



POWER AND WATER CORPORATION

2010 annual report



Letter to the Shareholder

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

Dear Treasurer

On behalf of the Power and Water Corporation it gives us great pleasure to present the Corporation's eighth annual report, for the year ended 30 June 2010, in accordance with the provisions of Section 44 of the *Government Owned Corporations Act*.

Yours sincerely



Judith King
Chairman
30 September 2010



Andrew Macrides
Managing Director
30 September 2010

This report

Purpose

This report provides a record of Power and Water Corporation's operations and achievements for the 2009-10 financial year.

Pursuant to Section 44 of the *Government Owned Corporations Act 2001*, 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;

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, environmental, 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 for Power and Water's shareholding minister and Parliament. It provides a statement of achievement, income and expenditure for the financial year 2009-10.

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.

Contents

Chairman's report.....	4
Managing Director's report.....	5
Highlights from 2009-10.....	6
Outlook for 2010-11.....	7
About us	
Power and Water Corporation.....	9
Maps.....	12
Our performance	
Services.....	15
Financial management.....	18
Our sustainability	
Our infrastructure.....	19
Our stakeholders.....	26
Our environment.....	30
Our people.....	41
Our economics.....	44
Corporate governance.....	48
Financial statements.....	53
Directors' profiles.....	56
Directors' report/declaration.....	62

Chairman's report

Power and Water is undertaking the Northern Territory's largest ever investment in essential electricity, water and sewerage infrastructure. Over the past year \$365.6m was invested in plant and equipment under a five-year, \$1.5 billion program.

As well as building new infrastructure to meet the growth in demand driven by business development and residential customers, Power and Water has continued its program of replacing and upgrading ageing and deteriorating assets, with the systems necessary for efficient management and long term planning.

The Corporation's debt level has increased – and will continue to do so as we invest in this critical infrastructure. However the debt level is within the key financial ratios recommended by the 2009 Reeves Report on the Corporation's financial sustainability.

This investment has been made possible as a result of the debt-to-equity swap negotiated with the Northern Territory Government. Financial sustainability is a key

priority for the Board, as is constant monitoring of our operational expenditure.

Tariffs, which are mid-range compared to other Australian jurisdictions, remain as announced on 1 July 2009. The Corporation's revenue for the year was \$715.8 million, up from \$615.6 million in 2008-09.

Significant adjustments, required under accounting standards, in the value of generation and networks infrastructure resulted in a net loss of \$269.9 million. In real terms the loss was \$37.1 million.

While the capital expenditure program is a priority for Power and Water's directors and management we are also focused on ensuring that the Corporation is environmentally sustainable and meets all obligations under its operating licences and regulatory requirements.

The securing of 25-year gas contracts to fuel our major power stations positions Power and Water as a comparatively clean electricity provider.

The Corporation is closely monitoring the development of renewable

energy technologies, including geothermal. These developments are providing confidence that Power and Water will have base load options to meet its target of 300 GWh of renewable energy by 2020 that can be rolled out to our customers on a cost competitive basis.

A further three solar power stations are to be built in remote communities and construction of our first large-scale solar plant in a major centre is expected in the next financial year. The expansion and upgrade of essential services in remote communities also continues.

The directors are well aware of the challenges faced by Power and Water employees in delivering these projects across the Corporation and the outstanding response they are making to these demands.

We thank all our employees and acknowledge the leadership of the Managing Director, Andrew Macrides and his management team.

Finally I thank my fellow members of the Power and Water Board for their contributions over the past year.



Judith King, Chairman

Managing Director's report

This report details major projects right across the Territory that will increase the capacity and improve the reliability of our infrastructure over the next two to four years.

The Northern Territory Government has recognised the need to invest in Power and Water's infrastructure and as a result we have the staff, the expertise and the funding to deliver reliable electricity, water and sewerage services to meet the needs of our growing customer and industry base into the future.

However, there are no quick fixes. Repairing the neglect caused by historic underfunding will take time, with the safety of our workforce, our contractors and members of the public our key consideration.

Continued patience will be necessary as we progress with these works. We have achieved a lot in the last 12 months but still have much more to do to meet the expectations of our customers.

Several multi-million dollar major projects have taken shape this year, one of the most exciting being the new \$126 million Owen Springs Power Station with construction at the site starting in 2008.

This station will initially contain three 10.9MW engines and be connected to the Alice Springs grid via a series of above and underground transmission lines and the new Lovegrove Zone Substation.



These engines and the associated power networks infrastructure are currently being tested and commissioned and will be operational by January 2011.

To supplement power supply on the Darwin-Katherine system, two new Rolls Royce turbines are being installed at Channel Island Power Station.

This \$120 million project will increase generation capacity by up to 25 per cent when both machines become operational in the first quarter of 2011.

This is part of a \$300 million accelerated generation investment plan approved this year by the Power and Water Board and subsequently by the NT Government.

The \$67 million project to close down the Larrakeyah outfall by October 2011 is on track. This year saw work progress on the gravity sewer diversion from Larrakeyah Terrace to Doctor's Gully and work commence on a new sewerage pumping station at Doctor's Gully.

Work on a new gravity sewer from Doctor's Gully to the Dinah Beach trunk sewer will commence in November 2010 and work to upgrade Darwin's Ludmilla Wastewater Treatment Plant is well progressed.

The \$10 million project to increase the capacity of Darwin River Dam by 20 per cent has taken place over the 2009 and 2010 dry seasons. This has required raising the dam embankment and spillway, the construction of a new wave wall and modifications to the intake tower.

The Power Networks unit increased its focus on zone substations, replacing the damaged 11kV switchboard at Casuarina Zone Substation and upgrading zone substations throughout the Territory in accordance with the Mervyn Davies Report recommendations.

In addition, construction of the new \$27 million Archer Zone Substation at Palmerston was largely completed this year. This substation will meet the growing demand in Palmerston, catering for the development of new suburbs and bringing greater diversity into the Palmerston grid. This substation is due to be commissioned by the end of 2010. Work has also started on replacing the ageing Snell Street Zone Substation.

Power and Water is a local business: we employ locals, we do business with locals and we are committed to being a part of the Territory's growth and development.

We are a 24 hour a day, seven day a week operation. I take this opportunity to thank Power and Water's incredible, passionate and dedicated staff across the length and breadth of the Territory for their continued efforts, both on our extensive asset investment program but more importantly on the day-to-day work that comes with delivering essential services in our extreme Territory conditions.

They are, and continue to be, the unsung heroes of this business.

Andrew Macrides, Managing Director

Highlights of 2009-10

- **Three new 10.9MW engines** were delivered to the new Owen Springs Power Station, which is being constructed outside the central Australian town of Alice Springs
- **Gas supply from two new sources** – Blacktip and Darwin LNG – was secured and commissioned with contracts now in place for 25 years
- **Work to raise the Darwin River Dam wall progressed**, positioning the reservoir to capture an additional 20 per cent in the 2010-11 Wet Season
- **A new 11kV switchboard was installed at Casuarina Zone Substation** and work toward the replacement of Snell Street Zone Substation started, increasing the security of electricity supply for the high-demand Darwin city and Northern suburbs
- **The Corporation obtained recertification** to International Standards Organisation in Quality, Environment and Occupational Health and Safety.



ABOVE ► RAISING THE DARWIN RIVER DAM WALL

Outlook for 2010-11

- **Work to close the Larrakeyah outfall**, Darwin's last untreated wastewater release, will near completion. New sewers and pumping stations are being constructed to divert the wastewater, which will be treated at Ludmilla Wastewater Treatment Plant. The project is on schedule for October 2011 completion
- **Two new turbines will be installed at Channel Island Power Station**, providing an additional 90MW to the Darwin-Katherine grid to allow refurbishment to extend the life of some existing infrastructure while meeting growing electricity demand
- **Three new engines at Owen Springs Power Station** will be commissioned to provide electricity to Alice Springs into the future
- **Water and power supplies** to the growing city of Palmerston will be increased. The new Archer Zone Substation will secure power supply for three new suburbs and a new elevated water tank will be constructed
- **The Asset Management Capability Project** will be rolled out across the Corporation. This will improve information systems on infrastructure and its condition with the ultimate aim of providing greater reliability.



ABOVE ▶ ONE OF THE NEW 10.9MW ENGINES BEING DELIVERED TO THE NEW OWEN SPRINGS POWER STATION

A man with dark, curly hair, wearing a yellow high-visibility shirt, is smiling and looking at a small, clear plastic vial with a black cap that he is holding up to the light. The vial contains a clear liquid. The background is slightly blurred, showing an outdoor setting with a red wall and some greenery.

Wayne Sharp
Water Quality, Darwin

Water Services is responsible for delivering safe, quality drinking water and managing wastewater in five major and 15 minor centres. I organise the water quality sampling and results for both drinking and wastewater, which means monitoring our regular sampling programs and the results.

My days vary: I might be out on Darwin River or Manton River Reservoir taking drinking water samples, or out on the Leanyer / Sanderson Wastewater Treatment Ponds testing the effluent quality.

I am one of the people who might help you if you have a complaint about your water quality. If you phone Power and Water to say the water at home is discoloured or tastes unpleasant, we visit and take samples at your water meter and at your tap. This helps us identify what the problem might be.

About us



Power and Water Corporation

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

From the tropics of the north to the deserts of Central Australia, our nearly 1000 staff members

work in varied and often extreme environments to maintain services to their communities.

Another 115 Essential Services Operators are contracted in remote Indigenous communities and supported by Power and Water's Remote Operations team.

Major power stations are primarily gas-fuelled, supplied from gas fields off the Territory's North-West shores and Central Australia.

Drinking water supplies range from surface water sources replenished yearly in the tropics to groundwater sources up to 10,000 years old in the deserts.

Power and Water strives, as a Government Owned Corporation, to meet the electricity, water and sewerage needs of our customers whilst acknowledging the expectations of our shareholder.

As a provider of essential services, Power and Water plays an integral part in the Northern Territory's counter-disaster structure and response. It is a key partner in whole-of-government programs as part of the Energy Infrastructure Assurance and Water Infrastructure advisory groups.

While Power and Water is the sole provider of electricity, water and sewerage services in the NT, some services are open to competition:

- Electricity network services are regulated by the Utilities Commission;
- Electricity generation is open to competition;
- Water and sewerage services are provided under monopoly licences;
- The electricity retail market is open to competition, as of 1 April 2010.

With this in view, the Corporation aspires to be a leading utility business valued and respected in its community.

We are working to be financially sustainable; in good operational and asset health; organisationally capable; environmentally sustainable and trusted.

The Territory's population and infrastructure base is growing, with associated demand on these essential services.

This is particularly marked in remote Indigenous communities as a result of recent government investment.

Through our not-for-profit subsidiary Indigenous Essential Services (IES), 72 Indigenous communities and 82 outstations are serviced.

IES is working with government agencies to improve the capacity and reliability of services in communities, particularly the 20 Northern Territory Growth Towns, to support significant Territory and Federal investment in infrastructure and housing.

Our Remote Operations team is also rolling out an extensive Water for Healthy Communities program to ensure the quality and long-term sustainability of water supplies.

Revenue from electricity, water and sewerage services covers about 20 per cent of the cost of delivering these services, with the balance funded by the Northern Territory Government through the Department of Local Government and Housing.

DARWIN RIVER DAM

The Top End's water supply security will be enhanced by raising the spillway and increasing the capacity of Darwin River Dam.

A new spillway – 1.3 metres higher – is being built in the 2010 dry season to increase the reservoir's capacity by some 20 per cent.

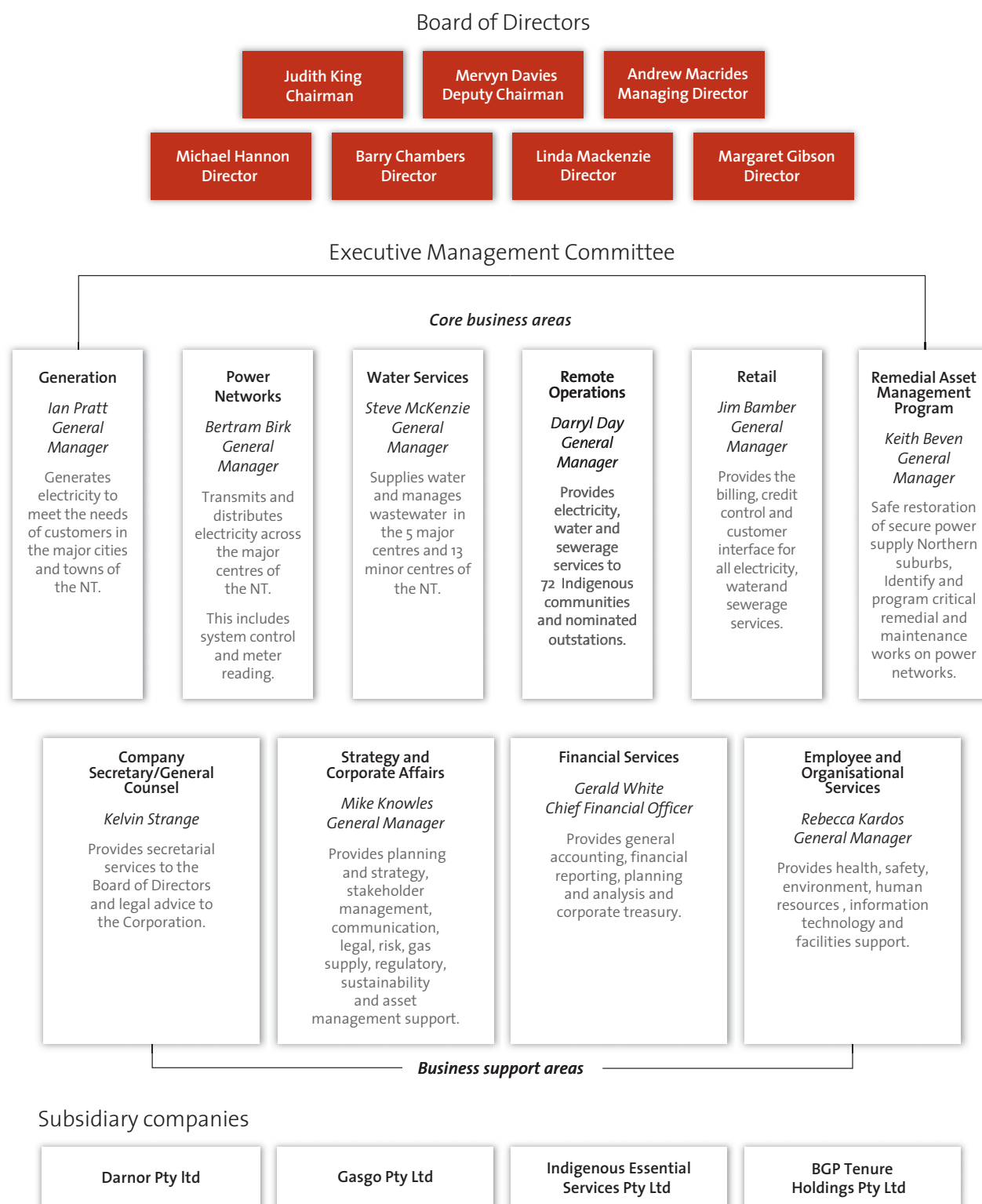
The Top End enjoys an abundant wet season most years but also has extremely high evaporation rates.

Raising the dam level and increasing the capacity will provide improved security of supply for current customers and support future industrial and residential growth in the Darwin region.



