	Consolidated		Corporation	
		June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
CURRENT ASSETS					
Cash and cash equivalents	6 (a)	103,697	89,264	57,957	56,565
Trade and other receivables	7	63,916	64,071	64,595	71,308
Current tax receivables	4 (c)	496	-	496	-
Inventories	8	17,654	23,168	13,790	17,036
Prepayments		3,105	3,416	3,101	3,404
Total current assets		188,868	179,919	139,939	148,313
NON-CURRENT ASSETS					
Receivables	7	352	597	352	597
Investments	9	3	3	-	-
Investment in subsidiaries	10	-	-	4,673	3,812
Property, plant and equipment	11	1,463,902	1,130,771	1,288,835	968,463
Intangible assets	11	2,345	3,943	2,345	3,943
Deferred tax assets	4 (b)	12,728	51,240	10,399	49,737
Other	12	-	4,651	-	-
Total non-current assets		1,479,330	1,191,205	1,306,604	1,026,552
Total assets		1,668,198	1,371,124	1,446,543	1,174,865
CURRENT LIABILITIES					
Trade and other payables	13	119,367	89,444	102,427	73,785
Borrowings	14	5,803	5,951	5,803	5,532
Current tax liabilities	4 (c)	-	18,395	-	18,395
Provisions	15	17,910	16,340	17,910	16,340
Government grants	16	23,817	35,680	243	9,349
Other financial liabilities		-	1,442	-	1,442
Total current liabilities		166,897	167,252	126,383	124,843
NON-CURRENT LIABILITIES					
Borrowings	14	559,484	421,287	559,484	421,287
Deferred tax liabilities	4 (b)	16,475	8,231	16,475	8,231
Provisions	15	8,141	6,814	8,141	6,814
Government grants	16	180,379	153,170	-	-
Total non-current liabilities		764,479	589,502	584,100	436,332
Total liabilities		931,376	756,754	710,483	561,175
Net assets		736,822	614,370	736,060	613,690
EQUITY					
Reserves	18	-	(1,310)	-	(1,310)
Retained earnings	19	736,822	615,680	736,060	615,000
Total equity		736,822	614,370	736,060	613,690

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

CASH FLOW STATEMENT

	Note	Consolidated		Corporation	
		June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		541,614	501,305	450,430	392,768
Payments to suppliers and employees		(521,880)	(419,542)	(391,274)	(306,351)
Income tax paid	4 (c)	(24,037)	(18,292)	(24,037)	(18,292)
Community Service Obligations received		58,515	54,771	58,515	54,771
Receipt of government grants		73,698	47,511	(9,231)	-
Interest received		3,425	2,947	2,387	2,034
Interest paid		(32,388)	(27,634)	(32,383)	(27,546)
Net cash provided by operating activities	6 (b)	98,947	141,066	54,407	97,384
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		1,136	1,154	1,119	1,122
Interest received from controlled entities		-	-	112	391
Payments for property, plant and equipment		(223,753)	(174,629)	(196,418)	(156,129)
Proceeds from repayment of related party loans		-	-	3,704	2,964
Distribution from trust		53	35	-	-
Net cash used in investing activities		(222,564)	(173,440)	(191,483)	(151,652)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(5,950)	(8,108)	(5,532)	(6,535)
Proceeds from borrowings		144,000	87,000	144,000	87,000
Net cash provided by financing activities		138,050	78,892	138,468	80,465
Net increase/(decrease) in cash and cash equivalents		14,433	46,518	1,392	26,197
Cash and cash equivalents at beginning of year		89,264	42,746	56,565	30,368
Cash and cash equivalents at end of year	6 (a)	103,697	89,264	57,957	56,565

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

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Power and Water Corporation (the Corporation) is a corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2009 comprises the Corporation and its subsidiaries.

The financial report was authorised for issue by the directors on 25 September 2009.

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.

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

Adoption of new and revised Accounting Standards

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

Standards and Interpretations issued not yet effective

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 Standards 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	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' - (revised September 2007)	1 January 2009	30 June 2010
AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010

The directors have elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standards AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' in the current accounting period, even though these Standards are not required to be applied until annual reporting periods on or after 1 January 2009. Because the Corporation does not have on issue any debt or equity securities that are traded in a public market and is not in the process of issuing any class of instruments in a public market, the Corporation is not required to present segment reporting information under AASB 8, and accordingly none has been provided in this financial report.

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Corporation:

Standard	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' - revised standard	1 January 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'	1 July 2009	30 June 2010
AASB 3 'Business Combinations' (revised)	1 July 2009	30 June 2010
AASB 127 'Consolidated and Separate Financial Statements' (revised)	1 July 2009	30 June 2010
AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	1 July 2009	30 June 2010
AASB Int 15 'Agreements for the Construction of Real Estate'	1 July 2009	30 June 2010
AASB Int 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
AASB Int 17 'Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
AASB Int 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

(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.

Certain comparative amounts have been re-classified to conform with the current year's presentation (see note 29).

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

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Key sources of estimation uncertainty

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

Impairment write-back

Determining whether a previously impaired asset requires a revaluation and subsequent reversal of impairment requires an estimation of the value in use of the cash generating unit. The value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Details of the impairment reversal calculated can be found in note 27.

Impairment write-off

Determining whether an asset is impaired requires an estimation of the value in use of the individual asset. The value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Details of the impairment loss calculated can be found in note 11.

(d) 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 24 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 (e) Revenue recognition, shown below.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(e) Revenue recognition

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

Sale of goods

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

Rendering of services relating to construction of assets

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.

Rendering of sewerage services

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

Community service obligation revenue

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

Government grants

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

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

Government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and recognised as income on a systematic basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

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

Investment revenue

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

NOTES TO THE FINANCIAL STATEMENTS

Interest revenue

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

Contribution of assets

Contributions of assets and contributions to assist in the acquisition of assets from 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).

