PowerWater

ANNUAL REPORT

2016-17

THIS REPORT

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

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

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

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

- Power and Water Corporation's primary services and responsibilities
- significant activities of 2016-17, highlighting major projects, key achievements and outcomes, as they relate to the strategic objectives of the corporation contained in the 2016-17 Statement of Corporate Intent
- financial management and performance of the corporation during 2016-17, pursuant to the *Corporations Act 2001* (Cwlth).

LETTER TO THE SHAREHOLDER

Hon Nicole Manison MLA
Treasurer of the Northern Territory

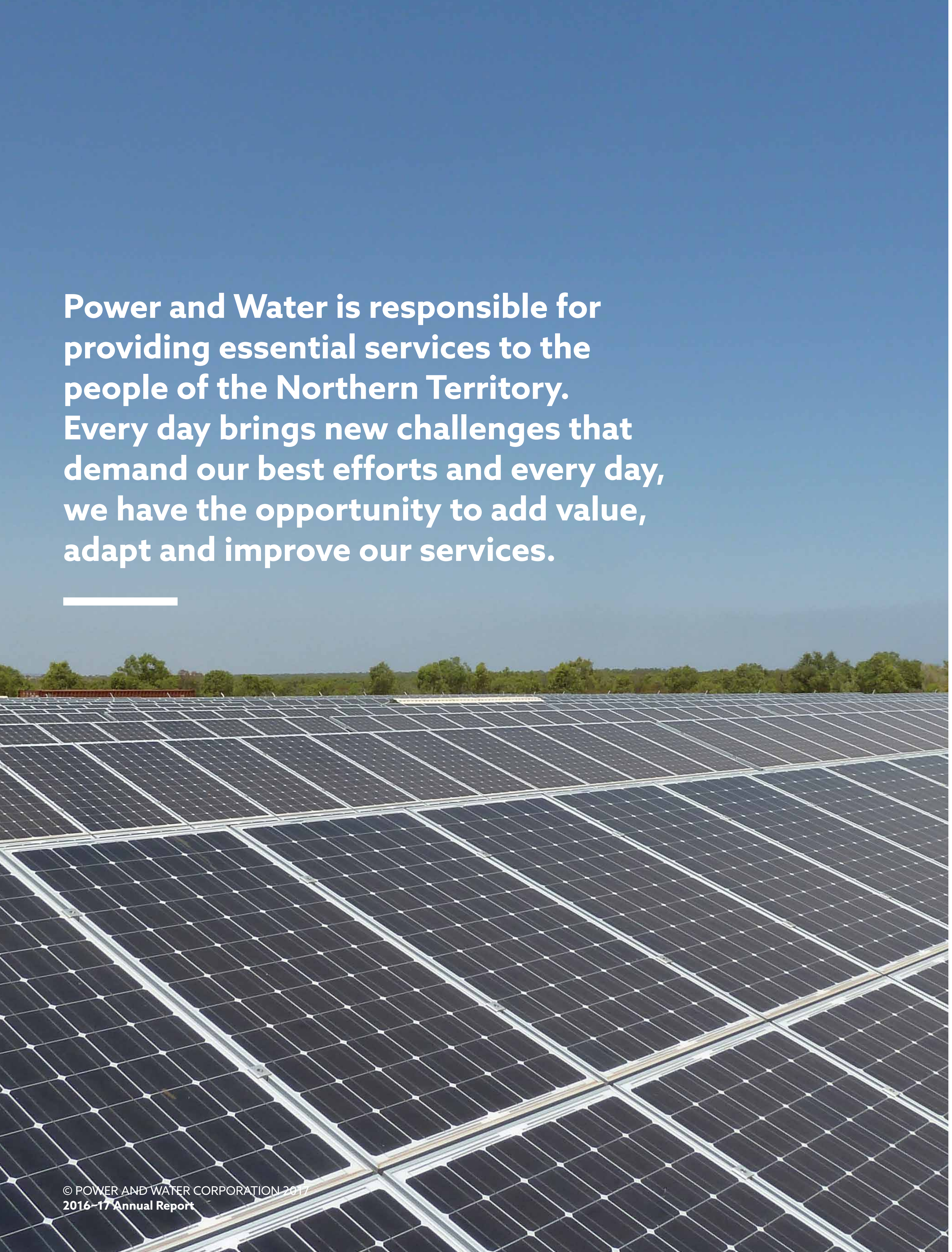
Dear Treasurer

On behalf of Power and Water Corporation, we are pleased to present to you the corporation's annual report for the year ending 30 June 2017, in accordance with the provisions of sections 41 and 44 of the *Government Owned Corporations Act*.

Yours sincerely

John Langoulant AO
Chair
29 September 2017

Michael Thomson
Chief Executive
29 September 2017



Power and Water is responsible for providing essential services to the people of the Northern Territory. Every day brings new challenges that demand our best efforts and every day, we have the opportunity to add value, adapt and improve our services.

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CHAIR'S MESSAGE

As a recent appointment to the role of Chair of the Power and Water Corporation Board, I would like to say a big thank you to everyone across the business for welcoming me and making me feel at home as I settle into this new role.

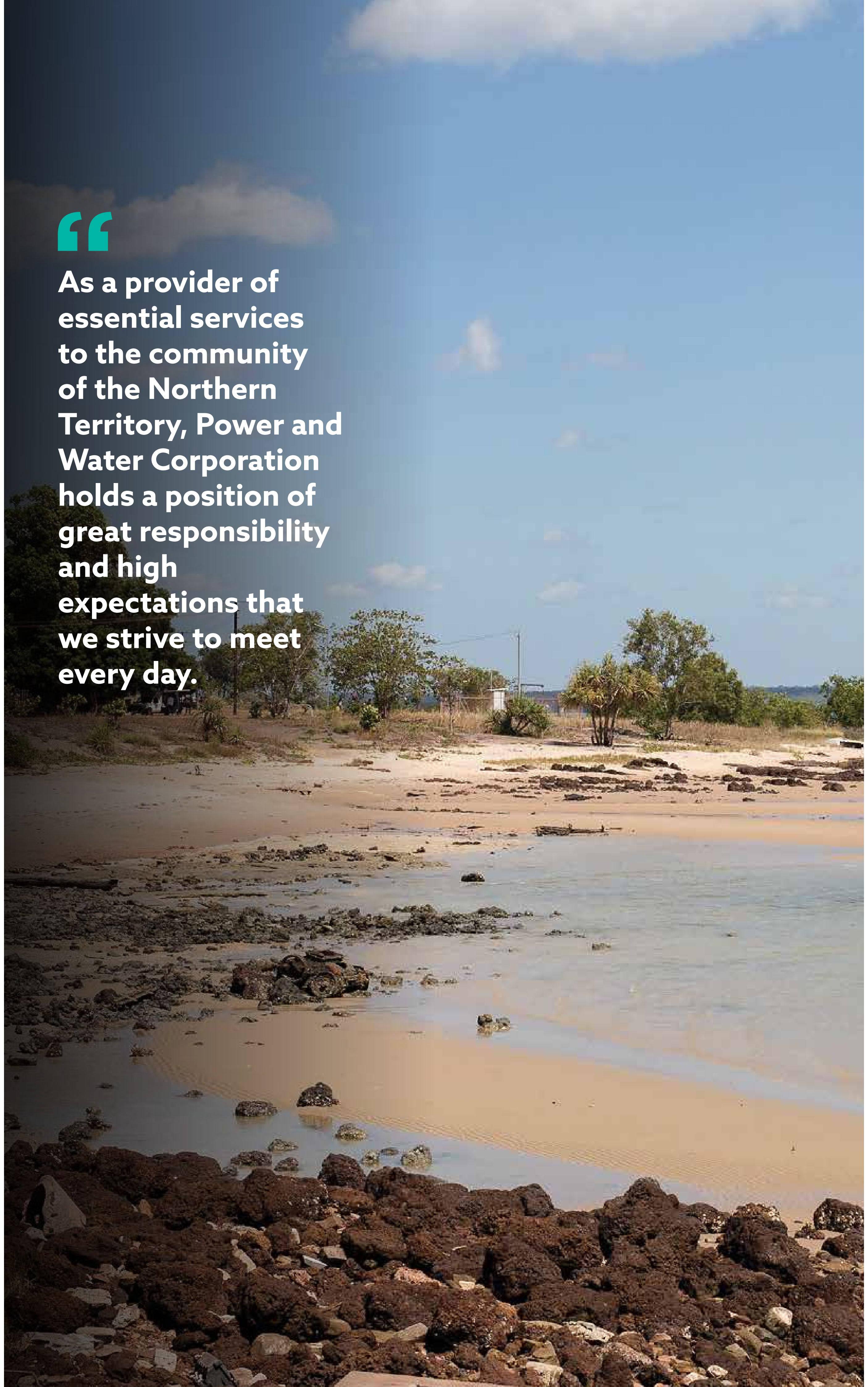
I am very pleased to be here at this pivotal point in the corporation's evolution and I look forward to making my contribution to delivering even better services to the community of the Northern Territory by ensuring we have strong governance arrangements in place.

As a provider of essential services to the community of the Northern Territory, Power and Water Corporation holds a position of great responsibility and high expectations that we strive to meet every day.

Restoring the integrity of the financial statements over this past year is just one example of the hard work undertaken across the corporation every day and is a significant achievement that will place the business on solid ground to move forward. I invite you to read the more detailed report on these achievements by the Chief Financial Officer contained within this Report.

To meet our future challenges, I believe we have a strong team of dedicated professionals, who are also members of the community in which we operate and I am looking forward to working with each and every one in our team to capitalise on the opportunities ahead of us in 2017-18.

John Langoulant AO
Chair



"As a provider of essential services to the community of the Northern Territory, Power and Water Corporation holds a position of great responsibility and high expectations that we strive to meet every day.

CHIEF EXECUTIVE'S REPORT

This year has been both for review and for action, for questioning how we do things and for deciding on how we can do things better. It has been about setting the course for the future and getting the fundamentals right across the business to embed the change we know needs to happen.

Central to that was the launch of Our Plan, which sets out the challenges we see before us and the pathway we will take to tackle those challenges head on.

A great deal of effort is required in every corner of the corporation to undertake the kind of introspective review that has taken place, and a great deal of resilience and professionalism is required to learn from that and to plot the pathway forward.

So I must say thank you to everyone across the organisation who has been on and contributed to this process and for not losing sight of the importance of ensuring we keep delivering our essential services to the community of the Northern Territory.

I am looking forward to working with John and the Board through 2017-18 as we start the journey to become a commercially sustainable, customer centric organisation that meets the expectations of its customers and its shareholders.

Michael Thomson
Chief Executive

Power and Water's vision is to be

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

OUR BUSINESS

Core operational business units of Power Networks, Water Services (water and sewerage), System Control and Regions and Remote Operations, operate under their respective licences issued by the Utilities Commission. We also contract for long term wholesale gas supply contracts and transportation agreements.

Power and Water:

- owns and operates the large dams and groundwater fields to deliver clean drinking water to households and businesses and take the wastewater away and treat it before disposing of it in an environmentally responsible manner
- operates a retail water and wastewater business
- owns and operates the regulated and parts of the unregulated electricity network in our licenced areas
- provides full end to end electricity, water and sewerage services in the Indigenous Essential Services (IES) remote towns and communities, under agreement with the Northern Territory Government
- makes sure the electricity network is balanced and stable, safe and reliable through our System Control operations and operate the interim electricity market
- manages large scale gas purchase and transportation agreements and sells that gas to Territory Generation and other large businesses across the Territory
- retails electricity to a small number of mining towns, as a result of legacy contracts dating back decades with the Government
- owns and operates five generation plants in regional areas and sells the electricity to Jacana Energy
- is one of the key responders after a natural disaster, helping the community to restore essential services.

WHERE WE OPERATE

POWER NETWORKS, WATER, SEWERAGE AND GAS

REMOTE COMMUNITIES' POWER, WATER SUPPLY AND SEWERAGE SERVICES

ACHIEVEMENT AGAINST KEY PERFORMANCE TARGETS

2016-17 Statement of Corporate Intent (SCI)			Target	Actual
Safety: Consolidating safety performance				
Lost time injuries (LTI)	No.	✗	<2	5
Lost time injury frequency rate (LTIFR)	Rate	✗	2	2.51
Combined injury frequency rate (CIFR)	Rate	✗	4	5.53
People: Creating a change ready workforce				
Employee engagement survey result	%	✗	>70	67
Survey participation rate	%	✓	>75	82
Employee turnover	%	✓	<20	12.5
Aboriginal employment	FTE	✓	46	53
Financial performance: Achieving our SCI KPIs				
Return on assets	%	✗	3.7	2.2
Funds from operations to interest	Times	✓	3.0	4.2
Debt to equity ratio	Times	✓	1.3	1.2
Cash coverage	Weeks	✓	2.9	7.6
Quick ratio	Times	✗	1.3	0.5
Operational performance: Consolidating asset management				
Capital investment within SCI	%	✗	+/-10	(24.6)
Operating expenditure better than SCI	%	✓	<SCI	(4.1)
Water demand per household Darwin	kL	✓	393	365
Water demand per household Alice Springs	kL	✓	426	416
Water quality - *Escherichia coli* detection	No.	✗	0	2
System average interruption duration index (SAIDI)				
CBD Feeder	Min	✓	18.8	2.4
Urban Feeder	Min	✓	136.1	84.3
Rural short feeder	Min	✓	496.3	420.9
Rural long feeder	Min	✓	2,164.9	372.9
System average interruption frequency index (SAIFI)				
CBD Feeder	No.	✓	0.4	0
Urban Feeder	No.	✓	2.5	1.5
Rural Short Feeder	No.	✓	8.1	5.1
Rural Long Feeder	No.	✓	35.1	5.2
Customer service and stakeholders: Understanding our customers and establishing strong relationships with our stakeholders				
Customer satisfaction index (residential/non residential)	%	✓	80	89/80
Environment: Becoming and environmentally conscious workforce				
Outstanding significant environmental compliance issues	No.	✓	0	0

* Refer Attachment 2 for definitions of key performance indicators

OUR FOCUS ON SAFETY

"We want everyone to make it home – so safety comes first, last and every moment in between.