ABOVE ► PREPARING THE FOUNDATIONS OF THE NEW DARWIN RIVER DAM SPILLWAY

Corporate structure as at 30 June 2010



NT generation, power networks and electricity retail locations

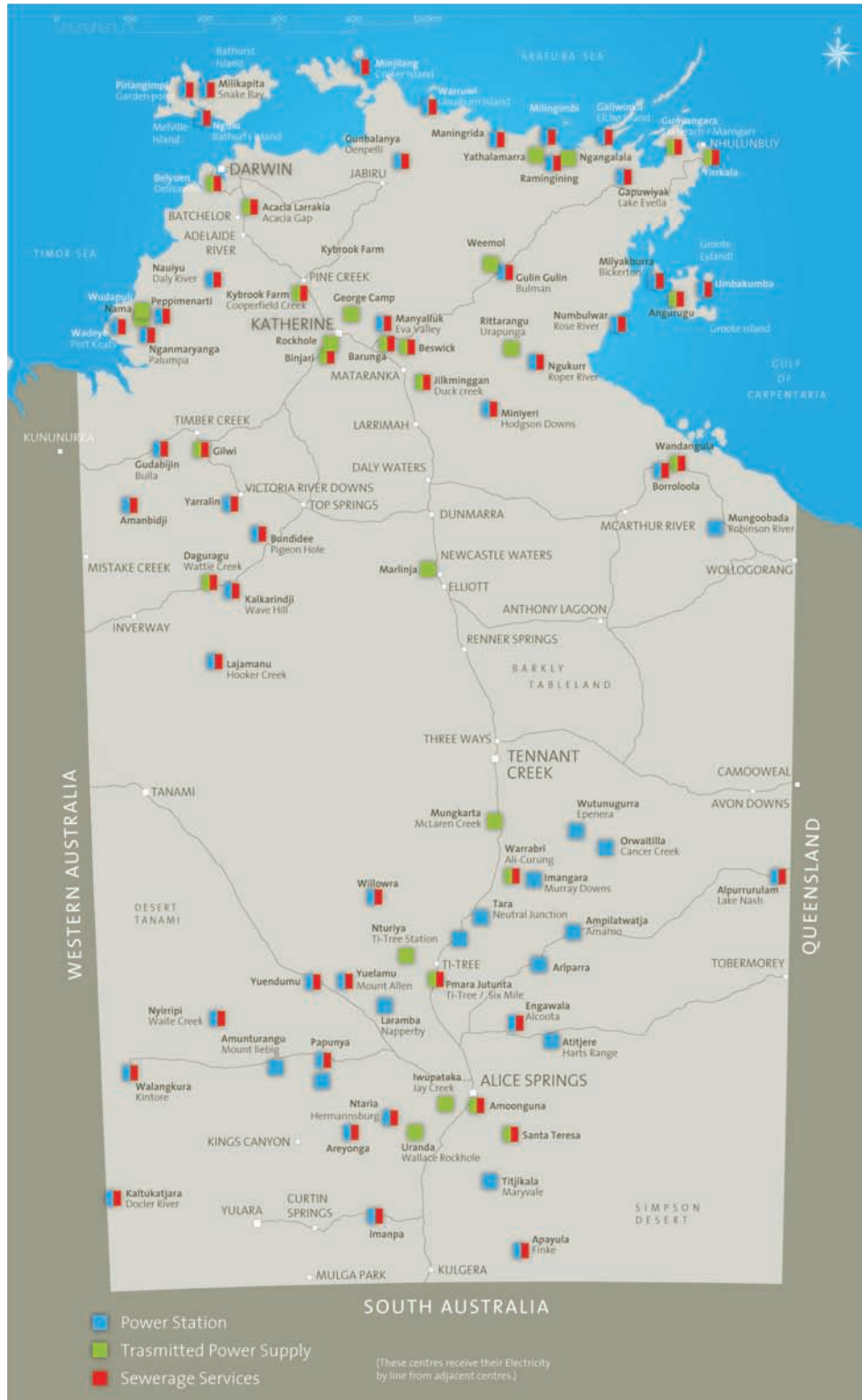


NT water supply and sewerage service areas



*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 Indigenous communities are not shown on this map.

Our performance



Services

Power and Water is working to provide increasingly reliable electricity, water and sewerage services to its customers.

The Corporation is one year into a five-year \$1.5 billion infrastructure investment program that extends across its electricity networks, power stations, water and sewerage services.

The benefits of this work are not yet reflected in performance against key indicators, but significant improvements have been achieved.

The Utilities Commission sets standards for electricity reliability, quality and customer service in accordance with the Electricity Standards of Australia Service Code.

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

Power and Water has performed above the set standards in many areas and established key performance indicators for customer service and supply reliability.

Service Key Performance Indicators (KPIs)

Service area	KPI target	KPI results	Comments
Customer service improvement	Customer satisfaction > 81%	Residential: 82% Non Residential: 76%	Power and Water is progressing a comprehensive remedial and asset management program in Power Networks and customer satisfaction with electricity services improved steadily during the 2009-10 period.
	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 > 91%	92%	Connections to new subdivisions in major urban areas continue to be completed within the service target.
	Connections to new subdivisions where minor extensions or augmentation is required within 26 weeks > 95%	88%	Increasing development activity stretched current capability in this area, however most recent indicators show an improvement.
	Average call response time within 20 seconds > 80%	63%	The annual average for the 2009-10 year was 63.3% meeting the Utilities Commission performance standard of 63%.
Electricity supply reliability	Average minutes off-supply per customer (SAIDI): Darwin < 195 Katherine < 195 Tennant Creek < 95 Alice Springs < 95	Darwin: 196 Katherine: 201 Tennant Creek: 157 Alice Springs: 210	The targets were not achieved due to a range of factors, but mainly the results of electrical storms and equipment faults. Vegetation and animals affecting power lines were also a major cause of unplanned outages. Outages to maintain the safety of personnel and public was also a factor in outages for Alice Springs.
	Average number of interruptions per customer (SAIFI): Darwin < 3.9 Katherine < 4.9 Tennant Creek < 4.9 Alice Springs < 2.5	Darwin: 4.0 Katherine: 5.5 Tennant Creek: 6.6 Alice Springs: 3.7	

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: 2.3	Average duration of water supply planned interruptions achieved the targets set for both centres.
	Average hours off supply for unplanned interruptions per customer: Darwin < 1.5 Alice Springs < 2.0	Darwin: 1.1 Alice Springs: 2.2	The target for Darwin was achieved and work to replace the ageing water main that contributed to an exceedance in Alice Springs are progressing, with the first stage complete.
Sewerage service reliability	Average hours off supply for unplanned interruptions per customer: Darwin < 3.0 Alice Springs < 3.0	Darwin: 1.9 Alice Springs: 1.6	Sewerage service interruptions achieved the targets set for both centres, achieving a good result for the year.

Financial management

Financial Key Performance Indicators (KPIs)

Financial KPIs give an insight into Power and Water’s overall return to the Northern Territory and our financial sustainability. A summary of targets and results is provided here, but more detailed analysis can be found in the directors’ reports from page 61.

Financial Key Performance Indicators (KPIs)			
	KPI	KPI target	KPI result
Sustainable return	Return on assets	2.7%	.5%
	FFO to interest (times)	2.1 times	1.6 times
	Gearing	51.2%	51.7%
	Capital expenditure	\$246.6m	\$274.5m
	Cash flow from operating activities	\$37.5m	\$7.1m
	New borrowings	\$200m	\$345m
Operating efficiency	Adjusted EBITDA	\$97.7m	(\$20.3m)

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-off.

OWEN SPRINGS POWER PROJECT

The new Owen Springs Power Station allows Power and Water to increase generation capacity and more efficiently meet electricity demand in Alice Springs.

Three brand new engines have been delivered to the site, 25km from Alice Springs town, after travelling by ocean from Europe and by road from Darwin.

They will be connected to a new power system, including 66kV powerlines to town and an upgraded Lovegrove Zone Substation.

Owen Springs Power Station will allow for the gradual retirement of equipment from Ron Goodin Power Station.



ABOVE ► THE NEW OWEN SPRINGS POWER STATION

Our sustainability



Our infrastructure

Power and Water owns and operates some \$1 billion of infrastructure across the Northern Territory.

This includes more than 8000 km of powerlines, more than 2000 km of water mains and more than 1000 km

of sewer mains – a sizeable task. We are also contracted to maintain more than 22,000 street lights.

Power and Water Corporation

Statistical summary as at 30 June 2010

	Units	2005	2006	2007	2008	2009	2010
ELECTRICITY							
Generation							
Power and Water installed capacity (based on gross maximum capacity)	MW	375	375	379	428	473	473
IPP contracted capacity (based on site rating)	MW	71	64	64	64	57	64
Electricity generated	GWh	1,350	1,366	1,440	1,475	1,525	1,599
Electricity sent out (incl purchases from private suppliers)	GWh	1,712	1,725	1,790	1,821	1,868	1,946
Independent power purchase - electricity sent out	GWh	400	395	385	382	385	376
Networks							
Transmission (33kV and above)							
132kV Overhead	km	340	340	340	344	344	344
66kV Overhead	km	314	314	314	314	314	312
66kV Underground	km	17	17	17	17	17	17
33kV Overhead	km	56	56	55	55	55	0 [#]
Distribution (22/11kV and below)							
HV Overhead	km	2,965	2,972	3,062	3,147	3,202	3,234
HV Underground	km	601	604	618	627	637	652
LV Overhead	km	1,752	1,740	1,749	1,774	1,758	1,786
LV Underground	km	1,677	1,671	1,750	1,763	1,781	1,865
Sales	MWh	1,571,788	1,584,357	1,596,452	1,704,377	1,748,225	1,806,781
Customers (ie. service)	No. of	69,709	73,339	73,753	74,097	72,327 ^{##}	74,004
WATER							
System capability	ML/day	336	336	322	322	322	322
Production	ML	58,436	54,797	56,842	57,823	60,707	58,870
Length of mains	km	2,003	2,019	2,090	2,130	2,173	2,146
Sales	ML	51,225	49,379	51,481	52,206	53,291	49,083
Customers (ie. services)	No. of	39,780	42,970	44,225	44,702	46,295 [*]	48,660
WASTEWATER							
Total sewage collected	ML	15,626	19,329	18,897	19,745	19,549	22,182
Length of sewer mains	km	1,007	1,014	1,036	1,042	1,083	1,075
Total recycled water supplied ^{**}	ML	2,096	1,983	1,623	1,612	1,854	1,233
Customers (ie. services)	No. of	46,296	48,123	48,661	51,217	53,661	50,800
STAFF							
Male	No. of	564	573	580	601	677	696
Female	No. of	213	213	208	215	242	271
TOTAL PERSONNEL	No. of	777	776	788	816	919	967

[#] Decrease in line lengths due to a voltage change to the Warrego line out of Tennant Creek from 33kV to 22kV.

^{##} 2008-09 electricity customer number was revised since publication of the 2008-09 Annual Report.

^{*} 2008-09 water customer number was revised since publication of the 2008-09 Annual Report.

^{**} The Water and Sewerage Services Association of Australia's definition of Recycled Water changed in 2009-10.

Indigenous Essential Services

Statistical summary as at 30 June 2010

	Units	2005	2006	2007	2008	2009	2010
ELECTRICITY							
Generation							
Installed capacity (including solar)	MW	45	48	51	56	60	69
Installed capacity – solar	MW	-	0.5	0.7	0.7	0.8	0.8
Electricity generated (including solar)	GWh	85	94	95	97	106	112
Electricity generated – solar	GWh	-	1.0	1.6	1.0	0.8	0.7
Electricity sent out (including solar)*	GWh	79	86	86	89	109	120
Purchases from private suppliers	GWh	7	7	8	8	8	8
Distribution (22/11kV and below)							
HV Overhead	km	341	344	373	349	473	513
HV Underground	km	1	1	1	5	5	5
LV Overhead	km	248	253	278	278	278	278
LV Underground	km	1	1	1	4	3	3
SWER All Voltages	km	87	87	87	87	87	87
Sales**	MWh	58,893	60,019	60,574	63,665	104,501	112,030
Customers (ie. service)	No. of	6,818	7,213	7,373	7,421	7,540	8,116
WATER							
Total sourced water	ML/day	10,104	9,733	9,250	9,846	9,848	9,792
Length of mains	km	647	649	649	649	652	654
Customers (ie. services)	No. of	530	524	527	1,108	1,948	2,497
WASTEWATER							
Volume of sewage treated	ML	2,732	3,508	3,552	3,835	3,940	3,917
Length of sewer mains	km	302	302	303	303	305	307
Volume of effluent reused	ML	-	-	-	-	-	-
Customers (ie. services)	No. of	407	420	420	426	432	465

* From 2008-2009, Electricity Sent Out includes electricity sent out to IES communities purchased from Power and Water power grids. This has not been included in previous years.

** From 2008-2009, Electricity Sales includes all prepayment and credit meter sales. Previous years' data does not include all prepayment meter sales.

Delivering capital investment

Power and Water's infrastructure investment program, which includes capital works, significant repairs and maintenance, has expanded from the scope set in 2007-08.

The Corporation has a capital investment program valued at \$1,347.7 million for the five year period 2009-10 to 2013-14. This included spending of \$299 million for 2009-10.

This investment will result in increasingly reliable and robust electricity, water and sewerage services in the Northern Territory.

Major projects are well underway in each service area, including:

- Continuing works on the new Weddell Power station to service customers on the Darwin to Katherine grid, which covers 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;
- Building the replacement Snell St Zone Substation;
- 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 – Roystonea transmission water main;
- Installing two 45 MW turbines to increase capacity at Channel Island Power Station

Investment has increased steadily and significantly, more than tripling over the past five years.

(\$ million)	2006-07	2007-08	2008-09	2009-10	2010-11 Budget
Capital Investment	98.2	156.1	196.4	299.0	379.4

Refocusing repairs and maintenance

The Corporation continues to place a high priority on the repair and maintenance of power, water and sewerage infrastructure.

In 2009-10, \$61.4 million was spent on repair and maintenance, \$57.8 million is budgeted to be spent in 2010-11.

(\$ million)	2006-07	2007-08	2008-09	2009-10	2010-11 Budget
Repairs and maintenance	40.9	41.3	51.8	61.4	57.8

CLOSING LARRAKEYAH OUTFALL

Work to divert Larrakeyah outfall to Ludmilla Wastewater Treatment Plant continues into 2011 on schedule for October completion.

New sewers are being laid in Larrakeyah Terrace and through Darwin CBD, as well as a new pumping station and rising main at Doctors Gully.

This project will ensure that all sewage from Power and Water systems is treated before release to the environment.



ABOVE ► EXCAVATION TO INSTALL A NEW SEWER ON LARRAKEYAH TERRACE AS PART OF THE LARRAKEYAH OUTFALL CLOSURE PLAN

Increasing generation capacity

Power and Water has developed a generation investment strategy to meet projected domestic and industrial demand growth with more efficient plant while allowing maintenance of existing units.

On the Darwin-Katherine grid, electricity demand is projected to increase from a peak of 273.7MW in 2009-10 to 295.2MW in 2010-11.

Two Rolls Royce Trent 60 gas and diesel-fuelled turbine generators are being installed at Channel Island Power Station, adding 90MW to the Darwin-Katherine power supply.

The project to install the units, supporting gas and diesel fuel systems and expanded 132kV substation started in early 2010 with an ambitious completion target of 12 months.

This additional capacity will allow Power and Water to refurbish the older units at Channel Island Power Station. This involves major maintenance and mid-life refurbishment of all equipment, including associated support infrastructure, for all six older units at Channel Island.

This program will return these units to a high reliability and availability, ensuring their life past 2026.

In 2010-11 a third gas turbine unit will be installed at Weddell Power Station, the first stage of which was completed in 2008-09.

In the Southern region, three dual fuel high efficiency engines were delivered to the new Owen Springs Power Station outside Alice Springs in 2010.

The commissioning of these three 10.9MW units will cover increasing loads and allow the retirement of older, less efficient equipment from the Ron Goodin Power Station.

Gas supply

Power and Water generates more than 90 per cent of the Territory's electricity from natural gas.

In 2009-10 a new supply from the offshore Blacktip field came online via the new 286km Bonaparte Gas Pipeline. Contracts expected to meet all Power and Water's gas supply requirements are in place for the next 25 years.

In case of any interruption to Blacktip gas, Power and Water has secured emergency supplies from Darwin Liquefied Natural Gas (DLNG).

These new sources replace Central Australian gas fields that have supplied Power and Water for some 25 years.

Mereenie Basin ceased supply in March 2010, but Palm Valley in Central Australia will continue to supply some gas until June 2012.

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.