(f) Goods and services tax

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

Receivables and 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.

(g) 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.

(h) 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.

Current tax

Current tax is calculated by reference to the amount of the income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

Current and deferred tax for the period

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

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.

(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.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

(j) Financial Assets

Investments

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Corporation's financial statements.

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.

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

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

Effective interest method

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

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Service debtors are on 21 day terms and other debtors are on 30 day terms and are recognised and carried at the original invoice amount less impairment. This impairment is recorded through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Interest income is recognised by applying the effective interest rate.

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

Impairment of financial assets

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

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

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

Derecognition of financial assets

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

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to inventory based on the weighted-average purchase cost of bringing each item to its present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(l) Leased assets

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

Finance leases

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

(m) Property, plant & equipment

Acquisition of assets

Freehold land, buildings and plant and equipment 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, buildings and plant and equipment are measured at deemed cost, being the fair value of assets at the transition date to A-IFRS on 1 July 2004, less accumulated depreciation and less any impairment losses recognised at that date.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

Depreciation and amortisation

Complex Assets

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

Useful Lives

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

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

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

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

	June 2009	June 2008
Plant and equipment	1-100 years	1-100 years
Buildings	3-93 years	3-93 years
Intangibles	1-21 years	1-21 years
Rotables	5-12 years	5-12 years

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the 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.

NOTES TO THE FINANCIAL STATEMENTS

(n) Intangible assets

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

Neither the Corporation nor the consolidated entity has internally-generated intangible assets.

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.

(o) 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 in which the decision is made.

(p) Financial liabilities

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

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

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

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

Interest-bearing borrowings

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

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

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

(q) Employee benefits

Wages, salaries, sick leave and airfares

Provisions for wages and salaries, including non-monetary benefits and accumulated 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.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

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. Any actuarial gains or losses are recognised in the income statement.

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.

(r) 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 and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the income statement net of any recognised 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 except for employee provisions.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

(t) Renewable Energy Credits Scheme

The Renewable Energy Credits 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 Renewable Energy Certificates (RECs) for the production year to meet the annual production figures for the year. RECs are currently obtained through the provision of a rebate paid by the Corporation to householders installing solar hot water systems 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 and measured at fair value at the end of the financial year. Fair value is determined by the current market rate at the reporting date and any change in value is taken to the income statement.

(u) 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 at each reporting date. 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 value 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

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship the consolidated entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 20 contains details of the fair values of the cash flow hedge. Movements in the hedging reserve in equity are also detailed in note 18 and the Statement of Changes in Equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of other expenses or other income.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
3. REVENUE AND EXPENSES				
<i>Revenue and expenses from continuing operations</i>				
(a) Revenue				
Sale of goods	399,828	382,118	316,394	297,262
Rendering of services	92,244	76,013	30,705	29,207
Finance revenue	3,047	2,663	2,189	2,066
	495,119	460,794	349,288	328,535
<i>Breakdown of rendering services:</i>				
IES capital government grants	7,866	4,439	-	-
IES recurrent government grants	52,912	41,617	-	-
Services rendered	31,466	29,957	30,705	29,207
	92,244	76,013	30,705	29,207
<i>Breakdown of finance revenue:</i>				
Bank interest	2,994	2,611	2,077	1,675
Interest - controlled parties	-	-	112	391
Income from investments	53	52	-	-
	3,047	2,663	2,189	2,066
(b) Other income				
<i>Community Service Obligations:</i>				
Uniform tariffs	54,371	51,162	54,371	51,162
Other	4,144	3,549	4,144	3,549
	58,515	54,711	58,515	54,711
<i>Developer, customer and other capital contributions:</i>				
Gifted assets	17,260	13,093	12,264	13,093
Northern Territory Government capital contribution	50,000	50,000	50,000	50,000
Other	16,189	8,694	16,172	8,694
	83,449	71,787	78,436	71,787
Net gain/(loss) on disposal of property, plant and equipment	526	(2,078)	509	(2,110)
Recoverable works	9,274	7,262	2,579	2,563
Damages	6,351	-	6,351	-
Impairment reversal	161,274	-	161,274	-
Bank guarantee	6,300	-	6,300	-
Other revenue	6,114	7,746	6,429	7,818
Total other income	331,803	139,428	320,393	134,769

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.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
3. REVENUE AND EXPENSES (CONTINUED)				
(c) Finance costs				
Bank loans	6	88	-	-
Government loans	32,612	27,975	32,612	27,975
	32,618	28,063	32,612	27,975
(d) Depreciation and amortisation				
<i>Depreciation</i>				
Buildings	5,507	2,866	3,304	2,866
Plant and equipment	59,382	47,033	42,012	37,895
Rotable spares	950	894	950	894
Total depreciation	65,839	50,793	46,266	41,655
<i>Amortisation</i>				
Intangible assets	2,068	3,475	2,068	3,475
Development costs	4,651	4,651	-	-
Total amortisation	6,719	8,126	2,068	3,475
Total depreciation and amortisation	72,558	58,919	48,334	45,130
(e) Employee benefits expense				
Personnel direct	91,342	80,308	82,890	73,244
Contract and apprentice labour	4,457	3,179	4,392	3,164
	95,799	83,487	87,282	76,408
Capital and maintenance labour recovery	(23,895)	(18,131)	(20,191)	(14,995)
	71,904	65,356	67,091	61,413
(f) Repairs and maintenance expense				
Materials	49,025	41,456	39,012	32,721
Labour	15,226	10,689	12,748	8,531
	64,251	52,145	51,760	41,252
(g) Other expenses				
Generator hire	10,022	-	10,022	-
Grants and subsidies	6,074	2,901	6,072	2,901
Bad and doubtful debts	5,066	1,069	4,901	919
Other expenses	47,194	38,562	40,344	33,551
	68,356	42,532	61,339	37,371