LOST TIME INJURIES DOWN FROM 9 TO 5

For an infrastructure business like Power and Water, where our people operate in sometimes challenging and often potentially dangerous conditions, safety must be first and foremost at the top of every priority list for every manager, crew member and contractor.

In this critical area, Power and Water's focus this year was to review its current practices and subsequently develop the Workplace Health and Safety Strategy 2017-2020.

The new Workplace Health and Safety Strategy will drive a strategic approach to managing operational health and safety across the entire Power and Water spectrum of operations, to achieve the following outcomes:

- A sustained reduction in injury rates, events (incidents) and harm to people and assets as a result of better systems, capability and awareness.
- A simplified and user friendly Corporate Safety Management System, which services the operational needs of Power and Water and provides improved value and employee usability to all business units.
- A measurable improvement in our safety culture from the present 'Reactive' state up to 'Proactive' using an internationally agreed maturity benchmark by 2020.
- Improved safety capability, leadership and support targeted at the operational (field based) layers of the organisation where many events can be prevented.
- A balanced employee wellbeing framework based on mental health, improved management of pre-existing medical issues and better employee health.
- Ongoing achievement of our Statement of Corporate Intent (SCI) targets for Health and Safety.
- Improved compliance with all legislative workplace health and safety obligations.

Key elements of the new Workplace Health and Safety Strategy 2017-2020 that will take Power and Water to where it needs to be to achieve these outcomes includes:

- **Embed functional governance and systems:** Clear and efficient workplace health and safety governance will assist Power and Water to drive effective improvements in this area as well as improving accountability, leadership and transparency in decision making and process.

  Safety Management Systems will become more user-friendly, provide operational value to stakeholders and set clear understanding of our values, rules and policies across the wider organisation. These refreshed systems will be simple and risk based, addressing known weaknesses in current practices with practical controls that are well implemented and easily available to internal stakeholders as well as contractors.
- **Enhance safety, leadership, capability and culture:** Using safety culture maturity as our measurement, a leadership and capability program will be implemented that equips our employees with the confidence, skills and competencies to articulate safety improvement at all layers of the organisation.
- **Communications and consultation:** Effective communication and consultation systems and approaches can help us break down silos between different business units across Power and Water. Enhanced communication and consultation channels can lead to increased sharing of success stories and lessons learned across the different business units, thus increasing our agility and problem solving capacity as an organisation.
- **Contractor and supplier management:** Contractors and suppliers are a critical aspect to our service delivery and will be actively engaged in our safety culture, values and operational systems from the time of procurement through to field based assurance activities and incident investigation follow up. High risk contractors will be assessed via pre-qualification, inducted and provided with support through a reliable human point of contact for both safety management issues, enquiries and field based oversight.
- **Health, wellbeing and injury management**: We focus on the key systems and strategic initiatives to enhance the health and wellbeing of employees. A physically and psychologically fit workforce supports staff to remove potential stressors, freeing up resources to focus attention on the tasks at hand.
- **Clearly defined return to work and injury management processes:** We seek to ensure that our workforce is fit and healthy. The return to work and injury management process can help the organisation to identify issues at an early stage. Early intervention can help prevent escalation of issues and, thus keep employees in productive employment.

PFAS

Power and Water undertakes monitoring of drinking water systems between source and customer in accordance with a Drinking Water Quality Monitoring Program. This program is updated annually by Power and Water and approved by the Northern Territory Chief Health Officer, pursuant to section 49 of the *Water Supply and Sewerage Services Act*.

In July 2016 the Chief Health Officer requested the supplementation of the 2016-17 monitoring program to include baseline monitoring of per- and polyfluoroalkyl substances (PFAS) in the drinking water supplies of urban centres in the Northern Territory. This followed the Department of Defence advice of the presence of PFAS in the vicinity of RAAF Base Tindal, Katherine.

In October 2016, the Power and Water results of the baseline monitoring in Katherine were reported publicly and to the Department of Health in a screening level assessment and was followed up with a whole of Territory report in January 2017.

Power and Water reports described that the groundwater used to supply Katherine had PFAS impacts that require ongoing understanding and management. Power and Water is continuing to work with the Department of Health and the Department of Defence to manage the water supply at Katherine, through various initiatives like blending water sources, demand management, enhanced water treatment options and investigations of alternate water supplies.

OUR FOCUS ON PEOPLE

> **“We are one team doing one big job.**

306 FEMALE EMPLOYEES 2016-17

667 MALE EMPLOYEES 2016-17

People are the most important part of Power and Water's business.

As the provider of essential services to the Northern Territory community, our people go above and beyond every day to make sure we meet our commitment to our customers to provide safe and reliable essential services.

At 30 June 2017,Power and Water had a total of 973 employees on a range of permanent, temporary, part time and full time arrangements, which equates to 937 full time equivalent employees.

Almost three-quarters of our workforce are engaged as operational employees, providing services either directly or indirectly to our customers, while one-quarter is classified as corporate employees, providing behind the scenes corporate support.

Recognising our people

Every employee at Power and Water works hard to deliver essential services to the Northern Territory community and quite often those employees are recognised on the local and national stage for their exceptional efforts.

Over the course of 2016-17 Power and Water employees have scooped the following awards:

GTNT Apprentice/Trainee Awards

- Apprentice of the Year – Tim Childs
- Second Year Outstanding Apprentice Award – Nathan Powell
- Third Year Outstanding Apprentice Award – Shane Jovanovic

2016 Australian Training Awards

- Ella Cavallaro - nominee

Engineers Australia

- Australian Engineering Excellence Awards NT overall winner - Adelaide River Water Treatment Plant – Eric Vanweydeveld
- Manymak Energy Efficiency Project – Regions and Remote Operations Team

Australian Water Association (WA) Awards 2017

- Infrastructure Project Innovation Award - Adelaide River Water Treatment Plant
- Young Water Professional of the Year – Cail Rayment

Australian Institutes of Project Management Awards

- National winner for Regional Projects
  - > Adelaide River Water Treatment Plant
  - > Young Project Manager of the Year – Eric Vanweydeveld

Developing new Aboriginal leaders

Power and Water's Indigenous Employment and Career Development Strategy (IECDS) 2015-2020 is an integral part of the corporation's commitment to increasing Aboriginal employment and career development opportunities.

A key component of the IECDS is working towards developing a workforce that is more representative of the community we service. To assist in increasing Aboriginal employee representation, Power and Water has implemented a Special Measures Plan to encourage and promote the engagement of Aboriginal personnel into the corporation. The strategy has aided in the recruitment of Aboriginal personnel into positions across Power and Water's workforce and is making a strong contribution towards our targets.

The IECDS outlines actions aimed at increasing Aboriginal participation in our workforce in the next five years. Key priority areas for IECDS are:

- Targets for Aboriginal employment and participation: Ensuring a commitment to Aboriginal career pathways is built, maintained and followed by the corporation.
- Engagement and support: Providing a mentoring and support system to Aboriginal employees, trainees and apprentices to assist their career growth.
- Attraction and retention of Aboriginal people: Providing recognition and support for all Aboriginal employees throughout the corporation to provide equal opportunities and career growth.
- Whole of corporation development to build capability and careers: Supporting the career development of Aboriginal employees and commitment to increasing capability through development opportunities across the corporation.

RECONCILIATION ACTION PLAN (RAP)

In recognition of our responsibility to the Aboriginal and Torres Strait Islanders of the Territory, not only as a provider of essential services but as an employer and a socially responsible member of the community, Power and Water has committed to its first Reconciliation Action Plan (RAP).

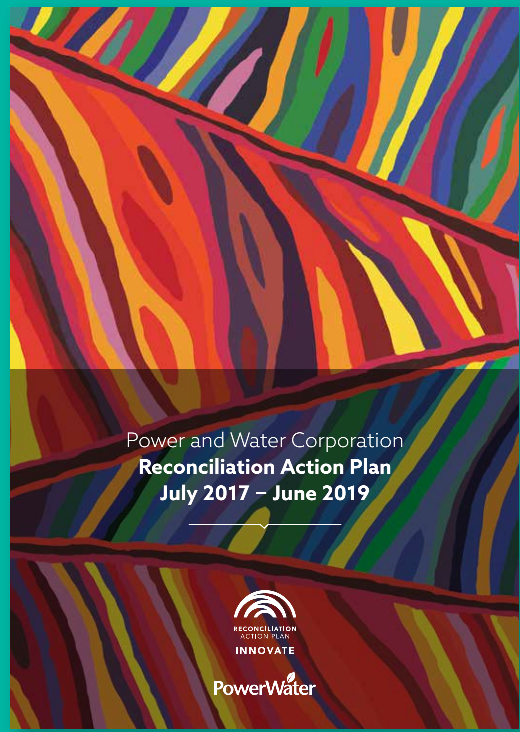
Power and Water's vision for reconciliation is that Aboriginal people have the same opportunities in health, employment and education as all other Territorians.

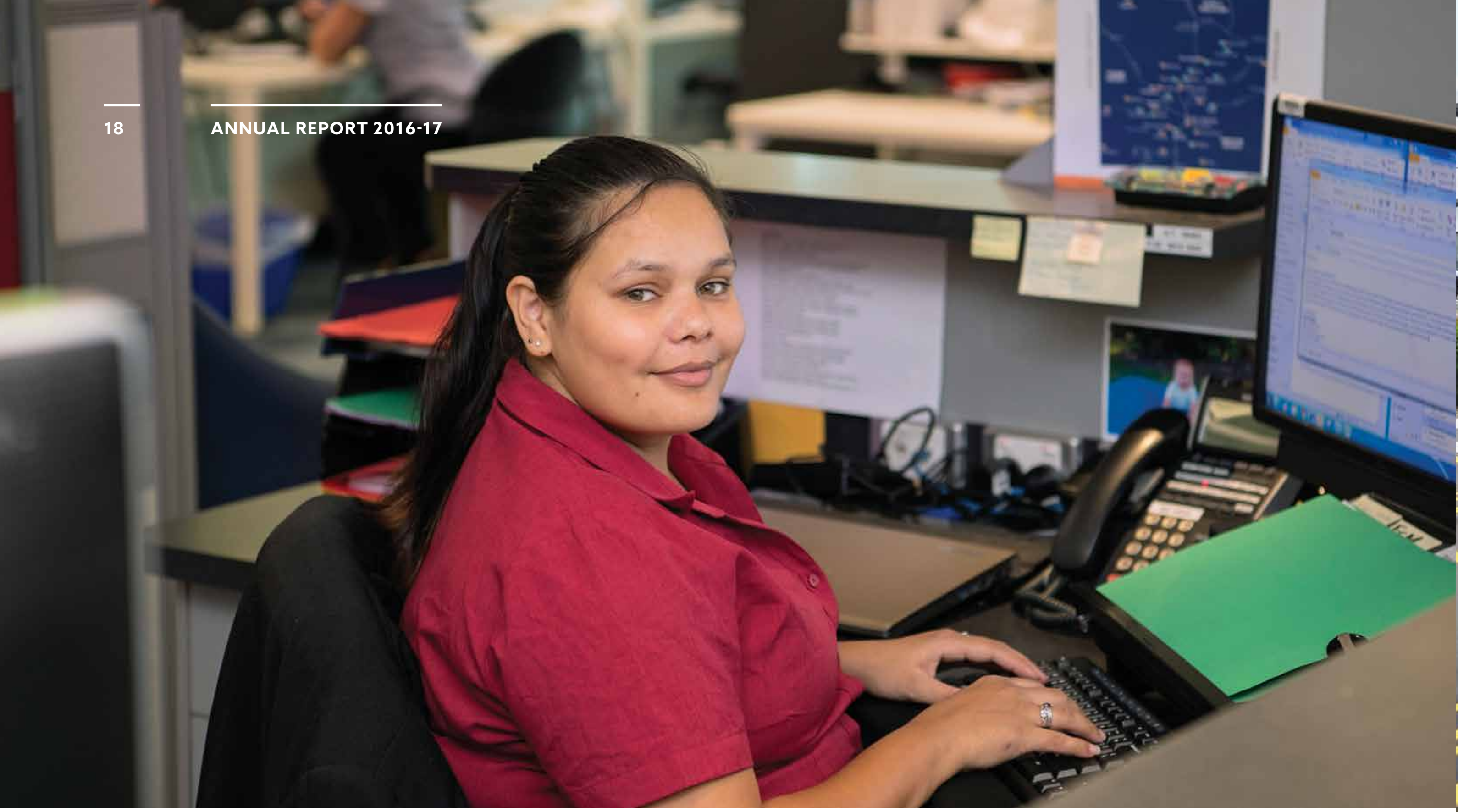
Power and Water believes corporate and government bodies can play a contributing role in building a secure future for all Territorians.

By developing our inaugural RAP, our vision is to be a corporate leader promoting reconciliation across the Territory and to be a preferred employer for Aboriginal people.

We will achieve this by enhancing healthy lifestyles and essential services to Aboriginal people in urban, rural, remote communities and outstations.

The corporation is investing in developing effective employment and training programs and strategies to increase Aboriginal participation in a diverse culturally competent workforce.





Culture and capability

Internal research suggests our people are dedicated, enthusiastic, passionate about their work and proud to work for Power and Water. The aim of our Culture and Leadership Program, which is a priority project for the organisation, is to build from this foundation and move to a more constructive and proactive culture.

Key culture change initiatives being implemented are designed to:

- raise leadership capability, coaching and mentoring skills, in order to support and lead teams to meet the operational and strategic needs of the business
- embed a set of values and behaviours across the organisation that embeds accountability at the individual level, guides everyday actions, risk assessments and decision-making
- move to a more constructive and positive culture that creates capable employees who are flexible, proactive, empowered, engaged, high performing and accountable for their actions.