Increasing network reliability

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 (SAIDI) being slightly greater than the national average.

The graph on page 43 compares our performance with the national average, as published in the ESAA, *Electricity Gas Australia 2009*.

Our power networks are currently the focus of intense investment and over the past year Power and Water has increased staffing by more than 19 per cent and spent \$1m on training to equip staff to complete this repair, replacement and upgrading work.

New testing techniques such as thermal scanning and insulation resistance testing have been introduced to improve scheduling of maintenance and repair.

Power and Water's specialist substation group has progressed the recommendations of the Mervyn Davies Report of February 2009, carrying out testing and maintenance on its 27 zone substations.

The new 11kV switchboard for Casuarina Zone Substation will be installed and commissioned in 2010. Testing also resulted in the recommendation that Snell Street Zone Substation, which services Darwin's growing commercial and industrial area be replaced and this is scheduled for 2010-11.

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 increasing its program of vegetation management around powerlines in the urban and rural areas to reduce outages.

Other common causes of outages are fruit bats, wildlife and lightning strikes.

To minimise the impact of these, Power and Water is improving electrical insulation on its power poles with composite fibre cross arms, longer insulators, vermin guards and bat covers.

Work to underground powerlines continues in Darwin's Northern suburbs. Completed areas have improved network reliability as they are no longer as vulnerable to wildlife, vegetation and bad weather.

Changeovers to the new network in another two suburbs, Rapid Creek and Millner, are scheduled for completion in 2010.

Sustaining water supply and sewerage services

Work to increase the capacity of Darwin River Dam – the primary drinking water source for Darwin, Palmerston and the surrounding rural area – continued in 2009-10 with the pouring of almost 6000 cubic metres of concrete to raise the spillway.

The project will be completed in August 2010, ready to accept and store inflows during the next wet season.

Modelling indicates that it may take several wet seasons to fill the additional 20 per cent capacity but this project will provide additional

security of supply for the Darwin region water supply system.

Power and Water continues to work to return Manton Dam to service as a water supply for the Darwin region.

This year investigations into water quality and infrastructure at the site progressed, including modelling of in-lake mixing through aeration.

In 2010 a new 1000mm transmission pipeline was installed to provide increased water supply capacity for the new Palmerston suburbs of Johnston, Zuccoli and Mitchell.

In the Southern region, four new bores were drilled at the Roe Creek borefield in Alice Springs to secure future water resources.

The Corporation continues to work to improve sewerage services, including sewer relining programs in Darwin and Alice Springs, to meet increasing load and comply with environmental regulations.

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.

The Larrakeyah sewer outfall closure project is on schedule for October 2011 completion.

Sewer diversion works commenced in Larrakeyah and Darwin central business district in 2010, with upgrades at Ludmilla Wastewater Treatment Plant scheduled for construction from September 2010.

The project also includes extending the East Point outfall and work to identify the best new location for this started this year.

The Asset Management Capability Project

A \$1.5 billion investment in infrastructure requires improved processes and practices, better data and information on assets and their condition, enhanced organisational capabilities and modern information systems.

The Asset Management Capability (AMC) project was established to help meet this challenge and provide the systems and tools to provide better plant operation and network reliability right across the Corporation.

The project is now well advanced with a contract awarded to IBM in September 2009 for software and its implementation.

The blueprint design is complete and work is now underway on its implementation.



ABOVE ► CREWS INSPECT HIGH VOLTAGE POWERLINES FROM THE AIR



Andrea Scott
Retail, Alice Springs

I'm on the frontline of customer service in Power and Water, at our Retail centre in the Alice Plaza on Todd Mall.

Customers come in to pay their bills, seek assistance with queries, lodge applications for new connections or PV meter contracts and even to collect the keys to go bird watching at the wastewater treatment ponds. The best part about working in our Retail centre is that we can still offer face-to-face service, which so many customers prefer.

My role also involves managing power token orders for Alice Springs and the remote communities in our region. I help out in the call centre when needed and liaise daily with other areas of Power and Water's business including billing and credit control. My days are very busy and move so quickly. The job has its challenging moments but there is always the next customer who brings back my smile.

Our stakeholders

Our customers

Power and Water's Customer Charter outlines its commitment to levels of service in every area of the business. We also commit to open and honest communication with our customers.

The Corporation is expanding its education campaigns with a focus on energy and water efficiency.

Our website, annual regional show display and retail centres are hubs of information leading into the cyclone and summer storm season, how to save on power bills in the hot weather and how to save water in the tropical dry season and Central Australian desert.

Help save the planet!

Power and Water's education resource website **Help save the planet!** was launched with a competition open to all Territory students. The site provides information on simple things students can do to help the environment, whether that is through turning up the air conditioning to more than 24 degrees, identifying "energy vampires" (standby power) or turning off the tap while brushing teeth.

The competition was a great success with more than 2500 entries. For the chance to win an iPod touch, a Power and Water pack or \$1000 for their school, students had to go to helpsavetheplanet.com.au and complete a simple online quiz on saving power or water. A number of students did both quizzes to double their chances of winning.

Virtual Energy Audit

Some 14,000 customers logged on to Power and Water's website to learn how to save electricity and water in their home or business this year.

Our Virtual Energy Audit lets customers create a virtual model of their home and estimates their power bill based on the data they input including type and amount of running time for air conditioning and pool filters.

This is helping customers see what contributes to their power bill and how they can reduce it.

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), 1304 enquiries regarding customer and supplier information were received during 2009-10, compared with 1086 inquiries received in 2008-09. There were no requests for changes to information during the year.

Our privacy and information handling policy is available online at www.powerwater.com.au

Our communities

Power and Water is a local business as well as provider of essential services and takes pride in its active community focus.

Every year, the Corporation sponsors a range of community events, conducts a number of awareness campaigns and provides educational resources.

Our staff are willing volunteers lending their expertise, time and energy.

2010 Melaleuca Awards

Power and Water's 2010 Melaleuca Awards for Environmental Excellence were presented at the George Brown Darwin Botanic Gardens on the eve of World Environment Day. This year's Awards, held as part of the Top End Sustainable Living Festival and Tropical Garden Spectacular, attracted a record number of entries and embraced a more sustainable approach.



ABOVE ► MELALEUCA AWARDS 2010 IN DARWIN'S BOTANIC GARDENS

Group Training NT won the commercial/industry category for its carbon abatement strategy. This includes a waste reduction and recycling program, taking part in the Eco Biz NT program and refitting head office with LED lights and bathrooms with water efficient fixtures.

Strong demand for locally grown plants led to the birth of The Plantsmith Nursery. The nursery has implemented sustainable measures such as not using pesticides, fungicides or growth regulants, minimising the use of herbicides, no longer irrigating its lawn during the Dry Season and recycling pots.

In the schools category, students at Girraween Primary School are learning about sustainability. The community farm allows students to be involved in planning, building and constructing enclosures and shelters, sowing crops, caring for animals, harvesting and selling produce.

Every garden counts through Alice Springs' Garden for Wildlife (GfW) program, which won the community category. The voluntary scheme encourages urban residents to take part in conserving nature. Of 7,000 privately owned town blocks, 135 are GfW members who establish and improve the native wildlife habitat in their own backyards.

Since he began working in the area of sustainable living in 2002, Steve Beagley has audited more than 300 Darwin, Palmerston and rural area homes. Steve, the winner of the new individual category, has trained more than 20 new auditors and served on the COOLmob committee for many years.

The Chairman's Award went to Saffron Restaurant for their leadership in the hospitality industry showing how environmental improvements can be achieved.

As part of this year's Awards students were encouraged to create a poster based on the United Nations' International Year of Biodiversity, this attracted more than 300 entries.

Two grants totalling \$20,000 were awarded for environmental projects - Land for Wildlife in Alice Springs for a Feral Spotted Turtle-dove Eradication Program and Shepherdson College on Elcho Island to create two fruit forests.

It's showtime!

The annual show in Alice Springs, Tennant Creek, Katherine and Darwin is a great place for Power and Water to connect with customers.

Each year we provide drinking water and a seat in the shade alongside information about power, water and sewerage services and ways to save.

Local staff volunteer to serve on the Show stands in each centre, taking dozens of enquiries on local issues affecting customers.

Keeping cool

With Power and Water's financial sponsorship, COOLmob has helped more than 1100 households identify ways to save on their power bill.

In Darwin, the group carries out home energy audits and in Alice Springs, home water audits. Power and Water provides a copy of its Green Guide, Waterwise Garden Guide and an energy-saver lightbulb to further help customers save.

COOLmob also works with public benevolent institutions and offer sustainability talks for schools and non-profit organisations to encourage responsible use of resources.

Developing our junior sports stars

Power and Water joined Tennis NT to support the Regional Development Program this year, offering children in the regions more opportunities to try tennis through school and after-school programs.

The Power in the Water swim series gives the Territory's best juniors a chance to challenge themselves across a season. Recognition is based on improvement, putting the focus on participation and development.

Spreading Christmas cheer

Every year dozens of staff put their hands up to hand out Christmas goodies.

Staff walk the wards of public hospitals in Darwin, Katherine, Tennant Creek, Alice Springs and Nhulunbuy on Christmas Eve, sharing Christmas cheer and a hamper of goodies to those who can't spend the festive season at home with their families.

Staff also pack and distribute gifts at the Variety Special Children's Christmas Party, which hosts hundreds of special needs children and their families in Darwin each year.

Young Achiever Awards

Jana Lai, this year's winner of the Young Achiever Awards Science and Engineering category, looks set for a bright future in scientific research.

Jana completed a highly successful Honours project at the Menzies School of Health, Charles Darwin University, developing two key bacteria pathogens in childhood pneumonia.

Power and Water has sponsored this Awards category for a number of years, encouraging young scientists and engineers from every field.

Territory businesses

The Corporation's infrastructure upgrade and maintenance program is the largest investment in essential services in the Territory's history, providing local businesses with unprecedented opportunities.

Power and Water sources electrical equipment including generators, transformers, insulators and cables as well as technologies to provide renewable energy sources.

For water and sewerage services, we purchase pumps, reticulation supplies and filtration chemicals.

In addition, we purchase office equipment and supplies for our many locations across the Territory.

Power and Water has continued to work with local suppliers, purchasing Territory goods and services wherever possible.

Through the year Power and Water has visited and briefed a large number of local businesses on the requirements to deliver this investment program.

We engage local contractors to carry out electrical and water infrastructure repairs and maintenance, vegetation management, and consultancies in engineering, design, construction and market research.

Power and Water provides notice of upcoming works through industry briefings and advertisement of future tender opportunities go days before tenders are released, via the Government Tenders Online website and the Northern Territory News.

This helps local businesses plan and ensure that they have the necessary resources and capacity to be competitive when tendering.



ABOVE ► POWER AND WATER STAFF SPREADING CHRISTMAS CHEER



ABOVE ► JANA LAI, THIS YEAR'S WINNER OF THE YOUNG ACHIEVER AWARDS SCIENCE AND ENGINEERING CATEGORY



ABOVE ► STEVE SAWYER, ALICE SPRINGS, DEMONSTRATING A SOLAR OVEN AT THE ECO FAIR



Ralph Hutchins
Remote Operations,
Southern Region

I have worked with Power and Water for 30 years and for 15 with the Remote Operations unit, establishing and looking after services in remote Indigenous communities in the Southern region.

Although my background is in water services, my work is extremely varied. I've been involved in all facets of remote projects from hydrogeological survey and bore drilling, dam reconstruction, civil, hydraulic and sewerage and even the odd power station.

The issues we confront in Remote Operations are also very different: there are the challenges of protecting essential infrastructure against wildlife such as camels, then the extreme desert climate and fact that some of our communities are 500km away at the other end of a 4WD track.

All this makes our work very rewarding: we can see a tangible difference in a community, delivering quality service and power, water and sewerage systems in remote communities.

One of the highlights of my career has been being involved for 10 years representing Power and Water with the National Aboriginal Health Strategy projects.

Our environment

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 in the energy supply industry.

The Framework has nine sustainability principles covering reporting and innovation such as demand management, supply chain and climate change response.

Power and Water will report bi-annually to ESAA on our compliance with the Code.

Sustainable energy

Power and Water is increasing its commitment to environmental sustainability in line with community attitudes and global scientific concern.

Renewable energy

Power and Water's renewable energy portfolio includes:

- Solar demonstration site at Jilkminggan near Mataranka (17 kW),
- Flat plate solar power station at Kings Canyon (225 kW),
- Amorphous silicone solar power station at Bullman (55 kW)
- Solar concentrator dishes at the remote communities of Hermannsburg, Yuendumu and Lajamanu.
- Electricity generated by a private provider from methane gas at the Shoal Bay Landfill in Darwin (1.1MW). Power and Water purchases the accredited renewable energy.

A major 1MW photovoltaic system for Alice Springs, was confirmed in 2010 with construction to take place in 2010-11. Three additional solar power systems will be built in the remote communities of Lake Nash, Ti Tree and Kalkarindji in 2010-11.

Power and Water continues to liaise with suppliers and developers of renewable technologies including tidal, bio-fuels, wind, solar thermal and solar photovoltaic to keep abreast of the best available technologies to incorporate into our systems.

In December 2009 Northern Territory legislation to facilitate geothermal exploration was introduced. This may lead to the identification – and subsequent development – of a generation source.

Renewable energy legislative compliance

In June 2009 the Federal Government passed the expanded Renewable Energy Target (eRET) legislation which aims to achieve 20 per cent renewable energy by 2020. This new goal sets a new challenge for Power and Water and will require increased acquisition of RECs through to 2020.

Power and Water uses a range of sources to meet its obligations under the Australian Government's Renewable Energy Target (RET) legislation. This includes purchasing Renewable Energy Certificates (RECs) from customers who install solar hot water systems in their homes.

Power and Water met the target of 50,500 MWh in 2009, up from 43,337 MWh in 2008. These targets are based on a calendar year target (these figures are as at 31 December 2009) rather than a financial year.



ABOVE ► ALICE SPRINGS, THE TERRITORY'S SOLAR CITY



ABOVE ► A ROOFTOP PV SYSTEM BEING INSTALLED



ABOVE ► SOLAR DISH CONCENTRATORS IN CENTRAL AUSTRALIA

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 the 1MW solar farm in Alice Springs which is one of the iconic projects of Alice Solar City. This will provide a solar option for consumers in rental premises who cannot install their own rooftop PV. 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.

Power and Water is pleased to be associated with one of the most successful Solar Cities in Australia and commends the team running the project.

Working with our customers

We continue to monitor the evolution of carbon pricing proposals for Australia and the potential impact for its customers.

In 2009-10 financial commitment to environmental advisory group COOLmob was increased so that their energy auditors could help more customers look at ways to minimise their consumption. More than 1100 customers have now taken advantage of this offer.

A rebate program to help consumers in older homes replace electric hot water systems with

solar hot water systems (Solar Hot Water Retrofit program) was extended in June 2010 after a high take-up rate. The rebate helps to strengthen roof structures in older homes to support installation of a solar hot water system.

Rooftop PV popular

Some 500 Territory home owners installed rooftop photovoltaic systems and connected to the Power and Water grid in 2009-10.

This marked a major expansion in rooftop PV sales right across the Territory, resulting from the significant decrease in price and the Solar Credits legislation of June 2009.

At June 2010 there were a total 340 rooftop PV systems connected in Central Australia and 350 in the Top End.

Several commercial buildings in Alice Springs and a school in Darwin installed larger systems, including Australia's largest rooftop PV system of 300kW at the Crowne Plaza Hotel in Alice Springs.

Rooftop PV now generates enough electricity in Alice Springs for it to be noticeable when cloud passes over the town.

Small perturbations on the daily load curve at the power station were noticed in April 2010 and were found to result from clouds passing over and intermittently reducing the output from the solar generation.

This could be the first time in Australia this effect has been observed on an electricity grid.

Power and Water has had a buyback arrangement for the gross export of electricity from rooftop solar panels since 2001.

Climate change

The Northern Territory Government released its Climate Change Policy in December 2009.

The policy includes reducing the use of mineral distillate in remote communities, developing renewable energy sources, reducing emissions and water consumption. Power and Water is implementing strategies to achieve these targets.

