

POWER AND WATER CORPORATION

ANNUAL REPORT ²⁰¹¹ PowerWater

WE VALUE SAFETY

INTEGRITY

TEAMWORK

COMMITMENT

COMMUNICATION

2011
MELALEUCA
AWARDS

Recognising
Environmental
Excellence

PowerWater



LETTER TO THE SHAREHOLDER

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

Dear Treasurer,

On behalf of Power and Water Corporation, it gives us great pleasure to present the Corporation's annual report for the year ended 30 June 2011, in accordance with the provisions of section 44 of the *Government Owned Corporations Act*.

Yours sincerely,



Judith King
Chairman

30 September 2011



Andrew Macrides
Managing Director

30 September 2011

THIS REPORT



PURPOSE

Power and Water Corporation's Annual Report 2010-11 provides a record of the Corporation's operations and achievements for the 2010-11 financial year.

Pursuant to section 44 of the *Government Owned Corporations Act*, the report informs the Northern Territory 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 according to the Energy Supply Association of Australia's Code of Sustainable Practice.

INTENDED AUDIENCE

The annual report is tabled in the Northern Territory Legislative Assembly as a reporting mechanism for Power and Water's shareholding minister and Northern Territory Parliament. It provides a statement of achievement, income and expenditure for the 2010-11 financial year.

The annual report also provides information for others, including the wider public, who have an interest in the provision of water, sewerage and electricity services in the Northern Territory.

WE VALUE

COMMUNICATION

Engaging in an open, positive and constructive way to obtain better individual and business outcomes.

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CHAIRMAN'S REPORT

On behalf of Power and Water Corporation's Board of Directors, I am pleased to deliver the 2010-11 Annual Report.

Power and Water invests substantially in maintaining, upgrading and expanding electricity, water and sewerage infrastructure across urban, rural and remote areas of the Northern Territory. Aligning revenue with expenditure and achieving financial sustainability is essential for Power and Water to remain consistent with the *Government Owned Corporations Act*.

Power and Water derives its revenue via tariffs and charges and community service obligation payments. Revenue in 2010-2011 was 752 million compared to 715.8 million in the previous year. In part this was due to the extraordinary weather pattern in the Northern Territory.

The Corporation is in the midst of a five-year 1.5266 billion utility infrastructure investment program, the largest ever undertaken in the Northern Territory. This investment program extends across networks, power stations, water and sewerage services. During 2010-11 a total of \$293.5 million was invested in capital expenditure and \$56.2 million for repairs and maintenance.

I am pleased to report that during the year several major projects that are part of this investment program were completed. They include the Owen Springs Power Station outside Alice Springs; commissioning of two new generation units and other refurbishment work at Channel Island which will add to the security of the system. Completion of work on the Archer Street Substation and the Casuarina Zone Substation have added capacity and reliability to the system networks. The raising of the Darwin River Dam wall was completed and

work on the Larrakeyah Outfall Project is substantially under way.

The Board understands that achieving ongoing financial sustainability will continue to be a significant challenge for Power and Water Corporation, but it remains a priority.

Conservative revenue and expenditure management, as well as prudent investment in capital works, is essential to achieving long term financial sustainability. During the year the Corporation has strengthened the governance and management of its capital program to closely monitor its projects.

In the short term, expenditure for repairs and maintenance costs is forecast to increase significantly to \$85.3 million. The Corporation expects this expenditure to result in improved service delivery while ensuring a more rigorous approach to internal labour time recoveries for repairs and maintenance projects.

During 2011 the Australian Government introduced a revised scheme to replace Renewable Energy Certificates (REC) with the Large-scale Renewable Energy Target (LRET) and Small-scale Renewable Energy Schemes (SRES). This change will have a major impact on Power and Water's operational costs.

The Corporation continues to look at opportunities for the introduction of renewable energy and this year three new solar power stations were built in remote communities.

As one of the Northern Territory's biggest businesses, Power and Water remains committed to providing its customers with exceptional services through open and honest communications. The Corporation has an active program of engagement with stakeholders and community groups.

I would like to thank the Managing Director Andrew Macrides for his steady leadership of the business, as well as the management team and employees for their continued efforts and response to the challenges of implementing the capital and investment program.

I thank my colleagues for their support and contribution as Directors and for their work on the Board Committees. Mr Barry Chambers and Mrs Margaret Gibson retired from the Board this year and I record our appreciation of their contribution. We have been pleased to welcome Mr Robert Skinner and Mr Steve Margetic who have been appointed Directors.

JUDITH KING
CHAIRMAN

Judith King



SNAPSHOT: NEW TURBINES READY TO ROLL

After installation during the wettest Top End wet season on record, the two new 45 megawatt Rolls Royce gas turbines at Channel Island Power Station are scheduled to be in commercial operation later this year.

The fast-tracked project needed to overcome many challenges throughout the construction phase, but is now nearing completion and will help meet peak generation requirements for the Top End.

The project was initiated in March 2010 and commissioning started in June 2011 with performance testing conducted in September 2011.



MANAGING DIRECTOR'S REPORT

Power and Water achieved a number of significant milestones in 2010-11 with several multi-million dollar projects coming to fruition.

The Corporation has invested in renewable energy for more than 20 years and this year saw a significant step forward with the integration of Uterne, a new 1MW solar system, into the Alice Springs electricity grid. This is Australia's largest tracking solar power system.

Power and Water assisted in the development of Uterne as part of its commitment to the Alice Solar City program and signed an agreement to purchase the power it produces for the next 20 years.

Construction started in Ti Tree on the first of three new solar power stations announced for the remote communities of Ti Tree, Kalkarindgi and Alpururulam (Lake Nash). A wind energy system will also be installed at Alpururulam.

The Ti Tree facility, located around 200km north of Alice Springs, will generate around 550 million watt hours each year. Over the three communities, a total of one million watts of solar panels are being installed, meaning that more than 80 per cent of electricity used during the day by the residents in these communities will be supplied by the sun.

Our Generation Investment Plan made significant progress this year with a number of new units installed in readiness for the next peak demand season:

- Commissioning of the Owen Springs Power Station in Central Australia is now underway with three new 10.9MW engines being connected to the Alice Springs grid via a new 66kV network;
- Two new 45MW Rolls Royce turbines were installed at Channel Island Power Station in near-record time from contract to start-up;
- A third turbine is scheduled for installation at Weddell Power Station in 2012.

These are new highly efficient gas turbines.

Our networks team completed a major upgrade to the Casuarina Zone Substation and construction is underway on the Woolner Zone Substation that will replace Snell Street Zone Substation in 2013.

Testing and commissioning of the new \$23.6 million Archer Substation is underway. This newly constructed Zone Substation will support the increasing demand for electricity for the Top End in Palmerston and East Arm Port areas and provide distribution of power into the new suburbs of Mitchell, Johnston and Zuccoli as well as the expanding central business district of Palmerston.

In the Top End, work to close the Larrakeyah wastewater outfall continued. Additional flow from Larrakeyah and parts of Darwin's central business district will be transferred to the Ludmilla Wastewater Treatment Plant and subsequently discharged from the ocean outfall at East Point.

Over the next five years, a further \$90 million will be spent increasing capacity and treatment quality at sewage treatment plants across the Northern Territory.

Operationally, the Corporation was challenged by a record wet season (more than 3m of recorded rainfall) in the Top End, culminating in Cyclone Carlos in February 2011. Our staff did a tremendous job across the board in keeping our power, water and sewerage infrastructure operating and keeping customers informed. Customer feedback reflected their efforts with overwhelmingly positive feedback during and following the event.

Work to increase water retention at the Darwin River Dam by 20 per cent was completed, however demand projections show further work to increase water retention in the Darwin region will be required in the future.

Alice Springs benefited from a strategic campaign to reduce water consumption and increase recycling initiatives under the recently launched Alice Water Smart Plan. Alice Springs has a finite water supply therefore projects such as these are critical to the sustainability of the region. Power and Water is proud to lead this partnership between government and community groups and has committed

to increase investment in the quality and capacity of wastewater recycling as part of the project.

Our continued focus on providing good customer service was further enhanced in mid 2010 with the integration of the social media channel Twitter to our communication suite. Twitter now provides followers with regular details of service interruptions and planned works within the Power and Water network.

Power and Water also continued to invest heavily in its most important asset in 2010-11, its staff.

We now have 16 graduates in the two year engineer graduate program completing rotations across the business in various locations. The program has a proven track-record of retention with most graduates continuing to work within Power and Water after completion.

In addition to this, we welcomed 21 new Territorian apprentices to the team (through Group Training NT), bringing the total number of apprentices within Power and Water to 79.

Power and Water continues to place a strong emphasis on safety culture with the message of 'zero harm' weaved into all facets of our operations. This includes our staff, contractors and all stakeholders that make up Power and Water Corporation. Several safety campaigns were initiated during the 2010-11 financial year as well as additional training courses for our people.

I would like to take this opportunity to acknowledge and thank all staff for their contribution over the past financial year in the effective delivery of Power and Water's services 24 hours-a-day, seven days a week.

ANDREW MACRIDES

MANAGING DIRECTOR



HIGHLIGHTS OF 2010-11

- Power and Water is commissioning a new, high efficiency, gas-fuelled generation power station at Owen Springs to service Alice Springs. A network of 66kV powerlines has been built to transport the energy 25km from Owen Springs Power Station to Alice Springs.
- Record-breaking rainfall saw the new Darwin River Dam spillway overflow during its first wet season. The spillway was raised 1.3 metres increasing the dam's capacity by 20 per cent. Darwin River Dam supplies water for the Darwin-Palmerston area.
- New zone substations were built in Palmerston and Darwin's rural area to support the growing electricity load. The substations, Archer and Marrakai, took two years to build and are part of our ongoing investment program.
- Power and Water and Rolls Royce installed two new 45MW dual fuel turbines at Channel Island Power Station. This installation will be completed prior to the 2011 wet season. The units allow for mid-life maintenance and refurbishment of older units at Darwin's biggest power station.
- Power and Water staff joined forces with members of some of the Northern Territory's most remote communities under its community water planning program. This unique partnership aims to find new water sources and identify water saving opportunities.
- Launch of the Alice Water Smart initiative. A plan that aims to reduce Alice Springs' water use by 1 600 million litres per year, the equivalent to two months average water supply.
- Completion of Uterne (meaning 'bright sunny day' in the local Arrernte language) the largest solar tracking device in Australia. Power and Water signed an agreement to purchase the power it produces for the next 20 years.
- The soon to be constructed \$17.2 million new gas-fired power station at Wadeye to be supplied with Blacktip gas was announced. Power and Water is embarking on a program to extend the use of renewable energy and convert a number of remote power stations to gas.
- Construction at Ampilatwatja of a new 37km powerline to connect to the more efficient power station in the nearby community of Arlparra was completed.
- A power purchase agreement was confirmed and construction started in Ti Tree on the first of three new solar power stations announced for the remote communities of Ti Tree, Kalkarindji and Alpururulam. A wind energy system will also be installed at Alpururulam.
- A contract was awarded to start tunnelling under Darwin central business district (CBD) as part of the project to close the Larrakeyah outfall.



OUTLOOK FOR 2011-12

- Construction will start on the new Leanyer Zone Substation to improve security of power supply to Darwin's northern suburbs. A substation is being built at Woolner to replace the Snell Street Zone Substation and the city zone substation is also being replaced.
- The \$15 million Alice Water Smart plan will begin to drive smarter, more efficient use of water in homes, businesses, parks and gardens. The plan involves education, audits and infrastructure development to cut water use by 1 600 million litres per year.
- Power and Water will install a third gas-powered turbine at Darwin's second largest power station, Weddell. The project will add 10 per cent to the Top End power supply over the next five years.
- The last untreated wastewater release into Darwin Harbour will cease. Closing the Larrakeyah outfall has been a three-year project, which has included doubling the capacity of the Ludmilla Wastewater Treatment Plant and tunnelling new sewers through Darwin CBD to divert flows for treatment.

LEFT GENERATION INFRASTRUCTURE
AT OWEN SPRINGS POWER STATION



OWEN SPRINGS POWER PROJECT

The new Owen Springs Power Station construction was completed in November 2010 and is now undergoing a rigorous commissioning program to achieve handover and full commercial operation by the end of 2011.

Owen Springs' three 10.9MW generators have increased generation capacity for the town of Alice Springs and will meet local electricity demand more efficiently.

A significant project milestone was completed in June 2011 when the new power station was connected to the upgraded Lovegrove Zone Substation in Alice Springs, via two new 66kV powerlines. As Owen Springs Power Station continues to grow over the next 10 years, it will allow for the gradual retirement of equipment from Ron Goodin Power Station.

Dr Jean-Luc Revel, Senior Project Manager South, Generation



ABOUT US

The Corporation provides electricity, water and sewerage services to some 80 000 customers in the Northern Territory across more than 1.3 million square kilometres – nearly one sixth of Australia’s land mass.

POWER AND WATER CORPORATION

Our 1 000 staff work in towns and cities spread from the cyclone and storm-prone tropics of the north to the deserts of Central Australia, often maintaining services in extreme weather conditions.

A further 155, relief and full time, Essential Services Operators are contracted in remote Indigenous communities and supported by Power and Water’s Remote Operations team.

The Northern Territory’s major power stations are primarily gas-fuelled, supplied almost entirely from the Blacktip gas field off the Northern Territory’s north-west coast.

Drinking water supplies range from surface water sources in the tropics to groundwater sources in Central Australia that are up to 10 000 years old.

As a government-owned corporation, Power and Water strives to meet the electricity, water and sewerage needs of our customers while 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. We are a key partner in whole-of-government programs as part of the Energy Infrastructure Assurance and Water Infrastructure advisory groups.

While Power and Water provides electricity, water and sewerage services in the Northern Territory, some services are open to competition including:

- electricity retail services, which are regulated by the Utilities Commission
- electricity generation

Power network services in the Northern Territory are provided under a monopoly.

Power and Water is licensed by the Utilities Commission to provide water and sewerage services across the Northern Territory.

Power and Water is mindful of the increasingly competitive utilities landscape and works hard to maintain our position as a leading utility business that is valued and respected by the community.

The Corporation is working to be financially sustainable with good operational and asset health, organisationally capable, environmentally sustainable and trusted.

WE VALUE

SAFETY

Protecting the health and well-being of ourselves, contractors and the general public to achieve zero harm.

INDIGENOUS ESSENTIAL SERVICES

The Northern Territory's population and infrastructure base is growing rapidly with increased demand on our services. Recent government investment in remote communities has fuelled even greater demand in challenging environments.

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

Seventy-two Indigenous communities and 66 outstations are serviced through our not-for-profit subsidiary, Indigenous Essential Services (IES).

IES works with government agencies to improve the capacity and reliability of services in remote communities to support the Northern Territory and Australian government's substantial investment in infrastructure and housing, particularly in the 20 Northern Territory Growth Towns. The 20 growth towns identified are:

- Ali Curung
- Angurugu/Umbakumba
- Borroloola
- Gunbalanya
- Daguragu/Kalkarindji
- Elliott
- Galiwin'ku
- Gapuwiyak
- Hermannsburg
- Lajamanu
- Maningrida
- Milingimbi
- Nguiu
- Ngukurr
- Numbulwar
- Papunya
- Ramingining
- Wadeye
- Yirrkala
- Yuendumu

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 Housing, Local Government and Regional Services.

SUSTAINABLE POWER FOR REMOTE REGIONS

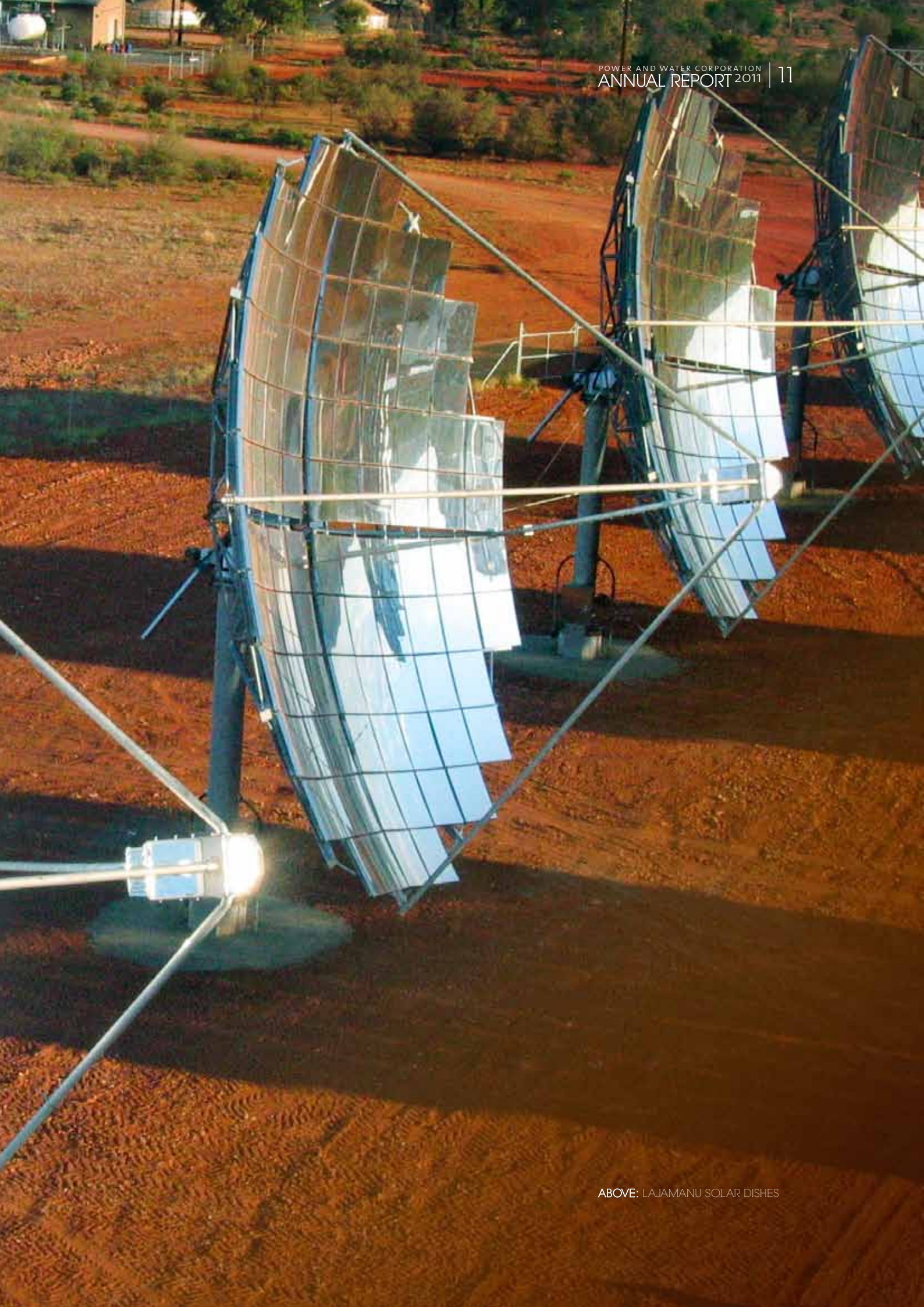
Power and Water has developed an Energy Source Strategy to provide long term reliable and cost efficient power supply to the remote communities we service. A key part of the strategy is to minimise diesel use by substituting it with other cleaner energy sources like solar and gas.

Almost 1MW of solar is being built across Ti Tree, Kalkarindji and Alpururulam and a new 5MW natural gas power station connected to the gas supply coming onshore from Blacktip will replace the old diesel power station at Wadeye.

We are also continually improving the efficiency of our power stations by upgrading to more efficient generators and building regional grids to connect communities to more efficient power stations in neighbouring communities. Recently the Ampilatwatja community was connected to the Arlparra grid and the power station at Ampilatwatja was decommissioned.