Developing capability is an essential element for building the sustainable skills and attributes Power and Water's people need to ensure a high performing, diverse workforce that can drive commercially focused business effectiveness. Key areas of focus for capability development include and are not limited to:

- performance development
- leadership development and succession planning to support talent management
- skills and capability requirements for the future
- developing commercial (business) acumen.

Early careers

This year 47 apprentices undertook qualifications in the electrical and mechanical trades and five trainees completed vocational qualifications in business and water operations.

We also had 11 dual trade apprentices undertake a second trade qualification in electrotechnology and five graduates worked across electrical engineering, civil engineering, mechanical engineering, environmental management, finance and economics.

Aboriginal employment

Power and Water saw 14 participants in its Indigenous Employment Program, comprising eight technical trade assistants and six administrative trainees across the business units of Power Networks, Water Services, Regions and Remote Operations and Shared Services. Participants completed a 20 week program, gaining a Certificate II level qualification. They then completed a minimum six month work experience placement with Power and Water.

Essential Service Operators (ESOs)

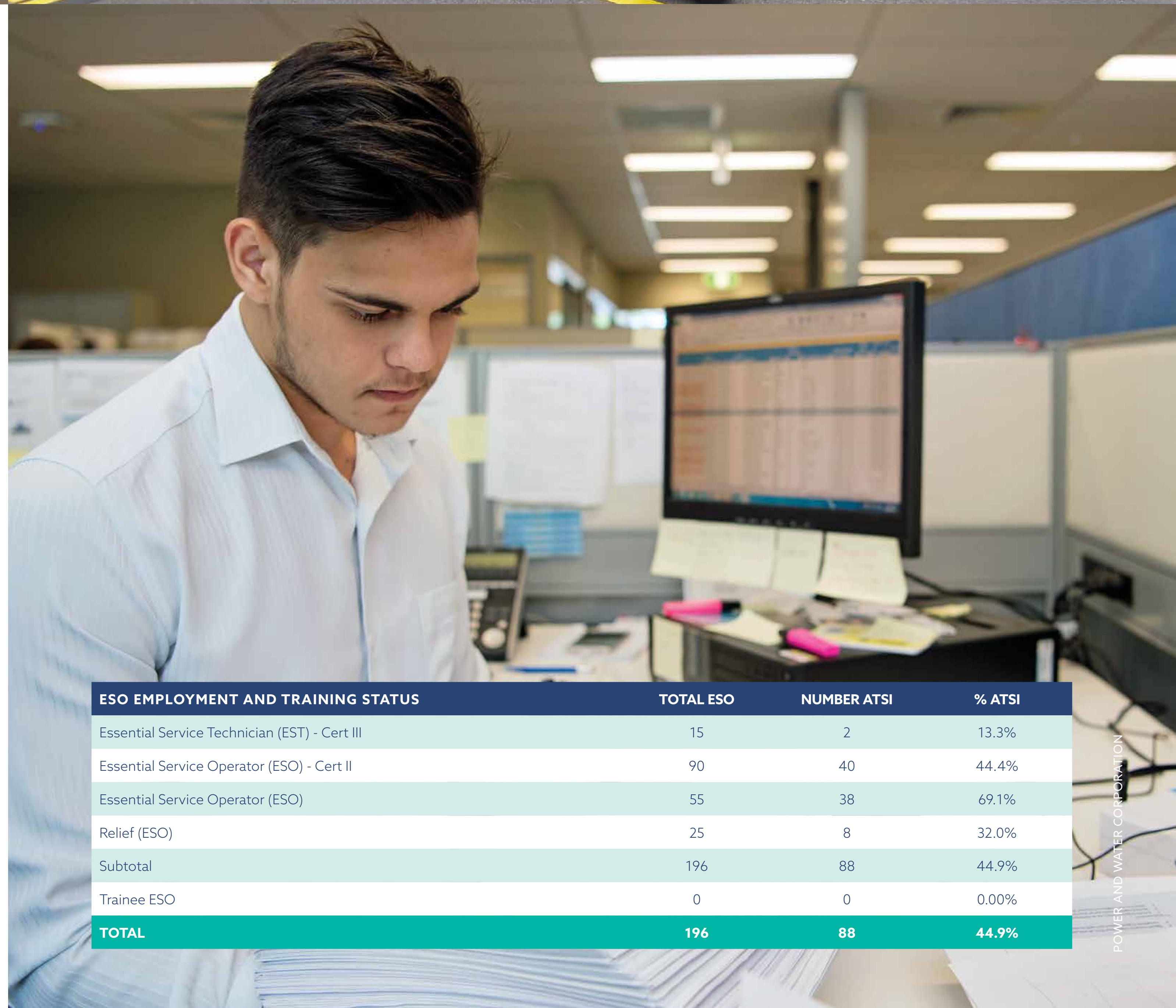
ESOs are employed by the regional councils and private contractors and operate remote and isolated Power and Water assets under direction and oversight by Power and Water employees. Power and Water provides ongoing support for their training and development by advocating, advising and consulting nationally on suitable qualifications and mandatory training requirements and delivering induction and Power and Water specific training.

Power and Water supports the training of ESOs as part of its work in the delivery of essential services to remote communities.

With the new ESO contracts due for tender in our southern region in July 2017, Power and Water is assessing all aspects of the ESO requirement to operate Power and Water infrastructure.

The number of available ESOs has increased from 175 in December 2015 to 196 at 30 June 2017.

There are four ESO familiarisation courses planned for 2017 across Alice Springs, Darwin and Katherine. It is estimated approximately 90 ESOs will attend from all regions.



ESO EMPLOYMENT AND TRAINING STATUS	TOTAL ESO	NUMBER ATSI	% ATSI
Essential Service Technician (EST) - Cert III	15	2	13.3%
Essential Service Operator (ESO) - Cert II	90	40	44.4%
Essential Service Operator (ESO)	55	38	69.1%
Relief (ESO)	25	8	32.0%
Subtotal	196	88	44.9%
Trainee ESO	0	0	0.00%
TOTAL	**196**	**88**	**44.9%**

We put
PEOPLE FIRST

We value our customers and give them
OUR BEST

We have pride in ourselves and
OUR WORK

We work better by working
TOGETHER

OUR VALUES

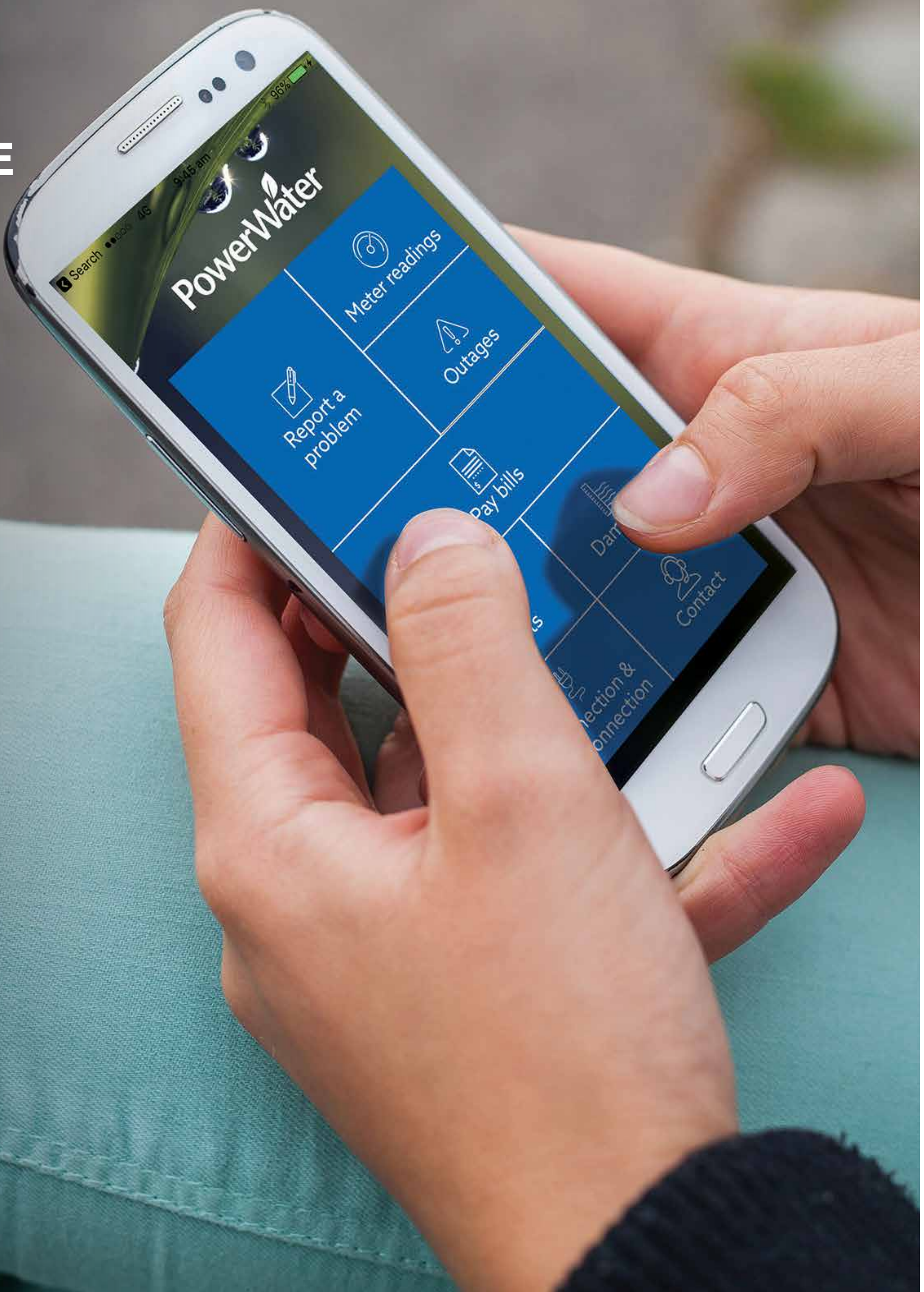
At Power and Water each and every one of us has a responsibility to do the best we can. Not only in the way we do our individual jobs, but also how we work together as a team and the way we interact with our customers.

Power and Water's values and behaviours are an essential part of our culture – simply put, they demonstrate to employees, customers and key stakeholders "what Power and Water stands for".

Our values were refreshed based on feedback from all parts of the business to reflect what we value and how we interact with each other.

In February, employees from around the business, from every corner of the Territory, took part in a photo shoot to demonstrate our values to the wider organisation. It was a great day as over 80 employees and even some of their families volunteered to be our 'models' for the day. We turned these photos into a number of eye catching posters that are placed around each of our facilities, reminding people of the importance of living by our values, every day.

OUR FOCUS ON CUSTOMER SERVICE



> **We value our customers and give them our best.**

+7,000 FOLLOWERS

+5,300 FOLLOWERS

3,800 FOLLOWERS

Grade of service improvements

Power and Water continues to strive to improve its customer experience and in 2016-17 the Customer Service Call Centre achieved a grade of service result of 68 per cent, which represents an increase of 9 per cent over last year.

Jacana Energy transition

Over the course of 2016-17, one of the key projects for Power and Water was working closely with Jacana Energy to finalise the structural separation process that commenced in 2013-14.

Since separation, Power and Water has continued to provide retail support services to Jacana Energy and its customers and over that period has progressively transitioned many of those services to Jacana Energy, thereby supporting its transition to a standalone electricity retailer in the Northern Territory.

During 2016-17 Power and Water together with Jacana Energy achieved one of its biggest milestones in that separation process, when collaboratively all retail billing functions for Jacana Energy's larger commercial and industrial customers were transferred under its newly launched billing system.

The successful migration of these functions without any disruption to services to our customers was thanks to the tireless effort and dedication of staff at both Power and Water and Jacana Energy. Collectively, the two organisations are now working towards the final stage of separation in 2017-18, where the remaining residential and small to medium commercial customers will be transferred to Jacana Energy's new billing system.

Australia Post – Change of Address Notification

Power and Water has teamed up with Australia Post as part of its 'Change of Address Notification' service. This allows customers organising a mail redirection online to nominate from a list of participating companies those they would like to advise of their change in address, which now includes Power and Water.

Reaching out to customers on social media

Throughout 2016-17 Power and Water continued to increase its connection and engagement with customers, stakeholders and the community through digital and social media channels.

Power and Water currently manages social media accounts and engages with customers on Facebook (over 7,000 followers), Twitter (over 5,300 followers) and Linked In (over 3,800 followers).

Power and Water's initiative to reduce water demand in the Darwin region, Living Water Smart, also engages with the Darwin community on social media - Facebook (over 2,200 followers), Twitter (over 90 followers) and Instagram (over 90 followers).

By adopting these social media channels we have made it easier and quicker for our Customer Service Centre team to respond to customer queries logged in Facebook during business hours.

The Power and Water mobile app also provides more functionality and improvements to payment and fault reporting processes. We are also piloting a webchat service option, giving another contact point for our customers to reach our service centre online in real time without downloads or social profiles.

To make it easier for our customers to log service requests with us, we are continually increasing the number of our online forms enabling customers to complete more paperless transactions with us. This service has increased from only a handful in previous years to over 40 forms, with the new addition of online forms for Power Networks and Regions and Remote functions.

This investment in social media was driven by demand and feedback from stakeholders and from customers through customer satisfaction surveys. Policy and procedures were developed to ensure customers and employees are informed and protected including compliance to consumer and privacy law.

Key information distributed and shared via social media includes:

- updates on power and water outages
- schedules of planned works
- updates on major projects
- information to educate customers about the work we do, how to save water and how to be safe around our infrastructure
- promotion of campaigns, initiatives and community partnerships
- other community information.