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
4. INCOME TAX				
The major components of income tax expense are:				
(a) Income Statement				
<i>Current income tax</i>				
Current income tax charge	6,329	25,357	5,468	24,572
<i>Deferred income tax</i>				
Under/(over) from prior years	(195)	-	(195)	-
Relating to origination and reversal of temporary differences	45,769	(717)	46,594	35
Income tax expense reported in the income statement	51,903	24,640	51,867	24,607
Numerical reconciliation between tax expense and pre-tax net profit				
Accounting profit before income tax	173,045	82,106	172,927	81,965
At the consolidated entities' statutory income tax rate of 30% (2008: 30%)	51,914	24,631	51,878	24,589
Under/(over) provision from prior years	(195)	-	(195)	-
Expenditure not allowable for income tax purposes	184	9	184	18
Income tax expense on pre-tax profit	51,903	24,640	51,867	24,607
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Property, plant and equipment	7,594	-	7,594	-
Prepayments	56	43	56	43
Unbilled consumption	8,789	8,096	8,789	8,096
Accrued interest	36	92	36	92
Gross deferred income tax liabilities	16,475	8,231	16,475	8,231
<i>Movements:</i>				
Opening balance at 01 July	8,231	7,527	8,231	7,527
Over/(under) provision from prior years	251	-	251	-
Credited/(charged) to the income statement	7,993	704	7,993	704
Closing balance at 30 June	16,475	8,231	16,475	8,231

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
4. INCOME TAX (CONTINUED)				
<i>Deferred tax assets</i>				
Employee provisions	7,674	6,772	7,674	6,772
Unearned revenue	110	-	110	-
Allowance for doubtful debts	770	951	770	951
Obsolete stock provision	587	579	587	579
Accrued expenses	1,265	696	1,258	687
Property, plant and equipment	2,322	42,242	-	40,748
Gross deferred income tax assets	12,728	51,240	10,399	49,737
<i>Movements:</i>				
Opening balance at 01 July	51,240	49,819	49,737	49,068
Under/(over) provision from prior years	(736)	-	(736)	-
Credited/(charged) to the income statement	(37,776)	1,421	(38,602)	669
Closing balance at 30 June	12,728	51,240	10,399	49,737
Net deferred tax assets and deferred tax liabilities	(3,747)	43,009	(6,076)	41,506
Deferred tax income/(expense)	45,769	(717)	46,594	35
(c) Income tax payable				
Opening balance at 01 July	18,395	11,329	18,395	11,329
Income tax paid	(24,037)	(18,292)	(24,037)	(18,292)
Current year income tax expense	5,467	24,572	5,467	24,572
Subsidiary income tax expense	861	786	861	786
Under/(over) provision from prior years	(1,182)	-	(1,182)	-
Closing balance at 30 June	(496)	18,395	(496)	18,395
(d) Equity contributions to subsidiaries in relation to income tax payable				
Darnor Pty Limited			34	35
Gasgo Pty Limited			827	751
			861	786

(e) 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 (2008: \$1,720,000).

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
5. DIVIDENDS				
<i>Declared and paid during the year:</i>				
Dividends on ordinary shares:	-	-	-	-
	-	-	-	-

Final dividend paid in 2009 \$NIL (2008: \$NIL)

The Directors have not declared a dividend as an ongoing dividend moratorium was granted to the Corporation by its shareholder, the Northern Territory Government.

6. 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 as follows:

Cash assets	103,697	89,264	57,957	56,565
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(b) Reconciliation of net profit after tax to net cash flows from operations

Net Profit	121,142	57,466	121,060	57,358
<i>Adjustments for:</i>				
Depreciation and amortisation	72,558	58,919	48,334	45,130
Distribution from trust	(53)	(35)	-	-
Impairment reversal less impairment writedown	(155,556)	-	(155,556)	-
Contributed assets provided free of charge	(17,260)	(13,093)	(12,264)	(13,093)
Interest on loans to subsidiary companies	-	-	(112)	(391)
Net (profit)/loss on disposal of property, plant and equipment	(526)	2,078	(509)	2,110
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	5,514	(5,100)	3,247	(4,656)
(Increase)/decrease in trade and other receivables	401	(4,309)	3,254	(5,799)
(Increase)/decrease in prepayments	311	(1,603)	304	(1,611)
(Decrease)/increase in net deferred tax payable	46,756	(717)	46,721	(750)
(Decrease)/increase in current tax liabilities	(18,891)	7,065	(18,891)	7,065
(Decrease)/increase in trade and other payables	28,439	18,994	24,857	12,129
(Decrease)/increase in government grants	13,045	19,054	(9,105)	(2,449)
(Decrease)/increase in provisions	3,067	2,347	3,067	2,341
Net cash flows from operating activities	98,947	141,066	54,407	97,384

(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 \$17.3 million (2008: \$13.1 million) by means of a gift. These acquisitions are not reflected in the cashflow statement.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
7. TRADE AND OTHER RECEIVABLES				
Current				
Service receivables	26,575	21,666	26,205	20,131
Allowance for doubtful debts	(2,566)	(3,318)	(2,566)	(3,168)
Unbilled consumption	29,299	26,987	29,299	26,987
	53,308	45,335	52,938	43,950
Other receivables	10,608	18,736	3,835	12,362
Loans and advances to controlled entities	-	-	7,822	14,996
Total current receivables	63,916	64,071	64,595	71,308
Non-Current				
Development loans	352	597	352	597
Total non-current receivables	352	597	352	597

(a) Service receivables

The average credit period on sales of goods and rendering of services is 21 days. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined on an individual receivable basis, and by reference to past default experience.