Megan Jolley, Manager Energy Strategy, Remote Operations

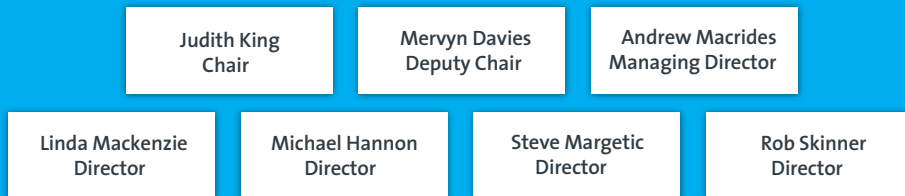




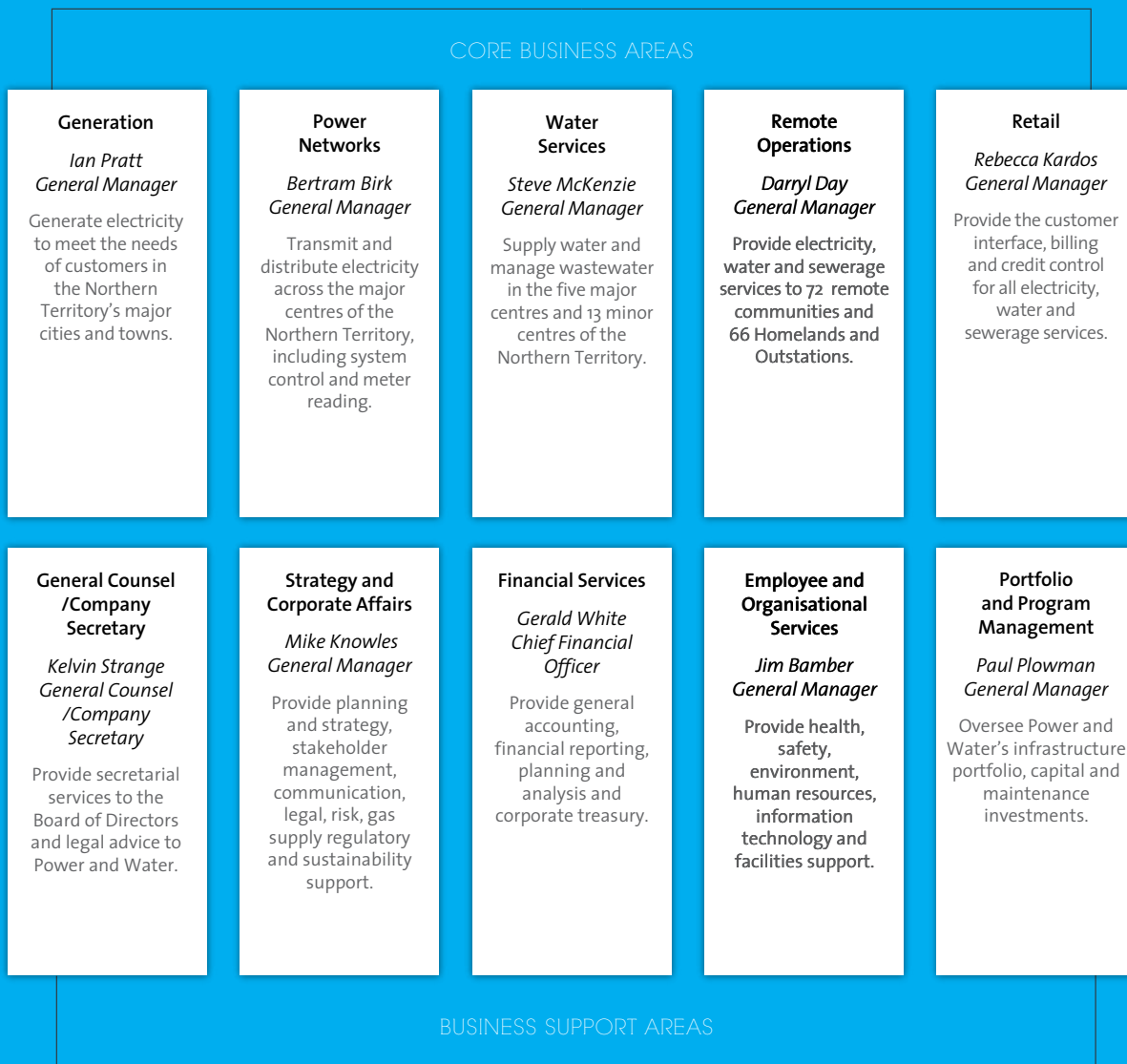
ABOVE: LAJAMANU SOLAR DISHES

CORPORATE STRUCTURE AS AT 30 JUNE 2011

BOARD OF DIRECTORS



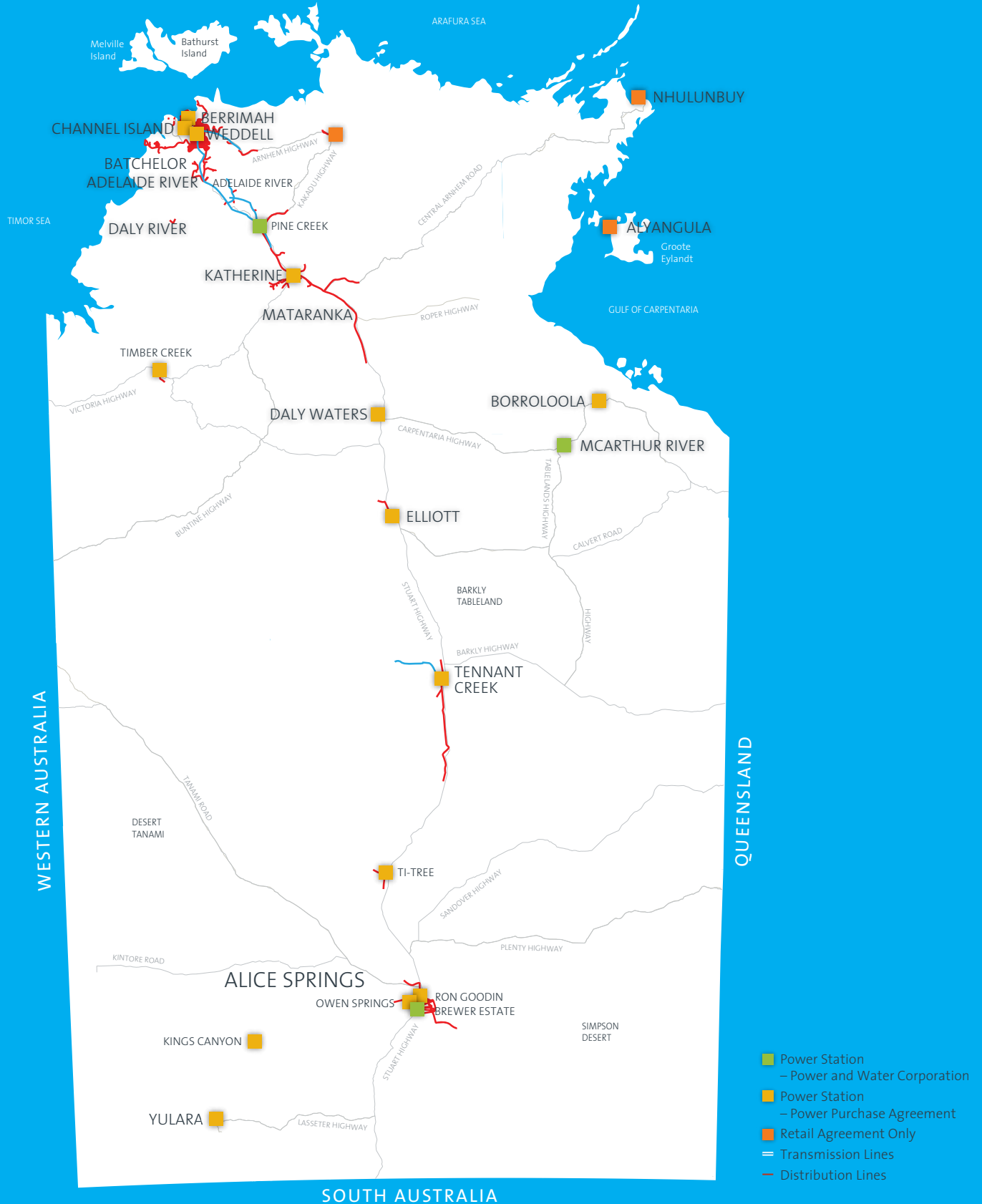
EXECUTIVE MANAGEMENT COMMITTEE



SUBSIDIARY COMPANIES



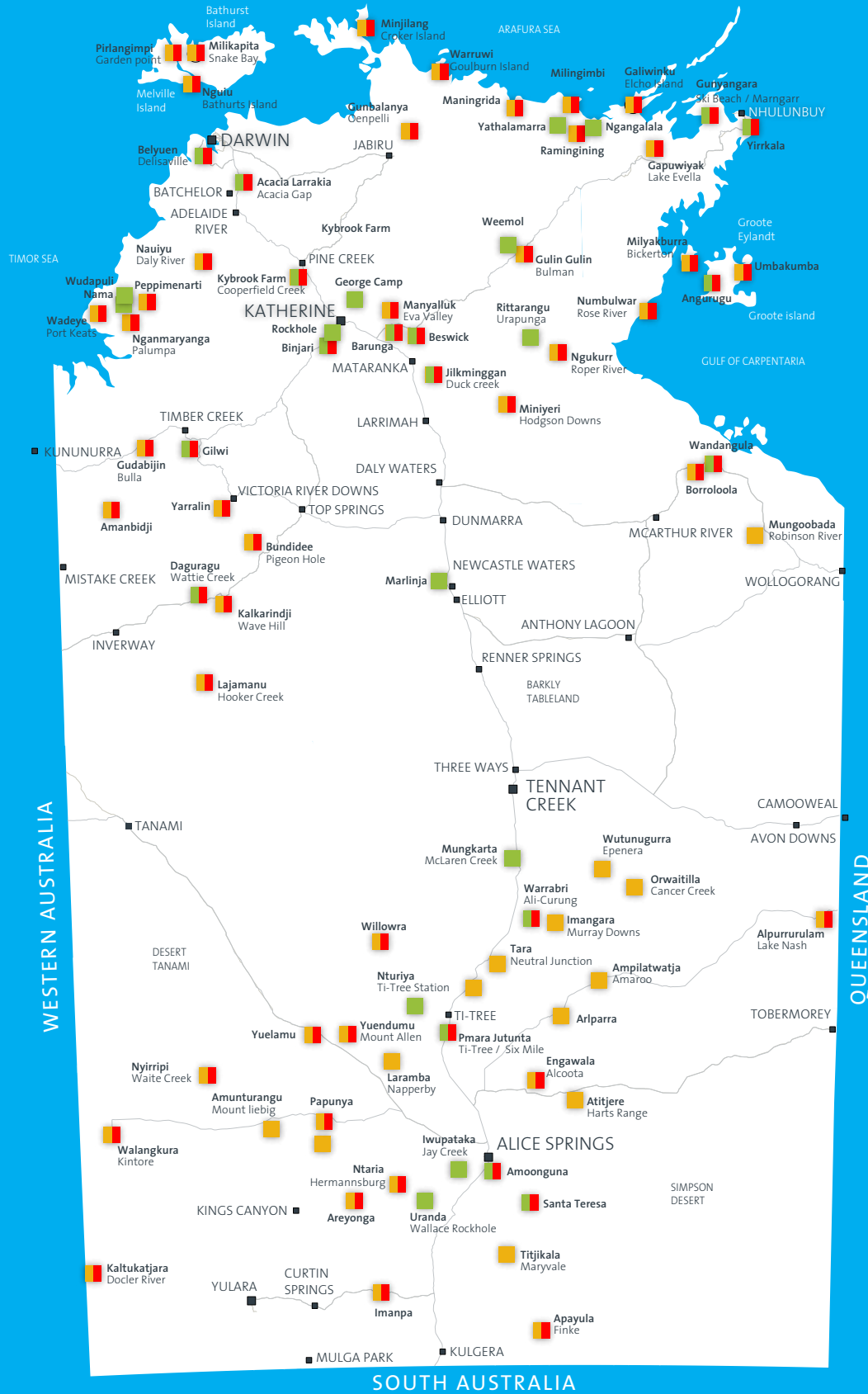
NT GENERATION, POWER NETWORKS AND ELECTRICITY RETAIL LOCATIONS



NT WATER SUPPLY AND SEWERAGE SERVICE AREAS



INDIGENOUS COMMUNITIES POWER, WATER SUPPLY AND SEWERAGE SERVICES



(These centres receive their electricity by line from adjacent centres.)



WE VALUE | TEAMWORK

Working together for a common purpose; achieving our goals in a supportive, respectful and enthusiastic manner.

OUR PERFORMANCE

SERVICES

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

The Corporation's current five-year \$1.526 billion infrastructure investment program extends across its networks, power stations, water and sewerage services.

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 sets its own key performance indicator target for customer service and supply reliability.

LEFT CREWS CONDUCTING REPAIRS
AFTER CYCLONE CARLOS

CYCLONE CARLOS

Tropical Cyclone Carlos arrived in Darwin on Tuesday 15 February 2011, cutting electricity supply to about 8 000 customers and flooding the sewer systems with stormwater.

Although Tropical Cyclone Carlos was only a Category 1 cyclone, Darwin received more than 700 millimetres of rain in three days and hundreds of trees and branches fell onto powerlines.

The call centre was stepped up to 24-hour operation, taking an average 2 000 calls a day from customers for the duration of the cyclone.

Up to 100 Power and Water staff worked in the field at any one time, including relief crews from Alice Springs and Katherine. Some areas of the Top End were inaccessible due to flooding and the extent of the damage to infrastructure made it difficult to provide customers with restoration times, however most customers were very understanding.

Rachael Garrigan, Customer Service Coordinator, Retail



SERVICE KEY PERFORMANCE INDICATORS (KPIs)

OBJECTIVE	MEASURE	2010-11 TARGET	2010-11 RESULT	COMMENTS
DRIVE IMPROVED ASSET PERFORMANCE, BALANCING BOTH COMMERCIAL AND STAKEHOLDER PERSPECTIVES	SAIDI¹ Networks Duration of Interruption Index²			
	Darwin	< 220 min	355 min	In 2010-11 the Top End experienced an unprecedented wet season with record rainfall exceeding 3m and increased thunderstorm activity over the northern power network. Major storms between 9 and 12 January affected more than 24 000 customers and the days immediately preceding and following Cyclone Carlos in February contributed to nearly 20% of the overall SAIDI figure. Equipment failure, vegetation and wildlife also caused outages in this region.
	Katherine	< 401 min	256 min	Planned construction, animals and equipment failure were the major causes of outages in this region. The transmission network contributed to more than 19% of total SAIDI minutes.
	Tennant Creek	< 411 min	459 min	Planned maintenance, electrical storms and wildlife affecting powerlines were the major causes of outages in this region.
	Alice Springs	< 108 min	245 min	Alice Springs experienced an unusually wet period during 2010-11. The high levels of precipitation, combined with planned maintenance, were the major causes of outages in this region.
	SAIFI³ Networks Frequency of Interruptions Index²			
	Darwin	< 4.2	5.3	
	Katherine	< 9.6	4.5	
	Tennant Creek	< 9.8	11.1	
	Alice Springs	< 2.9	4.0	
	Average duration unplanned interruption water⁴			
	Darwin	< 90 min	90 min	
	Alice Springs	< 120 min	84 min	

- 1 System Average Interruption Duration Index (SAIDI) for average distribution network reliability performance.
- 2 All figures are adjusted (Major Event Days are not counted)
- 3 System Average Interruption Frequency Index (SAIFI): Reflects outcome of Utilities Commission's (UC) Standards of Service
- 4 Average duration a customer is without supply of water for the year (minutes).

OBJECTIVE	MEASURE	2010-11 TARGET	2010-11 RESULT	COMMENTS
Average frequency of unplanned interruptions water⁵				
	Darwin	<210	46.7	The number of unplanned water outages was the same as the previous year. However, the number of customers affected by these outages increased by 25%. Location of outages relative to system valves to isolate the outage location has affected the KPI result.
	Alice Springs	<90	193.6	
Average duration of sewerage services interruption⁶				
	Darwin	< 120 min	108 min	
	Alice Springs	< 150 min	66 min	
ACHIEVE HIGH LEVEL OF CUSTOMER AND EMPLOYEE SATISFACTION	Average call response time ⁷	>= 80%	62%	The Call Centre achieved a Grade of Service of 62% in 2011-12, marginally below the Utilities Commission key performance standard of 63%.
	Average time taken to answer a call	<= 20 secs	74 secs	142 968 calls were answered in 2010-11, with a monthly average of 11 914 calls.
	Customer Satisfaction Index: Residential ⁸	>= 81%	83%	Customer satisfaction, particularly with electricity supply, continued to increase this year. This reflects Power and Water's investment in improved services and our commitment to open and honest communication with customers.
	Customer Satisfaction Index: Non-residential ⁹	>= 81%	82%	
	Connections to existing electricity supply properties within 24 hours ¹⁰	>= 98%	100%	Connections KPI is 99.59% for 2010-11. In comparison, KPIs for 2009-10 were 99.45% and 99.23% in 2008-09.
	Connections to new subdivisions in major urban areas within five working days ¹¹	>= 92%	93%	Connections to new subdivisions in major urban areas were within the service target.
	Connections to new subdivisions in major urban areas where minor extensions or augmentation is required ¹²	>= 95%	85%	Increasing development activity stretched these resources.

5 Frequency customers are without access to the water supply service (per 1000 customers) without 24 hours notice.

6 Average duration a customer is without sewerage services for the year (minutes).

7 Call Response: Percentage of calls answered within 20 seconds reflecting the outcome of the Utilities Commission's Standards of Service Review to report performance.

8 Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population.

9 Percentage of customers that rate their overall satisfaction with Power and Water services as good or better. Covers major centres (including Darwin rural) based on random sample of total customer population.

10 Reflects outcome of Utilities Commission's Standards of Service and Electricity Retailer Incentive Scheme Reviews to revise reporting metrics and establish performance targets from 2012-13 onwards.

11 Percentage of new service connections to an electricity supply within five working days of receipt and verification of certificate of compliance from the contractor. Covers major urban areas.

12 Percentage of customers connected within 26 weeks of receipt of customer contributions in accordance with Power and Water's Capital Contributions Policy. Covers major urban areas.

OBJECTIVE	MEASURE	2010-11 TARGET	2010-11 RESULT	COMMENTS
HAVE A SAFE WORKPLACE	Lost Time Injuries (LTIs)	<= 4	20	Contributing factors for increased LTIs this year include increases in head count, increasing age of workforce, project and maintenance activity and recurrence of previous injuries. The majority of injuries were soft tissue. Initiatives to reduce LTIs include the Safe Spine Program, Safety Stand Downs and Health and Wellbeing Programs.
	LTI Frequency Rate	<= 2.1	10.4	
DEVELOP AN ACHIEVEMENT ORIENTED ORGANISATIONAL CULTURE	Staff Satisfaction Index	>= 81%	70%	Employee satisfaction remains high with 70% of employees rating their overall satisfaction with Power and Water as six out of 10 or higher and 85% rating the Corporation as a good employer that they would recommend to others. Employee satisfaction is broadly comparable to results from other companies in the energy sector and Australian industry. However, the percentage of employees recommending Power and Water as a good employer (85%) exceeds those from the energy sector (67%) and Australian industry generally (60%).
	Emission Performance kg CO₂-e per megawatt hours (MWh) sent out			
MEET OUR ENVIRONMENTAL AND SUSTAINABILITY OBLIGATIONS IN A COMMERCIALY RESPONSIBLE FASHION	Combined power stations	<= 582	613	Actual emissions were 5% higher than the target of 582 per MWh because of delays in commissioning new generation, which saw Power and Water rely on less efficient plant to meet peak loads.
	Water Demand¹³			
	Darwin	<= 473	458	Results are annual and published in November 2011 jointly by the Australian Government National Water Commission and Water Services Association of Australia.
Alice Springs	<= 554	538		

Note: The Territory 2030 Strategy: Power and Water will investigate, model and assess the specific impacts to its financial requirements for capital investment and operational expenditure in attaining the prescribed milestones and targets inherent in this strategy.

¹³ Water Demand expressed as kilolitres (KL) per property.

FINANCIAL MANAGEMENT

FINANCIAL SCI KEY PERFORMANCE INDICATOR (KPI)

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 56.

	KPI	KPI TARGET	KPI RESULT
Sustainable return	Return on assets	2.7%	1.0%
	FFO to interest (times)	1.8 times	1.3 times
	Gearing	57.8%	64.4%
	Capital expenditure	\$379.4m	\$316.3m
	Cash flow from operating activities	\$34.5m	\$18.7m
	New borrowings	\$293.0m	\$293.0m
Operating efficiency	Adjusted EBITDA	\$45.6m	\$0.3m

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.



ASSETS

INFRASTRUCTURE:

Power and Water owns and operates \$1 billion worth of infrastructure spread across the 1.3 million square kilometres of the Northern Territory.

This includes more than 8 000km of powerlines, 2 000km of water mains, 1 000km of sewer mains and servicing about 80 000 customers. We are also contracted to maintain more than 22 000 streetlights.

POWER AND WATER CORPORATION

STATISTICAL SUMMARY AS AT 30 JUNE 2011

	Units	2006	2007	2008	2009	2010	2011
ELECTRICITY							
Generation							
Power and Water Installed Capacity (based on Gross Maximum Capacity)	MW	375	379	428	473	473	452
IPP Contracted Capacity (based on Site Rating)	MW	64	64	64	57	64	58
Electricity Generated	GWh	1,366	1,440	1,475	1,525	1,599	1,582
Electricity Sent Out (incl Purchases from Private Suppliers)	GWh	1,725	1,790	1,821	1,868	1,946	1,918
Independent Power Purchases - Electricity Sent Out	GWh	395	385	382	385	376	371
Networks							
Transmission (33kV & above)							
132kV Overhead	km	340	340	344	344	344	343
66kV Overhead	km	314	314	314	314	302 [#]	332
66kV Underground	km	17	17	17	17	17	34
33kV Overhead	km	56	55	55	55	0	0
Distribution (22/11kV & below)							
HV Overhead	km	2,972	3,062	3,147	3,202	3,237 [#]	3,243
HV Underground	km	604	618	627	637	651 [#]	670
LV Overhead	km	1,740	1,749	1,774	1,758	1,782 [#]	1,801
LV Underground	km	1,671	1,750	1,763	1,781	1,873 [#]	1,936
Sales	MWh	1,584,357	1,596,452	1,704,377	1,748,225	1,806,781	1,800,495
Customers (ie. Services)	No. of Installations	73,339	73,753	74,097	72,327	74,004	76,603
WATER							
System Capability	ML/day	336	322	322	322	322	322
Production	ML	54,797	56,842	57,823	60,707	58,870	52,269
Length of Mains	km	2,019	2,090	2,130	2,173	2,146	2,157
Sales	ML	49,379	51,481	52,206	53,291	49,083	43,593
Customers (ie. Services)^{##}	No. of Meters	n/a	n/a	n/a	n/a	n/a	42,712
WASTEWATER							
Total Sewerage Collected	ML	19,329	18,897	19,745	19,549	22,131 [#]	26,375
Length of Sewer Mains	km	1,014	1,036	1,042	1,083	1,075	1,094
Total Recycled Water Supplied	ML	1,983	1,623	1,612	1,854	1,233	737
Customers (ie. Services)	No. of Installations	48,123	48,661	51,217	53,661	50,800	51,829
STAFF							
Male		573	580	601	677	697 [#]	736
Female		213	208	215	242	266 [#]	297
TOTAL PERSONNEL		776	788	816	919	963	1,033

2009-10 figures have been re-stated since the publication of the 2009-10 Annual Report.

Due to changes to the calculation methodology for this statistic, historical data is currently being reviewed for consistency and is not available at the time of publication.