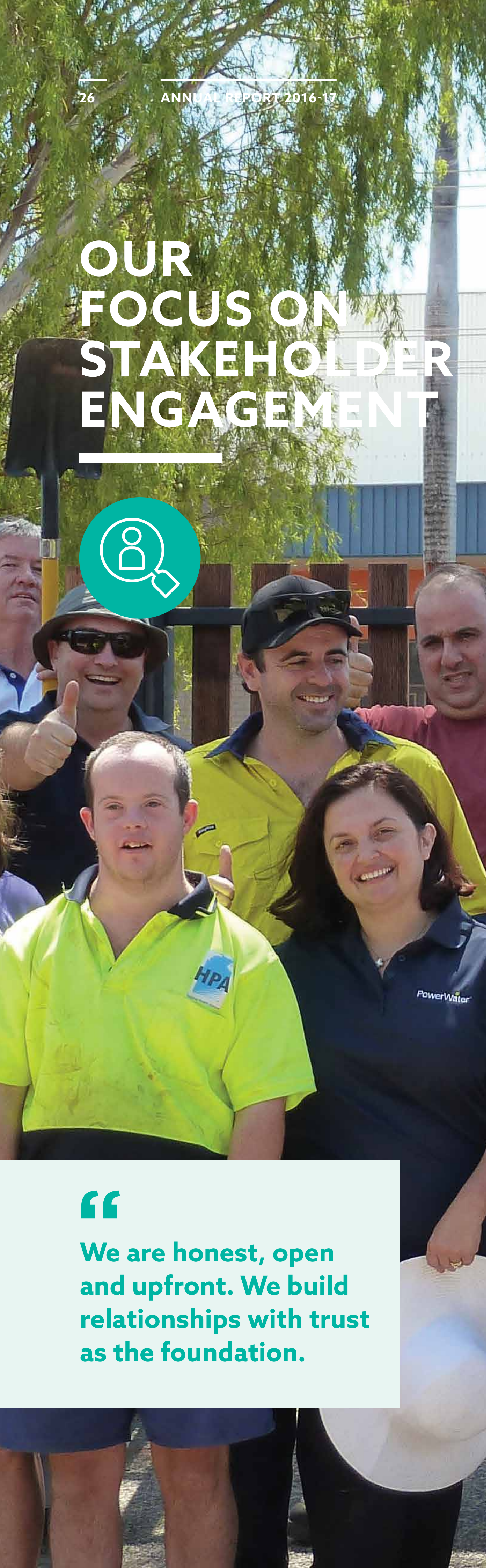
Power and Water also works with the Department of the Chief Minister and the Public Information Group in any crisis and emergency situation to coordinate social media with a whole-of-government approach.

LIVING WATER SMART - LEAK CHECK PROGRAM

In Darwin we use more water than can be captured and supplied, and leaks are the second biggest area of water waste after overwatered gardens. In 2016 Power and Water launched the Leak Check Program with a $200 Leak Find and Fix rebate to help Darwin residents to save water through its Living Water Smart initiative.

The aim is to check 30,000 residential water meters by the end of 2018 for signs of household leaks. As at 30 June 2017, over 21,000 properties had been visited with the biggest leak found equalling 3.2 million litres per year, which undetected would of cost the homeowner over $6,000.

As part of the Leak Check Program, Living Water Smart has 20 local Plumbers registered with continued interest being received.



OUR FOCUS ON STAKEHOLDER ENGAGEMENT

Part of the journey to become a customer centric organisation is engaging with and listening to our stakeholders. A stakeholder is a person or group that can influence Power and Water and/or has a vested interest in Power and Water.

To ensure we actively and effectively engage with our stakeholders, Power and Water has adopted four basic steps to effective stakeholder management:

1. Establish and communicate our role as an essential service provider in the Northern Territory utilities industry.
2. Identify and understand our stakeholders.
3. Develop our value proposition.
4. Select appropriate engagement activities and keep our stakeholders informed.

Customer Advisory Council

The centrepiece of Power and Water's engagement with stakeholders in 2016-17 was the establishment of our first Customer Advisory Council. This Council is made up of 15 representatives selected from stakeholders across the Northern Territory community, in the areas of environment, developers, tenants and business – both small and large.

The Customer Advisory Council is designed to encourage an open and frank exchange of ideas and insights, to discuss the trade-offs we face as a business and to learn more about the challenges and trade-offs our stakeholders and customer groups face.

Power and Water will use the Council as a forum for a multi-faceted exchange of information that will provide an unparalleled opportunity to better understand our customers and improve the way we deliver our services to the community.

The first phase of work presented to the Council was the various elements of our network regulatory proposal, required to be submitted to the Australian Energy Regulator in January 2018.

In parallel and further into next year, the Council will also be asked to consider and give feedback on the trade-offs faced in supplying safe, secure and affordable drinking water. The council will provide Power and Water with the opportunity to discuss the challenges it faces in meeting these obligations and how they, as our key stakeholders, would see us assess those trade-offs and meet those challenges.

Transition to the National Electricity Rules

As part of the process of transitioning to the National Electricity Rules under the jurisdiction of the Australian Energy Regulator, Power and Water must credibly and openly report the input of all consumers, including position and negative experiences and outcomes, and submit it as part of its draft regulatory reset proposal.

This engagement process will help inform Power and Water's long term plan for the network and to establish priorities relating to customer experience, maintenance, safety, affordability and reliability.

It will also inform the approach to tariffs, plans for capital and operational investments into the network, connection policies and related pricing structures.

This work commenced in early 2017 with a series of nine customer focus groups held across the Northern Territory. These engagements with our customers were insightful, providing a good picture of the public's perceptions and understanding of the role Power and Water plays in the electricity supply chain and were quite insightful.

> **"We are honest, open and upfront. We build relationships with trust as the foundation.**

> **"Power and Water's Community Partnership Program aims to make a difference in the wider community in which it operates and connect with the community in a meaningful way by supporting those organisations that support the Northern Territory.**

Power and Water also held a series of in depth interviews with selected stakeholders and large customers, which enabled a more personalised, detailed discussion of Power and Water as a network operator and to pose a series of questions designed to benchmark Power and Water's reputation and performance in key areas.

From those interviews, nominees were selected for the Customer Advisory Council, as described above.

The next stage of the engagement process is a series of deliberative forums with customer that will build on the insight gained from the focus groups and evaluate options and specific trade-offs in relation to pricing, investment allocation and service levels.

These deliberative forums are a two-way discussion where participants are given the information they need to start making informed comments and feedback and the gathering of both initial responses and more informed feedback. They provide participants with detailed information on Power and Water's proposals and trade-offs and present the opportunity for customers to weigh up the pros and cons as they see them and give their feedback on the options available.

Community Partnerships

Power and Water's Community Partnership Program aims to make a difference in the wider community in which it operates and connect with the community in a meaningful way by supporting those organisations that support the Northern Territory.

Through both a funding program and in kind support, Power and Water accepts applications and seeks out opportunities to support community organisations and events.

Throughout 2016-17 Power and Water had the opportunity to support many great charities and organisations and these are just a few examples of how we helped make a difference and supported these worthwhile organisations.

STOCKED 380 CHRISTMAS HAMPERS FOR FOODBANK

174 BLOOD DONATIONS FROM POWER AND WATER EMPLOYEES

SUPPORTED 16 NT SCHOOL VISITS BY CAMP QUALITY

Helping People Achieve Volunteer Day

Helping People Achieve (HPA) is a community organisation that provides job training and ongoing support for employees with moderate disabilities.

By working alongside this organisation, we identified how we could assist HPA to reach some of their goals and objectives. Successfully helping to raise their profile through improving their website and developing a promotional campaign has secured further funding opportunities and increased sales of HPA's products and services. Power and Water has fostered a meaningful community partnership with HPA on an ongoing basis, which include employees volunteering and promoting their many initiatives through social media and to support their vision and goal to deliver their services to people with moderate disabilities.

This year, 15 enthusiastic and energetic Power and Water employees thoroughly enjoyed participating in a team building day and getting their hands dirty alongside the HPA team planting trees in the garden and spreading the mulch to transform a barren space into a vibrant garden. The space is now used to host events and rally further support for the HPA cause.

Foodbank NT

Power and Water has proudly partnered with Foodbank NT since 2012 to help it in its quest to achieve an Australia without hunger. Through the provision of food collection points at Power and Water Customer Service Centres and key locations from Alice Springs to Darwin, Foodbank NT has delivered goods to over 90 charities, which has in turn supplied meals and food parcels to the needy over the Christmas period. Power and Water employees continually donated non-perishable items to the bins. Volunteers also assisted with record donations, packing, sealing and stacking 380 Christmas hampers in just over an hour for the 2016 Foodbank NT Christmas Appeal.

Camp Quality

This year, Power and Water supported the funding of Camp Quality's lively education program, a travelling puppet show that successfully visited 16 Northern Territory schools and 6,025 students in term one this year. Through our partnership approach, we identified this was an area that Camp Quality needed support with, as the puppets only visit the Northern Territory biannually. The worthwhile initiative answers all the difficult questions kids have about cancer. The program acts as a myth busting exercise teaching Northern Territory students how to be supportive and understanding of kids living with cancer to prevent bullying and exclusion. The tour was such a special opportunity for the school children to experience.

Red Cross

Power and Water is part of the Australian Red Cross Blood Service's Red25 program. Red25 aims to rally organisations and groups across the country to achieve 25 per cent of the blood donations needed by Australia.

Power and Water employees consistently volunteer their time to make an invaluable blood donation. Power and Water was awarded with a record number of donations made by Northern Territory Government employees in 2016 with 174 blood donations resulting in 522 lives saved.

Through in kind support and program promotion, we have steadily increased the number of employee volunteers who donate blood and blood products year on year.

OUR FOCUS ON THE ENVIRONMENT

> **We respect the environment.
> We respect each other.**

Power and Water remains committed to providing essential services at the highest standards of environmental management. The corporation maintains a strong program of continual improvement and is committed to mature into a solid performer in environmental management over the next five years.

An Environment Strategy is being implemented to achieve the goal of solid performer and is implementing the following key actions to reach this goal:

- Enhancing risk based business planning to confirm environmental footprint, and development and implementation of standardised tools, processes and environmental improvement plans where required.
- Benchmarking and communicating environmental performance to business leaders to inform continual improvement programs, and to external stakeholders for transparency of the organisations environmental footprint.
- Implementing a structured approach to sustaining positive strategic partnerships with internal and external stakeholders including communicating our commitment to reducing our environmental impact.
- Integrating environmental management into core business operations through integrated processes (including asset management, compliance and audit), robust systems (including a mature environmental management system) and defined accountabilities.
- Embedding of robust governance structures to enhance executive management's ability to exercise active oversight and continual improvement including in the areas of risk management, strategic direction and organisational culture.

An Environmental Training and Awareness program is underway and will continue throughout 2017-18. The training program has been developed in close consultation with operational employees to ensure relevance to roles and responsibilities. An ongoing refresher training program will also be implemented to maintain employee capability.

Embedding of the Environmental Management System (EMS) continues within the organisation. An initial EMS Health Check confirmed that EMS integration and continues within the organisation with a range of activities underway to deliver system improvements including:

- exploration of opportunities to embed the EMS into operational management
- development of a suite of measurable performance indicators at the strategic, executive management and operational levels
- event reporting and investigation improvement plan
- implementation of the Environment Training and Awareness program.

'That's My Water!' Pilot education program

Power and Water rolled out the That's My Water! school curriculum unit to Year 5 and 6 Darwin students about sustainable water use in their region.

The program involved three schools and 220 students and received an overwhelming positive response from students, teachers and principals.

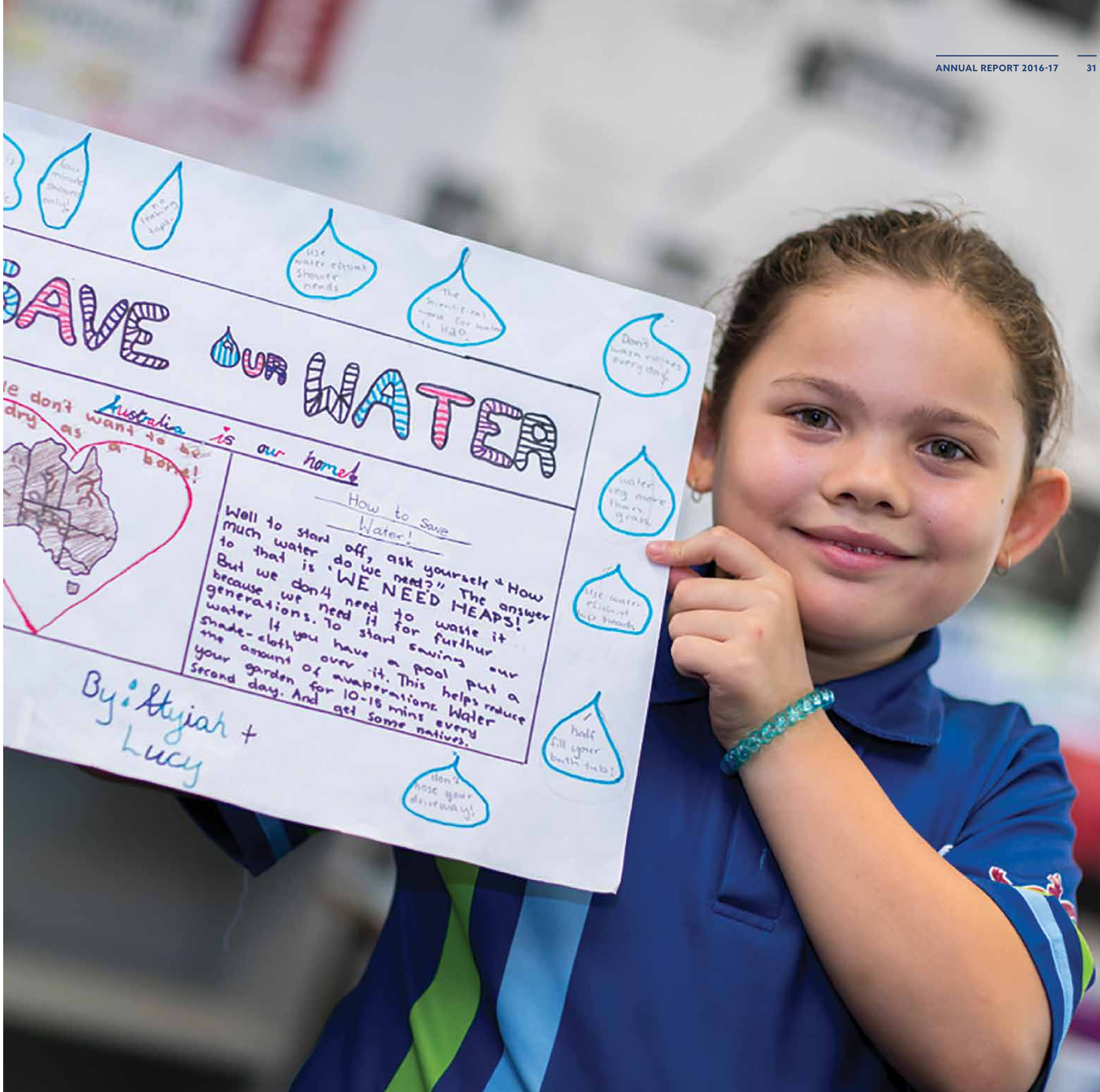
The program aims to deliver the curriculum to other schools in the future and is part of a broader education program to generate community awareness and reduce household water consumption in the Darwin region.