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

Ageing of individually determined impaired service receivables:				
0-30 days	655	320	655	320
30 - 60 days	210	135	210	135
60 - 90 days	141	160	141	160
90 + days	1,561	2,703	1,561	2,553
Impairment	2,566	3,318	2,566	3,168

NOTES TO THE FINANCIAL STATEMENTS

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$3,336,000 (2008: \$1,848,000) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Corporation generally does not hold collateral over these balances. The average age of these receivables is 121 days (2008: 100 days).

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
Ageing of past due but not impaired service receivables:				
30 - 60 days	733	1,206	733	1,206
60 - 90 days	346	268	346	268
90 + days	2,257	374	2,257	374
Total	3,336	1,848	3,336	1,848
Movement in the allowance for doubtful debts:				
Balance at beginning of year	3,318	3,784	3,168	3,784
Impairment losses recognised on receivables	454	1,069	604	919
Amounts written off as uncollectible	(1,854)	(1,957)	(1,854)	(1,957)
Written off debts subsequently collected	648	422	648	422
Balance at end of year	2,566	3,318	2,566	3,168

(b) Development loans

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

8. INVENTORIES

Materials and stores	7,816	6,705	7,676	6,705
Fuel stocks	9,399	16,010	5,675	9,878
Gas stocks	77	61	77	61
Tokens	362	392	362	392
Total inventories	17,654	23,168	13,790	17,036

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000

9. 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 (2008: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 10 (2008: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2008: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 50 (2008: 50) ordinary shares of \$1 each held by the Corporation in BGP Tenure Holdings Pty Limited
- 15 (2008: 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.

10. INVESTMENT IN SUBSIDIARIES

Darnor Pty Limited	-	-	269	235
Gasgo Pty Limited	-	-	4,404	3,577
Total investment in subsidiaries	-	-	4,673	3,812

Movement in investments relates to contributions for income tax payable balances. See note 4.

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

JUNE 2009

Consolidated	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Rotables \$'000	Total Property, Plant and Equipment \$'000	Intangible Assets \$'000
Cost							
Opening balance	14,951	163,065	1,783,230	200,364	9,896	2,171,506	16,729
Transfer / restructure	-	11,845	(12,968)	-	-	(1,123)	210
Additions	-	401	16,858	223,511	4,384	245,154	-
Transfer from WIP	1,405	11,952	128,346	(141,986)	-	(283)	283
Disposals	(190)	(133)	(3,986)	-	-	(4,309)	-
1 Impairment - specific assets	-	(214)	(5,558)	-	-	(5,772)	-
2 Impairment reversal	2,838	7,712	287,071	-	-	297,621	19
Rounding	-	1	(8)	-	-	(7)	-
Closing balance	19,004	194,629	2,192,985	281,889	14,280	2,702,787	17,241
Accumulated Depreciation							
Opening balance	-	(79,431)	(957,821)	-	(3,485)	(1,040,737)	(12,786)
Transfer / restructure	-	(10,883)	11,182	-	-	299	(32)
Depreciation	-	(5,761)	(59,128)	-	(949)	(65,838)	(2,069)
Disposals	-	116	3,583	-	-	3,699	-
1 Impairment - specific assets	-	1	53	-	-	54	-
2 Impairment reversal	-	(5,275)	(131,082)	-	-	(136,357)	(9)
Rounding	-	-	(5)	-	-	(5)	-
Closing balance	-	(101,233)	(1,133,218)	-	(4,434)	(1,238,885)	(14,896)
Written Down Value							
Opening balance	14,951	83,634	825,409	200,364	6,411	1,130,769	3,943
Transfer / restructure	-	962	(1,786)	-	-	(824)	178
Additions	-	401	16,858	223,511	4,384	245,154	-
Depreciation	-	(5,761)	(59,128)	-	(949)	(65,838)	(2,069)
Transfer from WIP	1,405	11,952	128,346	(141,986)	-	(283)	283
Disposals	(190)	(17)	(403)	-	-	(610)	-
1 Impairment - specific assets	-	(213)	(5,505)	-	-	(5,718)	-
2 Impairment reversal	2,838	2,437	155,989	-	-	161,264	10
Rounding	-	1	(13)	-	-	(12)	-
Closing balance	19,004	93,396	1,059,767	281,889	9,846	1,463,902	2,345

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

JUNE 2009

Corporation	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Rotables \$'000	Total Property, Plant and Equipment \$'000	Intangible Assets \$'000
Cost							
Opening balance	14,930	140,318	1,504,740	188,210	9,896	1,858,094	16,729
Transfer / restructure	-	(317)	(806)	-	-	(1,123)	210
Additions	-	-	12,264	196,169	4,384	212,817	-
Transfer from WIP	1,405	11,210	116,556	(129,454)	-	(283)	283
Disposals	(190)	(133)	(3,986)	-	-	(4,309)	-
1 Impairment - specific assets	-	(214)	(5,558)	-	-	(5,772)	-
2 Impairment reversal	2,838	7,712	287,071	-	-	297,621	19
Rounding	-	-	(1)	-	-	(1)	-
Closing balance	18,983	158,576	1,910,280	254,925	14,280	2,357,044	17,241
Accumulated Depreciation							
Opening balance	-	(72,366)	(813,781)	-	(3,485)	(889,632)	(12,786)
Transfer / restructure	-	93	204	-	-	297	(32)
Depreciation	-	(3,319)	(41,997)	-	(949)	(46,265)	(2,069)
Disposals	-	116	3,583	-	-	3,699	-
1 Impairment - specific assets	-	1	53	-	-	54	-
2 Impairment reversal	-	(5,275)	(131,081)	-	-	(136,356)	(9)
Rounding	-	-	(6)	-	-	(6)	-
Closing balance	-	(80,750)	(983,025)	-	(4,434)	(1,068,209)	(14,896)
Written Down Value							
Opening balance	14,930	67,952	690,959	188,210	6,411	968,462	3,943
Transfer / restructure	-	(224)	(602)	-	-	(826)	178
Additions	-	-	12,264	196,169	4,384	212,817	-
Depreciation	-	(3,319)	(41,997)	-	(949)	(46,265)	(2,069)
Transfer from WIP	1,405	11,210	116,556	(129,454)	-	(283)	283
Disposals	(190)	(17)	(403)	-	-	(610)	-
1 Impairment - specific assets	-	(213)	(5,505)	-	-	(5,718)	-
2 Impairment reversal	2,838	2,437	155,990	-	-	161,265	10
Rounding	-	-	(7)	-	-	(7)	-
Closing balance	18,983	77,826	927,255	254,925	9,846	1,288,835	2,345