INDIGENOUS ESSENTIAL SERVICES

STATISTICAL SUMMARY AS AT 30 JUNE 2011

	Units	2006	2007	2008	2009	2010	2011
ELECTRICITY							
Generation							
Installed Capacity (including solar)	MW	48	51	56	60	69	71
Installed Capacity - Solar	MW	0.5	0.7	0.7	0.8	0.8	0.8
Electricity Generated (including solar)	GWh	94	95	97	106	112	103
Electricity Generated - Solar	GWh	1.0	1.6	1.0	0.8	0.7	0.3
Electricity Sent Out (including solar) [#]	GWh	86	86	89	109	120	110
Purchases from Private Suppliers	GWh	7	8	8	8	8	8
Distribution (22/11 kV & Below)							
HV Overhead	km	344	373	349	473	513	579
HV Underground	km	1	1	5	5	5	7
LV Overhead	km	253	278	278	278	278	325
LV Underground	km	1	1	4	3	3	3
SWER All Voltages	km	87	87	87	87	87	87
Sales ^{**}	MWh	60,019	60,574	63,665	104,501	112,030	112,726
Customers (ie. Services)	No. of Installations	7,213	7,373	7,421	7,540	8,116	8,478
WATER							
Total Sourced Water	ML	9,733	9,250	9,846	9,848	9,792	9,002
Length of Mains	km	649	649	649	652	654	654*
Customers (ie. Services)**	No. of Meters	n/a	n/a	n/a	n/a	n/a	2,168
WASTEWATER							
Volume of Sewage Treated	ML	3,508	3,552	3,835	3,940	3,917	3,601
Length of Sewer Mains	km	302	303	303	305	307	303
Volume of Effluent Reused	ML	-	-	-	-	-	-
Customers (ie. Services)**	No. of Installations	n/a	n/a	n/a	n/a	n/a	1,810

[#] 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.

* Estimated from 2010 data. A review is currently underway on length of water mains and data is being moved to a GIS system.

** Due to changes to the calculation methodology for this statistic, historical data is currently being reviewed for consistency and is not available at the time of publication.

DELIVERING OUR INFRASTRUCTURE PROGRAM

Power and Water's infrastructure investment program – which includes capital works and significant repairs and maintenance – has increased considerably since 2007-08.

The Corporation has a five-year capital investment program valued at \$1.5266 billion which will provide better and more reliable electricity, water and sewerage services to our customers.

Major projects in each of these service areas are well underway including:

POWER SUPPLY

Building the new Weddell Power Station to service customers on the Darwin to Katherine interconnected grid, including Palmerston and the rural area.

- Building the Woolner Zone Substation to replace the Snell Street Zone Substation (\$43.6 million).
- Building the new Archer Zone Substation for Palmerston (\$25 million).
- New Marrakai Substation in Darwin's rural area (\$4.3 million).

WATER SUPPLY AND SEWERAGE SERVICES

- Progressing the Darwin Sewer Strategy, including closing the Larrakeyah outfall and increasing the capacity of the Ludmilla wastewater treatment plant (\$66 million).
- Raising the Darwin River Dam wall to increase water storage capacity by 20 per cent (\$15 million).
- Assessments and initial project works towards securing Darwin's water for the long term (73.1 million).
- Building the new Palmerston-Roystonea water main (\$8.1 million).

Investment has increased steadily and significantly over the past five years. Actual capital expenditure in 2010-11 was \$299.1 million.

REFOCUSING REPAIRS AND MAINTENANCE

Power and Water has a total asset base valued at more than \$1 billion and has continued to prioritise the repair and maintenance of this infrastructure.

In 2010-11, the Corporation spent \$56.2 million on repairs and maintenance while \$85.3 million is budgeted to be spent in 2011-12.

INCREASING GENERATION CAPACITY

Power and Water's generation investment strategy will meet projected domestic and commercial demand growth with more efficient plant equipment while allowing extensive maintenance of existing units.

- Commissioning the Owen Springs Power Station in Alice Springs.
- Installing two Rolls Royce 45MW turbines to increase capacity at Channel Island Power Station.

The project to install the units, supporting gas and diesel fuel systems and expanded 132kV substation started in mid-2010.

A third unit is to be installed at Weddell Power Station will also supply the Darwin to Katherine grid in 2011-12.

This extra capacity means Power and Water can refurbish older units at the Channel Island Power Station while meeting increasing demand for electricity in the Top End.

The Corporation will also carry out major maintenance and mid-life refurbishment on all equipment for the six older units at Channel Island, including associated support infrastructure.

This will make these units more reliable and available, extending their life past 2026.

In the southern region, three dual fuel high efficiency engines were installed at the new Owen Springs Power Station near Alice Springs.

The three 10.9MW units will cover increasing loads and allow older, less efficient equipment to be retired from the Ron Goodin Power Station over time.

Another 10MW unit will be installed at Katherine Power Station to ensure Power and Water can meet the local peak demand if the high voltage connection to major power stations in Darwin are disrupted.

GAS SUPPLY

More than 90 per cent of the electricity Power and Water generates for Northern Territory customers is from natural gas.

During 2010-11, Power and Water sourced 92 per cent of its natural gas from Eni Australia BV's Blacktip gas field in the Joseph Bonaparte Gulf, which lies about 300km to the north-west of Darwin. The balance of Power and Water's supply was acquired from the Palm Valley field. However, gas supply from this source will finish in January 2012 as contractual arrangements are due to expire.

Contingency gas supply is available from Darwin LNG, although during 2010-11 there was no need to acquire gas from this source.

Discussions are underway for further contingency gas supplies with INPEX.

In June 2011 the Amadeus Basin to Darwin gas pipeline was sold by its owners, the four major Australian trading banks, to the APA Group. At the same time Power and Water entered into a 25-year gas haulage agreement with the new owner.

FIGURE 1
CAPEX OUTLAYS
2007/2008 - 2011/2012

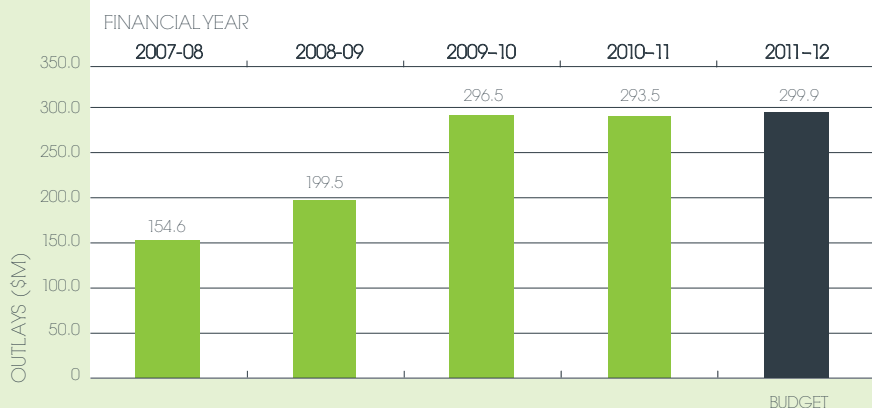
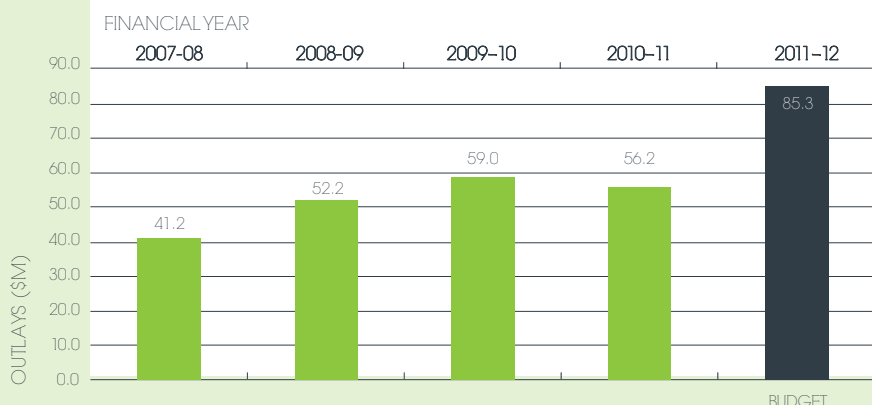


FIGURE 2
REPAIRS AND MAINTENANCE OUTLAYS
2007/2008 - 2011/2012



Under this arrangement gas will be hauled from the junction of the Bonaparte Gas Pipeline and the Amadeus Gas Pipeline at Ban Ban Springs about 130km from Darwin to the power stations in Alice Springs. The gas will also go to power stations at Pine Creek, Katherine, McArthur River, Elliott and Tennant Creek.

The power stations at Channel Island and Weddell will continue to be serviced by this pipeline.

Power and Water continues to assess opportunities to use natural gas to replace diesel fuel for electricity generation.

The Corporation is targeting gas supply to remote communities and plans to construct a gas spur pipeline to a new 5MW gas-fired power station, to be built near Wadeye.

This power station will also be the primary source of electricity supply for the nearby communities of Nganmaryanga (Palumpa) and Peppimenarti.

The Corporation is also working to market gas to a range of other potential customers including mining, manufacturing and pastoral industries.

INCREASING NETWORK RELIABILITY

The reliability of electricity supply is measured with indices including:

- System Average Interruption Duration Index (SAIDI), a measure of the average minutes each customer is off supply per annum.
- 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. Cyclones, severe storms and lightning strikes result in the duration of outages (SAIDI) being slightly greater than the national average.



LEFT: LARRAKEYAH OUTFALL CLOSURE
DRILLING UNDER DARWIN CBD

Power and Water has been investing heavily in the power network system over the past year and has increased both staffing levels and training to equip staff to complete repair, replacement and upgrading work.

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

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

A new 11kV switchboard was installed for the Casuarina Zone Substation in 2010-11.

Investigations resulted in recommendations to replace the Snell Street Zone Substation which services Darwin's growing commercial and industrial area. This project is progressing in 2011 with significant remedial works while the new Woolner Zone Substation is being constructed on an adjacent site to be commissioned in 2013.

New zone substations at Archer, servicing Palmerston and Marrakai servicing Darwin's rural area are under construction.

Design of the new Leanyer Zone Substation, to service Darwin's northern suburbs, has commenced with construction due to start in early 2012.

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.

The Corporation is improving electrical insulation on its power poles with composite fibre cross-arms, longer insulators, vermin guards and flying fox covers.

In 2010-11 work continued in Darwin to underground powerlines. Completed areas have improved network reliability as they are no longer as vulnerable to wildlife, vegetation and bad weather.

Changeovers to the new underground network in Rapid Creek and Millner were completed in mid-2011.

SUSTAINING WATER SUPPLY AND SEWERAGE SERVICES

A major project completed in 2010-11 increased the capacity of Darwin's primary drinking water source, Darwin River Dam, by about 20 per cent.

The spillway was reinforced and raised by about 1.3 metres to enhance security of supply for the growing Darwin and Palmerston area.

A prolonged wet season caused the newly raised dam to spill for the first time in February 2011 after Cyclone Carlos brought high rainfall to the region.

Power and Water also continues to plan for the return of Manton Dam to service the Darwin region to secure future water supply.

In 2010-11 new transmission pipelines were installed to increase water supply capacity for the new Palmerston suburbs of Johnston, Zuccoli and Mitchell.

Capacity of the McMinns water pumping stations was substantially increased in 2011, providing increased security of supply to the Darwin region.

For the Central region the commencement of the Alice Water Smart plan is a way to drive smarter, more efficient use of water in homes, businesses, parks and gardens. The plan involves education, audits and infrastructure development to cut water use by 1 600 million litres per year.

WASTEWATER TREATMENT

Power and Water operates wastewater treatment plants in all of the Northern Territory's major and minor urban centres.

Power and Water holds a licence under the *Northern Territory Water Act* to discharge treated and untreated wastewater to Darwin Harbour, Katherine River and Ilparpa Swamp in Alice Springs.

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

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

THE ASSET MANAGEMENT CAPABILITY PROJECT

Power and Water owns more than \$1 billion in plant and equipment and is investing \$1.5266 billion over five years to improve reliability and cater for growth in the demand for services.

Improved processes and practices, better data and information on assets and their condition, enhanced organisational capabilities and modern information systems are all required to meet the challenges ahead.

The Corporation established the Asset Management Capability (AMC) project to help meet these challenges and provide the systems and tools to improve plant operation and network reliability right across Power and Water.

The project is now well advanced with a contract awarded to IBM in September 2009 for Maximo and ESRI suites of software and implementation services.

The AMC project includes implementing off-the-shelf and integrated systems supported by process redesign, change management and training, data improvement and a robust technical and service infrastructure.



ALICE WaterSmart

Helping Alice Springs reduce its water use

- 💧 Homes and Businesses
- 💧 Accommodation
- 💧 Parks and Ovals
- 💧 Reuse and Reticulation
- 💧 Smart metering

www.alicewatersmart.com.au



Alan Whyte,
Area Manager Alice
Springs and Yulara

SNAPSHOT: ALICE WATER SMART

Alice Water Smart is a two year project that aims to preserve Alice Springs' finite groundwater source and secure the long term sustainability of the town.

The Alice Water Smart consortium, led by Power and Water, comprises The Department of Natural Resources, Environment, The Arts and Sports (NRETAS); Arid Lands Environment Centre; Alice Springs Town Council and Tourism NT.

The aim is to reduce water consumption by Alice Springs' residents by 1600 million litres per year, equivalent to two months average water supply.

The \$15 million Alice Water Smart Plan includes projects like home and business water audits, an expanded rebate scheme, smart irrigation for parks and ovals, improved water management and increased recycling and installation of smart meters to allow homes and businesses to monitor water use.

Funding of \$7.5 million is being provided under the National Water Security Plan for Cities and Towns, a key component of the Australian Government's long-term Water for the Future initiative. This was matched by Power and Water with contributions from consortium members.



OUR STAKEHOLDERS

Power and Water Corporation'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.

OUR CUSTOMERS

Power and Water are continuing awareness campaigns with a focus on safety, energy and water efficiency.

The website, annual regional show display and retail centres are communication channels that provide important information for customers.

They offer advice on preparing safely for the storm season, how to save on power bills and how to save water in the tropical dry season and Central Australian desert.

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)*, 1 902 enquiries regarding customer and supplier information were received during 2010-11, compared with 1 304 enquiries received in 2009-10. There were no requests for changes to information during the year.

Power and Water has procedures in place for accessing and correcting personal information held by the Corporation under Part 3 of the Information Act 2002. The applications can be made in person at any Power and Water Retail outlet, by phoning 1800 245 092 or by written application to:

Retail Customer Service Manager
Power and Water Corporation
GPO Box 1921
Darwin NT 0801

Customerservice@powerwater.com.au

Applicants must provide:

- Name, address and proof of identity;
- Sufficient detail to enable the information sought to be identified.

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

RECORDS MANAGEMENT AND ARCHIVES MANAGEMENT

Part 9 of the Information Act relates to Records and Archives Management and sets out the obligations, standards and management of records and archives with which Power and Water must comply.

Power and Water has well established records management policies and processes in place that achieve compliance with these provisions.

KEEPING IN TOUCH

Power and Water launched Twitter and an online unplanned outage page for the 2010-11 wet season.

Twitter has proven invaluable for providing real-time information on unplanned outages. It provides the capacity to update customers with estimated time of restoration or as electricity or water supply is restored to certain areas.

Our online unplanned outage page offers scope to give more technical information about the repair and restoration process.

SEEKING FEEDBACK

Monthly customer surveys indicate that customer satisfaction with Power and Water is steadily increasing.

Power and Water has committed to ongoing service improvements as well as open and honest communication with customers.

STAY CONNECTED

Power and Water has a commitment to assisting customers in times of hardship and provides them with support to resume regular payment for services supplied. Power and Water understands that at times some consumers may encounter temporary or ongoing financial hardship due to a number of circumstances including unemployment or significant reduction in income, ill health and/or disability. Power and Water is committed to assisting customers fairly and appropriately while operating within commercial guidelines.

VIRTUAL ENERGY AUDIT

Over 17 600 people viewed the online energy audit at Power and Water's website to learn how to save electricity and water in their home or business.

Our Virtual Energy Audit lets customers create a virtual model of their home and estimates their power bill based on the data they input.

This tool helps customers see what contributes to their power bill and how it can be reduced.

HELP SAVE THE PLANET!

Power and Water's interactive education resource website helpsavetheplanet.com.au provides information on simple things school students can do to become more aware of the environment.

This ranges from setting the air conditioning to 24 degrees or more, identifying 'energy vampires' (also known as standby power) or turning off the tap while brushing their teeth.



MELALEUCA AWARDS

Power and Water's annual Melaleuca Awards were developed in 2003 to recognise outstanding achievement in environmental excellence in the Northern Territory. Over the past eight years we have recognised and rewarded numerous businesses, community groups, schools and individuals for being environmental advocates.

Territorians who are re-using, recycling or reducing energy and water consumption, being innovative in sustainable principles, conserving resources, promoting climate change awareness, reducing greenhouse gas emissions and improving business sustainability are encouraged to nominate to win an Award.





OUR COMMUNITIES

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

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

Our staff are enthusiastic volunteers, lending their expertise, time and energy to good causes.

2011 MELALEUCA AWARDS

A local biodiesel manufacturer, bird-watching blogger and 'close the door' campaigners were among environmental heroes heralded at the 2011 Melaleuca Awards.

The awards were held at Darwin's George Brown Botanic Gardens in conjunction with the Tropical Garden Spectacular and Sustainability Fair.

The award winners were:

COMMUNITY:

DESERTSMART COOLMOB

Businesses in Alice Springs' Todd Mall have been encouraged to keep their doors closed after COOLmob identified that air conditioning accounted for 50 to 60 per cent of their electricity bill. COOLmob used community-based social marketing techniques to promote the 'close the door' campaign to help businesses reduce electricity use and save costs.

INDIVIDUAL:

CHRIS WATSON

Zoology student, Chris, created the Birds Central blog site for residents of and visitors to Alice Springs. The content explores conservation, habitat rehabilitation and fauna in the arid zone. The popular www.comebirdwatching.blogspot.com averages 1 650 readers a month.

SMALL BUSINESS:

FRYERFUELS PTY LTD

Using waste oil from the hospitality industry, Fryerfuels produces biodiesel that can be used in most diesel

engines. The fuel complies with Australian, European and United States standards, is non-toxic and biodegradable.

COMMERCIAL/INDUSTRY:

ALICE SPRINGS AIRPORT

Alice Springs Airport is the only Australian airport with a large-scale solar energy plant feeding back to its electricity grid. The initiative, part of the Alice Solar City project, means the solar system can provide up to 28 per cent of the airport's average daily electricity needs.

SCHOOLS:

GIRRAWEEEN PRIMARY SCHOOL

Girraween hosted a Sustainable School in Action Field Day in 2010, showcasing everyday sustainable living practices ranging from the school's bucket recycling program to the butterfly farm and identifying and eradicating weeds.

CHAIRMAN'S AWARD:

CHARLES DARWIN UNIVERSITY'S HORTICULTURE AQUACULTURE TEAM

The Chairman's Award was chosen by Chair of the Power and Water Board Judith King. The group installed an underground water catchment system beneath its plant nursery to catch and re-use excess irrigation water and wet season rain. It has saved 675 000 litres of water since it became fully operational late last year.

ENVIRONMENTAL GRANT:

GREENING AUSTRALIA NT

In addition to the Melaleuca Awards, an environmental grant was awarded to Greening Australia NT, which plans to establish a wetland water recycling demonstration facility in Darwin. The centre will showcase native Top End flora and use solar power to reticulate recovered water.

The 2011 Melaleuca Awards featured a new photographic competition with the theme of creative ideas on water, energy or waste-saving.

IT'S SHOW TIME!

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.

Local staff volunteer to assist 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 1 200 households identify ways to save on their power and water bills.

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

COOLmob works with public benevolent institutions and offers 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 Northern Territory's best junior swimmers a chance to challenge themselves across a season. Recognition is based on improvement, putting the focus on participation and development.

CHRISTMAS CHEER

Every year dozens of Power and Water 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 with 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

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

Jacinta was recognised for her joint paper "an analysis on free convection flow in building ventilation" which was accepted for presentation at the third Solar Energy Society Conference.

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

WORKING WITH BUSINESSES

Power and Water's infrastructure upgrade and maintenance program is the largest investment in essential services in the Northern Territory's history and provides local businesses with unprecedented opportunities.

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

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

This includes sourcing electrical equipment, including generators, transformers, insulators and cables, as well as technologies to provide renewable energy sources.

For water and sewerage services this includes the purchase of pumps, reticulation supplies and filtration chemicals.

Power and Water also purchases office equipment and supplies for our many locations across the Northern Territory, and engages 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 90 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.

BUSINESS AT SUNDOWN

Power and Water's Retail section continued the success of the Business at Sundown events in 2010-11. The events provide an insight into the operational aspects of Power and Water and guests gain an understanding of how Power and Water generates power whilst learning about our network and water infrastructure in their respective regions. Events were held in Alice Springs, Katherine and Darwin.

BUILDING RELATIONSHIPS

Power and Water engages with its major customers through quarterly email blasts, face-to-face meetings across the Northern Territory and scheduled regional visits through Casuarina, Darwin CBD, Katherine and Palmerston. The team handles major account customer queries and assists where possible with graphing and trend analysis to help them understand their consumption as part of their businesses planning.

OUR ENVIRONMENT

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

SNAPSHOT TI TREE, KALKARINDJI AND ALPURRURULAM

Construction started in May in Ti Tree on the first of three new solar power stations announced for the remote communities of Ti Tree, Kalkarindji and Alpurrrulam. A wind energy system will also be installed at Alpurrrulam.

The Ti Tree facility located around 200km north of Alice Springs will generate around 550 million watt hours each year. Over the three communities, a total of 1 million watts of solar panels are being installed.