To support its Climate Change Policy the NT Government established a Green Energy Task Force. Power and Water is a member of the Task Force and assists it in its work.

Power and Water also supports the work of the Centre for Renewable Energy at Charles Darwin University.

Territory GreenPower

Power and Water continues to offer GreenPower 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 is fully accredited by the national GreenPower secretariat and complies with the requirements of ACCC.

Power generation

Generator efficiency and carbon dioxide emissions

Power and Water obtained registration under the National Greenhouse and Energy Reporting Scheme and lodged the first report in October 2009.

Data in this section is taken from the second report for the 2009/10 financial year, due for lodgement in October 2010. Note that this data is provisional and subject to change.

The 2009/10 Statement of Corporate Intent set emission performance targets for our major power stations as set out in the table below, along with the actual efficiency achieved.

The targets are based on forecast generating unit capacity factors with optimally efficient operation.

For 2010-11 Power and Water has set a combined generation efficiency target of 582kg/MWhr across all sites.

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.

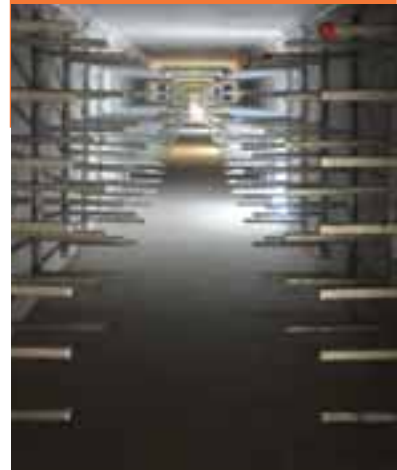
Overall in 2009-10 the major power stations emitted an estimated 962,654 tonnes of CO₂-e, up from 872,592 tonnes in 2007-08 and 945,708 in 2008-09.

KEEPING PACE WITH PALMERSTON

The new Archer Zone Substation, to support power supply to the city's new suburbs, is on track for commissioning late 2010.

Construction and electrical works, including an underground high voltage cable tunnel, were completed in 2009 -10.

To provide water services to these new suburbs, Power and Water has installed new water mains and launched community consultation on the design of a new water tower.



ABOVE ► THE 66KV UNDERGROUND CABLE TUNNEL AT ARDER ZONE SUBSTATION

Emissions

	2009-10 Achievement
Channel Island Power Station	632kg of CO ₂ per MWh at 71%
Weddell Power Station	586kg of CO ₂ per MWh at 75%
Ron Goodin Power Station	719kg of CO ₂ per MWh at 75%
Owen Springs Power Station	745kg of CO ₂ per MWh (output factor not available)

This equates to 642 tonnes per GWh generated, unchanged from 2007-08.

Industry averages for thermal power generation are: overall, 903 tonnes of CO₂-e/GWh sent out; black coal, 944 tonnes; brown coal 1,341 tonnes; and gas, 551 tonnes.

Channel Island Power Station uses gas turbines and a mix of technologies such as combined-cycle steam generation to achieve efficient operation.

The largest combined-cycle steam unit – a combined 45MW – was out of service for scheduled major maintenance in 2009-10, so other less efficient units were used more to meet electricity demand over these months.

The installation of two new highly efficient Rolls Royce gas turbines in 2010-11 will increase Channel Island's efficiency to approach that of the newer Weddell Power Station.

The Owen Springs Power Station, 25km south of Alice Springs, has been running a gas turbine relocated from Ron Goodin Power Station as part of the site commissioning.

Three new high-efficiency MAN dual fuel generator sets will be commissioned by the end of calendar year 2010 allowing older and less efficient plant at Ron Goodin to be decommissioned.

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 (NPI).

Power and Water's 2009-10 NPI report is due for lodgement by 30 September 2010 and will be posted on the NPI website when verification is complete in December 2010.

Remote community power station risk reduction initiatives

Power and Water operates 60 power stations in remote communities across the Northern Territory fuelled mainly by diesel.

We focus on managing the risks associated with delivering more than 30 million litres of diesel fuel by road and sea to the 60 sites through our operating policies and procedures and training of the ESOs in the handling of bulk fuel deliveries.

All remote community power station fuel storage facilities 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 from the beach front. There are now three sites in the Top End left to upgrade with Oenpelli and Maningrida due for completion late 2010.

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 has been built at Lake Nash, including a new fuel storage facility.

Power and Water is identifying locations and ways to reduce diesel use in remote communities, including inter-connecting communities within reasonable proximity to each other by high voltage transmission powerline and decommissioning the less efficient diesel units.

Power and Water is also embarking on a program to convert a number of sites to gas to meet the Northern Territory Government's 2030 strategy.

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

DARWIN POWERED BY ROLLS ROYCE

Two new Rolls Royce turbines are being installed at Channel Island Power Station to meet increasing demand on the Darwin-Katherine power system.

The peak load is increasing by more than three per cent a year, requiring a consistent investment in new technology.

This will also allow some of the older equipment at Channel Island to be taken offline for maintenance that is due.

These are the first Rolls Royce turbines in the Power and Water fleet.



ABOVE ▶ ONE OF THE NEW ROLLS ROYCE TURBINES TO BE INSTALLED AT CHANNEL ISLAND POWER STATION

Water and Wastewater

Water supplies

Power and Water is progressing a major review of existing and future potable water supplies for the Darwin region.

Darwin, Palmerston and the surrounding rural area currently source water from the Darwin River Dam, McMinns and Howard East borefields.

Power and Water draws about 35,000ML from Darwin River Dam, which can store 265,000 ML, each year.

In the past two years we have worked to increase the capacity – and safe yield – of the reservoir by an estimated 20 per cent.

Power and Water’s extraction licence for the reservoir has been increased

to 49,100ML to recognise the new storage capacity of 320,000ML.

Darwin River Dam water is not treated, but risks to the quality of supply include fire in the catchment area, aquatic weeds and low water levels – although the dam fills and spills over most wet seasons, some 65 per cent of its draw-down is due to evaporation.

Groundwater supplies at McMinns and Howard East borefields are independent of this supply providing some security, but the Corporation is looking for a further independent water supply.

We hold a licence to extract 7300ML from Manton Dam but have not used this source for a number of years due to infrastructure constraints and water quality issues including recreational activities on the dam.

Wastewater treatment

Power and Water operates wastewater treatment plants in all the Territory’s major urban centres.

We hold waste discharge licences under the NT Water Act to discharge treated and untreated wastewater to Darwin Harbour, Katherine River and Ilparpa Swamp in Alice Springs.

A summary of wastewater discharge, outlining compliance with our quantitative discharge limits, is below.

Power and Water is developing a Darwin region-wide sewerage strategy to upgrade all treatment systems to cater for increasing population while meeting higher expectations of discharge quality.

Waste discharge licences are currently under review, with a view to better reflecting current operating

Compliance with quantitative discharge limits

WDL	Site	Inflow ML	Activity	Outflow ML	Compliance							
					Biological oxygen demand	Total nitrates	Ammonia	Total phosphates	Suspended solids	pH		
					90%-ile	90%-ile	90%-ile	90%-ile	90%-ile	90%-ile	90%-ile	
146	Berrimah	243	Outfall	253	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
147	Leanyer Sanderson	7,301	Outfall	7,100	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
148	Palmerston	3,159	Outfall	2,742	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
149	Larrakeyah macerator	1,267	Outfall	1,267	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
150	Ludmilla	5,580	Outfall	5,677	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
151	Katherine	836	Outfall	128	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
159	Alice Springs	2,914	Release	206	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies
			Reuse	1,134	Complies	Complies	Complies	Complies	Complies	Complies	Complies	Complies

KEY

ML Megalitres/ annum

Complies

Does not comply

No QDL in the WDL for this parameter (no limit applies)

conditions. This includes our lowest licence limit at Berrimah, which saw a marginal exceedence in some results this year.

A total \$20 million has been allocated to increase capacity and treatment at Ludmilla Wastewater Treatment Plant as part of the Larrakeyah outfall closure plan outlined on page 35 of this report.

A \$2 million upgrade is underway at Leanyer Sanderson treatment plant with plans for tertiary standard treatment within our five-year program.

The Leanyer settling ponds were taken offline in 2010 for maintenance, resulting in some higher levels of e.coli and biological oxygen demand, as reflected in this year's results. This program of work will improve results in the short to medium term.

Some 441ML from Leanyer Sanderson was recycled for irrigation on sports grounds in the northern suburbs, with further options for wastewater recycling under investigation.

More than three quarters of wastewater in Alice Springs is reused for irrigation or aquifer recharge. Unusually high rainfall in 2010 resulted in the need to discharge into Ilparpa Swamp from the ponds however plans are in place to expand the Soil Aquifer Treatment basins in 2010-11 to store additional treated wastewater.

Upgrading Darwin Harbour outfalls

Power and Water will close its last untreated sewage outfall into Darwin Harbour in October 2011.

Sewage from the Larrakeyah outfall and parts of Darwin's central business district will be treated at Ludmilla Wastewater Treatment Plant.

New sewer mains are being constructed through Darwin city to divert the sewage from Larrakeyah and Ludmilla Wastewater Treatment Plant is being upgraded to cater for the increase.

The additional treated wastewater will be discharged from the ocean outfall at East Point.

Power and Water is preparing a Public Environment Report on the necessary upgrade of the rising main and the extension of the outfall.

Studies include:

- Benthic and bathymetric surveys at East Point to support the design of the outfall extension, ensuring local marine life is not harmed during construction and operation;
- Development of a hydrodynamic model to identify mixing zones around Power and Water's outfalls in Darwin Harbour;
- Planning a tracer study at East Point to calibrate and validate the computer-based hydrodynamic model.

- Expansion of the Humpty Doo Wastewater Treatment Plant is also scheduled to cater for significant growth in the area.
- Additional treatment ponds and an extended wastewater irrigation area will be commissioned in late 2010.

SUBSTATION UPGRADE FOR DARWIN

The 11kV switchboard and transformers at Snell Street Zone Substation are being replaced as part of Power and Water's Remedial Asset Management Program.

A rigorous testing program of all zone substation infrastructure rolled out across the Territory in 2009 and as a result Snell Street was identified as reaching the end of its life.

The new switchboard and transformers will provide greater security of electricity supply to the area as demand increases.



ABOVE ► A NEW TRANSFORMER BEING DELIVERED FOR SNELL ST ZONE SUBSTATION

Power Networks

Safe oil storage

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 from that program are now largely complete.

The new Frances Bay and Archer Zone Substations have state of the art oil/water separator facilities for the rare event of a catastrophic failure, similar technology is planned for the proposed Leanyer Zone Substation to service the new suburbs of Lyons and Muirhead in Darwin's Northern suburbs. Expansion of the Lovegrove Zone Substation in Alice Springs incorporates similar technology.

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 on 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 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 2009 and Millner in June 2010. Property changeovers to the new underground supply in Rapid Creek

commenced in September 2009 and are currently progressing with completion scheduled for end November 2010. Millner changeovers will occur after the completion of Rapid Creek, scheduled to be complete by end April 2011.

About 2,517km, or 31 per cent, of Power and Water's 8,210km transmission and distribution networks are underground. This will increase as the undergrounding project progresses and as newer suburbs in Darwin such as Lyons, Muirhead and Bellamack are developed with underground supply.





Bernie Rourke
Power Networks
Katherine

I'm a planner and scheduler for Power Networks, organising work for our crews in and around Katherine, out to Borroloola, Timber Creek and Daly Waters.

I look for where our powerlines and other networks infrastructure need repair, general maintenance or upgrade and schedule crews to do that work, along with any contractors or specialists they might need for a particular job.

Quite often we work with live lines, which means customers won't even know we're there. If we have to turn the power off I speak to customers about that.

There are hundreds of kilometres of powerlines in our region and environmental challenges such as seasonal bat migration, cyclones or storms and flooding.

In a town the size of Katherine, we work very closely with our community and with other Power and Water business units to prepare for and protect against these.

I spend a fair bit of time in the field supervising work, carrying out safety checks and working with contractors to ensure Power and Water safety standards are met.

The job is very varied, sometimes challenging but never boring

Environmental incidents

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

Using diesel fuel to generate electricity in remote coastal communities creates a particular risk from fuel deliveries by barge. Power and Water is upgrading fuel storage bunding in each of these centres 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.

Top End sewers suffer occasional Dry Season blockages and Wet Season overflows associated with stormwater, but sewer maintenance and appropriate design of new systems are preventing sewage overflows.

Power and Water has a comprehensive response protocol for any overflow that does occur, with a prompt focus on clean-up and disinfection to protect 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 provide notice of any spills or overflows to our environmental regulator, the Environment and Heritage Division of the Department of Natural Resources Environment The Arts and Sport (NRETAS). We also 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 NRETAS public register. In 2009-10 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 eight years, with six sewage spills recorded in 2009-10.

Although most overflows occur in major sewerage systems in the Top End during the wet season, high rainfall in Alice Springs caused two major events.

In January 2010, 4 ML of treated water was released to Ilparpa Swamp, south of Alice Springs. In June there was a controlled release of 202 ML of treated water to Ilparpa Swamp to reduce pond levels that had been significantly raised by ongoing rainfall and increased inflow from the seasonal rise in visitor numbers.

There were three raw sewage spills of 1,000 L – two in Darwin and one on Groote Eylandt – and one of 4,000 L however 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 eight 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 had seven reportable spills. The largest was 19,000 litres at Elcho Island, but the diesel was contained in the bund and retrieved for reuse. There was a spill of 400 L from a temporary generator set at Kings Canyon Power Station, but the diesel was contained and contaminated soil cleaned up. There was a spill of 312 L of transformer oil at the Sadadeen Complex in Alice Springs. Three of the remaining spills were of 50 L and one of 15 L. None of the spills resulted in environmental impact.

There has been a consistent reduction in the number of reportable spills over the past four years, confirming the importance of our fuel bunding program and improved staff training and upgrading program.

FIGURE 1.6

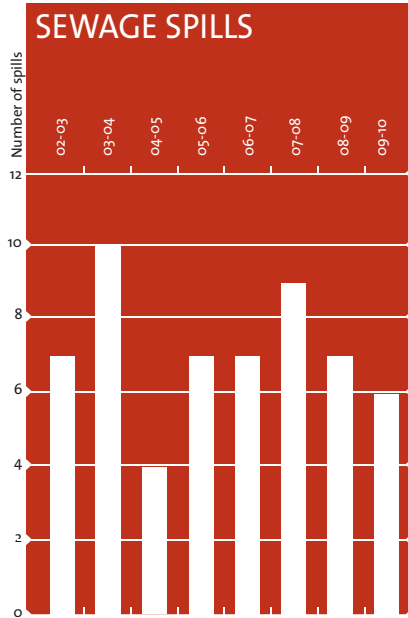
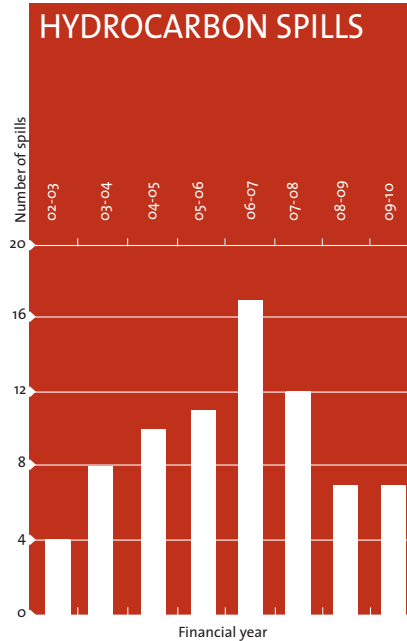


FIGURE 1.7



Chemical leaks

There was a significant chlorine leak from a water treatment facility at the Roe Creek borefield south of Alice Springs in July 2009. A contractor attempted to operate a valve on a gas cylinder and chlorine began leaking from the bottle. In accordance with Power and Water’s safety procedures, the contractor evacuated and called emergency services. The gas leak was controlled by misting with water until the valve was sealed. There was no significant environmental impact from the gas or the mist water.