1 In January 2009, Compass Resources went into voluntary administration thus triggering the payment of the guarantees to the Corporation which have been recognised as revenue in the income statement (see note 3(b)). As Compass is now in administration, the Corporation will not receive future sales to support the value of this network asset. The network asset has therefore been written down by \$5,718,000. The balance of the value of the asset has not been impaired as this consists of equipment that will be used elsewhere in the Corporation's network.

2 For further details on the impairment reversal, refer to note 27.

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

JUNE 2008

Consolidated	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Leased Assets \$'000	Work in Progress \$'000	Rotables \$'000	Total Property, Plant and Equipment \$'000	Intangible Assets \$'000
Cost								
Opening balance	14,950	144,211	1,597,988	133,747	109,191	9,568	2,009,655	4,982
Transfer / restructure	-	(5)	133,874	(133,747)	-	(14)	108	171
Additions	-	-	13,311	-	174,071	342	187,724	-
Transfer from WIP	-	18,858	52,466	-	(82,899)	-	(11,575)	11,575
Disposals	-	-	(14,405)	-	-	-	(14,405)	-
Rounding	-	-	(5)	-	1	-	(4)	-
Closing balance	14,950	163,064	1,783,229	-	200,364	9,896	2,171,503	16,728
Accumulated Depreciation								
Opening Balance	-	(88,596)	(785,189)	(133,747)	-	(2,615)	(1,010,147)	-
Transfer / restructure	-	12,684	(137,062)	133,747	-	25	9,394	(9,358)
Depreciation	-	(3,518)	(46,431)	-	-	(894)	(50,843)	(3,425)
Disposals	-	-	10,858	-	-	-	10,858	-
Rounding	-	(2)	7	-	-	1	6	(2)
Closing balance	-	(79,432)	(957,817)	-	-	(3,483)	(1,040,732)	(12,785)
Written Down Value								
Opening balance	14,950	55,615	812,799	-	109,191	6,953	999,508	4,982
Transfer / restructure	-	12,679	(3,188)	-	-	11	9,502	(9,187)
Additions	-	-	13,311	-	174,071	342	187,724	-
Depreciation	-	(3,518)	(46,431)	-	-	(894)	(50,843)	(3,425)
Transfer from WIP	-	18,858	52,466	-	(82,899)	-	(11,575)	11,575
Disposals	-	-	(3,547)	-	-	-	(3,547)	-
Rounding	-	(2)	2	-	1	1	2	(2)
Closing balance	14,950	83,632	825,412	-	200,364	6,413	1,130,771	3,943

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

JUNE 2008

Corporation	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Leased Assets \$'000	Work in Progress \$'000	Rotables \$'000	Total Property, Plant and Equipment \$'000	Intangible Assets \$'000
Cost								
Opening balance	14,929	124,074	1,329,568	133,747	102,450	9,568	1,714,336	4,982
Transfer / restructure	-	(5)	133,874	(133,747)	-	(14)	108	171
Additions	-	-	13,311	-	155,571	342	169,224	-
Transfer from WIP	-	16,248	41,989	-	(69,812)	-	(11,575)	11,575
Disposals	-	-	(13,999)	-	-	-	(13,999)	-
Rounding	-	-	(3)	-	-	-	(3)	-
Closing balance	14,929	140,317	1,504,740	-	188,209	9,896	1,858,091	16,728
Accumulated Depreciation								
Opening balance	-	(82,242)	(649,170)	(133,747)	-	(2,615)	(867,774)	-
Transfer / restructure	-	12,684	(137,062)	133,747	-	25	9,394	(9,358)
Depreciation	-	(2,807)	(38,004)	-	-	(894)	(41,705)	(3,425)
Disposals	-	-	10,452	-	-	-	10,452	-
Rounding	-	(1)	5	-	-	1	5	(2)
Closing balance	-	(72,366)	(813,779)	-	-	(3,483)	(889,628)	(12,785)
Written Down Value								
Opening balance	14,929	41,832	680,398	-	102,450	6,953	846,562	4,982
Transfer / restructure	-	12,679	(3,188)	-	-	11	9,502	(9,187)
Additions	-	-	13,311	-	155,571	342	169,224	-
Depreciation	-	(2,807)	(38,004)	-	-	(894)	(41,705)	(3,425)
Transfer from WIP	-	16,248	41,989	-	(69,812)	-	(11,575)	11,575
Disposals	-	-	(3,547)	-	-	-	(3,547)	-
Rounding	-	(1)	2	-	-	1	2	(2)
Closing balance	14,929	67,951	690,961	-	188,209	6,413	968,463	3,943

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
12. OTHER NON-CURRENT ASSETS				
Deferred development expenditure	58,255	58,255	-	-
Less: Accumulated amortisation	(58,255)	(53,604)	-	-
Total other non-current assets	-	4,651	-	-

13. TRADE AND OTHER PAYABLES

Service creditors	47,371	40,416	35,117	28,667
Other creditors and accruals	71,996	49,028	67,310	45,118
Total payables	119,367	89,444	102,427	73,785

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

14. INTEREST BEARING BORROWINGS

Current				
Government loans - unsecured	5,803	5,532	5,803	5,532
Commercial bill facility - secured	-	419	-	-
Total current borrowings	5,803	5,951	5,803	5,532
Non-Current				
Government loans - unsecured	559,484	421,287	559,484	421,287
Total non-current borrowings	559,484	421,287	559,484	421,287

The government loans and commercial bill facility in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$5.8 million (2008: \$5.9 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 (2008: \$2.0 million). The unused bank overdraft facility available at the reporting date is \$2.0 million (2008: \$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.