To build and operate these three solar power stations as well as a wind energy system at Alpurrrulam, Power and Water has signed a power purchase agreement with Epuron Pty Ltd and its subsidiary TKLN Solar Pty Ltd.

All three sites are scheduled for completion by the end of 2011.



SUSTAINABLE ENERGY

Power and Water continues to monitor the development of carbon pricing proposals for Australia and the potential impact for its customers. We will study usage in 2012 to assess the impact of carbon pricing after the announcement by the Australian Government of the 'Clean Energy Future' policy.

A rebate program to help consumers in older homes to 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 system.

RENEWABLE ENERGY

Australia's largest tracking solar power station was built in Alice Springs in 2011, contributing its first electricity to Power and Water's grid during commissioning in June.

Uterne Power Station has 3 048 ultra-efficient SunPower mono-crystalline, flat plate solar panels. Each 318 watt module will be mounted on a custom designed tracker that follows the sun as it crosses over the sky during the day. The 1MW system can power 288 average Alice Springs homes for a year. Construction of solar power stations in the remote communities of Ti Tree, Kalkarindji and Alpurrrulam, including wind power in Alpurrrulam, started in 2011.

Power and Water's renewable energy portfolio, totalling over 4.15MW of renewable energy capacity, includes the following facilities owned and operated by Power and Water:

- solar demonstration site at Jilkminggan near Mataranka (17kW)
- flat plate solar power station at Kings Canyon (225kW)
- amorphous silicone solar power station at Bulman (55kW)
- solar concentrator dishes at the remote communities of Hermannsburg (192kW), Yuendumu (240kW) and Lajamanu (288kW).

- flat plate, high penetration solar at remote communities of Ti Tree (324kW), Kalkarindji (402kW) and Alpurrrulam (266kW), with wind energy capacity at Alpurrrulam (45kW)

Electricity generated by private providers, from which Power and Water purchases the accredited renewable energy, include:

- methane gas generators at the Shoal Bay Landfill in Darwin (1.1MW)
- flat plate, tracking solar at Uterne Power Station, Arumbera, Alice Springs (1MW).

Power and Water continues to explore ideas with suppliers and developers of renewable technologies including tidal, bio-fuels, wind, solar thermal and solar photovoltaic.

A trial of biodiesel at Daly Waters Power Station in 2006 and an extensive trial of tidal power in the Apsley Strait in 1996 was sponsored through Charles Darwin University.

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

RENEWABLE ENERGY LEGISLATIVE COMPLIANCE

In June 2009 the Australian Government passed the expanded Renewable Energy Target (RET) legislation to achieve 20 per cent renewable energy by 2020. This target set another challenge for Power and Water and will require of us to acquire more renewable energy certificates (REC's) through to 2020 when the target for Power and Water will be about 300GWh.

The Australian Government developed an enhanced Renewable Energy Target (eRET) to divide the RECs system into Small-scale Technology Certificates (STC) and Large-scale Generation Certificates (LGC). At the same time, the solar credits multiplier was reduced from five to three, effective from July 2011. The aim of dividing the

RECs system is to clear accumulated RECs created by the high solar credits multiplier, while encouraging a higher level of investment in large-scale renewable energy projects.

Each REC, either STC or LGC, represents 1MWh of renewable energy generated, except STCs created by the multiplier. Power and Water met its 2010 REC obligation to surrender 93 608 RECs, which was up from 50 500 in 2009. For 2011, the forecast obligation is 93 000 LGCs and 236 000 STCs. The targets are based on a calendar year rather than financial year and these figures are as at 31 December 2010.

The national surplus of small STCs is being reviewed by the Regulator, dramatically increasing the obligations for retailers during 2011 and 2012.

Power and Water uses a range of sources to meet its obligations under the RET legislation, including purchasing STCs from customers who install solar hot water systems in their homes.

ALICE SOLAR CITY

Power and Water is a founding consortium member of the Alice Solar City program, which explores 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 rooftop solar panels.

Power and Water is particularly interested in the monitoring and evaluation phase of Alice Springs Solar City, which will explore customer consumption patterns and the drivers for change. We are proud to be associated with one of the most successful solar cities in Australia and continue to work with them on achieving mutual goals.

Power and Water has been instrumental in developing the Uterne 1MW solar farm in Alice Springs, which is one of the iconic projects of Alice Solar City.

Uterne was completed within record time by SunPower Corp and is currently Australia's largest solar tracking device. Uterne provides renewable energy into the Alice Springs grid.

SOLAR BUYBACK

Power and Water has had a buyback arrangement for the export on to the electricity network from rooftop solar panels since 2001.

ROOFTOP PV ROLLOUT

A further 500 Northern Territory home owners installed rooftop photovoltaic (PV) systems and connected to the Power and Water grid in 2010-11. This is a considerable expansion in rooftop PV sales right across the Northern Territory, which is due to a decrease in the cost and the solar credits legislation of June 2009.

By June 2011 there were about 500 rooftop PV systems connected in Central Australia and 700 in the Top End. Commercial buildings in Alice Springs and a school in Darwin installed larger systems.

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 found to result from cloud reducing the output from the solar generation. This could be the first time in Australia this effect has been observed on an electricity grid.

BELOW: WEDDELL POWER STATION



TERRITORY GREENPOWER

Power and Water continues GreenPower products for both residential and business customers. This gives customers the opportunity to invest in renewable energy as Power and Water purchases renewable energy certificates on their behalf.

The product is fully accredited by the national GreenPower secretariat and complies with the requirements of the Australian Competition and Consumer Commission.

CLIMATE CHANGE

In December 2009 the Northern Territory Government released its Climate Change Policy.

Included in the policy are aspirations to reduce the consumption of mineral distillate in remote communities, develop renewable energy sources in the Northern Territory, reduce emissions and reduce water consumption. Power and Water is implementing strategies to achieve these targets.

To support its Climate Change Policy the Northern Territory Government established a Green Energy Task Force. Power and Water is a member of the task force and also supports the work of the Centre for Renewable Energy at Charles Darwin University.

POWER GENERATION

GENERATOR EFFICIENCY AND CARBON DIOXIDE EMISSIONS

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

Our Generation business unit reported greenhouse gas emissions for all facilities that were under its operational control during the reporting period.

We take data from this section for interim results, which are yet to be audited and are due to be reported on 30 September 2011. The data is provisional and subject to change.

Power and Water's 2010-11 Statement of Corporate Intent sets emission performance targets for our major power stations. Actual efficiency achieved, aligning with the corresponding National Greenhouse and Energy Reporting (NGER) reporting requirements are listed in Table 1.

TABLE 1

FACILITIES EMITTING 25 000 TONNES OR MORE – 2010-11

Channel Island	599 tonnes CO ₂ per MWh
Weddell	575 tonnes CO ₂ per MWh
Ron Goodin	715 tonnes CO ₂ per MWh
Owen Springs (online 2011)	682 tonnes CO ₂ per MWh

Targets are based on forecast generating unit capacity factors with optimally efficient operation taking into account the planned maintenance program and new plant augmentation. Delays in commissioning the new efficient plant meant emissions were higher than anticipated.

In 2010-11 the major power stations emitted an estimated 950 481 tonnes of carbon dioxide equivalent (CO₂-e) (613kg per MWh), down from 1 030 120 tonnes in 2009-10 (656kg per MWh) and 968 496 tonnes in 2008-09 (654kg per MWh).

For 2011-12, Power and Water has set a combined generation efficiency target of 533kg per MWh (sent out) for facilities reported under National Greenhouse and Energy Reporting System (NGERS).

SNAPSHOT: WEDDELL POWER STATION

A total of three highly efficient machines will soon operate solely on natural gas from the Weddell site. This adds about 25 per cent to the generation capacity on the Darwin-Katherine power system.

The third GE 43 megawatt generator will ensure Weddell Power Station maintains its status as one of the largest electricity generation projects in the Northern Territory in over 20 years.

Delivery of the turbine is scheduled for mid 2011 with an expected completion date of mid 2012. GE has already installed two turbines at Weddell Power Station in 2008 and 2009.

This equates to 656 (tonnes per GWh) generated, down from 656 in 2009-10.

Industry averages for thermal power generation are:

- 903 tonnes of CO₂-e per GWh sent out overall
- 944 tonnes of black coal
- 1341 tonnes of brown coal
- 551 tonnes of gas

Power and Water is better placed than most electricity generators with respect to greenhouse gas emissions in major centres because it uses natural gas to generate electricity.

The Owen Springs Power Station, 25km south of Alice Springs, has been running a gas turbine that was relocated from Ron Goodin Power Station as part of the site commissioning. Three new high-efficiency MAN dual fuel generator sets, which have been added to the power station, are in commission phase. This will allow the older and less efficient plant at Ron Goodin to be gradually phased out.

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 2010-11 so other less efficient units were used to meet electricity demand over these months.

We installed two new highly efficient Rolls Royce gas turbines in 2011. These will increase Channel Island's overall efficiency. They provide a highly efficient plant that will support Power and Water to achieve a reduction in emissions in line with targets of the Territory 2030¹⁹ strategy.

REMOTE COMMUNITY POWER STATION RISK REDUCTION INITIATIVES

Power and Water operates 59 power stations fuelled mainly by diesel in remote communities across the Northern Territory.

Our operating policies and procedures focus on managing the risks associated with delivering more than 30 million litres of diesel fuel by road and sea to the power stations. Essential Services Operators (ESOs) are trained in the handling of bulk fuel deliveries. During the wet season many power stations across the Northern Territory are inaccessible by road. Power and Water manages this risk by filling fuel storage facilities to capacity before the wet season and monitoring storage capacity at these sites.

Power and Water is progressively upgrading fuel storage facilities across the Northern Territory and has completed this work in the Katherine region.

The upgraded power stations at Galiwin'ku, Maningrida and Gunbalanya include new fuel storage facilities.

We are implementing a strategy to reduce reliance on distillate in remote communities, in line with the Northern Territory Government's Climate Change Policy. This includes interconnecting communities within reasonable proximity to each other by a high voltage transmission powerline and decommissioning the less efficient diesel power stations. For example, we are connecting Ampilatwatja to Arlparra power station and the diesel power station at Ampilatwatja is being decommissioned.

Power and Water is also replacing the diesel power station at Wadeye with a new gas fired power station and constructing new solar power stations at Ti Tree, Kalkarindji and Alpururulam.

WATER AND WASTEWATER

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

Darwin River Dam and the McMinns and Howard East borefields currently supply Darwin, Palmerston and the surrounding rural area with water. In 2010-11, Power and Water completed works to raise the dam wall of Darwin River Dam to increase capacity to 320 000ML.

We hold a 49 100ML extraction licence for Darwin River Dam and currently draw about 35 000ML of water per year from the reservoir. A review of the sustainable yield of Darwin River Dam was completed in 2011, indicating that based on current consumption, the potential impacts of climate change and projected growth for Darwin, the region's water supply capacity may need to be increased within the next five years.

BELOW: RISING MAINS REPAIRS, ALICE SPRINGS



¹⁹ Territory 2030 target – “By 2015, reduce greenhouse gas emissions intensity from power generation at the Power and Water Corporation’s Channel Island and Weddell power stations by 10% compared to 2009 levels

Water resource expansion projects typically have long lead times and as part of prudent planning, investigations to return Manton Dam to service have started with a tentative target of 2016. Power and Water holds a licence to extract 7 300ML per year from Manton Dam, but has not used it for a number of years due to infrastructure constraints and water quality issues, including recreational activities on the dam.

Power and Water is also committed to significant leakage reduction and customer water demand management programs that have the potential to defer the need to return Manton Dam to service for some time. Planning will continue to ensure sufficient water resources are reliably available to the Darwin region.

Darwin River Dam water is not treated and risks to the quality of supply include fire in the catchment area, aquatic weeds and low water levels. Although the dam fills most years, about 65 per cent of available water is lost each year through evaporation.

Groundwater supplies at McMinns and Howard East borefields provide an additional 6 000ML to 8 000ML of water per year for the Darwin region. This groundwater supply provides a valuable independent source of water as well as some security in the event of bushfire, cyclone, algal blooms or weed infestation causing interruptions to supply from Darwin River Dam.

WASTEWATER TREATMENT

Power and Water operates wastewater treatment plants in all the major urban centres in the Northern Territory. We hold licences under the *Northern Territory Water Act* to discharge treated and untreated wastewater to Darwin Harbour, Katherine River and Ilparpa Swamp in Alice Springs.

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. Over the next five years, more than \$90 million has been allocated to increase capacity and treatment quality at Power and Water's sewage treatment facilities across the Northern Territory.

The most significant sewage treatment project involves the investment of \$66 million to close the Larrakeyah outfall. Other upgrades are underway or planned for Leanyer, Sanderson, Palmerston, Katherine and Alice Springs.

More than three quarters of wastewater in Alice Springs is re-used for irrigation or aquifer recharge. Record high rainfall in 2010 and 2011 resulted in the need to have licensed regular discharge into Ilparpa Swamp from the Alice Springs ponds. However, work is underway to expand the Soil Aquifer Treatment basins to store an additional 200ML to 400ML of treated wastewater per annum. The Alice Water Smart Plan will also deliver a further 200ML of re-use water.



WE VALUE | COMMITMENT



LEFT: LOVEGROVE ZONE
SUBSTATION, ALICE SPRINGS

UPGRADING DARWIN HARBOUR OUTFALLS

Power and Water will close its only untreated sewage outfall into Darwin Harbour in 2011-12. Sewage from the suburb of Larrakeyah and parts of Darwin's central business district will be transferred to the Ludmilla Wastewater Treatment Plant.

New sewer mains are being constructed through Darwin city to divert the sewage from Larrakeyah. The Ludmilla Wastewater Treatment Plant is being upgraded to cater for the additional treated waste. Over the next two financial years work will be carried out to extend the East Point Outfall.

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 Northern Territory environmental legislation to contain oil safely. Remedial actions from that program are now largely complete.

The new Frances Bay and Archer zone substations have modern oil and water separator facilities in preparation for the rare event of a failure. Similar technology is planned for the proposed Leanyer Zone Substation to service Darwin's new northern suburbs of Lyons and Muirhead. Our new substations in Lovegrove and Owen Springs in Alice Springs use similar technology.

UNDERGROUNDING POWERLINES

Undergrounding powerlines in the Top End decreases the risk of severe storms disrupting power supply. 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 caused by extensive street-front tree growth. The change from overhead to underground power will significantly reduce the need for tree trimming, allowing established trees to add to the visual amenity of the streets.

Powerlines in Darwin's coastal suburb of Nightcliff were put underground 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 are complete with some remaining commercial properties in Millner still to be completed. We expect that all of the overhead assets in these suburbs will be removed by early 2012.

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 project progresses and as newer suburbs such as Lyons and Muirhead in Darwin and Bellamack in Palmerston are developed with underground power supply.

NEW SEWERS FOR UPGRADED SERVICES

Work to close Darwin's last untreated wastewater release saw specialist micro-tunnelling commence works under Darwin's CBD in 2010-11.

New sewer mains were laid through the city to divert wastewater from Larrakeyah to the Ludmilla Wastewater Treatment Plant for treatment.

The design of significant upgrades to Ludmilla to cater for the increased capacity were carried out over the past year. Construction is expected to be completed during the 2012 dry season.

Environmental studies also began into extending the East Point outfall to cater for this expansion.

Peter Lockett, Senior Infrastructure Development Engineer, Water Services



ENVIRONMENTAL INCIDENTS

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

Using diesel to generate electricity on remote coastal communities creates a particular risk as fuel is delivered by barge. Power and Water has a program of upgrading fuel storage bunding to reduce the risk of fuel spills and has further trained staff to deal with land-based spills to prevent any 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.

Sewers suffer from occasional dry season blockages and wet season overflows associated with stormwater. Power and Water has a comprehensive response protocol for sewage overflows, with a primary focus on clean-up and disinfection to protect the health of community members.

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

INCIDENT REPORT DATABASE

Power and Water maintains a database of all environmental incidents resulting from our work that has been reported by staff and external sources. This is how we identify and address potential issues.

In line with section 14 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 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 2010-11 Power and Water achieved its goal of zero pollution incidents causing environmental harm.

SEWERAGE SYSTEM OVERFLOWS

Figure 3 shows the number of reported sewer overflows in the Territory in the past nine years, with six sewage spills recorded in 2010-11.

- The Maningrida sewerage system was overwhelmed by the record wet season and significant flooding from storm water resulted in several overland flows to the ocean.
- Two spills related to infrastructure failure. In July 2010 a leaking sewer in Katherine resulted in an estimated 4ML of raw sewage discharging to Tindal Creek. Ongoing creek flows meant that the spill could not be contained and cleaned up.
- At Yirrkala in June 2011 a power supply failure led to 150L of raw sewage being discharged to ground from a sewage pump station. The area was fenced off and cleaned up.

- The inappropriate disposal of domestic solid waste caused blockages in the sewerage systems at Nguuiu (43KI) and Galiwin'ku (378KI), resulting in two raw sewage spills.
- In March 2011 the re-use pond at the Northlakes Recycled Water Plant flooded due to storm water and an estimated 4ML of treated water entered the storm water drainage system.

There were no recorded instances of impact on human health or the environment.

FUEL SPILLS

Figure 4 shows the number of reported fuel and oil spills in the past nine years. Most spills occur during fuel delivery to remote community power stations because of damage to infrastructure or human error.

This year Power and Water managed to keep the number of reportable spills to two. The largest was 3 000 litres at Yulara Power Station that came from a ruptured fuel line. The diesel was contained within the generator building and cleaned up so that no fuel escaped to the environment.

At Goulburn Island, 1 500 litres of diesel overflowed during a fuel transfer from the barge to tanks at the barge landing. The overflow occurred in the tank bunded area but the drain valve had been left open. There has been a consistent reduction in the number of reportable spills over time, confirming the importance of our fuel bunding program and improved staff training.

FIGURE 3
 SEWAGE SPILLS

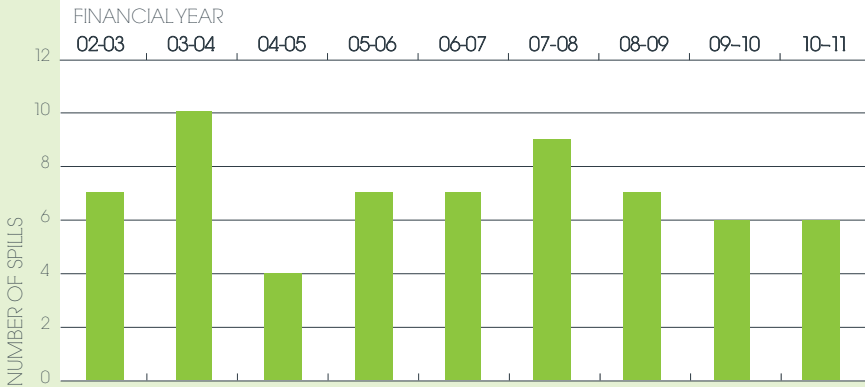
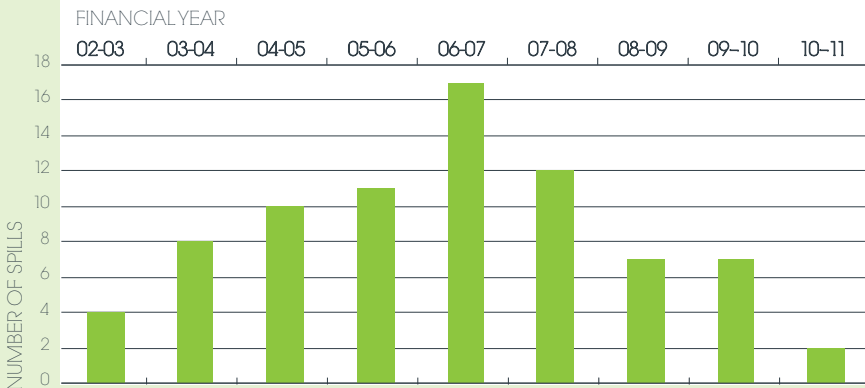


FIGURE 4
 HYDROCARBON SPILLS



CHEMICAL LEAKS

There was one chemical leak during the year.

At Channel Island Power Station an estimated 40 litres of sulphur hexafluoride (SF₆) gas escaped from a damaged high voltage circuit breaker. SF₆ is an inert gas and there was no direct environmental impact however it is a potent greenhouse gas and therefore needs to be included in the Power and Water's 2010-11 National Greenhouse and Energy Reporting Scheme report.

PROSECUTIONS

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

Under the 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.

OUR PEOPLE

Power and Water employs 1033 people.

The Human Resources Strategy was reviewed in 2010–11 to reflect changing operational and organisational conditions and ensure 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 the future
- learning and development for new and existing staff
- developing leadership and management capability
- motivation performance and reward.

We continued to embed initiatives from 2009–10 to consolidate the vision and values with continuing employee and manager forums providing an opportunity to hear about the business and address employee concerns.

Another key driver of change for the next three years is implementing a new Enterprise Agreement. The agreement was finalised in April 2010 and brought a nine per cent pay increase over three years for Power and Water employees. This agreement will see a performance achievement system introduced for all employees and the design and implementation of a corporate capability development framework among other initiatives.

LEADERSHIP AND MANAGEMENT CAPABILITY

Power and Water continues to develop leadership and management capability through our structured leadership and management development programs. More than 330 employees attended our management development workshops which represents 80 per cent of staff within relevant classification groups participating in a session.

APPRENTICE AND GRADUATE PROGRAMS

Power and Water continues to secure its future workforce by employing and developing apprentices and graduates. In 2010–11 we hosted 21 new apprentices, bringing the total number to 79.