That's My Water! provides a fun and engaging program for school students by bringing together a local, real-world issue with water industry professionals and practical tasks such as school leak checks and excursions to the Darwin River Dam.

That's My Water! integrates structured science, technology, engineering and maths (STEM) topics into the school curriculum aiming to positively impact on:

- leaks – finding and fixing leaks in the school and household
- irrigation – reducing the amount of water use in the garden
- showers – reducing and regulating shower time.

“Power and Water rolled out the That's My Water! school curriculum unit to Year 5 and 6 Darwin students about sustainable water use in their region.



OUR FOCUS ON OPERATIONAL PERFORMANCE

> We have pride in ourselves and our work. We lead by example by stepping up to meet the challenge.

POWER NETWORKS

Strangways Zone Substation

The new Strangways Zone Substation was completed and commissioned in 2016 and provides a safer, more secure and reliable power supply for Darwin's rural area and has been constructed to enable easy expansion with space and infrastructure for a third 66/22kV transformer and third 22kV bus. The project was required to replace the existing 66/22kV McMinns Zone Substation, which had reached its end of life.

Replace 22kV switchboard at Tennant Creek

The new Tennant Creek 22kV Switchroom is a prefabricated building with modern indoor 22kV switchgear. The new switchroom was completed and commissioned in May 2017 and will provide a safer, more secure and reliable power supply for Tennant Creek. This Project was required to replace the existing 22kV Tennant Creek outdoor switchyard.

Elizabeth River 132kV Channel Island Power Station crossing

Due for completion in late 2017, this project will upgrade the existing 132kV Channel Island Power Station crossing over Elizabeth River to be Category 4 cyclone rated and reduce a significant risk of critical transmission power supply failure during a cyclone event.

Casuarina 66kV Zone Substation

The new 66kV Casuarina Switchgear is indoor Gas Insulated Switchgear (GIS) installed in a new building with upgraded control systems is scheduled to be completed and commissioned by October 2017. This new Zone Substation will provide a safer, more secure and reliable power supply for Casuarina and surrounding suburbs.

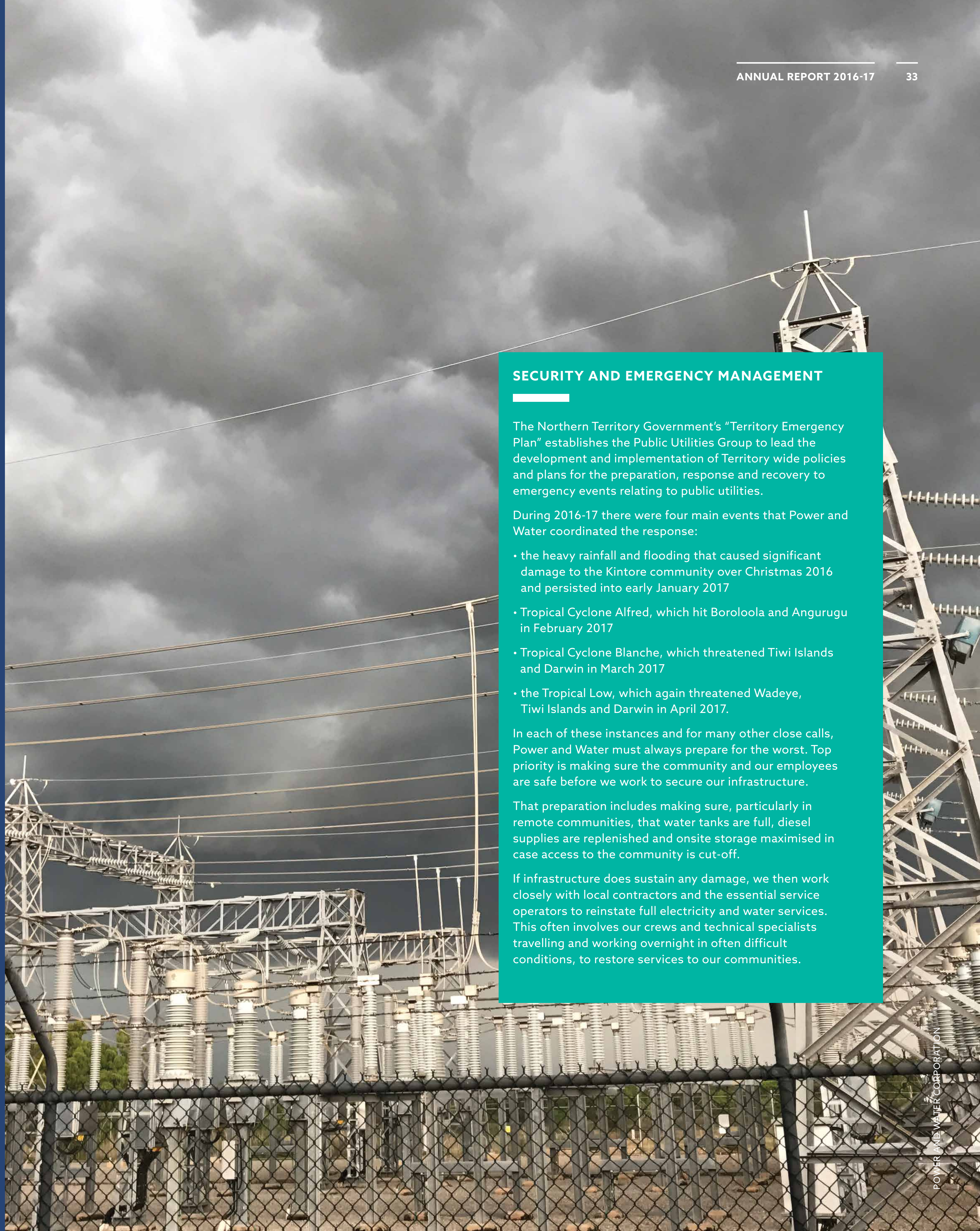
Palmerston - Archer 66kV line

Preliminary works began on a new 66kV transmission line between Archer and Palmerston Zone Substations to provide system security and reliability during credible events at forecast peak loads. The 66kV line consists of both underground and overhead line and is forecast to be complete by June 2018.

Outage management system

A project to introduce an outage management system has commenced. Contracts were signed for a commercial off the shelf software system that will not require customisation. A thorough audit of all the high voltage distribution equipment in the three regulated power systems was completed to ensure data integrity when information is transferred to the outage management system. The system will support whole of business fault call taking, dispatch and restoration. The introduction of the outage management system will provide a Territory wide real time model of Power and Water's networks. This improved view of the current state will support accurate, safe and efficient decision making relating to network operations and restorations.

POWER NETWORKS	2014-15	2015-16	2016-17
Energy transported	1,873,448 MWh	1,809,533 MWh	1,796,878 MWh
Customers	82,369	84,196	85,416



POWER AND WATER CORPORATION

SECURITY AND EMERGENCY MANAGEMENT

The Northern Territory Government's "Territory Emergency Plan" establishes the Public Utilities Group to lead the development and implementation of Territory wide policies and plans for the preparation, response and recovery to emergency events relating to public utilities.

During 2016-17 there were four main events that Power and Water coordinated the response:

- the heavy rainfall and flooding that caused significant damage to the Kintore community over Christmas 2016 and persisted into early January 2017
- Tropical Cyclone Alfred, which hit Boroloola and Angurugu in February 2017
- Tropical Cyclone Blanche, which threatened Tiwi Islands and Darwin in March 2017
- the Tropical Low, which again threatened Wadeye, Tiwi Islands and Darwin in April 2017.

In each of these instances and for many other close calls, Power and Water must always prepare for the worst. Top priority is making sure the community and our employees are safe before we work to secure our infrastructure.

That preparation includes making sure, particularly in remote communities, that water tanks are full, diesel supplies are replenished and onsite storage maximised in case access to the community is cut-off.

If infrastructure does sustain any damage, we then work closely with local contractors and the essential service operators to reinstate full electricity and water services. This often involves our crews and technical specialists travelling and working overnight in often difficult conditions, to restore services to our communities.

WATER SERVICES	2014-15	2015-16	2016-17
Water sales	51,687 ML	52,035 ML	47,665 ML
Water customers	48,065	48,093	49,514
Wastewater installations	57,646	59,292	59,513

WATER SERVICES

Tennant Creek borefield

Power and Water delivered the first phase of a program of production bore replacement, with the successful drilling, construction and testing of 13 bores this year. This followed a review of the existing bores where many were found to be vulnerable to floodwater, contaminants and possible bore collapse, as a result of some having been commissioned over 60 years ago.

Construction of bore headworks is scheduled to commence next year, which will secure the long term water supply for the Tennant Creek community.

Palmerston South Elevated Water Tank

The Palmerston South Elevated Water Tank is the biggest of its kind anywhere in Australia. Its completion in June this year marked the end of a $12 million investment in the security of supply for the growing Palmerston area where development in the suburbs of Johnston, Zuccoli and Mitchell will increase population by 10,000 to 15,000 in the next five to eight years.

The tank itself is 360 tonnes of concrete and steel and at capacity will hold 4,000 tonnes of water.

Living Water Smart

The Living Water Smart program is part of the Darwin Region Water Supply Strategy to encourage efficient water use and defer the need to develop expensive new water sources and associated infrastructure for the Darwin region. The program has various key initiatives to engage the community and effect behavioural changes, including:

- public green space irrigation audits and system improvements
- rebate programs (fixing leaks and garden tune ups)
- smart metering, main reticulation systems pressure and leak management
- school based programs (curriculum, vocational activities and audits).

STRATEGIC SOURCING

During 2016-17 Power and Water implemented a range of substantial internal process improvements for procurement planning, which allowed greater management and improved delivery of larger procurement activities.

As part of an ongoing initiative to align the corporation's procurement framework with global best practice, revisions and improvements were implemented to the framework including updated Procurement Sourcing Rules in December 2016. The most significant changes included removal of the 'five tier' system, which has now been replaced with a 'three grade' system, realigning dollar values and the thresholds to the new grades:

- Grade 1: $0 to $49,999
- Grade 2: $50,000 to $199,999 (minimum of three quotes)
- Grade 3: $200,000 and over (competitive tender).

Furthermore, Power and Water has adopted key elements of the Government's 'Strengthened Buy Local' reforms through changes to Power and Water's principles and tender assessment criteria. These changes included:

- revised Procurement Principal of 'Best Value for Territory', which is the principle underlying all procurement activities performed by Power and Water
- introduction of a mandatory 'Local Content' assessment criterion to all competitive procurement activities, with a minimum weighting of 30 per cent
- maximum weighting of the 'Price' criterion to 30 per cent.

Looking forward, Power and Water is working towards recognition and accreditation of its Procurement Framework, which will further improve operational functions of its procurement practices. This accreditation will align Power and Water's procurement framework with global best practice, strengthening its position as one of the Northern Territory's largest economic contributors through tendering opportunities.

Securing future water sources for Alice Springs

Alice Springs' town water supply is drawn from deep aquifers in the Roe Creek area south of Alice Springs. The groundwater resource has very low levels of annual recharge and at some time in the future an alternative supply source will be required to supply water to Alice Springs.

In a desert environment water source options are limited and the most likely option is the transition to a new borefield located in the Rocky Hill area approximately 25km to the southeast. However the groundwater resource has not yet been thoroughly assessed and is increasingly subject to possible threats from competing water users and agricultural land use in the area.

Power and Water is partnering with the Department of Water Resources and Flinders University to better understand the risks to this critical future resource. A program of hydrogeological investigations, including the drilling and testing of deep investigation bores, geophysics, water testing and groundwater modelling commenced in 2017, and is due for completion in 2018.

GAS SUPPLY

Power and Water's gas supply and transportation agreements supply 90 per cent of the electricity generation sector of the Territory as well as ensuring necessary gas supplies are available to keep large mining and other heavy industrial business operating in the Territory.

Power and Water continues to work closely with the Northern Territory Government to attract local businesses to the Territory and contribute to the broader economic development of the community in which we live.

Over the past 12 months we have entered into new gas sales agreements to supply gas to customers in the Northern Territory and is in advanced discussions with existing and new customers, which are expected to come to fruition during the coming year.

We are also looking to expand into the east coast gas market, as a foundation customer of the Northern Gas Pipeline.