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.



ABOVE ► ROUTINE DRINKING WATER SAMPLING

A man in a blue shirt is looking upwards and to the left, standing in front of a large, complex industrial engine. The engine is white and features various pipes, valves, and components. The background is dark, suggesting an indoor industrial setting.

Robbie Hore
Generation, Katherine

We generate electricity for the Darwin-Katherine region using the industrial version of the units that power jet aeroplanes. In Katherine we have three of these and each can produce about 7MW.

As the workshop maintenance services coordinator I work with a team of five to ensure these turbines are ready and available to use when needed.

This means working closely with our system control centre in Darwin to monitor electricity demand, which varies dramatically between the wet and dry seasons – and particularly the Build Up.

That includes ensuring our gas supply is good, we have back-up diesel in stock and we have the people with the skills to operate and maintain the machines.

We're a small team, so I can also be on the on-call roster if there are any faults overnight and I can be down in the workshop with grease to my elbows.

At the moment the role also involves a lot of contract supervision, as we prepare to add another unit to cater for local growth. I'm responsible for making sure everyone has the right personal protective gear, the right training and the right permits to carry out their work safely.

Our people



ABOVE ► ESSENTIAL SERVICES OPERATORS HAVE A CRITICAL ROLE IN REMOTE COMMUNITIES

Power and Water employs 967 people, each critical to its \$1.5 billion investment plan now and into the future.

The Human Resources Strategy was revised in 2009-10 to reflect these changing operational and organisational conditions, but priorities remain the same:

- Ensuring the safety, health and wellbeing of staff and contractors;
- Designing and developing our workforce to ensure it is equipped to maintain our infrastructure now and in future;
- Learning and development for new and existing staff;
- Motivation performance and reward.

A major driver for this year was an organisational culture survey taken in August 2009, which prompted a number of initiatives to develop an increasingly achievement oriented culture.

These include:

Developing and communicating corporate vision and values, which are being embedded into operations through revised systems and processes;

Quarterly employee forums hosted by the Managing Director, providing an opportunity for employees in all locations to hear about other areas of the business;

Monthly managers' forums in Darwin and Alice Springs for managers at all levels to share information about corporate initiatives and develop managerial capability in general;

Development of a Power and Water-specific code of conduct that reflects our unique working environment.

Leadership and management capability

Power and Water launched a structured six-month leadership development program in May 2010 as part of plans to increase leadership and management capability.

A bi-monthly managers' induction program commenced in April, providing newly-appointed managers with key corporate information about their responsibilities.

Management development workshops in a range of technical skills development topics are available to employees at all levels with supervisory or managerial responsibilities.

Apprentice and graduate programs

Power and Water continues to secure its future workforce by employing and developing apprentices and graduates. In 2009-10 Power and Water hosted 15 new apprentices, bringing the total number to 60. In addition, two trainees were employed in Retail.

Our apprentices and supervisors continue to be recognised for their outstanding achievement with the following awards:

Group Training Northern Territory Awards

Alice Springs

Apprentice of the year

Ronnel Colon

Supervisor of the Year

Steve Bell

Outstanding Apprentice Stage 2

Cameron Kahl

Darwin

Outstanding Apprentice Stage 4

Brendan Lee

Masterbuilders Association

Apprentice of the year – Highly Commended

Brendan Lee

Group Training Australia

Today's Skills Tomorrows Leaders

Brendan Lee

Charles Darwin University Trades Division Awards

Most improved 1st/2nd year

Apprentice in Electrotechnology

Tim Dobbe

Plumbing Apprentice of the Year

Mark Berts

The Power and Water graduate program continued in 2010 with eight new graduates from engineering and science disciplines commencing in February. They joined six graduates who entered the second year of the program. The program is considered a success and will be extended to corporate and administrative roles in 2011.

Training and development

Power and Water continues to develop employee skills and knowledge to ensure they have the skills and capabilities to perform their roles and meet operational demands now and in the future.

Training requirements and knowledge gaps are identified in conjunction with supervisors and coordinated through the training unit.

In 2009-10 a total \$3.1 million was spent on training (excluding apprenticeship programs and study assistance) which amounts to an average of \$3100 per employee.

The focus on technical skill development continues within Power Networks in response to the Mervyn Davies Report. This was supplemented by high levels of training to meet safety and legislative compliance requirements.

This year 93 employees accessed study assistance within the Union Collective agreement to complete undergraduate and post-graduate courses, this is a 40 per cent increase on last year's figures.



ABOVE ► AWARD WINNING APPRENTICE BRENDAN LEE



ABOVE ► ESO TRAINING



ABOVE ► APPRENTICE TRAINING

Service recognition

Power and Water recognised a number of long-serving staff in November 2009. Three employees reached the very significant 40 year milestone. Fifteen achieved 30 years service, 23 their 20-year milestone and 14 and 54 employees reached 10 and five years service respectively.

Employee satisfaction

Employee satisfaction remains high with 70 per cent of employees rating their overall satisfaction with Power and Water as six out of 10 or higher and 87 per cent rating Power and Water as a good employer they would recommend to others.

Employee satisfaction is broadly comparable to results from other companies in the energy sector and Australian industry in general.

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 Services Operators

115 Essential Services Operators – many of whom are Indigenous – 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.

ESOs are contracted to operate, maintain and repair services in remote Indigenous communities.

This year, ESOs attended three-day training courses in Darwin, Katherine and Alice Springs focussed on keeping the power, water and sewerage services in their community connected and maintained.

Safety

Zero Harm

Power and Water remains committed to continually improving health and safety. Safety ranks as one of five of our core values: we seek to protect the health and well being of ourselves, contractors and the general public. Our safety vision is zero harm, zero incidents, and zero unsafe acts and practices in the workplace.

Health and safety performance

Power and Water continues to strengthen its safety performance by the lowering the target number of lost time injuries by one third annually.

Power and Water recorded 10 lost time injuries this year, exceeding the target of six or less. The lost time injury frequency rate was 5.7, with an average of seven days lost per lost time injury.

All reportable incidents to NT Work Safe have been submitted within the legislated timelines.

The number of incidents reported and investigated each month is a key indicator of our progress. Our aim is to have all health and safety incidents investigated within 30 days.

Senior Power and Water staff conduct regular Safe Act Observations (SAO), to promote discussion on health and safety in the workplace. These observations are conversations with workers about carrying out their duties safely, helping raise awareness and contributing to the effectiveness of our safety program.

This year an average of 76% SAO contacts were safe with the focus on improvement and striving for the corporate target of 85%. If a

SAO is unsafe the work is stopped or the employee is asked to find ways to prevent or correct any unsafe activities.

Health and safety initiatives

Power and Water introduced the Zero Incident Program (ZIP) in 2009 and all staff will receive this training. ZIP focuses on learning tools to improve behavioural safety.

The occupational health and safety unit was decentralised in January 2010. Each operational business unit now has its own health and safety specialist. The corporate health and safety group provides advice to the executive management team and the Health Safety and Environment Committee.

Twenty workgroups have been formed across the Generation and Power Networks business units and 20 Health and Safety Representatives (HSRs) have been elected. The HSRs work with the local workgroup to discuss safety at their level and develop safety solutions within the group.

Management systems recertification AS/NZ 4801

Power and Water achieved recertification to the Occupational Health and Safety management system (AS/NZ 4801), verified through external audits in December 2009.

Power and Water has an Integrated Management System, which combines three management systems being Occupational Health and Safety, Quality and Environment.

Our economics

Network access prices

The Utilities Commission regulates electricity network prices in accordance with the Electricity Networks (Third Party Access) Code. 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.

The Utilities Commission has approved network tariffs and charges relating to the use of

Power and Water networks for 2010-11. The Utilities Commission also approved new Alternative Control Service charges for 2010-11 and Power and Water is in the process of implementing these charges.



ABOVE ► NEW ENGINE DELIVERED TO OWEN SPRINGS POWER STATION

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.

The Utilities Commission is reviewing Power and Water's planning and operational activities as follows:

1. Asset Management Capability Project;
2. Capital and maintenance programs;
3. Customer service incentive scheme for electricity customers;
4. Retail price monitoring regime for contestable electricity customers;
5. Electricity standards of service;
6. Electricity system planning, monitoring and reporting; and
7. Electricity system planning and market operation roles and structures.

Depending on the outcomes, compliance with the resulting regulatory changes may further affect the Corporation's resources, capital requirements and financial situation. For example, the review of options for implementation of a customer service incentive scheme may affect the cost to serve through the imposition of penalty payments for failing to meet service standards.

NT Electricity Ring-fencing Code

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

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 2010.

FIGURE 1.9

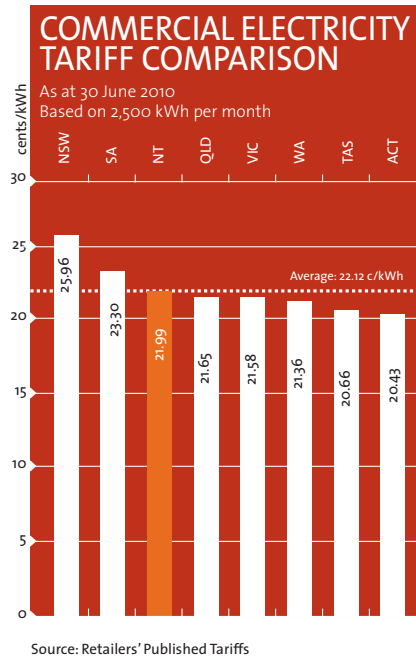


FIGURE 1.8

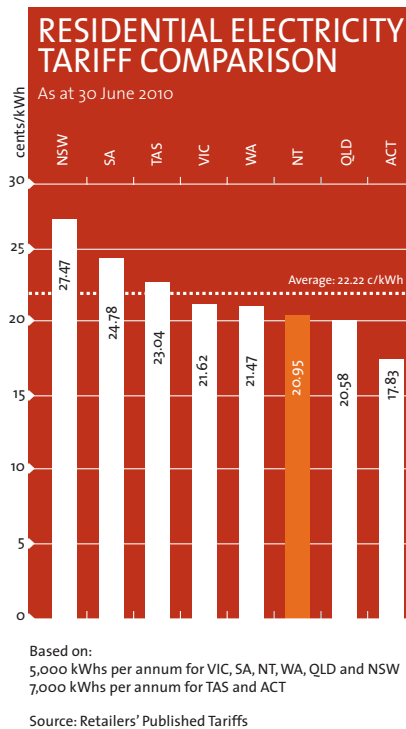


FIGURE 1.10

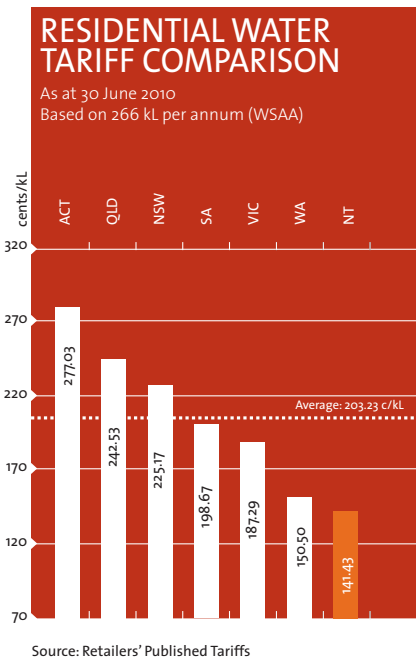
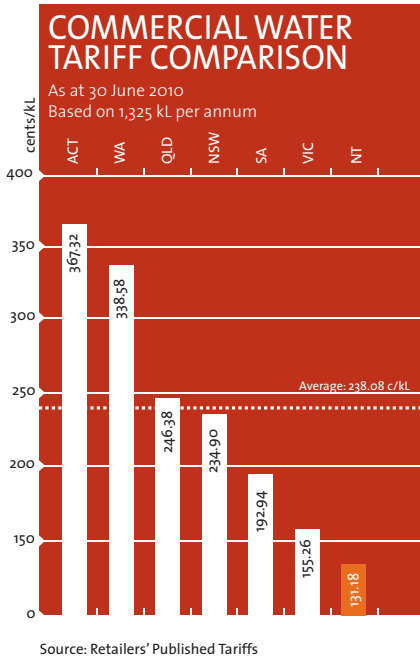


FIGURE 1.11



Community Service Obligations

Governments pay Community Service Obligations (CSOs) 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 2009-10, the Northern Territory Government paid Power and Water \$63.8 million in CSOs.

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 \$7.2 million during the 2009-10 financial year to provide these services.

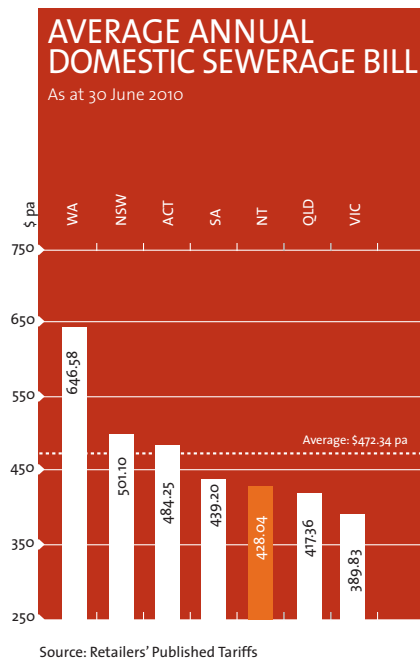
2009-10 Cost recovery – water supply and sewerage services

The following tables show 2009-10 costs and revenue for water supply and sewerage services in accordance with the 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 efficient operational and maintenance costs, the cost of debt servicing and the cost of consumption.

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

FIGURE 1.12



Minimum cost recovery check

	Darwin \$000	Katherine \$000	Tennant Creek \$000	Alice Springs + Yulara \$000	Total \$000
WATER					
Operations, maintenance, administration	24,700	5,252	2,021	11,850	43,823
Debt servicing	4,946	1,540	405	1,378	8,269
Asset consumption	17,463	2,813	1,143	5,822	27,241
Minimum viability costs	47,109	9,605	3,569	19,050	79,333
Total revenue – from trading (excl. CSO)	41,215	3,955	1,565	9,651	56,386
Surplus/(deficit) (excl. CSO)	(5,894)	(5,650)	(2,004)	(9,399)	(22,947)
Surplus/(deficit) (incl. CSO)	(3,511)	(5,512)	808	(7,948)	(16,163)
SEWERAGE					
Operations, maintenance, administration	16,858	2,768	1,009	4,823	25,458
Debt servicing	1,401	388	108	280	2,177
Asset consumption	7,074	613	343	1,754	9,784
Minimum viability costs	25,333	3,769	1,460	6,857	37,419
Total revenue – from trading (excl. CSO)	29,169	1,644	766	6,332	37,911
Surplus/(deficit) (excl. CSO)	3,836	(2,125)	(694)	(525)	492
Surplus/(deficit) (incl. CSO)	4,406	(2,123)	(694)	(525)	1,064

Risk management

Power and Water is integrating an enterprise-wide risk management framework across the business.

Good risk management is considered essential to meeting our statutory objectives under the *Government Owned Corporations Act*.

A range of risk management activities support an organisational culture aimed at systematically managing risk.

The framework ensures Power and Water has processes to identify, prioritise and manage current and emerging risks, fostering employee participation in this.

It supports a proactive management of opportunities and threats, linking risk management with strategic and corporate planning.

In operational areas, it allows the allocation of corporate resources to ensure incident management and compliance with relevant legislation.

The Australia/New Zealand Standard “AS/NZ ISO 3100:2009 *Risk management-Principles and guidelines*” was used to develop our risk management philosophies, methodologies and techniques.

Corporate governance



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

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

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

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

Committee structures

The Corporation's committee structure is as follows:

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

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

The **Capital Investment, Asset Management and Fuel Supply Committee** helps 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 the Managing Director as Chairman and two 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 the Managing Director as Chairman and two 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 six 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.

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.



ABOVE ► GRADUATE JESS STUART WATER QUALITY TESTING AT DARWIN RIVER DAM

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 three 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 18 June 2010 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 2009-10.