Apprentices were recognised for their outstanding achievement with the following awards:

GROUP TRAINING NORTHERN TERRITORY AWARDS

ALICE SPRINGS

TRAINEE OF THE YEAR:
AMANDA MCLEAN

DARWIN

STUART BAIRD INDIGENOUS APPRENTICE OF THE YEAR:
JOHN ANSTESS

OUTSTANDING APPRENTICE STAGE 3:
BRENDAN LEE

KATHERINE

OUTSTANDING 'STAGE' APPRENTICE (SHARED):

DALE PRIME AND PHILLIP YATES

GROUP TRAINING AUSTRALIA

TODAY'S SKILLS TOMORROW'S LEADERS:
GRANT WALKER

GIPPS TAFE AWARDS

OUTSTANDING FIRST YEAR APPRENTICE LINE WORKER FOR 2010:
CLINTON DARR

OUTSTANDING FIRST YEAR APPRENTICE CABLE JOINTING FOR 2010:
CALLUM SMITH

The Power and Water graduate program continued in 2011 with 10 new graduates from engineering and science disciplines starting in February. They joined six graduates who entered the second year of the program. The program is proving to be successful and will continue in 2012 with graduates also being employed within corporate and administrative roles.

BELOW: STAFF PARTICIPATING IN EMERGING LEADERS PROGRAM



ORGANISATIONAL CULTURE

Since 2009, Power and Water Corporation has embarked on a journey to embed a new corporate vision, purpose and values and, in turn, improve culture amongst staff. The new corporate values and vision were launched as part of Power and Water's Employee Forums that commenced in 2009 and are held twice a year in all of the businesses regional offices in the Northern Territory.

The Employee Forums are an opportunity for staff to engage directly with the Managing Director and provide feedback on the cultural development within Power and Water. The Forums are highly valued by staff and this is demonstrated by the excellent attendance numbers and engagement activity during the sessions.

Power and Water's corporate culture is based on shared values, norms and expectations that guide our team members in terms of how they approach their work, interact with each other and interact with customers.

Power and Water's staff work within a constructive culture, based around the following framework:

- Achievement focussed
- Pursue a standard of excellence
- Maintain personal integrity
- Be supportive of others
- Cooperate with others

In addition to the Employee Forums, each second year Power and Water conducts an Organisational Culture Survey with staff. The survey provides the business with an indication of progress towards becoming a more constructive and effective organisation.

The Vision, Purpose and Values are the pillars of Power and Water's "Framework for Success".

VISION:

We aspire to be a leading utility business valued and respected in the community.

PURPOSE:

We will focus on meeting the power, water and sewerage needs of our customers whilst acknowledging the expectations of our shareholders.



OUR VALUES

SAFETY

Protecting the health and well-being of ourselves, contractors and the general public to achieve zero harm.

INTEGRITY

Engendering trust through open, honest and ethical behaviours.

COMMUNICATION

Engaging in an open, positive and constructive way to obtain better individual and business outcomes.

TEAMWORK

Working together for a common purpose; achieving our goals in a supportive, respectful and enthusiastic manner.

COMMITMENT

Leading by example, continually improving, accountable for our actions and carrying them out with passion and purpose.

TRAINING AND DEVELOPMENT

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

Training specialists work closely with line management and supervisory staff to identify training requirements and gaps in knowledge. Employees have an annual performance review where we identify training needs and opportunities as part of their professional development.

In 2010-11 a total of \$4.3 million was spent on training, excluding apprenticeship programs and study assistance; an average of \$4 540 per employee.

We continue to focus on developing technical skills across the operational business units and provide high levels of training to meet safety and legislative compliance requirements.

This year 83 employees accessed study assistance within the 2010-13 Power and Water Enterprise Agreement to complete undergraduate and post-graduate courses, which is a marginal decrease on last year's figures.

SERVICE RECOGNITION

Power and Water recognised a number of long-serving staff in November 2010. One employee reached a 40-year milestone, a significant achievement indeed. Twelve achieved 30 years of service, 16 reached their 20-year milestone and 27 and 40 employees reached 10 and five years of service respectively.

EMPLOYEE SATISFACTION

Employee satisfaction remains high with 70 per cent of employees rating their overall satisfaction as six out of 10 or higher and 85 per cent rating Power and Water as a good employer that they would recommend to others.

Employee satisfaction is broadly comparable to results from other companies in the energy sector and Australian industry in general. However the percentage of employees recommending Power and Water as a good employer (85 per cent) exceeds those from the energy sector (67 per cent) and Australian industry (60 per cent) generally.

ESSENTIAL SERVICES OPERATORS

A total of 155 full time and relief Essential Services Operators (ESOs), of which almost 40 per cent are Indigenous, play a key role in keeping electricity and water operating in some of the Northern Territory's most remote areas, often in harsh and difficult conditions. The ESOs conduct daily, weekly and monthly duties for all essential service disciplines including water quality testing, diesel generator servicing and meter reading for retail services in remote communities.

ESOs are employed through shire councils, private contractors, pastoral companies, Indigenous incorporated bodies and community government councils.

The ESO requires a broad range of skills, knowledge and experience in power, water and sewerage infrastructure, operations and customer services to safely, effectively and efficiently carry out their duties. Power and Water provides comprehensive inductions, residential training courses and onsite training and mentoring. Quarterly reviews of contracts focus on ESO performance, workforce planning and developing capacity. We also hold three-day ESO training workshops every year in Darwin, Katherine and Alice Springs.



SAFETY

ZERO HARM

Safety is one of Power and Water's five core values. We seek to protect the health and wellbeing of ourselves, our contractors and the general public. Our safety vision is for zero harm, incidents and unsafe acts and practices in the workplace.

HEALTH AND SAFETY PERFORMANCE

We recorded 20 Lost Time Injuries (LTIs) this year, exceeding the target of four or less. The LTI frequency rate was 10.4, with an average of 6.5 days lost per LTI. The majority (14) of the LTIs sustained were soft tissue injuries.

All reportable incidents were submitted to NT WorkSafe within the legislated timelines. There were 44 incidents reported to the regulator during 2010-11.

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

Power and Water staff conduct regular Safe Act Observations (SAOs) to promote discussion on health and safety in the workplace. These observations are conversations with employees and contractors about carrying out duties safely and raising awareness which contributes to the effectiveness of our safety program.

HEALTH AND SAFETY INITIATIVES

Ongoing health and safety initiatives during the year included the Zero Incident Process training, now rolled out to more than 700 employees and team leaders. This program aims to improve each individual's personal attitude towards safety promoting ownership of safety in the workplace.

We are also focusing on positive safety action programs.

For example, one of the responses to the increased LTIs was to carry out Safety Stand Downs across all sites to highlight the injury trend and promote awareness of the need to proactively address safety hazards in the workplace.

We created extra safety positions in 2010-11 with 14 roles primarily concentrating on health and safety. These included positions based within each operational business unit. We also established a further six positions to help develop safety systems for our contractors.

Twenty five workgroups of 10 or more employees have been formed according to the *Work Safety Act* with 25 Health and Safety Representatives (HSRs) elected by their workgroups. The HSRs work with their workgroup to discuss safety issues and develop solutions.

Power and Water continues to roll out health and wellbeing programs which has been well received by staff, including a Safe Spine awareness program to counteract the musculoskeletal injuries that form the majority of the injuries reported.

The Safety Week Program was conducted through all regions during September and October. The program promoted health and safety education and training.

Other safety initiatives include online employee and contractor inductions and programs associated with Access to Apparatus Rules, Job Safety Environment Analysis and Fatigue Management.

MANAGEMENT SYSTEMS SAFETY CERTIFICATION AS/NZ 4801

Power and Water retained certification to the Occupational Health and Safety management system (AS/NZ 4801) across the entire function, which was verified through ongoing surveillance audits by the certifying body SAI Global throughout the year.

Power and Water has an Integrated Management System which supports our triple certification against Occupational Health and Safety (AS/NZ 4801), Quality (ISO 9001) and Environment (ISO 14001).



OUR ECONOMICS

UTILITIES COMMISSION'S REVIEW PROGRAM

In November 2009 the Northern Territory Government approved terms of reference for eight reviews to be undertaken by the Utilities Commission as part of its expanded work program to propose further reforms to the Northern Territory's electricity industry. The reviews are as follows:

- 1) Full Retail Contestability
- 2) Asset Management Capability Project
- 3) Capital and Maintenance Programs
- 4) Customer Service Incentive Scheme for Electricity Customers
- 5) Retail Price Monitoring Regime for Contestable Electricity Customers
- 6) Electricity Standards of Service
- 7) Electricity System Planning, Monitoring and Reporting
- 8) Electricity System Planning and Market Operation Roles and Structures

Most of the reviews started in 2010. Six of the eight reviews have been completed with the last expected to be completed by the end of 2011.

Recommendations from the reviews that are approved by the Northern Territory Government will be implemented by Power and Water, with changes expected to some of our planning and operational activities and increased regulatory compliance. The impact on our operational and

capital expenditure will be monitored to determine if benefits to consumers outweigh costs.

RETAIL ELECTRICITY COMPETITION

Full Retail Contestability in the Northern Territory's electricity market was introduced on 1 April 2010. The Utilities Commission issued a licence to a competing retailer in February 2011.

Power and Water welcomes competition and has started implementing an operating model in light of these changed market conditions. Discussions concerning policy matters have also taken place with Northern Territory Treasury and the Utilities Commission.

REGULATORY AND TECHNICAL COMPLIANCE

The two main compliance areas that the Utilities Commission focuses on are economic regulation and technical. The latter is cultural and relates to issues of practice.

Recent variations have been made to the compliance and reporting obligations in Power and Water's electricity licences (Generation, Networks, System Control, Retail and Electricity). This requires Power and Water to establish, document, maintain and comply with appropriate auditable internal policies, procedures and systems (compliance process) to ensure that it complies with its obligations

under its licence and all applicable laws, codes, rules or standards.

Power and Water has a decentralised approach to managing compliance. During 2010-11 the Power and Water Board approved development of a corporate governance, risk and compliance framework, including systems to manage compliance. We produce six-monthly reports to update the Board on progress in implementing the framework.

NORTHERN TERRITORY ELECTRICITY RING-FENCING CODE

The Ring-fencing 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 ensures 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.

In accordance with the Code, Power and Water has established Related Party Terms (RPTs) covering terms and conditions for the provision and acceptance of wholesale generation and network access services between its Retail and Generation and Power Networks businesses respectively. The RPTs ensure an arm's length relationship exists and are contained within the service level agreements between the respective business units.



RETAIL PRICING

The following charts compare prices for electricity, water and sewerage in the Northern Territory with states across Australia, as at 30 June 2011.

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, began in July 2009.

The Utilities Commission has approved network tariffs and charges relating to the use of Power and Water networks for 2011-12. The Corporation is in the process of implementing new Alternative Control Service charges that have also been approved by the Utilities Commission.

COMMUNITY SERVICE OBLIGATIONS

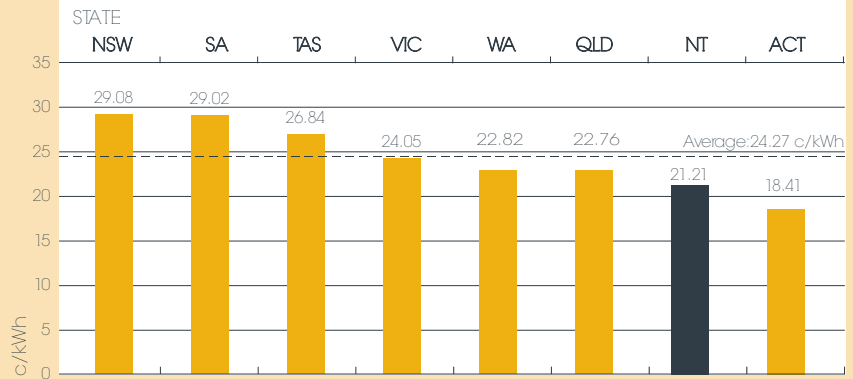
Governments pay Community Service Obligations when they require a public enterprise to provide services at a price or in a way that it would not choose to do on a commercial basis.

Northern Territory Government contributions enable Power and Water to offer uniform tariffs regardless of where customers live, give pensioner concessions and apply the Tranche 4 electricity policy. In 2010-11, the Northern Territory Government paid Power and Water \$68.9 million in Community Service Obligations.

Community Service Obligations are received in all centres to subsidise water supply in accordance with the Northern Territory Government's Uniform Tariff Policy. They also subsidise water supply and sewerage services to customers receiving the Northern Territory Government's Pensioner and Carer Concession Scheme. Power and Water received \$10.8 million during the 2010-11 financial year to provide these services.

FIGURE 4

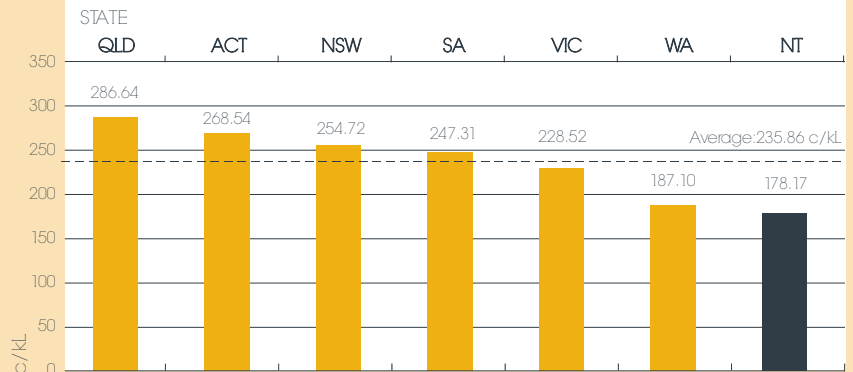
RESIDENTIAL ELECTRICITY TARIFF COMPARISON FOR 2010-11 AS AT 30 JUNE 2011



Source: Retailers' published tariffs
Based on: 7,000 kWh per annum (ESAA Average)

FIGURE 5

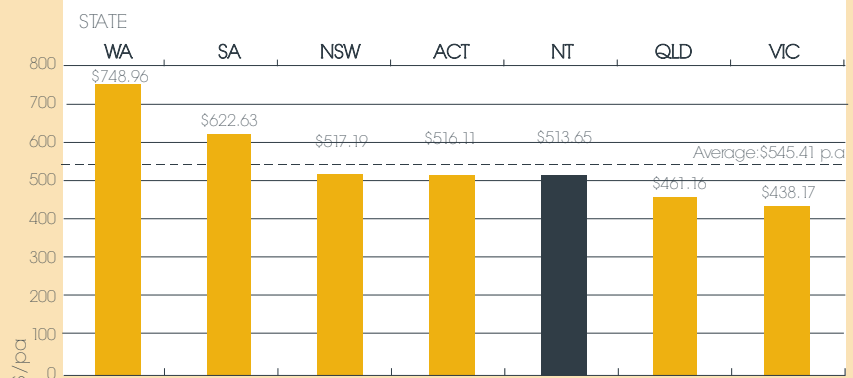
RESIDENTIAL WATER TARIFF COMPARISON FOR 2010-11 AS AT 30 JUNE 2011



Source: Retailers' published tariffs
Based on 234 kL per annum (WSAA Average)

FIGURE 6

AVERAGE ANNUAL RESIDENTIAL SEWERAGE BILL FOR 2010-11 AS AT 30 JUNE 2011



Source: Retailers' published tariffs

BELOW: WATER TESTING

2010-11 COST RECOVERY - WATER SUPPLY AND SEWERAGE SERVICES

The following table shows 2010-11 costs and revenue for water supply and sewerage services in accordance with the National Water Initiative blueprint for water reform. This blueprint builds on the previous Council of Australian Governments (COAG) Strategic Framework for Water Reform.

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

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



MINIMUM COST RECOVERY CHECK

	DARWIN	KATHERINE	TENNANT CREEK	ALICE SPRINGS + YULARA	TOTAL
	\$000	\$000	\$000	\$000	\$000
WATER					
Operations, maintenance, administration	23,599	3,483	2,513	12,029	41,624
Debt servicing	8,367	1,183	1,117	3,777	14,444
Asset consumption	15,302	2,428	884	5,526	24,140
Minimum viability costs	47,268	7,094	4,514	21,332	80,208
Total Revenue - from Trading (excl. CSO)	46,167	4,189	1,477	9,877	61,710
Surplus/(deficit) (excl. CSO)	(1,101)	(2,905)	(3,037)	(11,455)	(18,498)
Surplus/(deficit) (incl. CSO)	1,222	(2,768)	(223)	(10,001)	(11,770)

	DARWIN	KATHERINE	TENNANT CREEK	ALICE SPRINGS + YULARA	TOTAL
	\$000	\$000	\$000	\$000	\$000
SEWERAGE					
Operations, maintenance, administration	23,135	1,353	635	4,503	29,626
Debt servicing	7,138	193	58	600	7,989
Asset consumption	5,871	441	307	1,637	8,256
Minimum viability costs	36,144	1,987	1,000	6,740	45,871
Total Revenue - from Trading (excl. CSO)	33,775	1,964	931	7,423	44,093
Surplus/(deficit) (excl. CSO)	(2,369)	(23)	(69)	683	(1,778)
Surplus/(deficit) (incl. CSO)	(1,568)	(23)	(69)	683	(977)

RISK MANAGEMENT

The nature of Power and Water's operations and the locations in which it operates exposes it to a wide range of risks. Effective risk management is essential for our organisation to achieve its strategic objectives.

We have established an enterprise-wide risk management framework, based around the Australia/New Zealand Standard *AS/NZS ISO 31000:2009*, designed to ensure that key risks are identified, assessed, managed and monitored.

Power and Water's risks fall into 17 strategic risk categories that are regularly reviewed, assessed and reported to the Audit and Risk Management Committee.

Risk management is also integrated with other Power and Water frameworks and functions which act to identify and reduce risks including:

- internal audit
- legal compliance framework
- occupational health and safety management
- environmental management
- quality management.

Power and Water assesses risk in all key business decisions. It supports the proactive management of opportunities and threats by linking risk management with strategic planning. We also support an organisational culture aimed at systematically managing risk.

Power and Water is improving its risk management activities by implementing an integrated Governance, Risk and Compliance system.



CORPORATE GOVERNANCE PRINCIPLES

While 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 Chair and one executive member, Power and Water's Managing Director.

The Board is responsible to the shareholding minister for providing 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.

The Board operates according to a Charter, which clearly identifies the role of the Directors and outlines the matters to be 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 to 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 a more detailed examination and involvement.

COMMITTEE STRUCTURE

Power and Water'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
- 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 and KPMG both provided internal audit services to Power and Water throughout the financial year. The committee met five 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 Power and Water's capital investment, asset management and fuel supply activities. This recognises the critical and relevant nature of these activities in achieving Power and Water's commitments outlined in the Statement of Corporate Intent. The committee met five times during the year.

The Health, Safety and Environment Committee oversees Power and Water'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 by managing the impact of its operations. The committee met three times during the year.

The Nomination Committee helps the Board effectively discharge its responsibilities to ensure the Board of

Power and Water and its subsidiaries is made up of individuals who are best able to discharge the responsibilities of directors in 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. The committee determines and recommends, to the Board, remuneration packages for the Managing Director and Power and Water's senior executive contracts. The committee also informs the Board about executive remuneration matters in general. The committee met twice during the year.

Gasgo Pty Ltd is a wholly-owned subsidiary of Power and Water and purchases gas on its behalf. The Board for Gasgo comprises the Managing Director as Chair and directors from Power and Water.

Darnor Pty Ltd is a wholly-owned subsidiary and holds Power and Water's 2.5 per cent interest in NT Gas Pty Ltd, the lessee and operator of the Amadeus Basin to Darwin Gas Pipeline and 2.5 per cent of the units in the Amadeus Gas Trust. The Board for Darnor is made up of the Managing Director as Chair and directors from Power and Water.

Indigenous Essential Services Pty Ltd (IES) is a wholly-owned subsidiary that provides electricity, water and sewerage services to remote communities in the Northern Territory. The subsidiary Board for IES is made up of a subset of directors from Power and Water's Board.

Power and Water's Board receives monthly performance reports from each of the business units which report progress against Key Result Areas and Key Performance Indicators from the Statement of Corporate Intent. 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

The Northern Territory Administrator appoints Directors on the recommendation of the shareholding minister. The Board comprises six non-executive Directors and Power and Water'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's performance is reviewed on a biennial basis. This review is conducted by an external party. Directors' 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 Power and Water staff are bound by the Northern Territory Public Sector Principles and Code of Conduct which require employees to perform their official duties with skill, impartiality, professionalism and integrity.

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

The internal auditor provides specialist professional audit services to Power and Water and its subsidiaries. The internal auditor 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 other 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 shareholding minister 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 is openly available to the public.

Under the Act, the shareholding minister must be notified immediately 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 Northern Territory Treasury representing the shareholding minister. Power and Water'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 Chair and Managing Director.

Power and Water's Chair and Managing Director appeared before the Government Owned Corporation's Scrutiny Committee on 23 June 2011 to answer questions on the activities, performance, practices and financial management of Power and Water.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Northern Territory Government, on behalf of the Northern Territory, is Power and Water'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, Power and Water'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 2010–11.

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.

Power and Water seeks to provide as many opportunities as possible to engage with Territorians. Regular awareness campaigns are promoted through traditional and social media channels. Customer information is available from our retail centres, call centre and website. We also take part in the annual Northern Territory show circuit in all regions. Power and Water'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 has an established enterprise-wide risk management model. 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.

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, Power and Water's employees have individual annual performance plans and targets which are linked to salary progression. The 2010–13 *Power and Water Enterprise Agreement: Working together to meet the challenge* was agreed in principle in December 2010. The formal vote was undertaken in April 2011 and ratified by Fair Work Australia in May 2011.

SOLAR FOR THE CENTRE

Australia's largest flat-plate tracking solar power station is now producing electricity for Power and Water customers in Alice Springs, our sunny red centre.

Power and Water has signed a 20-year agreement to purchase power from the 1MW Uterne power station, built this year.

This exciting project sees 3048 mono-crystalline panels cover more than four hectares of land near Arumbera.

They will produce enough power for 288 average Alice Springs homes a year.