Power and Water will be able to offer competitively priced gas into the east coast market at its peak winter period when demand here in the dry season is low.

The Northern Gas Pipeline has also been designed to enable gas transportation to flow both ways, providing opportunity for gas on gas competition across the expanded market. This will increase security of supply and offer new opportunities for market participants.

NORTHERN GAS PIPELINE

The Northern Gas Pipeline will facilitate the interconnection of the Northern Territory and east coast gas pipeline network, which will allow delivery of gas from the Northern Territory and Western Australia into the east coast gas market.

Tender processes were undertaken for both gas supply and transportation services culminating in a gas sale agreement with Incitec Pivot and a gas transportation agreement with Jemena. The tender process was designed to involve the private sector on a competitive basis.

Fully commercial arrangements were sought on either a northern route through Mt Isa or southern route through Moomba.

The process involved separate negotiations in parallel with pipeliners and potential customers.

Power and Water therefore became the foundation customer of the Northern Gas Pipeline in order to deliver its gas to Incitec Pivot at Phosphate Hill in Qld. This represents an exciting time for Power and Water with its first gas customer outside the Northern Territory.

The 625km pipeline is expected to be delivered in late 2018.

REGIONS AND REMOTE OPERATIONS

Solar SETuP

2016-17 marked the practical completion of the first tranche of the Solar Energy Transformation Program (SETuP), a $55 million joint project between Power and Water, the Northern Territory government and the Federal Government's Australian Renewable Energy Agency (ARENA).

The first tranche saw the installation of 3,325 kilowatts, or over 9,000 individual solar panels, in large solar-farm configurations, installed in 10 remote communities capable of servicing almost 600 households and saving over one million litres of diesel each year.

These large solar farms are designed to power the communities during daylight hours, while the existing diesel generators will operate overnight and when there is insufficient energy coming from the solar farm during times of high cloud cover.

The flagship component of the Solar SETuP project is the Daly River 1MW solar panel and battery installation, which was installed and tested on-site in 2017 and once operational will save over 400,000 litres of diesel per annum.

The Daly River battery is designed to work when the solar panels aren't capable of meeting the power demands of the community by storing electricity during the daylight hours and discharging overnight and during times of cloud cover. This solar-battery arrangement is a unique project for Australia and is hoped will be the base-case configuration for future generation projects in remote communities.

Manymak Energy Efficiency Project

The Manymak Energy Efficiency Project was a three year $12 million consortium project that employed over 80 local people across six East Arnhem Land communities from 2013 to 2015 to trial education and technology approaches to supporting households with their energy use. The project completed its evaluation phase in October 2016 with the publication of its detailed evaluation findings.

The project was recognised for its innovative combination of Aboriginal community engagement and appropriate technology, winning a number of awards nationally and locally in the second half of 2016. These included the NAIDOC Caring for Country award, Clean Energy Council Business Community Engagement Award, Banksia Sustainable and Resilient Communities Award and Australian Engineering Excellence Northern Award.

Pre-payment electricity metering

Approximately 7,000 customers across the Northern Territory use pre-payment electricity meters, with 5,000 used in remote communities.

The current pre-payment electricity meters are no longer produced and a new pre-payment metering solution is being progressively installed in remote communities to ensure ongoing revenue assurance.

The new meters can be read and tariffs updated remotely, which greatly reduces labour and travel costs. They also have the ability to integrate with smart water metering systems and use the same communication infrastructure.

The new electrical pre-payment meters are currently installed at Daly River, Wadeye, Yurrawi, Wurrumiyanga, Pirlangimpi, Milikapiti, Oenpelli, Maningrida, Warruwi, Ramingining, Galiwin'ku and Gapuwiyak.

Community and stakeholder engagement is an important part of the deployment process and customers and communities are engaged in advance of the installation and post installation including house to house engagement with interpreters.

Expected completion date for deployment of meters to all 3G connected communities is the end of 2018. In the meantime, existing token meters will continue to be used in communities without 3G until another solution is found. Token meters removed from communities that adopt the smart meters, are tested and used to service the non-3G communities.

Remote smart water metering

Smart water meters provide automated flow readings to identify water loss from leaks or excessive use. This enables targeted community and stakeholder engagement to reduce water loss.

Smart water meters are installed in nine remote communities: Santa Teresa, Gunbalanya, Yurrawi, Ali Curung, Epenarra, Galiwin'ku, Yuelamu, Yuendumu and Kybrook Farm.

The smart water meters in Yurrawi were also used as part of a collaborative water charging agreement with Department of Housing and Community Development (DHCD) to further reduce water losses in Yurrawi.

Smart water metering has achieved up to 20-30 per cent reduction in water use due to the prompt identification and resultant fixing of leaks in partnership with customers.

Other water conservation programs without smart water metering have achieved savings of typically only 5-10 per cent, with savings being harder to sustain without ongoing monitoring via smart meters.

Further investment and implementation of smart water metering across priority water constrained communities is proposed, as a key tool for cost effectively reducing water loss and improving the sustainability of water.

Water quality treatment project

Providing clean, safe water remains a top priority for Power and Water and none more important than in our remote communities.

We have worked hard to improve our reporting of lead indicators to pre-empt water quality issues and using our SCADA monitoring systems to enhance the capture of and early warning of issues.

We have also worked with our Essential Service Operators and provided additional training and enhanced contract management to improve procedures to mitigate water quality events.

Other specific works carried out to improve water quality outcomes have included:

- upgraded chlorine disinfection system at Robinson River
- installation of UV disinfection system SCADA connection and upgrade of chlorine disinfection system at Bulla
- completion of the chlorine disinfection reliability assessment across all 92 Power and Water remote schemes
- installation of online chlorine analyser and recirculation system at Barunga.

9,000 SOLAR PANELS INSTALLED IN 10 REMOTE COMMUNITIES

MANYMAK PROJECT EMPLOYED +80 LOCAL PEOPLE

SMART METERING ACHIEVED 20-30% WATER USE REDUCTION

THE SOLAR SETUP PROGRAM

Rolling out **10MW of solar capacity** across approximately 30 remote communities

94 MILLION LITRES OF DIESEL SAVINGS BE ACHIEVED OVER THE LIFE OF THE PROGRAM

30 communities will save 4.7m 20L diesel jerry cans

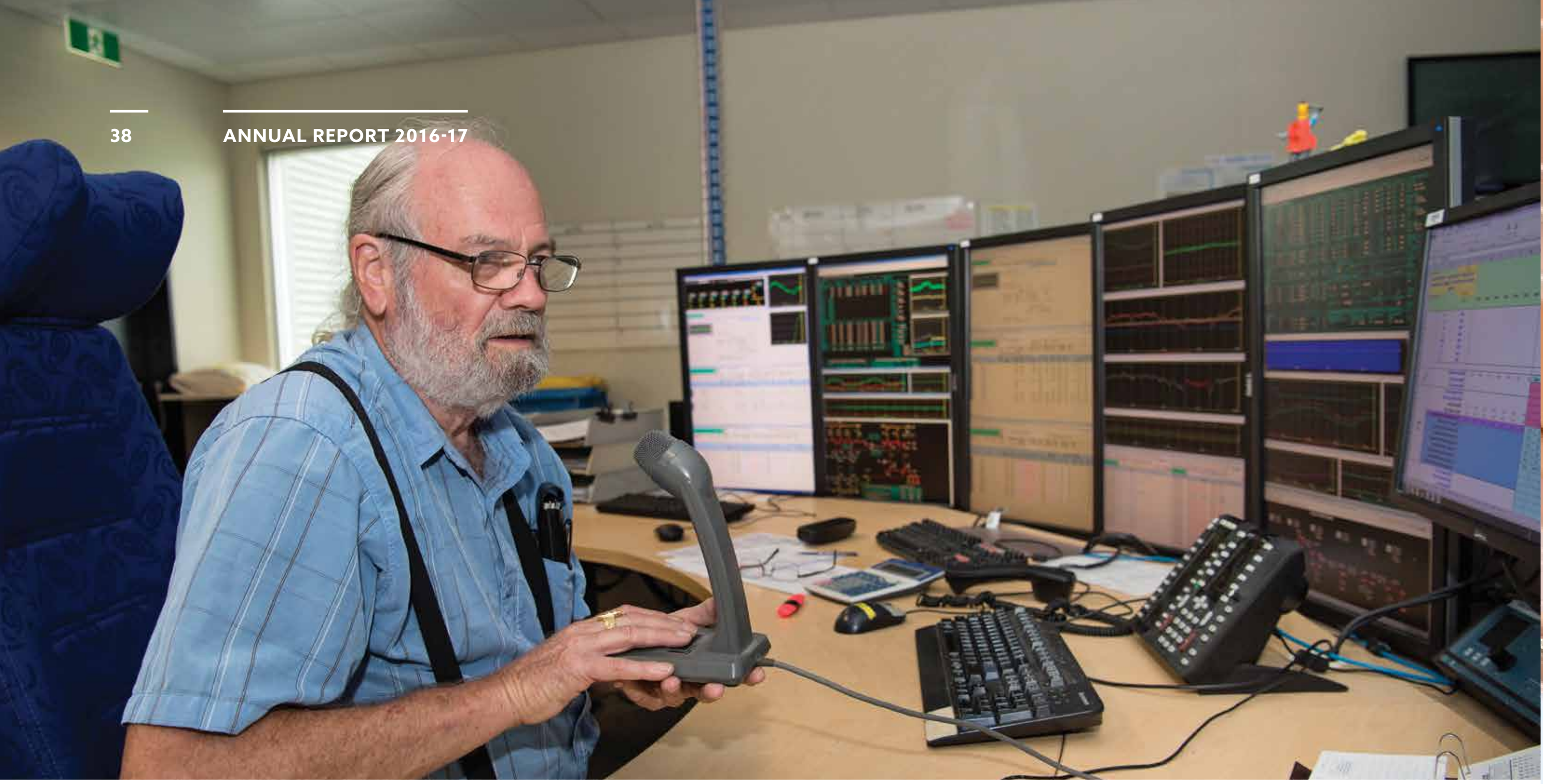
15% REDUCTION IN DIESEL RELIANCE

The first communities to receive solar in 2016 are Areyonga, Mt Liebig, Arlparra, Nyirripi, Kaltukatjara, Yuendumu, Lajamanu, Kintore, Maningrida and Ramingining

LESS TRUCKS IN THE COMMUNITY

CLEANER, GREENER ENERGY

Photographer: George Fragopoulos



SYSTEM CONTROL AND MARKET OPERATOR

Over the past year System Control and the Market Operator have continued to work towards implementing new procedures, redefining processes and improving communication with market participants in the Interim Northern Territory Electricity Market (I-NTEM) and the other regulated regional electricity networks. These initiatives seek to increase the reliability and safety of the networks while encouraging new competition and improvements in machine efficiency.

The changing Northern Territory energy landscape will continue to present new challenges, particularly with the growth and target of a higher percentage of renewables. System Control is working with system participants and relevant government departments towards achieving the 50 per cent renewable energy target without diminishing the requirement to ensure a secure, reliable, safe supply of electricity to customers in the Northern Territory.

System security and reliability improvements

In 2014 System Control made significant improvements to the Spinning Reserve Policy for the Darwin-Katherine power system. This has set a new record for the longest period without a single contingency under frequency load shed (UFLS) event on the Darwin-Katherine system, which at 30 June 2017 stood at 665 days.

System Control has made significant progress in the technical implementation of Frequency Control Ancillary Services, which further refines the improvements made in 2014 such that the requirements are dynamic to the system conditions and can be provided by any capable technology. This work is expected to be implemented in the 2017-18 financial year.

The technical implementation of Frequency Control Ancillary Services assists in the market reform process currently being undertaken by Department of Treasury and Finance, which involves unbundling the costs of providing ancillary services and dispatch optimisation.

Alice Springs harmonisation

In a joint project with Territory Generation, Power and Water has incorporated Alice Springs' electricity generation into the Automatic Generator Control system. This project has provided System Control appropriate operational oversight of the Alice Springs regulated power system from the Control Centre at Hudson Creek, as required by the System Control Technical Code.

Strengthening Secure System Guidelines

System Control compiled the current operational standards for the three regulated power systems into the Secure System Guidelines, following consultation with system participants. This document is published online and provides a framework for future renewable energy proponents to independently determine the most cost effective technology or connection location for their project plans.

Roadmap to Renewables

To facilitate the Government's renewable energy target of 50 per cent by 2030, System Control is undertaking an assessment of the technical requirements for power system security for the transition to greater renewable penetration. This will specify the base level requirements in maintaining power system security without underlying assumptions about the source. The first part of this work involves the technical implementation of Frequency Control Ancillary Services. Further work includes review of generator access standards and codes. Undertaking this work to define technical requirements in a technology neutral manner is core to ensuring a 'fair go' for renewable energy, synchronous generators and other engineering technology alike.

Economic dispatch

Generation in the I-NTEM is currently dispatched in a security constrained economical manner. Appropriate machines are called online to ensure system security constraints are met. Once online, machines are then dispatched in the most efficient manner while maintaining system security constraints.

The frequency control ancillary service implementation will provide real incentives for generators to improve machine performance and efficiency as the security constrained economic dispatch will optimise the provision of ancillary services and energy to ensure the lowest overall cost. Currently the 'lump sum' ancillary services component does not encourage machine efficiency to the same extent. Unlike larger interstate power systems (including the NEM) where energy production dominates decisions about generator unit commitment, it is the provision of ancillary services that dominates decisions made in the smaller Darwin-Katherine power system.

SUPPORTING THE NORTHERN TERRITORY GOVERNMENT

While much of what Power and Water does is clearly visible through our crews and contractors out on the road and through our infrastructure such as power poles and elevated water tanks, there is also a lot we do behind the scenes.

This includes working closely with the government to support and provide practical and technical advice and expertise for its policies and programs.