Commercial bill facility:

The commercial bill facility has been closed with all outstanding amounts paid during the current year.

The total commercial bill facility available at the reporting date is \$ NIL million (2008: \$16.0 million). The unused commercial bill facility available at the reporting date is \$ NIL million.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
15. PROVISIONS				
Current				
Employee benefits	17,323	15,646	17,323	15,646
Employee related provisions	587	524	587	524
Self insurance provision	-	170	-	170
Total current provisions	17,910	16,340	17,910	16,340
Non-Current				
Employee benefits	8,141	6,814	8,141	6,814
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	524	397	524	397
Provisions made during the year	7,556	5,110	7,556	5,110
Payments made during the year	(7,493)	(4,983)	(7,493)	(4,983)
Carrying amount at end of year	587	524	587	524

NOTES TO THE FINANCIAL STATEMENTS

16. GOVERNMENT GRANTS

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 Northern Territory's Department of Local Government and Housing for the development of power, water and sewerage infrastructure in remote indigenous communities. In addition, funds received from the Northern Territory Government in relation to the Federal Government's intervention into NT Indigenous communities and the Northern Territory Government's Strategic Indigenous Housing and Infrastructure Program (SIHIP) are included in capital grants.

In prior years, 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 were returned to the Department of Local Government and Housing in the financial year.

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
Operational grants	4,245	26,543	243	9,349
Capital grants	199,951	162,307	-	-
Total government grants	204,196	188,850	243	9,349
Provided for in the financial statements as:				
Current	23,817	35,680	243	9,349
Non-current	180,379	153,170	-	-
	204,196	188,850	243	9,349

17. CONTRIBUTED EQUITY

Share capital

1 Share (2008: 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.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

18. 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, consequently any gain or loss on the contracts is deferred to equity. When the construction project's asset is delivered, the amount recognised in equity is released to the consolidated entity's project asset account in the consolidated entity's balance sheet. During the year \$1,309,521 was released from equity by the consolidated entity.

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
Balance at beginning of year	(1,310)	(2,804)	(1,310)	(2,804)
<i>Movement for the year:</i>				
Gains/(losses) on cash flow hedging instruments	880	(685)	880	(685)
Gains/(losses) transferred to the acquisition cost	430	2,179	430	2,179
Total movement for the year	1,310	1,494	1,310	1,494
Balance at end of year	-	(1,310)	-	(1,310)

19. RETAINED EARNINGS

Retained earnings at beginning of year	615,680	558,214	615,000	557,642
Net profit for the year	121,142	57,466	121,060	57,358
Retained earnings at end of the year	736,822	615,680	736,060	615,000

NOTES TO THE FINANCIAL STATEMENTS

20. RISK MANAGEMENT OBJECTIVES

(a) Financial risk management objectives and policies

The consolidated entity's principal financial instruments are 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 of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

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

The consolidated entity's overall strategy remains unchanged from 2008.

(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.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

20. RISK MANAGEMENT OBJECTIVES (CONTINUED)

(c) Interest rate risk management

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

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

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

	Consolidated			Corporation		
	Fixed and Variable Rate Loans \$'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% \$'000	Fixed and Variable Rate Loans \$'000	Average Interest Rate %	Increase in annual interest expense if interest rates rise by 1.00% \$'000
< 1 to 2 years	121,583	7.60%	117	121,583	7.60%	117
2 to 5 years	172,748	6.50%	685	172,748	6.50%	685
5 years +	551,853	6.77%	4,849	551,853	6.77%	4,849
	846,184		5,651	846,184		5,651

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

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

(e) Liquidity risk management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

20. RISK MANAGEMENT OBJECTIVES (CONTINUED)

(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 consolidated entity's foreign currency denominated monetary liabilities at the reporting date was as follows:

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000
US Dollars	-	7,696	-	7,696

(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 consolidated entity entered into forward exchange contracts to purchase US Dollars. These contracts hedged highly probable forecast payments timed to mature, including rollover strategy, when payments were scheduled to be made.

At balance date, the details of hedging contracts were:

Buy US \$/Sell Australian \$	Corporation			
	June 2009 \$'000	June 2008 \$'000	June 2009 Average Exchange Rate	June 2008
Maturity > 12 months	-	-	-	-
Total	-	7,696	-	0.7624

Buy US \$/Sell Australian \$	Corporation			
	June 2009 \$'000	June 2008 \$'000	June 2009 Average Exchange Rate	June 2008
Maturity < 12 months	-	7,696	-	0.7624
Maturity > 12 months	-	-	-	-
Total	-	7,696	-	0.7624

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS

Fair values

Net fair values of financial assets and liabilities approximate carrying values except for government loans, which have a fair value of \$580.9 million (2008: \$417.6 million).