This is a key part of Power and Water's commitment to the Alice Solar City project, which has already seen more than 450 rooftop photovoltaic systems installed on homes and businesses.

Elizabeth Overend, Sustainable Energy Engineer, Strategic and Corporate Affairs



SNAPSHOT: TUNNELLING TOWARD LARRAKEYAH OUTFALL CLOSURE

Power and Water is undertaking a program of works to allow the closure of the Larrakeyah outfall. The works are part of Power and Water's broader Darwin Region Sewerage Strategy that aims to:

- provide capacity for a growing population and industry base;
- improve the performance of the region's wastewater treatment and disposal facilities; and
- reduce potential impacts on the environment from sewerage operations.

The Larrakeyah Outfall Closure Plan project will support the elimination of untreated sewage discharges to Darwin Harbour.

Work which started in 2008 will be done in four stages:

- Diversion works to deliver sewage from the Larrakeyah catchment to the Dinah Beach trunk sewer;
- Further upgrades to Ludmilla Wastewater Treatment Plant;
- Duplication of the East Point rising main;
- Extension of East Point outfall.

The replacement of the East Point Outfall rising main and the extension of the East Point Outfall require a Public Environment Report, which is currently under development.



FINANCIAL STATEMENTS

Power and Water Corporation and its Controlled Entities
(ACN 947 352 360)

For the year ended 30 June 2011

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Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

DIRECTORS' REPORT

The directors present their report together with the financial report of the Power and Water Corporation (the Corporation) and of the consolidated entity, being the Corporation and its controlled entities, for the year ended 30 June 2011 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>Ms Judith King (Chairman) BA, Foundation Fellow AICD</p>	<p>Ms 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. Ms King's current appointments include Swinburne Ventures Ltd; National Ageing Research Institute; the Victorian Commission for Gambling Regulation; and Board of the NT Environmental Protection Authority. Ms King was awarded an Australian Centenary Medal in 2003.</p>
<p>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 Barry Chambers FIE Aust.</p>	<p>Appointed to the Power and Water Corporation Board in March 2007, Mr Chambers has extensive experience as a professional engineer working for local, Territory and Federal governments in the areas of engineering services, infrastructure, public buildings, town planning, land management and environmental services. For 13 years he held Chief Executive Officer positions in 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. Barry Chambers' appointment with Power and Water ended as of 19 March 2011.</p>
<p>Ms Margaret Gibson LLB(Hons), BCom, FCA, FTIA, FAICD</p>	<p>Ms Gibson was appointed to the Power and Water Corporation Board in March 2007. A retired partner of PricewaterhouseCoopers, where she 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). Margaret Gibsons's appointment with Power and Water ended as of 19 March 2011.</p>
<p>Mrs Linda Mackenzie BCom(Hons), CA</p>	<p>Appointed to the Power and Water Corporation board in March 2007, Mrs Mackenzie worked for the Northern Territory Treasury for nine years until she resigned from her position of Assistant Under Treasurer (commercial) in January 2007. Mrs Mackenzie is a former member of the Darwin Port Corporation Advisory Board. She worked previously for Macquarie Bank Limited in Sydney. She is a chartered accountant and holds a Bachelor of Commerce (Hons) majoring in Finance from the University of Queensland.</p>

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**DIRECTORS' REPORT**

- 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.
- Steve Margetic FAICD
- Mr Margetic was appointed to the Power and Water Corporation Board in April 2011. Mr Margetic is Managing Director and co-owner of Sitzler Pty Ltd, a territory construction and development contractor with operations in the Northern Territory, South Australia and Western Australia. A long-term Fellow of the Australian Institute of Company Directors, Mr Margetic has served on numerous industry boards and working groups. He served as Chairman of the Northern Territory Land Development Corporation from its inception in 2004 to retirement in 2010 and as a member of the Territory 2030 Steering Committee. Mr Margetic has considerable experience delivering major infrastructure works under public-private partnerships, alliancing and joint ventures.
- Rob Skinner BE (Civil), MSc, FIE (Aus), MAICD
- Mr Skinner was appointed to the Power and Water Corporation Board in April 2011. Mr Skinner was Managing Director of Melbourne Water Corporation from 2005 to 2011, leading the Corporation and working with government to deliver critical water supply augmentations and water conservation measures. He is currently a Professorial Fellow at the Centre for Water Sensitive Cities at Monash University, the International Water Association Cities of the Future Working Group and is a member of the Victorian Government's Living Victoria Ministerial Advisory Council. His experience also includes 10 years as CEO of Kingston City Council, CEO of the Dandenong Valley Authority and executive roles in the Victorian Department of Water Resources and the Victorian Department of Premier and Cabinet.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

DIRECTORS' REPORT

Review of Operations

Summarised financial information

	Consolidated	
	June 2011	June 2010
	\$ Million	\$ Million
Total revenue (excl Northern Territory Government capital contributions)	752.0	715.8
Capital contributions	-	17.4
Total expenses (excl impairment write-off)	(659.3)	(636.8)
Impairment write-off	(72.2)	(319.8)
EBITDA	20.5	(223.3)
Depreciation	(75.5)	(89.1)
Interest expense	(51.7)	(44.0)
Net profit/(loss) before income tax	(106.7)	(356.3)
Income tax (expense)/benefit	32.3	107.6
Net profit/(loss) after income tax	(74.4)	(248.8)
Impairment write-off	(72.2)	(319.8)
Capital contributions	-	17.4
Tax effect of impairment adjustments and Northern Territory Government capital contributions	21.7	90.7
Underlying net profit/(loss) after income tax	(23.9)	(37.2)
Total assets	2,010.2	1,753.6
Total liabilities	1,485.6	1,265.5
Total equity	524.6	488.1

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**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:

An impairment write-down in the value of the water assets of \$50.5 million post tax (\$72.2 million before tax) has resulted in a consolidated net loss after tax of \$74.4 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 ended 30 June 2011, it was found that the future cash flows for the water assets, in spite of recent tariff increases, were insufficient to support the value of the assets, and therefore the assets were written down.

As a result of the record rainfall in the 2010-2011 wet season, there was a significant decrease in budgeted consumption and water sales revenue was substantially below budget. The change in revenue and consumption is considered material to the water cash generating unit (CGU). In addition the number of years of organic growth before the investment in the next major water source for the Darwin region reduced significantly due to a review of the yield of Manton Dam and Darwin River Dam. The Corporation reassessed the recoverable amount of its water assets and this resulted in an impairment.

There were no capital contributions from the Northern Territory Government this year compared to \$12.1 million (\$17.4 million before tax) received in the 2010 financial year. However in 2010-2011 the first of a series of debt to equity swaps agreed with the Northern Territory Government were utilised to retire a portion of existing borrowings. The contributed equity totalled \$110.9 million and shall result in a saving of future interest payments.

In accordance with the 25 year contract for Blacktip gas \$6.4 million was paid for banked gas this financial year. This gas is held in reserve and will be consumed at the end of the contract period.

From January 2011 the Corporation became liable for additional obligations under the Commonwealth government's *Renewable Energy (Electricity) Act*. This regulation has increased costs by \$5.5 million in the 2010-2011 financial year for the purchase and surrender of Renewable Energy Certificates.

After removing the effects of the asset write-downs in both the 2011 and 2010 financial years, and government capital contributions the consolidated entity's underlying result at the end of June 2011 was a loss after tax of \$23.9 million compared to a loss after tax of \$37.2 million for the year ended 30 June 2010.

Revenue

Electricity sales increased by \$8.2 million resulting from a 8.5 percent increase in kilowatts sold to contestable customers and a 5 percent tariff increase for the franchise electricity customers on 1 July 2010. However due to the early on-set of the wet season, franchise consumption decreased by 5.6 percent.

Water revenue increased by \$4.1 million due to the 20 percent tariff increase, however actual consumption decreased by 13.4 percent due to the record rainfall experienced in the 2010-2011 wet season.

The Gas Acquisition Agreement (GAA) has increased both revenue from sale of goods and energy costs. Gas sales of \$130.1 million has been included in the current financial year. This agreement ceased on 16 June 2011 with the sale of the Amadeus Gas Pipeline.

Other income is down 21.8 percent this financial year compared to the 2010 year as a result of no further capital contributions from the Northern Territory Government.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

DIRECTORS' REPORT

Expenses

Energy costs have reduced by \$0.3 million compared to the prior year after excluding the \$128.5 million from the Gas Acquisition Agreement (which has increased both revenue from sale of goods and energy costs). The supply of Blacktip gas throughout the financial year has reduced the need for distillate and there was no requirement for DLNG gas this year.

Repairs and maintenance costs decreased by \$5.0 million, mainly driven by the record wet season.

Employee costs increased by \$14.0 million as Power and Water employed additional people in the Generation and Networks business units in response to the recommendations of the Heugin Report, as well as increased overtime due to Cyclone Carlos and a wage uplift in accordance with the 2010-2013 Enterprise Agreement signed in 2011.

The Heugin Report recommended recruiting additional appropriately skilled staff to deliver the five-year capital investment program.

Other expenses decreased by \$10.8 million to \$72.1 million mainly due to the gifting of the Wickham Point Gas pipeline included in 2010 as a one off expense. This is offset by extra costs of \$5.5 million for Renewable Energy Certificates and higher property maintenance and lease costs compared to the prior year. There has also been an increase in training costs associated with the expanded capital investment program, the Remedial Asset Management program and the Asset Management Capability project.

Depreciation and amortisation expenses have decreased \$13.6 million on the previous year reflecting the Corporation's write down of power generation and network assets in 2010.

Capital Expenditure

Capital expenditure increased by \$48.2 million to \$351.1 million compared to \$302.9 million the previous year. Major project spending included: Owen Springs new power station sets 1, 2 and 3 of \$12.6 million; Weddell Power Station set 3 of \$20.3 million; Channel Island Power Station sets 8 and 9 of \$73.1 million; Snell Street Zone Substation of \$10.5 million; Owen Springs to Lovegrove 66Kv transmission \$21.0 million; purchase of two mobile substation \$4.7 million; raising the Darwin River Dam wall to increase water storage capacity \$5.5 million; Larrakeyah outfall closure \$6.9 million and IES projects totalling \$34.9 million. Interest costs of \$10.9 million are also included this financial year.

Cash Position

The consolidated entity's cash balance at the end of June 2011 was \$184.8 million of which \$63.1 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 \$76.0 million in June to fund the increased capital investment program, resulting in a large cash balance of \$121.7 million at the end of June 2011, these funds are expected to be spent in the first half of the 2011-12 financial year.

Achievements in 2010-11

During the 2010-11 year, the Corporation initiated a range of actions to improve the security and reliability of services including:

- A new Gas Transportation Agreement (GTA) has been executed which secures the use of the Amadeus Gas Pipeline for the next 25 years. In conjunction with the purchase contract for Blacktip gas the new GTA provides long term certainty of the gas supply and delivery to the Corporation's power stations to meet the Northern Territory's growing demands;
- Augmenting generation capacity at Channel Island Power Station on completion of installation of sets 8 and 9;
- 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 completion of construction work to raise the level of the Darwin River Dam, continued work on options for security of the Darwin water supply and additional water sources for Alice Springs; and
- Continued works to close the Larrakeyah outfall in 2011 through upgrades to waste water treatment facilities.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**DIRECTORS' REPORT****Dividends**

The Directors have not declared a dividend due to an ongoing dividend moratorium being granted to the Corporation by its shareholder, the Northern Territory Government. No dividends have been paid or declared during the current financial year.

Future Developments

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

As at the date of this report, the controlled entity Gasgo Pty Limited's (Gasgo) responsibility in terms of purchasing gas on behalf of Power and Water Corporation has ended. The 2006 Mereenie Gas Sale Agreement (MSA4) ceased on 10 September 2010. While the 1985 Palm Valley Gas Purchase Agreement will continue until January 2012, Gasgo's Directors have approved that the company transfer its rights and obligations to its parent, Power and Water Corporation, effective from 1 July 2011. This action is in line with the change of ownership of the Amadeus Basin to Darwin gas pipeline, extinguishing the tax-effective, leveraged lease structure that surrounded this pipeline.

On 16 June 2011 the responsibilities of the controlled entity Darnor Pty Limited (Darnor) for ensuring Power and Water Corporation's interests in the Amadeus Basin to Darwin Pipeline are safeguarded ceased with the termination of the leveraged lease arrangements. Darnor is unlikely to have a further role to play as an agent for Power and Water Corporation in any new gas purchase or transportation arrangements.

As a result of the above, Darnor and Gasgo have initiated steps towards terminating all of its business transactions. Specialist advice has been sought to ensure that these actions have no significant tax implications to its parent, Power and Water Corporation.

At the date of this report, there are no other developments in the operations of the consolidated entity that, in the opinion of the directors, are likely to significantly impact the Corporation during the 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, Indegenous Essential Services Pty Limited, 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.

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

DIRECTORS' REPORT

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 23rd day of September 2011.

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

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**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 2011 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 23rd day of September 2011.

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



Ms Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director



Auditor-General

**Independent Auditor's Report to the Board of Directors
Power and Water Corporation
Year ended 30 June 2011**

I have audited the accompanying financial report of Power and Water Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In my opinion:

- a) the financial report gives a true and fair view of the financial position of the Corporation and consolidated entity, as at 30 June 2011, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the *Government Owned Corporations Act*; and
- b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

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

27 September 2011

Statement of Comprehensive Income

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Note	Consolidated			Corporation		
		June 2011 \$'000	June 2010 \$'000	June 2009 \$'000	June 2011 \$'000	June 2010 \$'000	June 2009 \$'000
Continuing Operations							
Revenue from sale of goods	3 (a)	539,117	514,860	399,828	509,366	442,853	316,394
Revenue from rendering of services	3 (a)	107,394	94,875	92,244	41,553	37,242	30,705
Finance revenue	3 (a)	5,496	3,011	3,047	4,208	1,669	2,189
Other income	3 (b)	100,033	120,469	331,803	97,108	115,622	320,393
Inter-Group sales		-	-	-	10,867	7,767	7,269
Total revenue and income		752,040	733,215	826,922	663,102	605,153	676,950
Energy and materials		(379,739)	(365,728)	(312,897)	(346,740)	(291,425)	(219,978)
Repairs and maintenance expense	3 (f)	(69,823)	(74,859)	(64,251)	(56,212)	(61,456)	(51,760)
Employee benefits expense	3 (e)	(102,585)	(88,492)	(71,904)	(94,244)	(82,563)	(67,091)
External service agreements		(29,174)	(24,675)	(25,575)	(19,464)	(15,500)	(17,191)
Impairment of non-current assets	11, 27	(72,177)	(319,751)	(5,718)	(72,177)	(319,751)	(5,718)
Other expenses	3 (g)	(78,008)	(83,012)	(68,356)	(69,976)	(75,716)	(61,339)
Depreciation and amortisation expenses	3 (d)	(75,473)	(89,077)	(72,558)	(59,307)	(71,178)	(48,334)
Finance costs	3 (c)	(51,677)	(43,964)	(32,618)	(51,677)	(43,964)	(32,612)
Profit/(loss) from continuing operations before income tax equivalent benefit/expense		(106,616)	(356,343)	173,045	(106,695)	(356,400)	172,927
Income tax equivalent benefit/(expense)	4 (a)	32,255	107,591	(51,903)	32,278	107,608	(51,867)
Profit/(loss) for the year from continuing operations		(74,361)	(248,752)	121,142	(74,417)	(248,792)	121,060
Profit/(loss) for the year		(74,361)	(248,752)	121,142	(74,417)	(248,792)	121,060
Other comprehensive income							
Net gain/(loss) on cash flow hedges	18	-	-	1,310	-	-	1,310
Other comprehensive income for the year (net of tax)		-	-	1,310	-	-	1,310
Total comprehensive income for the year		(74,361)	(248,752)	122,452	(74,417)	(248,792)	122,370
Profit/(loss) attributable to the equity holder of the parent		(74,361)	(248,752)	121,142	(74,417)	(248,792)	121,060
Comprehensive income attributable to the equity holder of the parent		(74,361)	(248,752)	122,452	(74,417)	(248,792)	122,370

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

Please see note 30 for details of prior year restated classifications.

Statement of Changes in Equity

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Note	Consolidated			Corporation		
		June 2011 \$'000	June 2010 restated \$'000	June 2009 restated \$'000	June 2011 \$'000	June 2010 restated \$'000	June 2009 restated \$'000
CONTRIBUTED EQUITY							
Balance at beginning of year		-	-	-	-	-	-
Equity contributions from the Northern Territory Government	17	110,922	-	-	110,922	-	-
Balance at end of year		110,922	-	-	110,922	-	-
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		-	-	-	-	-	-
RETAINED EARNINGS							
Balance at beginning of year		488,070	736,822	615,680	487,268	736,060	615,000
Net profit/(loss) for year		(74,361)	(248,752)	121,142	(74,417)	(248,792)	121,060
Balance at end of year	18	413,709	488,070	736,822	412,851	487,268	736,060
TOTAL EQUITY		524,631	488,070	736,822	523,773	487,268	736,060
Total equity attributable to owners of the parent		524,631	488,070	736,822	523,773	487,268	736,060

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

Please see note 30 for details of prior year restated provision classifications.

**Statement of Financial Position
Power and Water Corporation and its Controlled Entities as at 30 June 2011**

	Note	Consolidated			Corporation		
		June 2011 \$'000	June 2010 \$'000	June 2009 \$'000	June 2011 \$'000	June 2010 \$'000	June 2009 \$'000
CURRENT ASSETS							
Cash and cash equivalents	6 (a)	184,849	168,319	103,697	121,790	130,088	57,957
Trade and other receivables	7	75,082	77,436	63,916	84,398	80,785	64,595
Current tax receivables	4 (c)	-	-	496	-	-	496
Intangible assets	12 (a), (b)	3,554	1,266	-	3,554	1,266	-
Inventories	8	24,382	18,874	17,654	18,490	14,154	13,790
Prepayments		2,495	1,617	3,105	2,495	1,618	3,101
Investments	9	3	-	-	-	-	-
Deferred tax assets	4 (b)	1,195	-	-	-	-	-
Total current assets		291,560	267,512	188,868	230,727	227,911	139,939
NON-CURRENT ASSETS							
Trade and other receivables	7	95	140	352	95	140	352
Investments	9	-	3	3	-	-	-
Investment in subsidiaries	10	-	-	-	3,580	4,123	4,673
Property, plant and equipment	11	1,557,310	1,365,881	1,463,902	1,352,540	1,179,295	1,288,835
Intangible assets	12 (a), (b)	17,221	6,810	2,345	17,221	6,810	2,345
Deferred tax assets	4 (b)	144,031	113,249	12,728	144,030	111,487	10,399
Total non-current assets		1,718,657	1,486,083	1,479,330	1,517,466	1,301,855	1,306,604
Total assets		2,010,217	1,753,595	1,668,198	1,748,193	1,529,766	1,446,543
CURRENT LIABILITIES							
Trade and other payables	13	104,204	104,990	119,367	92,638	93,842	102,427
Borrowings	14	1,888	4,084	5,803	1,888	4,084	5,803
Provisions	15	34,569	29,533	23,869	34,569	29,533	23,869
Government grants	16	25,065	28,337	23,817	220	329	243
Total current liabilities		165,726	166,944	172,856	129,315	127,788	132,342
NON-CURRENT LIABILITIES							
Borrowings	14	1,080,589	900,400	559,484	1,080,589	900,400	559,484
Deferred tax liabilities	4 (b)	10,887	11,166	16,475	10,887	11,166	16,475
Provisions	15	3,629	3,144	2,182	3,629	3,144	2,182
Government grants	16	224,754	183,871	180,379	-	-	-
Total non-current liabilities		1,319,859	1,098,581	758,520	1,095,105	914,710	578,141
Total liabilities		1,485,585	1,265,525	931,376	1,224,420	1,042,498	710,483
Net assets		524,632	488,070	736,822	523,773	487,268	736,060
EQUITY							
Contributed equity	17	110,922	-	-	110,922	-	-
Retained earnings	18	413,709	488,070	736,822	412,851	487,268	736,060
Total equity		524,631	488,070	736,822	523,773	487,268	736,060

The statement of financial position is to be read in conjunction with the notes to the financial statements. Please see note 30 for details of prior year restated provision classifications.

Statement of Cash Flows

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Note	Consolidated			Corporation		
		June 2011 \$'000	June 2010 \$'000	June 2009 \$'000	June 2011 \$'000	June 2010 \$'000	June 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers		607,016	562,201	541,614	573,370	479,477	450,430
Payments to suppliers and employees		(655,738)	(624,984)	(521,880)	(578,035)	(496,916)	(391,274)
Income tax paid	4 (c)	-	2,256	(24,037)	-	2,256	(24,037)
Community Service Obligations received		68,931	63,773	58,515	68,928	63,769	58,515
Receipt of Government grants		102,287	64,951	73,698	(108)	86	(9,231)
Interest received		5,336	2,725	3,425	4,041	1,460	2,387
Interest paid		(49,429)	(42,959)	(32,388)	(49,429)	(42,959)	(32,388)
Net cash provided by operating activities	6 (b)	78,403	27,963	98,947	18,767	7,173	54,407
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of property, plant and equipment		293	322	1,136	281	264	1,119
Interest received from controlled entities		-	-	-	-	-	112
Payments for property, plant and equipment		(351,186)	(302,921)	(223,753)	(316,262)	(274,503)	(196,418)
Proceeds from related party loans		-	-	-	-	-	3,704
Distribution from trust		104	61	53	-	-	-
Net cash used in investing activities		(350,789)	(302,538)	(222,564)	(315,981)	(274,239)	(191,483)
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayment of borrowings		(4,084)	(5,803)	(5,950)	(4,084)	(5,803)	(5,532)
Proceeds from borrowings		293,000	345,000	144,000	293,000	345,000	144,000
Dividends paid	5	-	-	-	-	-	-
Net cash provided by financing activities		288,916	339,197	138,050	288,916	339,197	138,468
Net increase/(decrease) in cash and cash equivalents		16,530	64,622	14,433	(8,298)	72,131	1,392
Cash and cash equivalents at beginning of year		168,319	103,697	89,264	130,088	57,957	56,565
Cash and cash equivalents at end of year	6 (a)	184,849	168,319	103,697	121,790	130,088	57,957

The statement of cash flows is to be read in conjunction with the notes to the financial statements. Please see note 30 for details of prior year restated provision classifications.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

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 2011 comprises the Corporation and its controlled entities.