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. At 30 June 2010 negotiations for a new three-year Union Collective Agreement between Power and Water and its employees were progressing to replace the agreement that expired 9 August 2010.

Financial statements



Financial statements

Index

Directors' report	56
Directors' declaration	62
Independent Audit Opinion	63
Statement of comprehensive income	65
Statement of changes in equity	66
Statement of financial position	67
Statement of cash flows	68

No.	Notes to the financial statements	
1	Corporate information	69
2	Statement of significant accounting policies	69
3	Revenue and expenses	83
4	Income tax equivalent expense	85
5	Dividends	87
6	Cash and cash equivalents	87
7	Trade and other receivables	88
8	Inventories	89
9	Investments	89
10	Investment in subsidiaries	89
11	Property, plant and equipment and intangibles	90
12	Trade and other payables	94
13	Interest bearing borrowings	94
14	Provisions	95
15	Government grants	95
16	Contributed equity	96
17	Reserves	96
18	Retained earnings	96
19	Risk management objectives	97
20	Financial instruments	100
21	Commitments	102
22	Contingent liabilities and contingent assets	103
23	Related party information	103
24	Auditor's remuneration	104
25	Director and executive disclosures	105
26	Impairment of assets and subsequent reversals	106
27	Events after the reporting period	107

Director's 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 2010 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>Mrs Judith King (Chairman) BA, Foundation Fellow AICD</p>	<p>Mrs King is Board Chairman, and has been a director of Power and Water Corporation since its establishment. With extensive board experience in the private and public sector, she was formerly a director of Melbourne Water Corporation and Citipower and closely involved in the restructure and reform of the Victorian utility sector. Mrs King's current appointments include Swinburne Ventures Ltd; National Ageing Research Institute; the Victorian Commission for Gambling Regulation; and Board of the NT Environmental Protection Authority. Mrs 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>Mr Davies joined the Power and Water Corporation Board in May 2009. He 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 New South Wales (NSW) qualifications in engineering and economics.</p>
<p>Mr Peter Vines BCom, MBA, FIE Aust., MAICD</p>	<p>Peter Vines was a member of Power and Water Corporation's Board from 2005 until October 2009. He 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. Term expired 8 October 2009.</p>
<p>Mr Robert Neil BSc, BEng(Hons), DipBusAdmin, FIE Aust., FAICD</p>	<p>Robert Neil was a member of Power and Water Corporation's Board from 2005 until October 2009. 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. Term expired 8 October 2009.</p>

Name	Experience and Special Responsibilities
Mr Barry Chambers FIE Aust.	Appointed to the Power and Water Corporation Board in March 2007, Mr Chambers has extensive experience as a professional engineer working for local, Territory and Federal governments in the areas of engineering services, infrastructure, public buildings, town planning, land management and environmental services. For 13 years he held Chief Executive Officer positions in Northern Territory (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 also currently Chairman of NT Build.
Ms Margaret Gibson LLB(Hons), BCom, FCA, FTIA, FAICD	Ms Gibson was appointed to the Power and Water Corporation Board in March 2007. A retired partner of PricewaterhouseCoopers, where she spent 35 years and for 12 years was a member of the Board of Partners. She is currently a Director and Chairman of the Audit and Risk Committee of Australia Post Limited, and an External Member of the Audit Committee for the Australian Taxation Office. She is currently a Director of the RSPCA (Queensland).
Mrs Linda Mackenzie BCom(Hons), CA	Appointed to the Power and Water Corporation Board in March 2007, Mrs Mackenzie worked for the Northern Territory Treasury for nine years until she resigned from her position of Assistant Under Treasurer (commercial) in January 2007. Mrs Mackenzie is also a member of the Darwin Port Corporation Advisory Board, and previously worked for Macquarie Bank Limited in Sydney where she worked on structured finance transactions. Mrs Mackenzie 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	Mr Hannon 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. The group employ more than 300 Territorians and that number again interstate. Term commenced 30 July 2009.

Directors' report

Review of Operations

Summarised financial information

	Consolidated	
	June 2010 \$ Million	June 2009 \$ Million
Total revenue (excl impairment write-back and Northern Territory Government capital contributions)	715.8	615.6
Impairment write-back	-	161.3
Capital contributions	17.4	50.0
Total expenses (excl impairment write-off)	(636.8)	(548.7)
Impairment write-off	(319.8)	-
EBITDA	(223.3)	278.2
Depreciation	(89.1)	(72.6)
Interest expense	(44.0)	(32.6)
Net profit/(loss) before income tax	(356.3)	173.0
Income tax (expense)/benefit	107.6	(51.9)
Net profit/(loss) after income tax	(248.8)	121.1
Impairment write-back	-	161.3
Impairment write-off	(319.8)	-
Capital contributions	17.4	50.0
Tax effect of impairment adjustments and Northern Territory Government capital contributions	90.7	(63.4)
Underlying net profit/(loss) after income tax	(37.2)	(26.8)
Total assets	1,753.6	1,668.2
Total liabilities	1,265.5	931.4
Total equity	488.1	736.8

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:

Impairment Write-down

An impairment write-down in the value of the power generation and network assets of \$223.8 million post tax (\$319.7 million before tax) and the gifting of the Wickham Point Gas pipeline \$15.0 million post tax (\$21.5 million before tax) has resulted in a consolidated net loss after tax of \$248.8 million. The impairment write-down is a non-cash accounting entry resulting from the application of Australian Accounting Standard AASB 136 'Impairment of Assets'.

AASB 136 'Impairment of Assets' requires that the carrying value of assets not exceed the net present value of future cash flows generated by those assets.

For the year ending June 2010, it was found that the future cash flows for the power assets, in spite of recent tariff increases, were insufficient to support the value of the assets, and therefore the assets were written down.

The Corporation needed to expand

the capital investment program and bring forward the life extension and refurbishment work at Channel Island Power Station to ensure reliability of supply. There has been no real increase in revenue to fund this outflow and therefore impairment has resulted.

Capital contributions from the Northern Territory Government were significantly lower this year at \$12.1 million (\$17.4 million before tax) compared to \$35.0 million (\$50.0 million before tax) received in both the 2009 and 2008 financial years. Specific funding for the underground power project has also reduced with the completion of the first phase.

After removing the effects of the asset write-down and government capital contributions the consolidated entity's underlying result at the end of June 2010 was a loss after tax of \$37.1 million compared to a loss after tax of \$26.8 million for the year ending June 2009.

Revenue

Electricity, water and sewerage sales increased by \$63.3 million of which \$44.0 million resulted from the 20% tariff increase for water and sewerage customers, and the 18% tariff increase for franchise electricity customers on 1 July 2009. Also consumption increase, caused by both population and organic growth in relation to electricity and water sales and the late on-set of the dry season as well as the variation in contracts for some contestable customers has contributed positively to revenue. Gas sales have increased by \$57.7 million in the current financial year due to the Gas Acquisition Agreement contributing \$73.0 million to revenue and energy costs from the Blacktip gas field, and offset by lower sales from the Amadeus Basin fields.

Expenses

Energy costs have reduced by \$20.2 million compared to the prior year after excluding the \$73.0 million from the Gas Acquisition Agreement (which has increased both revenue from sale of goods and energy costs). From July 2009 to October 2009 a mix of distillate and gas from DLNG, Mereenie and Palm Valley was used. From late October 2009 to January 2010 off specification gas from Blacktip was utilised. Then from late January 2010 on specification gas was sourced from Blacktip.

Repairs and maintenance costs rose \$10.6 million, mainly driven by the Corporation's commitment to implement the recommendations in the Mervyn Davies Inquiry through the Remedial Asset Management Program, and the accelerated repairs and maintenance on generation equipment.

Employee costs rose \$16.5 million as Power and Water employed additional people in the Generation, Networks and Employee and Organisational Services business units in response to the recommendations of the Mervyn Davies Inquiry, as well as increased overtime and allowances, and a wage uplift in accordance with the Union Collective Agreement signed in 2007. The Corporation has suffered staff and skill shortages for a number of years as a result of the mining industry and other utilities 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 to deliver its significant asset investment program.

Other expenses increased by \$14.7 million to \$83.0 million mainly due to the gifting of the Wickham Point

Gas pipeline to a third party, offset by lower bad and doubtful debts and equipment hire in 2010 compared to the prior year. There has also been an increase in recruitment and relocation costs associated with the expanded capital investment program, the Remedial Asset Management Program and the Asset Management Capability project.

Depreciation and amortisation expenses have increased \$16.5 million on the previous year reflecting the Corporation's investment in capital over the past few years together with the impairment write-back of water and sewerage assets in 2009.

Capital Expenditure

Capital expenditure increased by \$79.1 million to \$302.9 million compared to \$223.8 million the previous year. Major project spending included: Owen Springs new power station and network of \$40.0 million; Weddell Power Station of \$10.0 million; augmenting generation capacity at Channel Island Power Station of \$50.0 million; Archer Zone Substation of \$9.4 million; replacement of Snell St Zone Substation \$2 million; raising the Darwin River Dam wall to increase water storage capacity \$6.4 million; new Palmerston – Roystonea Transmission Main \$8.0 million and IES projects totalling \$28.9 million.

Acceleration of the capital investment program which has

resulted from bringing forward key capital asset refurbishment and life extension projects for generation assets has been funded by an increase in borrowings.

Cash Position

The consolidated entity's cash balance at the end of June 2010 was \$168.3 million of which \$38.3 million was held by subsidiaries, predominantly Indigenous Essential Services Pty Limited. Indigenous Essential Services Pty Limited has received significant government grants over the past year in relation to remote Aboriginal area reforms. The Corporation borrowed \$145.0 million in June to fund the increased capital investment program, resulting in a large cash balance of \$130.0 million at the end of June 2010, expected to be spent early in the 2010-11 financial year.

Achievements in 2009-10

During the 2009-10 year, the Corporation initiated a range of actions to improve the security and reliability of services including:

- Successful delivery of gas from Blacktip in early 2010 has secured the supply of gas at a competitive price for the next 25 years. In late 2009 the completion of the Darwin Liquid Natural Gas interconnect pipeline provided additional security by ensuring the availability of gas for use in an emergency. These major

achievements provide long term certainty of the gas supply to meet the Northern Territory's growing demands;

- On-going investigation of equipment condition and remediation of major generation and power network infrastructure assets, specifically the zone substations, in accordance with the recommendations from the Mervyn Davies Inquiry into the 2008 Casuarina incident;
- Continued improvements to the water supply by advancing construction work to raise the level of the Darwin River Dam, by beginning work for the re-commissioning of Manton Dam and securing additional water sources for Alice Springs; and
- Continued works to close the Larrakeyah outfall in 2011 through upgrades to waste water treatment facilities.

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.

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 2011 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 2001*.

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 17th day of September 2010.

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 2001*, including:
 - (i) giving a true and fair view of the financial position of the Corporation and consolidated entity as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Dated at Darwin this 17th day of September 2010.

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



Mrs Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director

Independent Audit Opinion



**Independent Auditor's Report to the Board of Directors of
Power and Water Corporation
Year ended 30 June 2010
Page 1 of 2**

I have audited the accompanying financial report of Power and Water Corporation, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Power and Water 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 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 controls 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 my 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-GENERAL

Page 2 of 2

Auditor's Opinion

In my opinion

- (a) the financial report of Power and Water Corporation is in accordance with the *Government Owned Corporations Act*, including
 - i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Government Owned Corporations Act*.
- (b) the financial report also complies with International financial Reporting Standards as disclosed in Note 2(a).

A handwritten signature in black ink, appearing to read 'McGuinness', is written over a horizontal line.

McGuinness
Auditor-General for the Northern Territory
Darwin, Northern Territory

17 September 2010

Statement of Comprehensive Income

	Note	Consolidated		Corporation	
		June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
Continuing Operations					
Revenue from sale of goods	3 (a)	514,860	399,828	442,853	316,394
Revenue from rendering of services	3 (a)	94,875	92,244	37,242	30,705
Finance revenue	3 (a)	3,011	3,047	1,669	2,189
Other income	3 (b)	120,469	331,803	115,622	320,393
Inter-Group sales		-	-	7,767	7,269
Total revenue and income		733,215	826,922	605,153	676,950
Energy and materials		(365,728)	(312,897)	(291,425)	(219,978)
Repairs and maintenance expense	3 (f)	(74,859)	(64,251)	(61,456)	(51,760)
Employee benefits expense	3 (e)	(88,492)	(71,904)	(82,563)	(67,091)
External service agreements		(24,675)	(25,575)	(15,500)	(17,191)
Impairment of non-current assets	11, 26	(319,751)	(5,718)	(319,751)	(5,718)
Other expenses	3 (g)	(83,012)	(68,356)	(75,716)	(61,339)
Depreciation and amortisation expenses	3 (d)	(89,077)	(72,558)	(71,178)	(48,334)
Finance costs	3 (c)	(43,964)	(32,618)	(43,964)	(32,612)
Profit/(loss) from continuing operations before income tax equivalent expense		(356,343)	173,045	(356,400)	172,927
Income tax equivalent benefit/(expense)	4 (a)	107,591	(51,903)	107,608	(51,867)
Profit/(loss) for the year from continuing operations		(248,752)	121,142	(248,792)	121,060
Profit/(loss) for the year		(248,752)	121,142	(248,792)	121,060
Other comprehensive income					
Net gain/(loss) on cash flow hedges	17	-	1,310	-	1,310
Other comprehensive income for the year (net of tax)		-	1,310	-	1,310
Total comprehensive income for the year		(248,752)	122,452	(248,792)	122,370
Profit/(loss) attributable to the equity holder of the parent		(248,752)	121,142	(248,792)	121,060
Comprehensive income attributable to the equity holder of the parent		(248,752)	122,452	(248,792)	122,370

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

Statement of Changes in Equity

	Note	Consolidated		Corporation	
		June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
RESERVES					
Cash flow hedging reserve					
Balance at beginning of year		-	(1,310)	-	(1,310)
Other comprehensive income			1,310		1,310
Balance at end of year	17	-	-	-	-
RETAINED EARNINGS					
Balance at beginning of year		736,822	615,680	736,060	615,000
Net profit for year		(248,752)	121,142	(248,792)	121,060
Balance at end of year	18	488,070	736,822	487,268	736,060
TOTAL EQUITY		488,070	736,822	487,268	736,060
Total equity attributable to owners of the parent		488,070	736,822	487,268	736,060

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

Statement of Financial Position

	Note	Consolidated		Corporation	
		June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
CURRENT ASSETS					
Cash and cash equivalents	6 (a)	168,319	103,697	130,088	57,957
Trade and other receivables	7	77,436	63,916	80,785	64,595
Current tax receivables	4 (c)	-	496	-	496
Inventories	8	18,874	17,654	14,154	13,790
Prepayments		2,883	3,105	2,884	3,101
Total current assets		267,512	188,868	227,911	139,939
NON-CURRENT ASSETS					
Receivables	7	140	352	140	352
Investments	9	3	3	-	-
Investment in subsidiaries	10	-	-	4,123	4,673
Property, plant and equipment	11	1,365,881	1,463,902	1,179,295	1,288,835
Intangible assets	11	6,810	2,345	6,810	2,345
Deferred tax assets	4 (b)	113,249	12,728	111,487	10,399
Total non-current assets		1,486,083	1,479,330	1,301,855	1,306,604
Total assets		1,753,595	1,668,198	1,529,766	1,446,543
CURRENT LIABILITIES					
Trade and other payables	12	104,990	119,367	93,842	102,427
Borrowings	13	4,084	5,803	4,084	5,803
Current tax liabilities	4 (c)	-	-	-	-
Provisions	14	22,293	17,910	22,293	17,910
Government grants	15	28,337	23,817	329	243
Total current liabilities		159,704	166,897	120,548	126,383
NON-CURRENT LIABILITIES					
Borrowings	13	900,400	559,484	900,400	559,484
Deferred tax liabilities	4 (b)	11,166	16,475	11,166	16,475
Provisions	14	10,384	8,141	10,384	8,141
Government grants	15	183,871	180,379	-	-
Total non-current liabilities		1,105,821	764,479	921,950	584,100
Total liabilities		1,265,525	931,376	1,042,498	710,483
Net assets		488,070	736,822	487,268	736,060
EQUITY					
Retained earnings	18	488,070	736,822	487,268	736,060
Total equity		488,070	736,822	487,268	736,060

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

Statement of Cash Flows

	Note	Consolidated		Corporation	
		June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		562,201	541,614	479,477	450,430
Payments to suppliers and employees		(624,984)	(521,880)	(496,916)	(391,274)
Income tax paid	4 (c)	2,256	(24,037)	2,256	(24,037)
Community Service Obligations received		63,773	58,515	63,769	58,515
Receipt of Government grants		64,951	73,698	86	(9,231)
Interest received		2,725	3,425	1,460	2,387
Interest paid		(42,959)	(32,388)	(42,959)	(32,383)
Net cash provided by operating activities	6 (b)	27,963	98,947	7,173	54,407
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		322	1,136	264	1,119
Interest received from controlled entities		-	-	-	112
Payments for property, plant and equipment		(302,921)	(223,753)	(274,503)	(196,418)
Proceeds from repayment of related party loans		-	-	-	3,704
Distribution from trust		61	53	-	-
Net cash used in investing activities		(302,538)	(222,564)	(274,239)	(191,483)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(5,803)	(5,950)	(5,803)	(5,532)
Proceeds from borrowings		345,000	144,000	345,000	144,000
Net cash provided by financing activities		339,197	138,050	339,197	138,468
Net increase/(decrease) in cash and cash equivalents					
		64,622	14,433	72,131	1,392
Cash and cash equivalents at beginning of year		103,697	89,264	57,957	56,565
Cash and cash equivalents at end of year	6 (a)	168,319	103,697	130,088	57,957

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

Notes to the Financial Statements

1 Corporate information

Power and Water Corporation (the Corporation) is a corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2010 comprises the Corporation and its subsidiaries.