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

Interest rate risk

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

Consolidated	Weighted average interest rate %	Floating interest rate \$'000	Fixed and floating interest maturing in:				Non-interest bearing \$'000	Total \$'000
			Fixed interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000		
2009								
Financial Assets								
Cash assets	4.31%	103,697	-	103,697	-	-	-	103,697
Receivables		-	-	-	-	-	64,268	64,268
Investments		-	-	-	-	-	3	3
		103,697	-	103,697	-	-	64,271	167,968
Financial Liabilities								
Payables		-	-	-	-	-	119,367	119,367
Government loans	6.54%	-	565,287	5,803	62,609	496,876	-	565,287
Employee benefits		-	-	-	-	-	26,051	26,051
		-	565,287	5,803	62,609	496,876	145,418	710,705
2008								
Financial Assets								
Cash assets	6.50%	89,264	-	89,264	-	-	-	89,264
Receivables		-	-	-	-	-	64,668	64,668
Investments		-	-	-	-	-	3	3
		89,264	-	89,264	-	-	64,671	153,935
Financial Liabilities								
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
Dividends payable		-	-	-	-	-	-	-
Employee benefits		-	-	-	-	-	23,154	23,154
		419	426,819	5,951	1,492	419,795	112,598	539,836

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

Corporation	Weighted average interest rate %	Floating interest rate \$'000	Fixed and floating interest maturing in:				Non-interest bearing \$'000	Total \$'000
			Fixed interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000		
2009								
Financial Assets								
Cash assets	4.31%	57,957	-	57,957	-	-	-	57,957
Receivables		-	-	-	-	-	64,947	64,947
		57,957	-	57,957	-	-	64,947	122,904
Financial Liabilities								
Payables		-	-	-	-	-	102,427	102,427
Government loans	6.54%	-	565,287	5,803	62,609	496,876	-	565,287
Employee benefits		-	-	-	-	-	26,051	26,051
		-	565,287	5,803	62,609	496,876	128,478	693,765
2008								
Financial Assets								
Cash assets	6.50%	56,565	-	56,565	-	-	-	56,565
Receivables		-	-	-	-	-	71,905	71,905
		56,565	-	56,565	-	-	71,905	128,470
Financial Liabilities								
Payables		-	-	-	-	-	73,785	73,785
Government loans	6.96%	-	426,819	5,532	1,492	419,795	-	426,819
Employee benefits		-	-	-	-	-	23,154	23,154
		-	426,819	5,532	1,492	419,795	96,939	523,758

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Corporation	
	June 2009 \$'000	June 2008 \$'000	June 2009 \$'000	June 2008 \$'000

22. COMMITMENTS

Capital expenditure commitments

Contracted but not provided for and payable within one year:	113,347	64,621	107,632	52,101
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Purchase, lease and hire expenditure commitments (non-cancellable)

Contracted but not provided for:				
Plant and equipment	54,019	68,545	54,019	68,545
Electricity purchase	58,274	66,350	58,274	66,350
Gas purchase	4,505,747	4,315,216	4,478,318	4,236,175
Gas transportation	1,011,286	814,206	1,011,286	814,206
	5,629,326	5,264,317	5,601,897	5,185,276

Payable:

Within one year	295,983	222,744	279,801	158,717
One year or later and no later than five years	729,771	716,788	712,809	689,253
Later than five years	4,716,920	4,389,407	4,716,920	4,389,407
	5,742,674	5,328,939	5,709,530	5,237,377

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

Gas purchase commitments include take-or-pay obligations under a 25-year gas sale agreement with Eni Australia B.V., the first supply of which is expected to commence at the end of September 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 2009 \$	June 2008 \$	June 2009 \$	June 2008 \$
Within one year	9,965,943	7,979,086	9,835,044	7,812,030
After one year but not more than five years	13,887,161	13,439,151	13,887,161	13,327,017
	23,853,104	21,418,237	23,722,205	21,139,047

NOTES TO THE FINANCIAL STATEMENTS

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

24. 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 2009 %	June 2008 %	June 2009 \$	June 2008 \$
Darnor Pty Limited	Australia	100%	100%	10	10
Gasgo Pty Limited	Australia	100%	100%	10	10
BGP Tenure Holdings Pty Limited	Australia	50%	50%	0	0
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 2009	94,162	45,245	64,182	612,653
	June 2008	89,031	39,187	4,762	485,470
Darnor Pty Limited (subsidiary)	June 2009	-	3	-	-
	June 2008	-	13	-	-
Gasgo Pty Limited (subsidiary)	June 2009	-	-	-	-
	June 2008	-	15	-	-
Indigenous Essential Services Pty Limited (subsidiary)	June 2009	77,826	495	410	24,778
	June 2008	60,562	198	1,057	7,625

(1) For the year ended 30 June 2009, purchases from the NT Government include interest paid on borrowings of \$32,612,342 (2008: \$27,974,634) refer to note 3(c).

(2) For the year ended 30 June 2009, the amount owed to the NT Government includes borrowings of \$565,287,602 (2008: \$426,819,542) refer to note 14.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

24. RELATED PARTY INFORMATION (CONTINUED)

The consolidated entity receives grants from the NT Government. See note 2(e), 3(a) and note 16 for further details of these grants.

A related entity, Gasgo Pty Limited, has discharged a loan from the Corporation in the current financial year on which interest was charged monthly at a weighted average of 5.97% p.a. (2008: 7.37% 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.

A director, Mr Mervyn Davies, is the Principal of Girna Engineering Management Services (GEMS). The Corporation entered into a contract with GEMS during the year, and prior to Mr Davies becoming a director, for the provision of work undertaken as Chariman of the Independent Enquiry into Casuarina Zone Substation Events and Substation Maintenance across Darwin. The contract was awarded on normal commercial terms and conditions. The consulting fees totalled \$144,719, of which nil remained outstanding to be paid at the end of the year.

For the year ended 30 June 2009, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$0.4 million (2008: \$0.4 million).

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the consolidated entity recognises an allowance for the impairment loss.