The financial report was authorised for issue by the directors on 23 September 2011.

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:

<u>Standard or Interpretation</u>	<u>Nature of Change to Accounting Policy</u>
none	none

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:

<u>Standard or Interpretation</u>	<u>Nature of Change to Accounting Policy</u>
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	The application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 'Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions'	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions. The Group does not have any share-based payments.
AASB 2009-10 'Amendments to Australian Accounting Standards - Classification of Rights Issues'	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. The Group has not entered into any arrangements that would fall within the scope of the amendments.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

<i>Standard or Interpretation</i>	<i>Nature of Change to Accounting Policy</i>
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvement Project'	The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. The Group did not have any business combinations.
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project'	The application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature.

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.

<i>Standard or Interpretation</i>	<i>Effective annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
AASB 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 2009-14 'Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	1 July 2011	30 June 2012
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013

(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 as explained in the accounting policies. Cost is based on the fair values of the consideration given in exchange for assets.

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

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

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011****(c) Change in Accounting Policies**Changes of the accounting policy for Renewable Energy Certificates

The change of the accounting treatment for Renewable Energy Certificates (REC) has been applied from the 1 July 2010 and has been retrospectively applied to the 30 June 2010 comparatives. The restatement of the comparative figures has not been separately disclosed as a overall impact of the change of accounting treatment of REC on the overall financial statements is immaterial.

RECs were previously accounted for as an asset when it was probable that the future economic benefits would flow to the entity and the asset had a cost or value that could be measured reliably. The balance of RECs held at the end of the accounting period were recognised at cost and subsequently revalued to market value with the gain/loss on valuation recorded in the statement of comprehensive income. For the year ended 30 June 2010 the gain on revaluation was \$188,953.

Due to the legislative changes and the increasing obligations to hold and surrender renewable energy certificates (REC) Power and Water has revisited the current accounting treatment of RECs. The accounting treatment of REC changed to accounting in line with AASB 138 *'Intangible Assets'* and AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'*. For further details please refer to Note 2(o).

Changes of the accounting policy for recreational leave

The change of accounting treatment for Recreational Leave has been applied from 1 July 2010 and has been retrospectively applied to the 30 June 2010 comparatives. The restatement of the comparative figures are separately disclosed in Note 30 *Restatement*.

The previous accounting treatment for current and non-current Recreational Leave as been aligned with AASB 119 *'Employee Benefits'*, which states that annual leave falls under short-term Employee Benefits, which are to be presented as 'current' as they are due to be settled within 12 month after the year end. Although Corporation's Annual Leave liability history analysis indicates that a portion of employees do not take their annual leave entitlement each year, the Corporation decided to take a conservative judgement based on the requirements of AASB 119 *'Employee Benefits'* resulting in a restatement of the non-current Recreational Leave balance as current.

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

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

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

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*, 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 a qualifying asset 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 11 and note 27.

Unbilled revenue

As per accounting standard *AASB 118 - Revenue*, revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Therefore, the Corporation estimates the amount of electricity and water consumed at reporting date but that is yet to be billed. For further information on revenue recognition, refer to note (f) below.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its controlled entities as at 30 June each year (the consolidated entity). A list of controlled entities appears in note 24 to the financial statements.

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

(f) Revenue recognition

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

Sale of goods

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

Rendering of services relating to construction of assets

Revenue from the rendering of services is recognised when the service is provided, having regard to the stage of completion of the contract. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Rendering of sewerage services

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

Community service obligation revenue

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

Government grants

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

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

Government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the 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.

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011*****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.

(g) 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.

(h) 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.

(i) 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 taxable income 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

Deferred tax

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

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

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

when the taxable temporary difference is associated with investments in controlled 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.

(j) 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

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

(k) 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.

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 the statement of comprehensive income.

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

Derecognition of financial assets

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

(l) 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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

(m) Leased assets

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

Finance leases

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

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

(n) 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.

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 expensed.

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

	June 2011	June 2010
Plant and equipment	1-100 years	1-100 years
Buildings	3-93 years	3-93 years
Intangibles	1-21 years	1-21 years

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

Impairment of assets

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

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

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

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

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

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

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.

(o) 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.

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 the terms 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 *Impairment of Assets*.

Renewable Energy Certificates

The Renewable Energy Certificate Scheme operates under Federal Government legislation which requires energy retailers to source a target proportion of their electricity purchases from renewable sources. The Corporation generates and purchases Green Certificates in order to comply with the relevant legislation. Obligations to surrender certificates based on targets are of accrual nature and are disclosed in the statement of financial position as current liabilities. These are recorded based on the value of permits on hand held for surrender plus the market value of the permits required to cover any excess emissions, but only to the extent that the permits required extinguishing the liability exceeds the value of the permits held. Rights held, are of the nature of intangible assets and are disclosed in the statement of financial position as current assets. The assets and liabilities held under each scheme are acquitted throughout the year. Assets remaining after the acquittal process are expected to be realised within twelve months after the date of acquittal.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

(p) Financial liabilities

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

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

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.

(q) Employee benefits

Wages, salaries and airfares

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

Annual leave

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

Long service leave

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

Superannuation plans

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

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

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

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

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011****(r) Provisions**

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

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income 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.

(s) Dividends

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$'000	\$'000	\$'000	\$'000
3 Revenue and expenses				
<i>Revenue and expenses from continuing operations</i>				
(a) Revenue				
Sale of goods	539,117	514,860	509,366	442,853
Rendering of services	107,394	94,875	41,553	37,242
Finance revenue	5,496	3,011	4,208	1,669
	652,007	612,746	555,127	481,764
<i>Breakdown of rendering services:</i>				
IES capital government grants	13,553	12,966	-	-
IES recurrent government grants	51,122	43,972	-	-
Services rendered	42,719	37,937	41,553	37,242
	107,394	94,875	41,553	37,242
<i>Breakdown of finance revenue:</i>				
Bank interest	5,494	3,000	4,208	1,669
Interest - controlled parties	-	-	-	-
Income from investments	2	11	-	-
	5,496	3,011	4,208	1,669
(b) Other income				
<i>Community Service Obligations:</i>				
Uniform tariffs	58,129	56,546	58,129	56,546
Other	10,802	7,227	10,800	7,223
	68,931	63,773	68,929	63,769
<i>Developer, customer and other capital contributions:</i>				
Gifted assets	10,663	8,876	10,663	8,475
Northern Territory Government capital contribution	-	17,400	-	17,400
Other	2,263	9,425	2,265	9,417
	12,926	35,701	12,928	35,292
Net gain/(loss) on disposal of property, plant and equipment	-	(269)	-	(260)
Recoverable works	4,743	5,496	1,927	905
Damages	-	9,198	-	9,198
Revenue from the reversal of prior year provision	2,741	-	2,741	-
Distillate sales	1,257	-	1,257	-
Other revenue	9,435	6,570	9,326	6,718
Total other income	100,033	120,469	97,108	115,622
(c) Finance costs				
Government loans	51,677	43,964	51,677	43,964
Capitalised finance costs	10,994	-	10,994	-
	62,671	43,964	62,671	43,964

The weighted average capitalisation rate on funds borrowed generally is 6.81% per annum.

Notes to the Financial Statements
Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$'000	\$'000	\$'000	\$'000
(d) Depreciation and amortisation				
<i>Depreciation</i>				
Buildings	5,691	6,451	3,995	4,566
Plant and equipment*	67,119	79,902	52,674	63,888
Total depreciation	72,810	86,353	56,669	68,454
<i>Amortisation</i>				
Intangible assets	2,663	2,724	2,638	2,724
Total amortisation	2,663	2,724	2,638	2,724
Total depreciation and amortisation	75,473	89,077	59,307	71,178
(e) Employee benefits expense				
Personnel direct	127,104	111,860	114,700	101,585
Contract and apprentice labour	6,300	4,982	6,288	4,982
	133,404	116,842	120,988	106,567
Capital and maintenance labour recovery	(30,819)	(28,350)	(26,744)	(24,004)
	102,585	88,492	94,244	82,563
(f) Repairs and maintenance expense				
Materials	53,982	57,961	42,360	47,184
Labour	15,841	16,898	13,852	14,272
	69,823	74,859	56,212	61,456
(g) Other expenses				
Gifted assets expense	424	21,583	424	21,583
Grants and subsidies	2,487	2,209	2,488	2,203
Bad and doubtful debts	1,332	1,263	1,250	1,199
Renewable Energy Certificate expense	7,985	2,434	7,986	2,435
Net loss on disposal of property, plant and equipment	5,920	-	5,732	-
Other expenses	59,860	55,523	52,096	48,296
	78,008	83,012	69,976	75,716

* Depreciation for Rotables has been disclosed as part of Depreciation for Plant and Equipment. 2010 comparative figures have been amended accordingly.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011 \$'000	June 2010 \$'000	June 2011 \$'000	June 2010 \$'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	(13,611)	(1,121)	(13,068)	(571)
<i>Deferred income tax</i>				
Under/(over) from prior years	(290)	(727)	(290)	(727)
Relating to origination and reversal of temporary differences	(18,354)	(105,743)	(18,920)	(106,310)
Income tax expense reported in profit or loss	(32,255)	(107,591)	(32,278)	(107,608)
Numerical reconciliation between tax expense and pre-tax net profit				
Accounting profit/loss before income tax	(106,616)	(356,343)	(106,695)	(356,400)
At the consolidated entities' statutory income tax rate of 30% (2010: 30%)	(31,985)	(106,903)	(32,008)	(106,920)
Under/(over) provision from prior years	(290)	(727)	(290)	(727)
Expenditure not allowable for income tax purposes	20	39	20	39
Income tax expense/(benefits) on pre-tax profit/(loss)	(32,255)	(107,591)	(32,278)	(107,608)
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Renewable Energy Certificates	-	7	-	7
Prepayments	63	69	63	69
Unbilled consumption	10,824	10,991	10,824	10,991
Accrued interest	-	99	-	99
Gross deferred income tax liabilities	10,887	11,166	10,887	11,166
<i>Movements:</i>				
Opening balance at 1 July	11,166	16,475	11,166	16,475
Over/(under) provision from prior years	-	1,010	-	1,010
Credited/(charged) to profit or loss	(279)	(6,319)	(279)	(6,319)
Closing balance at 30 June	10,887	11,166	10,887	11,166

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**

	Consolidated		Corporation	
	June 2011 \$'000	June 2010 \$'000	June 2011 \$'000	June 2010 \$'000
<i>Deferred tax assets</i>				
Employee provisions	11,240	9,661	11,240	9,661
Unearned revenue	73	89	73	89
Allowance for doubtful debts	460	500	460	500
Obsolete stock provision	803	688	803	688
Accrued expenses	496	1,296	487	1,288
Non-capital tax losses carried forward	15,022	1,120	15,022	1,120
Impairment of other non-current assets	38,700	37,254	38,700	37,254
Property, plant and equipment	78,432	62,641	77,245	60,887
Gross deferred income tax assets	145,226	113,249	144,030	111,487
<i>Movements:</i>				
Opening balance at 1 July	113,249	12,728	111,487	10,399
Under/(over) provision from prior years	291	(23)	291	(23)
Credited/(charged) to profit or loss	18,075	99,424	18,641	99,991
Non-capital tax losses credited to profit or loss	13,611	1,120	13,611	1,120
Closing balance at 30 June	145,226	113,249	144,030	111,487
Net deferred tax assets and deferred tax liabilities	134,339	102,083	133,143	100,321
Deferred tax income/(expense)	(18,354)	(105,743)	(18,920)	(106,310)
(c) Income tax payable				
Opening balance at 1 July	-	(496)	-	(496)
Income tax paid	-	2,256	-	2,256
Current year income tax expense	(13,068)	(571)	(13,068)	(571)
Subsidiary income tax obligation	(543)	(549)	(543)	(549)
Non-capital tax losses taken to deferred tax assets	13,611	1,120	13,611	1,120
Under/(over) provision from prior years	-	(1,760)	-	(1,760)
Closing balance at 30 June	-	-	-	-
(d) Equity contributions to subsidiaries in relation to income tax payable				
Darnor Pty Limited			25	17
Gasgo Pty Limited			(568)	(567)
			(543)	(550)

(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 (2010: \$1,483,000).

(f) The deferred tax assets arising from non-capital losses are \$11.7 million (2010: \$1.1 million). These have been recognised as an asset because the recovery of non-capital tax losses is probable as stated in the Group's Statement of Corporate Intent.

(g) 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

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
5 Dividends				
<i>Declared and paid during the year:</i>				
Dividends on ordinary shares:	-	-	-	-
Final dividend paid in 2011 \$NIL (2010: \$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 flow is reconciled to the related items in the statement of financial position as follows:				
Cash assets	184,849	168,319	121,790	130,088
(b) Reconciliation of net profit after tax to net cash flows from operations				
Net profit/(loss)	(74,361)	(248,752)	(74,417)	(248,792)
<i>Adjustments for:</i>				
Depreciation and amortisation	75,473	89,077	59,307	71,178
Distribution from trust	(104)	(61)	-	-
Impairment reversal less impairment writedown	72,177	319,751	72,177	319,751
Contributed assets provided free of charge	(10,663)	(8,876)	(10,663)	(8,475)
Net (profit)/loss on disposal of property, plant and equipment	5,919	269	5,731	260
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	(5,508)	(1,220)	(4,336)	(364)
(Increase)/decrease in trade and other receivables	2,399	(13,308)	(3,568)	(15,978)
(Increase)/decrease in non current intangible assets	(2,288)	407	(2,288)	407
(Increase)/decrease in prepayments	(878)	(185)	(879)	(191)
(Decrease)/increase in net deferred tax payable	(32,256)	(105,830)	(32,279)	(105,847)
(Decrease)/increase in current tax liabilities	-	496	-	496
(Decrease)/increase in trade and other payables	5,361	(18,443)	4,570	(11,985)
(Decrease)/increase in government grants	37,611	8,012	(109)	86
(Decrease)/increase in provisions	5,521	6,626	5,521	6,626
Net cash flows from operating activities	78,403	27,963	18,767	7,173
(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 \$10.7 million (2010: \$8.9 million) by means of a gift. These acquisitions are not reflected in the statement of cash flows.				

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
7 Trade and other receivables				
Current				
Service receivables	29,133	26,070	27,513	25,272
Allowance for doubtful debts	(1,535)	(1,667)	(1,535)	(1,667)
Unbilled consumption	36,081	36,638	36,081	36,638
	63,679	61,041	62,059	60,243
Other receivables	11,403	16,395	11,468	15,651
Loans and advances to controlled entities	-	-	10,871	4,891
Total current receivables	75,082	77,436	84,398	80,785
Non-current				
Development loans	95	140	95	140
Total non-current receivables	95	140	95	140

(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	14	604	14	604
30 - 60 days	21	324	21	324
60 - 90 days	15	162	15	162
90 + days	1,486	579	1,486	579
Impairment	1,535	1,668	1,535	1,668

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$3.4 million (2010: \$4.1 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 67 days (2010: 88 days).

Ageing of past due but not impaired service receivables:

30 - 60 days	1,533	1,640	1,533	1,640
60 - 90 days	541	573	541	573
90 + days	1,277	1,912	1,277	1,912
Total	3,351	4,125	3,351	4,125

Movement in the allowance for doubtful debts:

Balance at beginning of year	1,668	2,566	1,668	2,566
Impairment losses recognised on receivables	1,332	974	1,332	974
Amounts written off as uncollectible	(1,990)	(2,612)	(1,990)	(2,612)
Written off debts subsequently collected	525	739	525	739
Balance at end of year	1,535	1,668	1,535	1,668

(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.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
8 Inventories				
Materials and stores	13,804	8,045	13,789	8,044
Fuel stocks	10,122	10,325	4,245	5,606
Gas stocks	55	78	55	78
Tokens	401	426	401	426
Total inventories	24,382	18,874	18,490	14,154

9 Investments

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 (2010: 10) ordinary shares of \$1 each held by the Corporation in Darnor Pty Limited
- 10 (2010: 10) ordinary shares of \$1 each held by the Corporation in Gasgo Pty Limited
- 10 (2010: 10) ordinary shares of \$1 each held by the Corporation in Indigenous Essential Services Pty Limited
- 50 (2010: 50) ordinary shares of \$1 each held by the Corporation in BGP Tenure Holdings Pty Limited
- 15 (2010: 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	-	-	312	286
Gasgo Pty Limited	-	-	3,268	3,837
Total investment in subsidiaries	-	-	3,580	4,123

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

Notes to the Financial Statements
Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011
11 Property, plant and equipment

June 2011					
	Land	Buildings	Plant and	Work in	Total Property,
Consolidated	\$'000	\$'000	Equipment*	Progress	Plant and
			\$'000	\$'000	Equipment
					\$'000
Cost					
Opening Balance	15,580	189,679	1,924,180	306,743	2,436,180
Transfer / Restructure	-	(1,822)	10,123	(9)	8,291
Additions	-	2,066	11,661	326,861	340,588
Transfer From WIP	17	5,041	99,139	(107,984)	(3,787)
Disposals	-	(59)	(11,596)	-	(11,655)
Impairment - specific assets	(904)	(3,757)	(116,139)	(9,521)	(130,321)
Closing Balance	14,693	191,148	1,917,367	516,089	2,639,297
Accumulated Depreciation					
Opening Balance	-	(91,254)	(979,045)	-	(1,070,299)
Transfer / Restructure	-	0	(943)	-	(942)
Depreciation	-	(5,691)	(67,119)	-	(72,810)
Disposals	-	14	3,886	-	3,900
Impairment - specific assets	-	2,433	55,732	-	58,165
Closing Balance	-	(94,498)	(987,488)	-	(1,081,986)
Written Down Value					
Opening Balance	15,580	98,425	945,134	306,743	1,365,881
Transfer / Restructure	-	(1,822)	9,180	(9)	7,349
Additions	-	2,066	11,661	326,861	340,588
Depreciation	-	(5,691)	(67,119)	-	(72,810)
Transfer From WIP	17	5,041	99,139	(107,984)	(3,787)
Disposals	-	(45)	(7,710)	-	(7,755)
Impairment - specific assets	(904)	(1,324)	(60,407)	(9,521)	(72,156)
Closing Balance	14,693	96,650	929,878	516,089	1,557,310

June 2011					
	Land	Buildings	Plant and	Work in	Total Property,
Corporation	\$'000	\$'000	Equipment*	Progress	Plant and
			\$'000	\$'000	Equipment
					\$'000
Cost					
Opening Balance	15,559	149,110	1,607,254	289,496	2,061,419
Transfer / Restructure	-	(1,815)	10,105	-	8,290
Additions	-	2,066	11,661	292,308	306,035
Transfer From WIP	17	4,648	79,047	(87,474)	(3,762)
Disposals	-	(4)	(11,266)	-	(11,270)
Impairment - specific assets	(904)	(3,757)	(116,139)	(9,521)	(130,321)
Closing Balance	14,672	150,248	1,580,662	484,809	2,230,391
Accumulated Depreciation					
Opening Balance	-	(68,870)	(813,254)	-	(882,124)
Transfer / Restructure	-	-	(941)	-	(941)
Depreciation	-	(3,995)	(52,674)	-	(56,669)
Disposals	-	4	3,711	-	3,715
Impairment - specific assets	-	2,433	55,732	-	58,165
Rounding	-	-	2	-	2
Closing Balance	-	(70,428)	(807,424)	-	(877,852)
Written Down Value					
Opening Balance	15,559	80,240	794,000	289,496	1,179,295
Transfer / Restructure	-	(1,815)	9,164	-	7,349
Additions	-	2,066	11,661	292,308	306,035
Depreciation	-	(3,995)	(52,674)	-	(56,669)
Transfer From WIP	17	4,648	79,047	(87,474)	(3,762)
Disposals	-	-	(7,555)	-	(7,555)
Impairment - specific assets	(904)	(1,324)	(60,407)	(9,521)	(72,156)
Rounding	-	-	2	-	2
Closing Balance	14,672	79,820	773,239	484,809	1,352,540

* Rotables are not shown separately in the PPE disclosure note this year as they are included in Plant and Equipment. 2010 comparative figures have been amended accordingly.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

11 Property, plant and equipment

June 2010					
Consolidated	Land \$'000	Buildings \$'000	Plant and Equipment* \$'000	Work in Progress \$'000	Total Property, Plant and Equipment \$'000
Cost					
Opening Balance	19,004	194,629	2,207,265	281,889	2,702,787
Transfer / Restructure	(1)	5,252	(3,519)	(2,723)	(991)
Additions	-	-	14,325	302,527	316,851
Transfer From WIP	-	26,357	118,772	(155,472)	(10,343)
Disposals	-	-	(1,051)	-	(1,051)
Impairment - specific assets	(3,423)	(36,559)	(411,612)	(119,478)	(571,072)
Closing Balance	15,580	189,679	1,924,180	306,743	2,436,180
Accumulated Depreciation					
Opening Balance	-	(101,233)	(1,137,652)	-	(1,238,885)
Transfer / Restructure	-	(5,244)	5,245	-	1
Depreciation	-	(6,451)	(79,902)	-	(86,353)
Disposals	-	-	459	-	459
Impairment - specific assets	-	21,675	232,803	-	254,478
Rounding	-	(2)	3	-	1
Closing Balance	-	(91,254)	(979,045)	-	(1,070,299)
Written Down Value					
Opening Balance	19,004	93,396	1,069,613	281,889	1,463,902
Transfer / Restructure	(1)	8	1,726	(2,723)	(990)
Additions	-	-	14,325	302,527	316,851
Depreciation	-	(6,451)	(79,902)	-	(86,353)
Transfer From WIP	-	26,357	118,772	(155,472)	(10,343)
Disposals	-	-	(593)	-	(593)
Impairment - specific assets	(3,423)	(14,884)	(178,809)	(119,478)	(316,594)
Rounding	-	(2)	3	-	1
Closing Balance	15,580	98,425	945,134	306,743	1,365,881
June 2010					
Corporation	Land \$'000	Buildings \$'000	Plant and Equipment* \$'000	Work in Progress \$'000	Total Property, Plant and Equipment \$'000
Cost					
Opening Balance	18,983	158,576	1,924,560	254,925	2,357,044
Transfer / Restructure	(1)	5,220	(3,608)	(2,601)	(990)
Additions	-	-	13,923	273,443	287,366
Transfer From WIP	-	21,873	84,577	(116,793)	(10,343)
Disposals	-	-	(586)	-	(586)
Impairment - specific assets	(3,423)	(36,559)	(411,612)	(119,478)	(571,072)
Closing Balance	15,559	149,110	1,607,254	289,496	2,061,419
Accumulated Depreciation					
Opening Balance	-	(80,750)	(987,459)	-	(1,068,209)
Transfer / Restructure	-	(5,229)	5,229	-	-
Depreciation	-	(4,566)	(63,888)	-	(68,454)
Disposals	-	-	60	-	60
Impairment - specific assets	-	21,675	232,803	-	254,478
Rounding	-	-	1	-	1
Closing Balance	-	(68,870)	(813,254)	-	(882,124)
Written Down Value					
Opening Balance	18,983	77,826	937,101	254,925	1,288,835
Transfer / Restructure	(1)	(9)	1,621	(2,601)	(990)
Additions	-	-	13,923	273,443	287,366
Depreciation	-	(4,566)	(63,888)	-	(68,454)
Transfer From WIP	-	21,873	84,577	(116,793)	(10,343)
Disposals	-	-	(526)	-	(526)
Impairment - specific assets	(3,423)	(14,884)	(178,809)	(119,478)	(316,594)
Rounding	-	-	1	-	1
Closing Balance	15,559	80,240	794,000	289,496	1,179,295

* Rotables are not shown separately in the PPE disclosure note this year as they are included in Plant and Equipment. 2010 comparative figures have been amended accordingly.