The financial report was authorised for issue by the directors on 17 September 2010.

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 2001*. The *Government Owned Corporations Act 2001* requires the financial statements of the Corporation and the consolidated entity to comply with the requirements of the *Corporations Act 2001*.

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 below.

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

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported or the presentation/disclosure in these financial statements:

Standard or Interpretation	Nature of Change to Accounting Policy
AASB 101 'Presentation of Financial Statements' – (revised September 2007)	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	
AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	

Notes to the Financial Statements

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

Standard or Interpretation	Nature of Change to Accounting Policy
AASB Interpretation 18 'Transfers of Assets from Customers'	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' including cash contributions for assets. It is concluded that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with AASB 118 <i>Revenue</i> . All transfers received from Government entities must now be recognised under AASB 120 <i>Government Grants</i> , regardless of whether or not they relate to Price-Regulated Network assets, which were treated differently under the now superseded Interpretation 1017 <i>Developer and Customer Contributions for Connection to a Price-Regulated Network</i> .
AASB 123 'Borrowing Costs' – revised standard	The principle change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. Instead, borrowing costs attributable to qualifying assets must now be capitalised.

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements as they do not result in any changes to the group's existing accounting policies. However, they may affect the accounting for future transactions or arrangements:

Standard or Interpretation
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation'
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'
AASB 3 'Business Combinations' (revised)
AASB 127 'Consolidated and Separate Financial Statements' (revised)
AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'
AASB Interpretation 15 'Agreements for the Construction of Real Estate'
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'
AASB Interpretation 17 'Distributions of Non-cash Assets to Owners'
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'

Notes to the Financial Statements

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. The consolidated entity does not intend to adopt any of these pronouncements before their effective dates. Initial application of these Standards and Interpretations will not affect the reported results or position of the consolidated entity as they do not result in any changes to the consolidated entity's accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

Standard or Interpretation	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2010	30 June 2011
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'	1 January 2010	30 June 2011
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	1 February 2010	30 June 2011
AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 124 'Related Party Disclosures (revised December 2009)'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments'	1 January 2013	30 June 2014
AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	30 June 2011

(b) Basis of preparation

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

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

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

(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 critical accounting judgments and key sources of estimation uncertainty.

Notes to the Financial Statements

Critical accounting judgements

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

Qualifying assets

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

Key sources of estimation uncertainty

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

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 26.

(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 23 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.

(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.

Notes to the Financial Statements

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 statement of financial position 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.

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

Investment revenue

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

Interest revenue

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

Contribution of assets

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

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

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

Notes to the Financial Statements

(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 statement of financial position.

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

(g) Finance costs

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

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

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

(h) Income tax equivalents

The Corporation and its controlled entities Darnor Pty Limited and Gasgo Pty Limited, are required to make income tax equivalent payments to the Northern Territory Government based on the benefits derived because it is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation. Indigenous Essential Services Pty Limited is not subject to these payments as it is a not-for-profit entity.

These payments are made pursuant to section 155(4) of the *Government Owned Corporations Act 1993* and are based on rulings set out in the National Tax Equivalent Regime's manual. The National Tax Equivalent Regime manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997*.

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 end of the reporting period.

Deferred tax

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

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

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

Current and deferred tax for the period

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

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 statement of financial position.

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 statement of comprehensive income.

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

Notes to the Financial Statements

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.

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 profit or loss.

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

Operating leases

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

(m) Property, plant & equipment

Acquisition of assets

Freehold land, buildings and plant and equipment are originally stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Corporation's accounting policy. Also included is 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.

Notes to the Financial Statements

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.

Depreciation and amortisation

Complex Assets

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

Useful Lives

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

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

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

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

	June 2010	June 2009
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 profit or loss.

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 profit or loss.

Notes to the Financial Statements

Derecognition and disposal

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

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

(n) Intangible assets

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

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

Purchased software

All purchased software items have limited useful lives and are amortised using the straight-line method over their estimated useful lives.

Make-up gas

The Corporation has entered into a Take-or-Pay Gas Purchase Agreement that came into effect during the current financial year. Make-up gas paid for under obligation of the contract but not physically taken is recorded as an intangible asset. This asset will be tested for impairment annually as stipulated by AASB 136.

(o) 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.

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.

(p) 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. These liabilities are measured at the amounts expected to be paid when the liabilities are settled including related on-costs.

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 including any related on-costs.

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 profit or loss.

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.

(q) Provisions

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

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 profit or loss 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.

Notes to the Financial Statements

(r) Dividends

A provision for dividends payable is recognised in the reporting period to which it relates. The Northern Territory Government's dividend policy requires the Corporation to provide for a dividend payable, generally at a rate of 50% of net profit after income tax. See note 5 for further information.

(s) 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 profit or loss.

(t) 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 profit or loss 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. Note 19 contains details of fair values of cash flow hedges. Movements in the hedging reserve in equity are detailed in note 17, the statement of comprehensive income 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 profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in the profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However,

Notes to the Financial Statements

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 profit or loss. 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 profit or loss.

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
3 Revenue and expenses				
<i>Revenue and expenses from continuing operations</i>				
(a) Revenue				
Sale of goods	514,860	399,828	442,853	316,394
Rendering of services	94,875	92,244	37,242	30,705
Finance revenue	3,011	3,047	1,669	2,189
	612,746	495,119	481,764	349,288
<i>Breakdown of rendering services:</i>				
IES capital government grants	12,966	7,866	-	-
IES recurrent government grants	43,972	52,912	-	-
Services rendered	37,937	31,466	37,242	30,705
	94,875	92,244	37,242	30,705
<i>Breakdown of finance revenue:</i>				
Bank interest	3,000	2,994	1,669	2,077
Interest – controlled parties	-	-	-	112
Income from investments	11	53	-	-
	3,011	3,047	1,669	2,189
(b) Other income				
<i>Community Service Obligations:</i>				
Uniform tariffs	56,546	54,371	56,546	54,371
Other	7,227	4,144	7,223	4,144
	63,773	58,515	63,769	58,515
<i>Developer, customer and other capital contributions:</i>				
Gifted assets	8,876	17,260	8,475	12,264
Northern Territory Government capital contribution	17,400	50,000	17,400	50,000
Other	9,425	16,189	9,417	16,172
	35,701	83,449	35,292	78,436
Net gain/(loss) on disposal of property, plant and equipment	(269)	526	(260)	509
Recoverable works	5,496	9,274	905	2,579
Damages	9,198	6,351	9,198	6,351
Impairment reversal	-	161,274	-	161,274
Bank guarantee	-	6,300	-	6,300
Other revenue	6,570	6,114	6,718	6,429
Total other income	120,469	331,803	115,622	320,393

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.

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
3 Revenue and expenses (continued)				
(c) Finance costs				
Bank loans	-	6	-	-
Government loans	43,964	32,612	43,964	32,612
	43,964	32,618	43,964	32,612
Capitalised finance costs	-	-	-	-
	43,964	32,618	43,964	32,612
(d) Depreciation and amortisation				
<i>Depreciation</i>				
Buildings	6,451	5,507	4,566	3,304
Plant and equipment	78,384	59,382	62,370	42,012
Rotable spares	1,518	950	1,518	950
Total depreciation	86,353	65,839	68,454	46,266
<i>Amortisation</i>				
Intangible assets	2,724	2,068	2,724	2,068
Development costs	-	4,651	-	-
Total amortisation	2,724	6,719	2,724	2,068
Total depreciation and amortisation	89,077	72,558	71,178	48,334
(e) Employee benefits expense				
Personnel direct	111,860	91,342	101,585	82,890
Contract and apprentice labour	4,982	4,457	4,982	4,392
	116,842	95,799	106,567	87,282
Capital and maintenance labour recovery	(28,350)	(23,895)	(24,004)	(20,191)
	88,492	71,904	82,563	67,091
(f) Repairs and maintenance expense				
Materials	57,961	49,025	47,184	39,012
Labour	16,898	15,226	14,272	12,748
	74,859	64,251	61,456	51,760
(g) Other expenses				
Generator hire	-	10,022	-	10,022
Gifted assets expense	21,583	-	21,583	-
Grants and subsidies	4,644	6,074	4,638	6,072
Bad and doubtful debts	1,263	5,066	1,199	4,901
Other expenses	55,522	47,194	48,296	40,344
	83,012	68,356	75,716	61,339

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
4 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
<i>Current income tax</i>				
Current income tax charge	(1,121)	6,329	(571)	5,468
<i>Deferred income tax</i>				
Under/(over) from prior years	(727)	(195)	(727)	(195)
Relating to origination and reversal of temporary differences	(105,743)	45,769	(106,310)	46,594
Income tax expense reported in profit or loss	(107,591)	51,903	(107,608)	51,867
Numerical reconciliation between tax expense and pre-tax net profit				
Accounting profit before income tax	(356,343)	173,045	(356,400)	172,927
At the consolidated entities' statutory income tax rate of 30% (2009: 30%)	(106,903)	51,914	(106,920)	51,878
Under/(over) provision from prior years	(727)	(195)	(727)	(195)
Expenditure not allowable for income tax purposes	39	184	39	184
Income tax expense on pre-tax profit	(107,591)	51,903	(107,608)	51,867
(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
Renewable Energy Certificates	7	-	7	-
Prepayments	69	56	69	56
Unbilled consumption	10,991	8,789	10,991	8,789
Accrued interest	99	36	99	36
Gross deferred income tax liabilities	11,166	16,475	11,166	16,475
<i>Movements:</i>				
Opening balance at 1 July	16,475	8,231	16,475	8,231
Over/(under) provision from prior years	1,010	251	1,010	251
Credited/(charged) to profit or loss	(6,319)	7,993	(6,319)	7,993
Closing balance at 30 June	11,166	16,475	11,166	16,475

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
4 Income tax equivalent expense (continued)				
<i>Deferred tax assets</i>				
Employee provisions	9,661	7,674	9,661	7,674
Unearned revenue	89	110	89	110
Allowance for doubtful debts	500	770	500	770
Obsolete stock provision	688	587	688	587
Accrued expenses	1,296	1,265	1,288	1,258
Non-capital tax losses carried forward	1,120	-	1,120	-
Impairment of other non-current assets	37,254	-	37,254	-
Property, plant and equipment	62,641	2,322	60,887	-
Gross deferred income tax assets	113,249	12,728	111,487	10,399
<i>Movements:</i>				
Opening balance at 1 July	12,728	51,240	10,399	49,737
Under/(over) provision from prior years	(23)	(736)	(23)	(736)
Credited/(charged) to profit or loss	99,424	(37,776)	99,991	(38,602)
Non-capital tax losses credited to profit or loss	1,120	-	1,120	-
Closing balance at 30 June	113,249	12,728	111,487	10,399
Net deferred tax assets and deferred tax liabilities	102,083	(3,747)	100,321	(6,076)
Deferred tax income/(expense)	(105,743)	45,769	(106,310)	46,594
(c) Income tax payable				
Opening balance at 1 July	(496)	18,395	(496)	18,395
Income tax paid	2,256	(24,037)	2,256	(24,037)
Current year income tax expense	(571)	5,467	(571)	5,467
Subsidiary income tax obligation	(549)	861	(549)	861
Non-capital tax losses taken to deferred tax assets	1,120	-	1,120	-
Under/(over) provision from prior years	(1,760)	(1,182)	(1,760)	(1,182)
Closing balance at 30 June	-	(496)	-	(496)
(d) Equity contributions to subsidiaries in relation to income tax payable				
Darnor Pty Limited			17	34
Gasgo Pty Limited			(567)	827
			(550)	861

(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 \$1,483,000 (2009: \$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 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000

5 Dividends

Declared and paid during the year:

Dividends on ordinary shares:	-	-	-	-
	-	-	-	-

Final dividend paid in 2010 \$NIL (2009: \$NIL)

The Directors have not declared a dividend as an ongoing dividend moratorium has been 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash assets	168,319	103,697	130,088	57,957
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(b) Reconciliation of net profit after tax to net cash flows from operations

Net Profit	(248,752)	121,142	(248,792)	121,060
<i>Adjustments for:</i>				
Depreciation and amortisation	89,077	72,558	71,178	48,334
Distribution from trust	(61)	(53)	-	-
Impairment reversal less impairment writedown	319,751	(155,556)	319,751	(155,556)
Contributed assets provided free of charge	(8,876)	(17,260)	(8,475)	(12,264)
Interest on loans to subsidiary companies	-	-	-	(112)
Net (profit)/loss on disposal of property, plant and equipment	269	(526)	260	(509)
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	(1,220)	5,514	(364)	3,247
(Increase)/decrease in trade and other receivables	(13,308)	401	(15,978)	3,254
(Increase)/decrease in prepayments	222	311	217	304
(Decrease)/increase in net deferred tax payable	(105,830)	46,756	(105,847)	46,721
(Decrease)/increase in current tax liabilities	496	(18,891)	496	(18,891)
(Decrease)/increase in trade and other payables	(18,443)	28,439	(11,985)	24,857
(Decrease)/increase in government grants	8,012	13,045	86	(9,105)
(Decrease)/increase in provisions	6,626	3,067	6,626	3,067
Net cash flows from operating activities	27,963	98,947	7,173	54,407

(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 \$8.9 million (2009: \$17.3 million) by means of a gift. These acquisitions are not reflected in the statement of cash flows.

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
7 Trade and other receivables				
Current				
Service receivables	26,070	26,575	25,272	26,205
Allowance for doubtful debts	(1,667)	(2,566)	(1,667)	(2,566)
Unbilled consumption	36,638	29,299	36,638	29,299
	61,041	53,308	60,243	52,938
Other receivables	16,395	10,608	15,651	3,835
Loans and advances to controlled entities	-	-	4,891	7,822
Total current receivables	77,436	63,916	80,785	64,595
Non-current				
Development loans	140	352	140	352
Total non-current receivables	140	352	140	352

(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	604	655	604	655
30 – 60 days	324	210	324	210
60 – 90 days	162	141	162	141
90 + days	579	1,561	579	1,561
Impairment	1,668	2,566	1,668	2,566

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$4.1 million (2009: \$3.3 million) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Corporation generally does not hold collateral over these balances. The average age of these receivables is 88 days (2009: 121 days).