Two such areas where Power and Water was heavily involved in the support of key government initiatives are the:

- Remote Housing Program
- Roadmap to Renewables project.

Remote Housing Program

The Northern Territory Government's Remote Housing Program is a $1.1 billion, 10 year program that will commence in July 2017 aimed at delivering new public housing, housing for local recruits (government employee housing), additional repairs and maintenance as well as more living spaces.

The delivery of additional houses in these remote communities requires the provision of additional serviced land and in many communities, the existing essential infrastructure does not have the required spare capacity to meet the demand of the additional housing to be delivered under the Remote Housing Program.

Power and Water is working closely with the Department of Housing and Community Development through its Remote Infrastructure Steering Committee and Remote Community Infrastructure team. These were established and tasked with identifying options for securing serviced land, including through sub divisions and ensuring that essential service infrastructure has adequate capacity to support the additional housing to be delivered through this important initiative.

Roadmap to Renewables

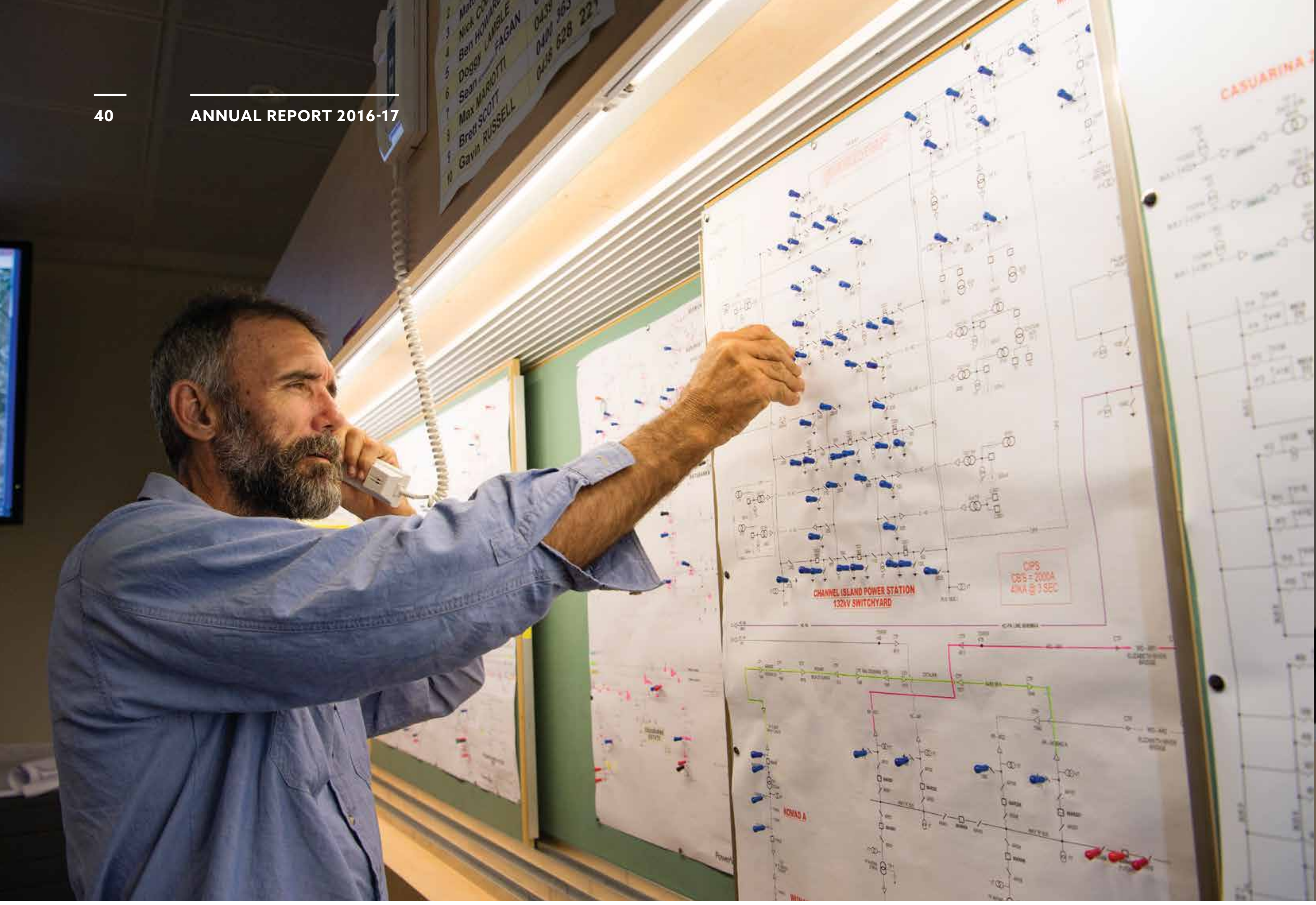
The Northern Territory Government has set a 50 per cent Renewable Energy by 2030 target and established a Renewable Energy Expert Panel, advised by an Interagency Working Group (IWG), to develop a 'Roadmap to Renewables' on how to achieve the target. Power and Water is a member of the IWG and has presented to the panel on a number of occasions.

Power and Water predicts there will be significant increase in the number of renewable energy systems (predominantly solar photovoltaic) even under a business as usual scenario as Power and Water is processing an increasing number of solar applications.

Declining solar costs in comparison to gas generation cost and expected continued battery technology development are the primary reasons for the predicted continued increase. Power and Water anticipates the amount of rooftop renewable energy capacity in Darwin and Katherine will double by 2020 to 53MW, (excludes new large scale renewable energy generation).

Power and Water has considerable experience and expertise in renewable energy integration and will support the government to pursue its target.

Photographer: George Fragopoulos



I-NTEM increasing competition – generation

There are now two licensed electrical generation companies providing energy to the Darwin-Katherine network with Australian energy generation company EDL NGD (NT) joining on the 1 June 2017. Previously EDL was directly contracted by the Government Owned Corporation Territory Generation as the sole licensed generator in the I-NTEM. Opening the Darwin-Katherine network to competition has encouraged companies such as EDL to enter the market independently and bid for the supply of electricity into the Darwin-Katherine Power System. As the electricity market evolves, it is expected that more energy providers, particularly those with renewable energy solutions will also enter the market in the near future in response to the Government's 50 per cent renewable energy target. System Control will continue to work towards levelling the playing field to encourage new entrants into the market who can produce energy safely, securely, reliably and in an environmentally efficient manner.

I-NTEM increasing competition – retailers

On the consumption side of the I-NTEM, retailers continue to operate in a competitive environment that provides customers with real choice. Over the past 12 months the wholesale market saw the number of customers with the new retailers increase by 26 per cent. Assisting competition further in the electricity retail sector is the growth in the number of contestable meters (interval meters that record 30min data) available in the I-NTEM. Currently a customer is required to have a contestable meter to transfer to a new retailer. Over the last year, the number of contestable meters increased by an additional 595 meters (25 per cent) totalling 2,989 interval meters. Contestable meters are preferred for their accuracy and ability to record and remotely communicate back 30-minute interval meter data. The more accurate data allows retailers the opportunity to offer customers competitive tariff rates and provide customers with more choice. These smart meters provide customers with superior information to help them manage their consumption and therefore their bills more effectively. The number of contestable meters is expected to continue to increase.

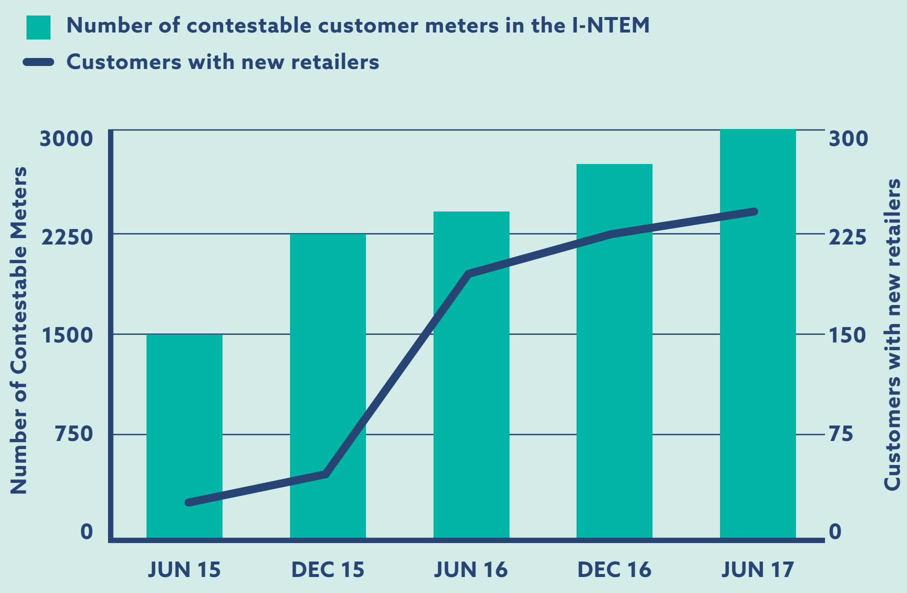
I-NTEM market settlement improvements

A number of initiatives were implemented over the last 12 months to further support the development of the I-NTEM and provide better assistance to market participants. The Market Operator continues to evolve market settlement services provided to both generators and all retailer market participants to improve data communication services. A number of internal procedures with other Power and Water business units, including Power Networks Metering Unit and the Customer Services Centre were implemented to improve internal data delivery. The Market Operator is obligated to produce monthly settlement statements to retailers and generators by the 5th business day after the end of each month. Improvements in data communication and timeliness are critical to maintain the current level of accuracy as the market continues to grow.

Over the past 12 months the Market Operator has issued 10 ad hoc revision settlement statements to market participants to accommodate improvements in the accuracy of the settlement data. Ad hoc revisions are subsequently issued after the 13 week revision settlement and if particular significant discrepancy meter data is brought to the Market Operator's attention. To date since market inception in May 2015, 22 individual ad hoc revisions were issued.

A current project that the Market Operator will finalise shortly is the transition towards the use of the National Meter Identifier (NMI) for recognising electrical metering installations in the Northern Territory. The shift will provide standardisation with the rest of Australia's energy markets and is expected to be completed by December 2017.

FIGURE 1: INCREASE IN RETAIL COMPETITION SINCE I-NTEM COMMENCEMENT



"We add value – we don't just perform."

OUR FOCUS ON FINANCIAL PERFORMANCE

Financial Improvement Project

It is pleasing to be able to report that while work continues on further improvements to the financial systems and processes, improvements have already been delivered through the core program including the completion of the fixed asset rectification project in June 2017.

This has facilitated the delivery of an unqualified audit opinion for the year ended 30 June 2017 for both Power and Water on a consolidated basis and for its fully owned not-for-profit subsidiary company, Indigenous Essential Services Pty Limited (IES). Note however that the final clean up of both current year and prior year numbers has resulted in some additional "noise" in the body of the financial statements, particularly with regard to prior year adjustments correcting primarily fixed asset carrying values, reserves and related tax items.

Given the significant level of asset write downs and charges associated with Power and Water's long term gas contracts, commentary on performance also makes reference to the underlying results.

In this context underlying results exclude the impact of asset write downs, banked gas impairment charges and provisions relating to the likelihood of an inability to fully recover the fixed costs associated with the corporation's gas supply and gas transport contracts.

Financial performance

While the statutory results of the corporation are required to be presented on a consolidated basis, this commentary focuses on the performance of Power and Water excluding its subsidiary IES as this in the view of management provides the best basis for explanation given the not for profit nature of IES and the fact that it allows direct comparison with the Statement of Corporate Intent (SCI) of the Corporation. The financial performance of IES is explained in detail in that company's statutory accounts. A summary of Power and Water's performance against the 2016-2017 SCI is provided on page 12.

Revenue

Revenue for the corporation was $36.4 million below budget primarily as a result of the delay in securing and or ramping up existing gas supply contracts and lower water and sewerage revenue due to a combination of the impact of lower demand from higher rainfall and lower gifted assets. Community Service Obligations at $30.6 million were $1.9 million below budget primarily as a result of lower uniform tariff concessions.

Operating costs

Operating costs on an underlying basis (excluding non-cash impairments of $54.9 million) of $400.4 million were lower than the SCI budget by $33.3 million with a continued focus on cost efficiency with an acceptable risk profile to enable the corporation to continue to offset the cost of annualised salary and wage increases, with wages and salaries accounting for approximately 50 percent of non-gas operating costs. The corporation also benefited from a methodology change in relation to the appropriate capitalisation of certain indirect costs associated with the construction of assets in line with an approach adopted by other utilities. This resulted in the additional capitalisation of $16.3 million from the underlying operating costs (excluding non-cash impairments of $54.9 million) in the financial year 2016-2017 compared to the SCI budget reducing overall operating costs but increasing capital expenditure by the same amount.

Non cash impairments and write downs

Fixed asset write downs

The fixed assets of Power and Water are carried at fair value in accordance with the fair value requirements of the Australian Accounting Standards with the core operational assets of the Power Networks and Water Services business units using the income approach. Consistent with the relevant accounting standards the income approach has a 'purchase of the business perspective' and is based on the net present value of the forecast cash flows of these businesses applying anticipated market conditions. The fixed asset revaluation

Photographer: George Fragopoulos

impact on the 2016-17 income statement composed of a Power Networks impairment charge of $27.8 million and a credit in relation to Water Services of $31.0 million. The credit in relation to Water Services (effectively a reversal of a debit taken to the restated prior year income statements) was not contemplated in the SCI forecast and only became apparent when the year on year valuation movement was determined on an asset by asset basis. The balance of the current year Water Services valuation uplift of $235.9 million has been taken as a credit to revaluation reserve.