Notes to the Financial Statements
Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011
12 (a) Intangibles

June 2011	Other Intangibles Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Consolidated				
Cost				
Opening Balance	23,737	1,266	-	25,003
Transfer / Restructure	2,843	-	-	2,843
Additions	-	5,438	6,466	11,904
Transfer From WIP	3,787	-	-	3,787
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(48)	-	-	(48)
Closing Balance	30,319	3,554	6,466	40,338
Accumulated Amortisation				
Opening Balance	(16,927)	-	-	(16,927)
Transfer / Restructure	(1)	-	-	(1)
Amortisation	(2,663)	-	-	(2,663)
Impairment - specific assets	27	-	-	27
Closing Balance	(19,564)	-	-	(19,564)
Written Down Value				
Opening Balance	6,810	1,266	-	8,076
Transfer / Restructure	2,842	-	-	2,842
Additions	-	5,438	6,466	11,904
Amortisation	(2,663)	-	-	(2,663)
Transfer From WIP	3,787	-	-	3,787
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(21)	-	-	(21)
Closing Balance	10,755	3,554	6,466	20,774

June 2011	Other Intangibles Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Corporation				
Cost				
Opening Balance	23,737	1,266	-	25,003
Transfer / Restructure	2,843	-	-	2,843
Additions	-	5,438	6,466	11,904
Transfer From WIP	3,762	-	-	3,762
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(48)	-	-	(48)
Closing Balance	30,294	3,554	6,466	40,313
Accumulated Amortisation				
Opening Balance	(16,927)	-	-	(16,927)
Transfer / Restructure	(1)	-	-	(1)
Amortisation	(2,638)	-	-	(2,638)
Impairment - specific assets	27	-	-	27
Closing Balance	(19,539)	-	-	(19,539)
Written Down Value				
Opening Balance	6,810	1,266	-	8,076
Transfer / Restructure	2,842	-	-	2,842
Additions	-	5,438	6,466	11,904
Amortisation	(2,638)	-	-	(2,638)
Transfer From WIP	3,762	-	-	3,762
Disposals	-	(3,150)	-	(3,150)
Impairment - specific assets	(21)	-	-	(21)
Closing Balance	10,755	3,554	6,466	20,774

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

12 (a) Intangibles

June 2010	Other Intangibles Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Consolidated				
Cost				
Opening Balance	17,241	1,674	-	18,915
Transfer / Restructure	2	-	-	2
Additions	-	1,773	-	1,773
Transfer From WIP	10,343	-	-	10,343
Disposals	-	(2,180)	-	(2,180)
Impairment - specific assets	(3,849)	-	-	(3,849)
Closing Balance	23,737	1,266	-	25,003
Accumulated Amortisation				
Opening Balance	(14,896)	-	-	(14,896)
Transfer / Restructure	1	-	-	1
Amortisation	(2,724)	-	-	(2,724)
Impairment - specific assets	692	-	-	692
Closing Balance	(16,927)	-	-	(16,927)
Written Down Value				
Opening Balance	2,345	1,674	-	4,019
Transfer / Restructure	3	-	-	3
Additions	-	1,773	-	1,773
Amortisation	(2,724)	-	-	(2,724)
Transfer From WIP	10,343	-	-	10,343
Disposals	-	(2,180)	-	(2,180)
Impairment - specific assets	(3,157)	-	-	(3,157)
Closing Balance	6,810	1,266	-	8,076

June 2010	Other Intangibles Assets \$'000	Renewable Energy Certificates \$'000	Make up Gas \$'000	Total \$'000
Corporation				
Cost				
Opening Balance	17,241	1,674	-	18,915
Transfer / Restructure	2	-	-	2
Additions	-	1,773	-	1,773
Transfer From WIP	10,343	-	-	10,343
Disposals	-	(2,180)	-	(2,180)
Impairment - specific assets	(3,849)	-	-	(3,849)
Closing Balance	23,737	1,266	-	25,003
Accumulated Amortisation				
Opening Balance	(14,896)	-	-	(14,896)
Transfer / Restructure	1	-	-	1
Amortisation	(2,724)	-	-	(2,724)
Impairment - specific assets	692	-	-	692
Closing Balance	(16,927)	-	-	(16,927)
Written Down Value				
Opening Balance	2,345	1,674	-	4,019
Transfer / Restructure	3	-	-	3
Additions	-	1,773	-	1,773
Amortisation	(2,724)	-	-	(2,724)
Transfer From WIP	10,343	-	-	10,343
Disposals	-	(2,180)	-	(2,180)
Impairment - specific assets	(3,157)	-	-	(3,157)
Closing Balance	6,810	1,266	-	8,076

Notes to the Financial Statements**Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011**

	Consolidated		Corporation	
	June 2011 \$'000	June 2010 \$'000	June 2011 \$'000	June 2010 \$'000
12 (b) Intangible Assets				
Current				
Renewable Energy Certificates	3,554	1,266	3,554	1,266
Total current Intangible Assets	3,554	1,266	3,554	1,266
Non-current				
Other Intangibles Assets	10,755	6,810	10,755	6,810
Make up Gas	6,466	-	6,466	-
Total non-current Intangible Assets	17,221	6,810	17,221	6,810
13 Trade and other payables				
Service creditors	44,876	59,567	38,752	50,501
Other creditors and accruals	59,328	45,423	53,886	43,341
Total payables	104,204	104,990	92,638	93,842
The policy of the consolidated entity is to settle trade payables within 30 days. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.				
14 Interest bearing borrowings				
Current				
Government loans - unsecured	1,888	4,084	1,888	4,084
Commercial bill facility - secured	-	-	-	-
Total current borrowings	1,888	4,084	1,888	4,084
Non-current				
Government loans - unsecured	1,080,589	900,400	1,080,589	900,400
Total non-current borrowings	1,080,589	900,400	1,080,589	900,400

The government loans in current liabilities comprise the portion of the consolidated entity's borrowings payable within one year, being \$1.9 million (2010: \$4.1 million).

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
15 Provisions				
Current				
Employee benefits	33,688	28,914	33,688	28,914
Employee related provisions	881	619	881	619
Total current provisions	34,569	29,533	34,569	29,533
Non-current				
Employee benefits	3,629	3,144	3,629	3,144

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	619	587	619	587
Provisions made during the year	9,376	9,153	9,376	9,153
Payments made during the year	(9,114)	(9,121)	(9,114)	(9,121)
Carrying amount at end of year	881	619	881	619

16 Government grants

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

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

Operational grants	8,898	10,438	220	329
Capital grants	240,921	201,770	-	-
Total government grants	249,819	212,208	220	329
Provided for in the financial statements as:				
Current	25,065	28,337	220	329
Non-current	224,754	183,871	-	-
Total	249,819	212,208	220	329

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$'000	\$'000	\$'000	\$'000
17 Contributed equity				
Share capital				
1 Share (2010: 1 Share)	-	-	-	-
Debt to equity swap	110,922	-	110,922	-
Total contributed equity	110,922	-	110,922	-

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.

18 Retained earnings				
Retained earnings at beginning of year	488,070	736,822	487,268	736,060
Net profit/(loss) for the year	(74,361)	(248,752)	(74,417)	(248,792)
Retained earnings at end of the year	413,709	488,070	412,851	487,268

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

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 and trade payables. It is 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 instruments are disclosed in note 2 to the financial statements.

The consolidated entity's overall strategy remains unchanged from 2010.

(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 - open to competition, however tariffs are regulated by the Northern Territory Government.

(c) Interest rate risk management

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

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

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

Loan term	Consolidated			Corporation		
	Fixed and Variable Rate Loans \$'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	267,726	6.98%	481	267,726	6.98%	481
2 to 5 years	322,382	6.87%	1,215	322,382	6.87%	1,215
5 years +	1,069,120	6.94%	9,128	1,069,120	6.94%	9,128
	<u>1,659,228</u>		<u>10,824</u>	<u>1,659,228</u>		<u>10,824</u>

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

19 Risk management objectives

(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 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.

(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 (2010: NIL).

(g) Commodity price risk

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

(h) Capital risk management

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

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in note 14, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital and retained earnings as disclosed in notes 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

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

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 \$1,136.7 million (2010: \$945.4 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:				Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	Non-interest bearing \$'000	
2011								
Financial Assets								
Cash assets	4.42%	184,849	-	184,849	-	-	-	184,849
Receivables	-	-	-	-	-	-	75,177	75,177
Investments	-	-	-	-	-	-	-	-
		184,849	-	184,849	-	-	75,177	260,026
Financial Liabilities								
Payables	-	-	-	-	-	-	104,204	104,204
Government loans	6.80%	-	1,082,477	1,888	123,216	957,373	-	1,082,477
		-	1,082,477	1,888	123,216	957,373	104,204	1,186,681
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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

20 Financial instruments

Corporation	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Fixed and floating interest maturing in:			Total \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000	
2011							
Financial Assets							
Cash assets	4.42%	121,790	-	121,790	-	-	121,790
Receivables		-	-	-	-	84,493	84,493
		121,790	-	121,790	-	84,493	206,283
Financial Liabilities							
Payables		-	-	-	-	92,638	92,638
Government loans	6.80%	-	1,082,477	1,888	123,216	957,373	1,082,477
		-	1,082,477	1,888	123,216	957,373	1,175,115
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	998,326

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$'000	\$'000	\$'000	\$'000
21 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable within one year:	94,296	105,772	88,499	90,719
Lease and hire expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Property, Plant and Equipment	58,134	42,748	58,134	42,748
Purchase expenditure commitments				
Contracted but not provided for:				
Electricity purchase	63,763	43,594	63,763	43,594
Gas purchase	4,344,597	4,354,176	4,344,597	4,337,327
Gas transportation	907,792	953,391	907,792	953,391
	5,316,152	5,351,161	5,316,152	5,334,312
Payable:				
Within one year	265,223	355,784	259,425	330,200
One year or later and no later than five years	848,787	639,724	848,787	633,406
Later than five years	4,354,572	4,504,174	4,354,573	4,504,174
	5,468,582	5,499,682	5,462,785	5,467,780

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

Gas purchase commitments include take-or-pay obligations under a 25-year gas sale agreement with Eni Australia B.V., the first supply of which commenced in the 2009-2010 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 2011	June 2010	June 2011	June 2010
	\$	\$	\$	\$
Within one year	13,798,251	12,661,653	13,752,172	12,616,915
After one year but not more than five years	15,819,691	16,750,082	15,738,767	16,626,778
	29,617,942	29,411,735	29,490,939	29,243,693

22 Operating lease arrangements

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$'000	\$'000	\$'000	\$'000
Payments recognised as an expense				
Minimum lease payments	9,754	8,606	8,967	7,989
	9,754	8,606	8,967	7,989

23 Contingent liabilities and contingent assets

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

24 Related party information

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

Name	Country of Incorporation	% Equity Interest		Investment	
		June 2011 %	June 2010 %	June 2011 \$	June 2010 \$
Darnor Pty Limited	Australia	100%	100%	10	10
Gasgo Pty Limited	Australia	100%	100%	10	10
BGP Tenure Holdings Pty Limited	Australia	50%	50%	0	0
Indigenous Essential Services Pty Limited	Australia	100%	100%	10	10
				30	30

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

Transactions

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

Related Party		Sales to related parties \$'000	Purchases from related parties (1) \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties (2) \$'000
The parent entity including all entities that are associated with the parent entity being the Northern Territory Government - see explanation above.	June 2011	130,336	70,865	131,530	1,112,982
	June 2010	103,754	61,839	137,250	973,338
Darnor Pty Limited (subsidiary)	June 2011	-	9	-	-
	June 2010	-	-	-	-
Gasgo Pty Limited (subsidiary)	June 2011	-	9	-	-
	June 2010	-	13	-	-
Indigenous Essential Services Pty Limited (subsidiary)	June 2011	87,489	772	1,735	38,847
	June 2010	73,376	633	445	21,435

(1) For the year ended 30 June 2011, purchases from the Northern Territory Government include interest paid on borrowings of \$62,671,681 (2010: \$43,963,607) refer to note 3(c).

(2) For the year ended 30 June 2011, the amount owed to the Northern Territory Government includes borrowings of \$1,082,478,014 (2010: \$904,484,430) refer to note 14.

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities for the year ended 30 June 2011

24 Related party information (continued)

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.

The Profit for the year include the following items of expenses that resulted from transactions, other than compensation with key management personnel or their related entities:

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$	\$	\$	\$
Expense transactions with key management personnel	347,915	-	347,915	-

For the year ended 30 June 2011, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of \$0.0 million (2010: \$0.0 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 2011	June 2010	June 2011	June 2010
	\$	\$	\$	\$

25 Auditor's remuneration

Audit services:

Auditors of the Corporation - NT Auditor-General	331,272	328,643	294,370	280,171
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Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities as at 30 June 2011

26 Director and executive disclosures

Remuneration of key management personnel

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

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

		Short-term	Post	Total
		employee	employment	
		benefits	benefits	
		Salary & Fees	Superannuation	
		\$	\$	\$
Non-executive directors				
Ms Judith King (Chairperson)	June 2011	77,548	5,997	83,545
	June 2010	111,403	28,325	139,729
Mrs Linda Mackenzie	June 2011	59,653	5,816	65,469
	June 2010	54,001	4,779	58,780
Mr Mervyn Davies	June 2011	59,653	5,215	64,867
	June 2010	51,773	4,579	56,352
Mr Michael Hannon (Term commenced July 2009)	June 2011	54,397	7,627	62,024
	June 2010	39,059	-	39,059
Mr Rob Skinner (Term commenced April 2011)	June 2011	10,598	-	10,598
	June 2010	-	-	-
Mr Steve Margetic (Term commenced April 2011)	June 2011	10,598	-	10,598
	June 2010	-	-	-
Mr Barry Chambers (Term expired March 2011)	June 2011	-	46,151	46,151
	June 2010	52	58,780	58,832
Ms Margaret Gibson (Term expired March 2011)	June 2011	34,719	3,125	37,843
	June 2010	43,724	3,869	47,593
Mr Peter Vines (Term expired October 2009)	June 2011	-	-	-
	June 2010	9,431	4,276	13,707
Mr Robert Neil (Term expired October 2009)	June 2011	-	-	-
	June 2010	1,465	13,454	14,919
Total non-executive directors	June 2011	307,166	73,930	381,096
	June 2010	206,459	163,432	369,892

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities as at 30 June 2011

26 Director and executive disclosures (continued)

Executives' remuneration

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

	Consolidated		Corporation	
	June 2011	June 2010	June 2011	June 2010
	\$	\$	\$	\$
Short-term employee benefits	3,360,735	3,209,361	3,303,704	3,154,753
Other long-term benefits	711,411	647,330	667,671	606,187
Total compensation of key management personnel (excluding non-executive directors)	4,072,146	3,856,691	3,971,375	3,760,940

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

Other transactions with key management personnel

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

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

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities as at 30 June 2011

27 Impairment of assets and subsequent reversals

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

As a result of the record rainfall in the 2010-2011 wet season, there was a significant decrease in budgeted consumption and water sales revenue was substantially below budget. The change in revenue and consumption is considered material to the water cash generating unit (CGU).

Additionally, the number of years of organic growth before the investment in the next major water source for the Darwin region reduced significantly due to a review of the yield of Manton Dam and Darwin River Dam. As a result of these events the Corporation reassessed the recoverable amount of its water CGU.

Based on value in use and applying a pre-tax discount rate of 9.76%, the water assets were found to be impaired as at 30 June 2011 and therefore written down by \$72.2 million.

In the prior financial year, the 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 in the 2009-2010 year, the Corporation 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 \$319.8 million.

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.

28 Events after the reporting period

A non-adjusting, subsequent event occurred in August 2011 due to the Commissioner of Territory Revenue's decision. This has resulted in a liability for Power and Water Corporation of \$3.4 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.

29 Economic Dependency

Financial Sustainability for Power and Water means "generating revenue sufficient to support the business as a 'going concern', able to maintain and replace assets and provide services at prevailing levels. There is no return on capital."

Aligning revenue with costs is essential for Power and Water to be consistent with the Government Owned Corporations Act. Achieving ongoing financial sustainability for the Corporation requires a combination of cost-reflective tariffs and increased CSO payments, effective revenue management, together with prudent and effective investments in capital works, maintenance programs and control of operational expenditure.

While the Corporation is taking steps to reach financial sustainability, it remains exposed to considerable downside risks such as alignment of tariff increase with operational costs, environmental obligations and capital investment program delivery. Until financial sustainability is achieved Power and Water relies on the support of its sole shareholder, the Northern Territory Government.

Notes to the Financial Statements

Power and Water Corporation and its Controlled Entities as at 30 June 2011

30 Restatement of comparatives

The Corporation has changed its accounting treatment for accrued recreational leave effective from 1 July 2010. As a result of this change, there has been a re-statement of the non-current recreational leave balance as current in line with AASB 119 'Employee Benefits'.

To provide meaningful comparisons to the June 2011 figures, the following tables restate the 2009 and 2010 figures for both the Corporation and the consolidated entity in relation to the above change.

June 2010		Consolidated			Corporation		
Statement of Comprehensive Income Restatement	Note	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
Total comprehensive income for the year		(248,752)	(248,752)	-	(248,792)	(248,792)	-

June 2010		Consolidated			Corporation		
Statement of Financial Position Restatement	Note	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
CURRENT ASSETS							
Total current assets		267,512	267,512	-	227,911	227,911	-
NON-CURRENT ASSETS							
Total non-current assets		1,486,083	1,486,083	-	1,301,855	1,301,855	-
Total assets		1,753,595	1,753,595	-	1,529,766	1,529,766	-
CURRENT LIABILITIES							
Provisions		22,293	29,533	7,240	22,293	29,533	7,240
Total current liabilities		159,704	166,944	7,240	120,548	127,788	7,240
NON-CURRENT LIABILITIES							
Provisions		10,384	3,144	(7,240)	10,384	3,144	(7,240)
Total non-current liabilities		1,105,821	1,098,581	(7,240)	921,950	1,095,105	(7,240)
Total liabilities		1,265,525	1,265,525	-	1,042,498	1,042,498	-
Net assets		488,070	488,070	-	487,268	487,268	-
Total equity		488,070	488,070	-	487,268	487,268	-

June 2009		Consolidated			Corporation		
Statement of Comprehensive Income Restatement	Note	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
Total comprehensive income for the year		(248,752)	(248,752)	-	122,370	122,370	-

June 2009		Consolidated			Corporation		
Statement of Financial Position Restatement	Note	Original \$'000	Restated \$'000	Change \$'000	Original \$'000	Restated \$'000	Change \$'000
CURRENT ASSETS							
Total current assets		188,868	188,868	-	139,939	139,939	-
NON-CURRENT ASSETS							
Total non-current assets		1,479,330	1,479,330	-	1,306,604	1,306,604	-
Total assets		1,668,198	1,668,198	-	1,446,543	1,446,543	-
CURRENT LIABILITIES							
Provisions		17,910	23,869	5,959	17,910	23,869	5,959
Total current liabilities		166,897	172,856	5,959	126,383	132,342	5,959
NON-CURRENT LIABILITIES							
Provisions		8,141	2,182	(5,959)	8,141	2,182	(5,959)
Total non-current liabilities		764,479	758,520	(5,959)	584,100	578,141	(5,959)
Total liabilities		931,376	931,376	-	710,483	710,483	-
Net assets		736,822	736,822	-	736,060	736,060	-
Total equity		736,822	736,822	-	736,060	736,060	-

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