Ageing of past due but not impaired service receivables:

30 – 60 days	1,640	733	1,640	733
60 – 90 days	573	346	573	346
90 + days	1,912	2,257	1,912	2,257
Total	4,125	3,336	4,125	3,336

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000

7 Trade and other receivables (continued)

<u>Movement in the allowance for doubtful debts:</u>				
Balance at beginning of year	2,566	3,318	2,566	3,168
Impairment losses recognised on receivables	974	454	974	604
Amounts written off as uncollectible	(2,612)	(1,854)	(2,612)	(1,854)
Written off debts subsequently collected	739	648	739	648
Balance at end of year	1,668	2,566	1,668	2,566

(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	8,045	7,816	8,044	7,676
Fuel stocks	10,325	9,399	5,606	5,675
Gas stocks	78	77	78	77
Tokens	426	362	426	362
Total inventories	18,874	17,654	14,154	13,790

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 (2009: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 10 (2009: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2009: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 50 (2009: 50) ordinary shares of \$1 each held by the Corporation in BGP Tenure Holdings Pty Limited
- 15 (2009: 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	-	-	286	269
Gasgo Pty Limited	-	-	3,837	4,404
Total investment in subsidiaries	-	-	4,123	4,673

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 2010

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	19,004	194,629	2,192,985	281,889	14,280	2,702,787	17,241
Transfer / Restructure	(1)	5,252	(3,028)	(2,723)	(491)	(991)	2
Additions	-	-	8,897	302,527	5,428	316,851	-
Transfer From WIP	-	26,357	118,772	(155,472)	-	(10,343)	10,343
Disposals	-	-	(1,051)	-	-	(1,051)	-
Impairment							
- specific assets	(3,423)	(36,559)	(404,798)	(119,478)	(6,814)	(571,072)	(3,849)
Closing Balance	15,580	189,679	1,911,777	306,743	12,403	2,436,180	23,737
Accumulated Depreciation							
Opening Balance	-	(101,233)	(1,133,218)	-	(4,434)	(1,238,885)	(14,896)
Transfer / Restructure	-	(5,244)	5,245	-	-	1	1
Depreciation	-	(6,451)	(78,384)	-	(1,518)	(86,353)	(2,724)
Disposals	-	-	459	-	-	459	-
Impairment							
- specific assets	-	21,675	230,693	-	2,110	254,478	692
Rounding	-	(2)	3	-	-	1	-
Closing Balance	-	(91,254)	(975,203)	-	(3,842)	(1,070,299)	(16,927)
Written Down Value							
Opening Balance	19,004	93,396	1,059,767	281,889	9,846	1,463,902	2,345
Transfer / Restructure	(1)	8	2,217	(2,723)	(491)	(990)	3
Additions	-	-	8,897	302,527	5,428	316,851	-
Depreciation	-	(6,451)	(78,384)	-	(1,518)	(86,353)	(2,724)
Transfer From WIP	-	26,357	118,772	(155,472)	-	(10,343)	10,343
Disposals	-	-	(593)	-	-	(593)	-
Impairment							
- specific assets	(3,423)	(14,884)	(174,105)	(119,478)	(4,704)	(316,594)	(3,157)
Rounding	-	(2)	3	-	-	1	-
Closing Balance	15,580	98,425	936,573	306,743	8,561	1,365,881	6,810

Notes to the Financial Statements

11 Property, plant and equipment and intangibles

June 2010

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	18,983	158,576	1,910,280	254,925	14,280	2,357,044	17,241
Transfer / Restructure	(1)	5,220	(3,117)	(2,601)	(491)	(990)	2
Additions	-	-	8,495	273,443	5,428	287,366	-
Transfer From WIP	-	21,873	84,577	(116,793)	-	(10,343)	10,343
Disposals	-	-	(586)	-	-	(586)	-
Impairment							
- specific assets	(3,423)	(36,559)	(404,798)	(119,478)	(6,814)	(571,072)	(3,849)
Closing Balance	15,559	149,110	1,594,851	289,496	12,403	2,061,419	23,737
Accumulated Depreciation							
Opening Balance	-	(80,750)	(983,025)	-	(4,434)	(1,068,209)	(14,896)
Transfer / Restructure	-	(5,229)	5,229	-	-	-	1
Depreciation	-	(4,566)	(62,370)	-	(1,518)	(68,454)	(2,724)
Disposals	-	-	60	-	-	60	-
Impairment							
- specific assets	-	21,675	230,693	-	2,110	254,478	692
Rounding	-	-	1	-	-	1	-
Closing Balance	-	(68,870)	(809,412)	-	(3,842)	(882,124)	(16,927)
Written Down Value							
Opening Balance	18,983	77,826	927,255	254,925	9,846	1,288,835	2,345
Transfer / Restructure	(1)	(9)	2,112	(2,601)	(491)	(990)	3
Additions	-	-	8,495	273,443	5,428	287,366	-
Depreciation	-	(4,566)	(62,370)	-	(1,518)	(68,454)	(2,724)
Transfer From WIP	-	21,873	84,577	(116,793)	-	(10,343)	10,343
Disposals	-	-	(526)	-	-	(526)	-
Impairment							
- specific assets	(3,423)	(14,884)	(174,105)	(119,478)	(4,704)	(316,594)	(3,157)
Rounding	-	-	1	-	-	1	-
Closing Balance	15,559	80,240	785,439	289,496	8,561	1,179,295	6,810

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)	-
Impairment							
- specific assets	-	(214)	(5,558)	-	-	(5,772)	-
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	-
Impairment							
- specific assets	-	1	53	-	-	54	-
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)	-
Impairment							
- specific assets	-	(213)	(5,505)	-	-	(5,718)	-
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

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)	-
Impairment							
- specific assets	-	(214)	(5,558)	-	-	(5,772)	-
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	-
Impairment							
- specific assets	-	1	53	-	-	54	-
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)	-
Impairment							
- specific assets	-	(213)	(5,505)	-	-	(5,718)	-
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

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
12 Trade and other payables				
Service creditors	59,567	47,371	50,501	35,117
Other creditors and accruals	45,423	71,996	43,341	67,310
Total payables	104,990	119,367	93,842	102,427

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.

13 Interest bearing borrowings

Current				
Government loans – unsecured	4,084	5,803	4,084	5,803
Commercial bill facility – secured	-	-	-	-
Total current borrowings	4,084	5,803	4,084	5,803
Non-current				
Government loans – unsecured	900,400	559,484	900,400	559,484
Total non-current borrowings	900,400	559,484	900,400	559,484

The government loans in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$4.1 million (2009: \$5.8 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 (2009: \$2.0 million). The unused bank overdraft facility available at the reporting date is \$2.0 million (2009: \$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.

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
14 Provisions				
Current				
Employee benefits	21,674	17,323	21,674	17,323
Employee related provisions	619	587	619	587
Total current provisions	22,293	17,910	22,293	17,910
Non-current				
Employee benefits	10,384	8,141	10,384	8,141
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	587	524	587	524
Provisions made during the year	9,153	7,556	9,153	7,556
Payments made during the year	(9,121)	(7,493)	(9,121)	(7,493)
Carrying amount at end of year	619	587	619	587

15 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 related 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 ending 30 June 2009.

Operational grants	10,438	4,245	329	243
Capital grants	201,770	199,951	-	-
Total government grants	212,208	204,196	329	243
Provided for in the financial statements as:				
Current	28,337	23,817	329	243
Non-current	183,871	180,379	-	-
	212,208	204,196	329	243

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000

16 Contributed equity

Share capital

1 Share (2009: 1 Share)

- - - -

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

17 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 statement of financial position. During the year \$0 was released from equity by the consolidated entity.

Balance at beginning of year - (1,310) - (1,310)

Movement for the year:

Gains/(losses) on cash flow hedging instruments - 880 - 880

Gains/(losses) transferred to the acquisition cost - 430 - 430

Total movement for the year - 1,310 - 1,310

Balance at end of year - - - -

18 Retained earnings

Retained earnings at beginning of year 736,822 615,680 736,060 615,000

Net profit for the year (248,752) 121,142 (248,792) 121,060

Retained earnings at end of the year 488,070 736,822 487,268 736,060

Notes to the Financial Statements

19 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 2009.

(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.

Notes to the Financial Statements

19 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:

Loan term	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	190,202	7.20%	80	190,202	7.20%	80
2 to 5 years	311,255	6.50%	1,415	311,255	6.50%	1,415
5 years +	882,419	6.82%	7,548	882,419	6.82%	7,548
	1,383,876		9,043	1,383,876		9,043

(d) Credit risk management

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

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

(e) Liquidity risk management

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

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

Notes to the Financial Statements

19 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.

Material 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 NIL (2009: NIL).

(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 at times enters into forward exchange contracts to purchase US Dollars. These contracts hedge highly probable forecast payments timed to mature, including rollover strategy, when payments are scheduled to be made.

At the reporting date, there are no current hedging contracts.

(i) Capital risk management

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

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in note 13, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital, reserves and retained earnings as disclosed in notes 16, 17 and 18 respectively.

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

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

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

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

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

Notes to the Financial Statements

20 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 \$945.4 million (2009: \$580.9 million).

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

Interest rate risk

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

Consolidated	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Fixed and floating interest maturing in:			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000		
2010								
Financial Assets								
Cash assets	3.58%	168,319	-	168,319	-	-	-	168,319
Receivables		-	-	-	-	-	77,576	77,576
Investments		-	-	-	-	-	3	3
		168,319	-	168,319	-	-	77,579	245,898
Financial Liabilities								
Payables		-	-	-	-	-	104,990	104,990
Government loans	6.72%	-	904,484	4,084	134,496	765,905	-	904,484
		-	904,484	4,084	134,496	765,905	104,990	1,009,474
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
		-	565,287	5,803	62,609	496,876	119,367	684,654

Notes to the Financial Statements

20 Financial instruments (continued)

Corporation	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Fixed and floating interest maturing in:			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000		
2010								
Financial Assets								
Cash assets	3.58%	130,088		130,088	-	-	-	130,088
Receivables			-	-	-	-	80,925	80,925
		130,088		130,088	-	-	80,925	211,013
Financial Liabilities								
Payables		-	-	-	-	-	93,842	93,842
Government loans	6.72%	-	904,484	4,084	134,496	765,905	-	904,484
		-	904,484	4,084	134,496	765,905	93,842	998,326
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
		-	565,287	5,803	62,609	496,876	102,427	667,714

Notes to the Financial Statements

	Consolidated		Corporation	
	June 2010 \$'000	June 2009 \$'000	June 2010 \$'000	June 2009 \$'000
21 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable within one year:	105,772	113,347	90,719	107,632
Lease and hire expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Plant and equipment	42,748	54,019	42,748	54,019
	42,748	54,019	42,748	54,019
Purchase expenditure commitments				
Contracted but not provided for:				
Electricity purchase	43,594	58,274	43,594	58,274
Gas purchase	4,354,176	4,505,747	4,337,327	4,478,318
Gas transportation	953,391	1,011,286	953,391	1,011,286
	5,351,161	5,575,307	5,334,312	5,547,878
Payable:				
Within one year	355,784	295,983	330,200	279,801
One year or later and no later than five years	639,724	729,771	633,406	712,809
Later than five years	4,504,174	4,716,920	4,504,174	4,716,920
	5,499,682	5,742,674	5,467,780	5,709,530

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

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

Remuneration commitments:

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

	Consolidated		Corporation	
	June 2010 \$	June 2009 \$	June 2010 \$	June 2009 \$
Within one year	12,661,653	9,965,943	12,616,915	9,835,044
After one year but not more than five years	16,750,082	13,887,161	16,626,778	13,887,161
	29,411,735	23,853,104	29,243,693	23,722,205

Notes to the Financial Statements

22 Contingent liabilities and contingent assets

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

23 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 2010 %	June 2009 %	June 2010 \$	June 2009 \$
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

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 2010	103,754	61,839	137,250	973,338
	June 2009	94,162	45,245	64,182	612,653
Darnor Pty Limited (subsidiary)	June 2010	-	-	-	-
	June 2009	-	3	-	-
Gasgo Pty Limited (subsidiary)	June 2010	-	13	-	-
	June 2009	-	-	-	-
Indigenous Essential Services Pty Limited (subsidiary)	June 2010	73,376	633	445	21,435
	June 2009	77,826	495	410	24,778

- (1) For the year ended 30 June 2010, purchases from the Northern Territory Government include interest paid on borrowings of \$43,963,607 (2009: \$32,612,342) refer to note 3(c).
- (2) For the year ended 30 June 2010, the amount owed to the Northern Territory Government includes borrowings of \$904,484,430 (2009: \$565,287,602) refer to note 13.

Notes to the Financial Statements

23 Related party information (continued)

The consolidated entity receives grants from the Northern Territory Government. See note 2(e), 3(a) and note 15 for further details of these grants.

A related entity, Darnor Pty Limited, is one hundred per cent owned by the Corporation. The Corporation is a net borrower and therefore to reduce its borrowing requirements, \$2.55 million was transferred in the current financial year from Darnor Pty Limited's bank account to the Corporation. Darnor Pty Limited has minimal transactions and sufficient funds still remain in the subsidiary's bank account to meet these requirements. As the two legal entities are also grouped for income tax purposes, no formal loan arrangement was put into place and no interest will be paid on these funds. The transaction is recorded as an intercompany balance owed to Darnor Pty Limited by its parent, Power and Water Corporation.

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

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.

For the year ended 30 June 2010, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$0.0 million (2009: \$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 2010	June 2009	June 2010	June 2009
	\$	\$	\$	\$

24 Auditor's remuneration

Audit services:				
Auditors of the Corporation – NT Auditor-General	328,643	342,854	280,171	284,270

Notes to the Financial Statements

25 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:

Non-executive directors		Primary	Post Employment	Total
		Salary & Fees \$	Superannuation benefits \$	
Mrs Judith King (Chairperson)	June 2010	111,403	28,325	139,729
	June 2009	-	44,873	44,873
Mr Barry Chambers	June 2010	52	58,780	58,832
	June 2009	52	55,765	55,817
Ms Margaret Gibson	June 2010	43,724	3,869	47,593
	June 2009	41,195	3,678	44,873
Mrs Linda Mackenzie	June 2010	54,001	4,779	58,780
	June 2009	51,242	4,575	55,817
Mr Mervyn Davies	June 2010	51,773	4,579	56,352
	June 2009	4,969	-	4,969
Mr Michael Hannon (Term commenced July 2009)	June 2010	39,059	-	39,059
	June 2009	-	-	-
Mr Peter Vines (Term expired October 2009)	June 2010	9,431	4,276	13,707
	June 2009	52	44,821	44,873
Mr Robert Neil (Term expired October 2009)	June 2010	1,465	13,454	14,919
	June 2009	51,242	4,575	55,817
Mr Neil Philip (Resigned May 2009)	June 2010	-	-	-
	June 2009	57,707	5,145	62,852
Total non-executive directors	June 2010	310,909	118,062	428,971
	June 2009	206,459	163,432	369,892

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

Notes to the Financial Statements

25 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 2010 \$	June 2009 \$	June 2010 \$	June 2009 \$
Short-term employee benefits	3,209,361	2,789,016	3,154,753	2,736,630
Other long-term benefits	647,330	533,814	606,187	498,822
Total compensation of key management personnel (excluding non-executive directors)	3,856,691	3,322,830	3,760,940	3,235,452

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.

26 Impairment of assets and subsequent reversals

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

The 2010-11 Statement of Corporate Intent resulted in an approved increase of \$98.5 million in generation and networks capital expenditure with no corresponding offset of increased revenue. As a result of this triggering event, the Corporation has reassessed the recoverable amount of its cash generating units (CGUs).

Based on value in use, applying a pre-tax discount rate of 10.58%, the power cash generating unit (CGU) consisting of generation and networks assets, was found to be impaired as at 30 June 2010 and was therefore written down by \$319,751,000.

The impairment loss and any subsequent reversals are 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.

Notes to the Financial Statements

27 Events after the reporting period

A non-adjusting, subsequent event occurred in July 2010 in the form of a debit to equity swap with the Northern Territory Government valued at \$20.4 million.

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



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