	Consolidated		Corporation	
	June 2009	June 2008	June 2009	June 2008
	\$	\$	\$	\$

25. AUDITOR'S REMUNERATION

Audit services:				
Auditors of the Corporation - NT Auditor-General	342,854	423,078	284,270	354,052

NOTES TO THE FINANCIAL STATEMENTS

26. 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 Salary & Fees \$	Post employment Superannuation benefits \$	Total \$
Non-executive directors				
Mr Neil Philip (Chairperson to May 2009)	June 2009	57,707	5,145	62,852
	June 2008	71,277	6,369	77,646
Ms Judith King (Chairperson from May 2009)	June 2009	-	44,873	44,873
	June 2008	30,157	14,681	44,838
Mr Peter Vines	June 2009	52	44,821	44,873
	June 2008	52	44,786	44,838
Mr Robert Neil	June 2009	51,242	4,575	55,817
	June 2008	51,122	4,568	55,690
Mr Barry Chambers	June 2009	52	55,765	55,817
	June 2008	52	55,638	55,690
Ms Margaret Gibson	June 2009	41,195	3,678	44,873
	June 2008	41,160	3,678	44,838
Mrs Linda Mackenzie	June 2009	51,242	4,575	55,817
	June 2008	49,550	4,568	54,119
Mr Mervyn Davies	June 2009	4,969	-	4,969
	June 2008	-	-	-
Total non-executive directors	June 2009	206,459	163,432	369,892
	June 2008	243,369	134,290	377,659

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

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

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 2009 \$	June 2008 \$	June 2009 \$	June 2008 \$
Short-term employee benefits	2,789,016	2,440,482	2,736,630	2,240,934
Other long-term benefits	533,814	455,333	498,822	325,222
Total compensation of key management personnel (excluding non-executive directors)	3,322,830	2,895,815	3,235,452	2,566,156

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.

NOTES TO THE FINANCIAL STATEMENTS

27. SUBSEQUENT REVERSAL OF PRIOR PERIOD IMPAIRMENT

Upon adoption of the Australian equivalent to International Financial Reporting Standards (A-IFRS) as disclosed in the 30 June 2006 financial statements, the Corporation measured the recoverable amounts of its assets in accordance with the new accounting standard AASB 136 *Impairment of Assets*.

Based on value in use, applying a pre-tax discount rate of 6.10%, the sewerage cash generating unit (CGU) was found to be impaired and was therefore written down by \$31,461,000 as at 1 July 2004 and \$30,751,000 as at 30 June 2005. The movement between the two years represents the depreciation adjustment in the year to 30 June 2005 of \$710,000 on the devaluation of \$31,461,000.

Following on from the Auditor-General's qualification of the June 2006 financial statements with regard to asset values, the Corporation engaged a consulting firm to redevelop the Corporation's model used to measure assets' value in use in accordance with AASB 136. Additionally, a consultant was engaged to calculate the Corporation's discount rate in accordance with AASB 136.

As a result of the above, based on value in use, using a nominal post-tax discount rate of 8.06%, it was found that the water and sewerage CGUs were impaired by \$88,567,000 and \$57,864,000 respectively.

In April 2009, the Northern Territory Government announced substantial water and sewerage tariff increases effective from 1 July 2009. As a result of this triggering event, the Corporation has reassessed the recoverable amount of its cash generating units. This has resulted in a sufficient increase in the value in use of the water and sewerage CGUs such that previous impairments can now be reversed. The nominal post-tax discount rate used to determine the value in use was 9.58%.

The impairment reversal of \$161,274,503 as shown in note 3(b) (\$82,038,602 and \$79,235,901 for water and sewerage respectively) is less than the amounts detailed above as AASB 136 requires that the subsequent reversal of an impairment be the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the cash generating units in prior periods.

The impairment loss and its subsequent reversal were allocated *pro rata* to the individual assets constituting the cash generating units.

The Corporation's cash generating units are based on its product lines being electricity, water and sewerage.

28. 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.

POWER AND WATER CORPORATION AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO THE FINANCIAL STATEMENTS

29. RESTATEMENT OF COMPARATIVES

Annually, the Consolidated entity and Corporation are required to produce a Statement of Corporate Intent (SCI) which sets out the budgeted financials for the following five year period. The SCI is approved by Cabinet of the Northern Territory Government. Historically the revenue and expense categories used in the financial statements has differed from those used in the SCI. As many of the consolidated entity's key stakeholders refer to both sets of financials, the categories in the annual financial statements have been aligned to those used in the SCI in order to improve annual comparative analysis.

	Consolidated 30 June 2008			Corporation 30 June 2008		
	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
Continuing Operations						
Revenue from sale of goods	382,118	382,118	-	297,262	297,262	-
Revenue from rendering of services	76,013	76,013	-	29,207	29,207	-
Finance revenue	2,663	2,663	-	2,066	2,066	-
Other income	139,428	139,428	-	134,769	134,769	-
Inter-Group sales	-	-	-	-	6,784	6,784
Revenue	600,222	600,222	-	463,304	470,088	6,784
Change in inventories of finished goods	(386)	-	386	(386)	-	386
Energy and materials	(255,316)	(252,672)	2,644	(162,555)	(161,803)	752
Repairs and maintenance expense	(41,508)	(52,145)	(10,637)	(32,773)	(41,252)	(8,479)
Employee benefits expense	(73,573)	(65,356)	8,217	(60,685)	(61,413)	(728)
Property costs	(5,706)	-	5,706	(5,572)	-	5,572
Information technology and communications expense	(7,607)	-	7,607	(7,321)	-	7,321
Insurance costs	(2,518)	-	2,518	(2,504)	-	2,504
Community contract fees	(6,198)	-	6,198	(1,359)	-	1,359
External service agreements	-	(18,429)	(18,429)	-	(13,179)	(13,179)
Impairment of non-current assets	-	-	-	-	-	-
Other expenses	(38,322)	(42,532)	(4,210)	(35,079)	(37,371)	(2,292)
Depreciation and amortisation expenses	(58,919)	(58,919)	-	(45,130)	(45,130)	-
Finance costs	(28,063)	(28,063)	-	(27,975)	(27,975)	-
Profit/(loss) before income tax	82,106	82,106	-	81,965	81,965	-
Income tax gain/(expense)	(24,640)	(24,640)	-	(24,607)	(24,607)	-
Net profit/(loss) for the year from continuing operations	57,466	57,466	-	57,358	57,358	-

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