Banked gas

The current gas contracts relating to the sale and purchase of gas result in the corporation having to pay for gas that will only be sold in future years. These payments would be classified as intangible assets under AASB 136 except that the forecast future cash flows of the business unit are insufficient to recognise an asset being accrued and therefore the asset has been impaired to an amount of $5.6 million which represents that portion of the banked gas which has been sold to third parties but has not yet been taken at 30 June 2017 with a non-cash impairment charge through the income statement of $16.0 million in 2016-17. This impairment was $8.1 million higher than was allowed for in the 2016-17 SCI..

Gas supply and transport contracts

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

The Directors consider these risks as part of their ongoing monitoring of the gas sales strategy and having considered both the risks and opportunities that they consider as more probable than not and that can therefore be quantified and assessed for materiality as required under AASB 137 "provisions, contingent liabilities and contingent assets", have concluded that there exists an onerous contract, which has been quantified at $42.1 million at 30 June 2017. This results from the estimated cash inflows from future gas sales being lower than the unavoidable costs of gas purchase and associated transportation agreements. This impairment was not contemplated in the 2016-17 SCI.

Whilst the onerous contract provision of $42.1 million is material from an income statement perspective, it is not significant in the context of the remaining fixed cost of committed gas and transportation purchase contracts which amounts to approximately $4.0 billion in today's dollars, with the provision representing approximately only 1.0% of future commitments.

Other expenses

Depreciation and amortisation charge for the year was $104.0 million compared to the SCI charge of $108.2 million, which was a higher level estimate pending the completion of the fixed assets rectification project. It is pleasing to note that the current year depreciation charge was calculated in the normal course of business from the accounting system on an asset by asset basis.

Earnings Before Interest and Tax (EBIT)

As a consequence of the non-cash impairment charges referred to above the corporation recorded EBIT on a statutory basis of $48.1 million; although on an underlying basis EBIT (excluding non-cash impairment expenses of $54.9 million) of $103.0 million was broadly in line with the SCI budget of $105.1 million.

Interest

Interest charge of $45.7 million was $12.0 million favourable compared to the SCI budget as a result of lower borrowings and lower interest rates as well as interest capitalised of $9.4 million associated with the construction of long life assets.

Tax

Alongside the fixed asset rectification project, the corporation completed an exercise to amend tax returns in relation to the year ended 30 June 2015 and lodge the outstanding return for the year ended 30 June 2016, which together with tax due in relation to the year ended 30 June 2017, will result in cash tax of approximately $26.0 million being payable in relation to these three years under the national tax equivalent regime in 2017-18.

Net Profit After Tax (NPAT)

As a consequence of all the above movements the corporation recorded a net profit after tax of $1.7 million for the year compared to a budgeted SCI profit of $26.8 million with the shortfall primarily driven by the non-cash impairments and provisions highlighted above. On an underlying basis however, NPAT (excluding non-cash impairment expenses of $54.9 million less tax effect adjustment of $16.5 million) of $40.1 million is higher than that included in the SCI budget by $6.9 million with lower revenue being offset by lower operating costs, interest charges, tax and depreciation expenses.

Balance sheet

Equity benefited from an increase in the value of Water Services' assets of $235.9 million. This allowed the corporation to remain comfortably within its gearing limits (debt as a proportion of equity plus debt) during the year. Return on assets and return on capital employed on a statutory basis was impacted by the impairment charges and remained at below budget levels. The quick ratio at 0.5(ratio of current assets to current liabilities) was impacted by the levels of short term debt, which is due to be repaid (and subsequently rolled over into new long term debt) in the next 12 months. Interest cover and funds from operations were broadly in line with target levels. Capital expenditure was $38.8 million lower than budget in the year, primarily in Water Services due to the adverse impact of the wet season on construction and in the corporate area from a reprioritisation of IT enabling projects into the "remediate the core" program.

Cash and cash flow

Closing cash holdings were $44.5 million higher than budget at $95.1 million benefitting from higher opening cash balances at 1 July 2016, the lower capex and lower working capital levels than budget.

The corporation also generated a small positive free cash flow for the year.

Dividends

As the corporation recorded a broadly breakeven statutory NPAT for the year ended 30 June 2017 for the year no dividend has been declared in relation to the financial year 2016-17 results of the corporation and no dividend was paid in the year in respect of prior year results. The higher cash balance than budgeted does however present an opportunity to "return" cash to our shareholder through a lower drawdown of new borrowings in 2017-18 than agreed through the 2017-18 SCI.

Neil Siford
Chief Financial Officer

OUR FOCUS ON THE FUTURE

> We embrace change, diversity and community. We are essential to everyday, and we give our best at all times.

Power and Water's vision is to be a best practice, commercially focused and customer centric multi-utility respected by the community for its contribution to the Northern Territory economy and its pursuit of the long-term interests of consumers.

Power and Water's 2017-18 to 2020-21 Statement of Corporate Intent (SCI) outlined both the challenges and the opportunities that lie ahead over this period.

Entering the regulatory regime of the National Electricity Rules (NER) in 2019 with network revenue being set by the Australian Energy Regulator (AER), carries the risk of increased financial pressure including the real possibility of needing to reduce operational, corporate services and capital costs beyond those efficiencies already planned in the period. In addition, supporting the Northern Territory's growth means we must develop water conservation initiatives and review our water source strategy to ensure we continue to provide safe and secure drinking water and support future economic development. This provides the imperative for us to drive business efficiencies focusing on our customers to meet these challenges.

With increased expectations in service and quality among our customers, and more broadly the community, we must improve our performance and capabilities to meet these challenges.

We recognise the need to evolve quickly if we are to remain a viable and relevant service provider for our customers and to become a best practice multi-utility.

Key to this is a commitment to become a more accountable organisation that has good risk management and governance practices, effective frameworks and systems and a structured approach in aligning systems, processes and people to a strategy that drives the business to a commercial and customer focused organisation meeting our Shareholder's expectations.

Our vision will be met through the achievement of our strategic goals across five key result areas of Health and Safety, People and Culture, Financial Performance, Operational Performance and Customer.

To be successful across each of these key result areas, Power and Water must first 'fix the fundamentals' in our systems and processes enabling efficiency and optimisation of our resources, in addition to building core capabilities in leadership, commercial acumen and asset management.

Our Plan identifies five priority projects encompassing a re-set of Power and Water's operating model, culture and capability program, improvement in safety outcomes, improvement of core systems and processes, and the transition to the National Electricity Rules. These priorities will be our focus in this phase of transformation.

Safety improvement

Protecting the health and wellbeing of our people, contractors and the public is one of our fundamental values and underpins all our activities. Through active safety leadership and developing a strong proactive safety culture supported by full visibility of safety outcomes and effective safety management (including capability, systems and accountability), we will protect our employees, contractors and the public.

Culture and capability

Having the right culture and capability is critical to become a high performing, best practice, commercially focused and customer centric organisation. This project is focused on enhancing our culture and capability to effectively manage our assets, understand the customer's perspective and be accountable for performance.

Preparing for the National Electricity Rules

The Northern Territory Government is a signatory to the Council of Australian Governments' Australian Energy Market Agreement, which outlines a commitment to a national approach to power network regulation. The Northern Territory Government is progressively transitioning to network regulation, which will be administered by the Australian Energy Regulator. Power and Water will commence full operation under the new regime on 1 July 2019.

Moving to the new regulatory regime will support the focus of proactively driving sustainable improvements to Power and Water's operating cost structure and capital

2017–2021
OUR PLAN

HEALTH AND SAFETY

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

- Move to a proactive safety culture in line with best practice
- Strengthen the delivery of safe drinking water in line with Australian Drinking Water Guidelines

PEOPLE AND CULTURE

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

- Improve employee engagement to deliver organisational goals
- Strengthen our capability in leadership, empowerment and accountability
- Align the organisation in its delivery of goals and strategies
- Build regional and indigenous capability and opportunities

FINANCIAL PERFORMANCE

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

- Lift the level of commercial focus, financial capability and transparency across the organisation
- Improve the focus on gross margins and capital efficiency
- Prudently manage debt levels and other key financial metrics benchmarked against similar organisations

OPERATIONAL PERFORMANCE

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

- Identify and adopt best practice methodologies across the organisation and leverage synergies across the multi-utility business
- Rationalise and enhance systems and processes to support efficient business operations
- Ensure prudent, effective risk and governance practices

CUSTOMER

A customer centric organisation achieving the respect and trust of all our customers and stakeholders across all parts of the business in delivering our services.

- Clearly understand our customer and stakeholder needs and commit to delivering on those expectations
- Improve the customer experience by aligning core systems and processes

“

We recognise the need to quickly evolve if we are to remain a viable and relevant service provider for our customers and to become a best practice multi-utility.

investment program. This project is focused on the orderly and cost effective transition of our electricity network services to full compliance in line with the National Electricity Rules.

Operating model

There is ever present pressure to minimise what we charge our customers, however the costs of providing services are rising at the same time as customer and community expectations are increasing. We need to respond to this and other emerging challenges and opportunities that we face in our rapidly changing utility industry.

Only an operating model aligned to our strategic objectives will allow us to efficiently and effectively organise our business functions, processes and structure to improve our business capabilities and deliver value to our customers and our Shareholder. This project is focused on redefining the principles of an effective operating model for Power and Water.

Remediate the core systems

A clear link between business strategy and the Information and Communication Technology (ICT) strategy is essential to help ensure technology does not constrain business efficiency and outcomes, and to provide the flexibility required in line with Power and Water's business strategy.

Although progress has been made towards improving these aspects, particularly around financial systems and processes, there is much more to be done to underpin our business delivery capability.

The aim of this project is to have effective processes and fit-for-purpose systems that enable business efficiencies and improve productivity, reduce operational risk, improve customer service and reduce costs. The project is also focused on providing robust key operational and financial information to better support operational decision making and performance accountability across the organisation. By remediating the ICT core systems and processes, we will ensure technology does not impede our ability to achieve our objectives.

Photographer: George Fragopoulos

REGULATORY ENVIRONMENT

> “We want to improve and are here to make a difference.

Management Governance and Assurance Framework (MGAF)

Power and Water has commenced a project to review and update its management governance and assurance framework. The project adopts a staged approach across three horizons addressing establishment, embedding change and consolidation, and continuous improvement. The initial phase of this project is focused on establishing the right foundations of sound management, governance and assurance enabling the shaping of other critical management processes in the future.

The first stage, already completed, involved a review and update of the current compliance framework and a current state assessment of controls (policy and procedures) across Power and Water, to inform an agreed ‘future state’ and further development of existing management governance and assurance frameworks to deliver critical risk reduction outcomes.

This has included the implementation of a new framework for compliance management and the creation and maintenance of an Obligation Register to capture obligations and current state of management of the obligation across the business.

A periodic self-attestation monitoring process is also established. This requires identified accountable executives and responsible managers to ‘attest’ that they are applying the compliance management standards to their operations and activities. It also requires that any breach or suspected breach has been reported and effectively managed, which supports an annual Chair and Chief Executive certification of effectiveness of compliance management system to the Utilities Commission, as per the commission’s guidelines for the compliance management and reporting.

ProMapp

At Power and Water, events are captured in order to identify any gaps and failures in our controls and processes. By capturing events we are able to ensure that either corrective or preventative action is taken so that we have a safe and effective workplace.

Since 2012 the GRACE system was Power and Water’s incident, hazard and improvement information management system. The GRACE System’s license expired on 1 June 2017 and ProMapp was selected as the replacement tool.

Promapp is a widely used and proven tool active in Power and Water for some streams of process mapping and workflow. Use of ProMapp expanded to incorporate the capture and management of events, safe act observations and actions across health and safety, compliance, environment, water quality and other service delivery areas previously managed in GRACE.

MINIMUM COST RECOVERY	WATER $000	SEWERAGE $000	TOTAL $000
Operations, maintenance, administration	60,782	25,955	86,737
Debt servicing	12,403	8,216	20,620
Asset consumption	36,412	19,776	56,188
Minimum viability costs	109,598	53,946	163,544
Total revenue - from trading (excluding CSO)	120,480	79,792	200,273
Surplus/(deficit)(excluding CSO)	10,883	25,846	36,729
Surplus/(deficit)(including CSO)	17,528	25,846	43,374

Ministerial Directions

Over the course of 2016-17, Power and Water received two Ministerial Directions under section 8 of the *Government Owned Corporations Act*, from the Treasurer, the Hon Nicole Manison MLA:

Adoption of Buy Local reforms

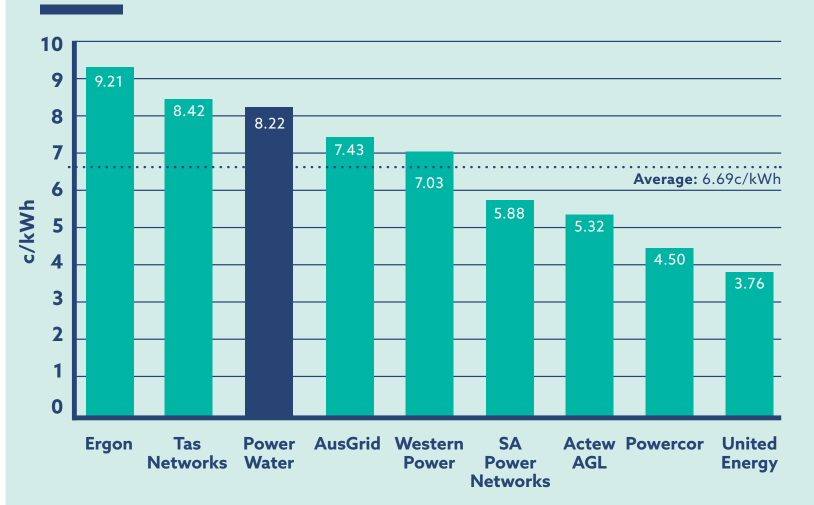
Power and Water was directed to adopt relevant elements of the Government’s Strengthened Buy Local policy, which saw a minimum 30 per cent tender assessment criteria weighting on local content and a maximum 20 per cent weighting on any price related criteria.

Governance framework

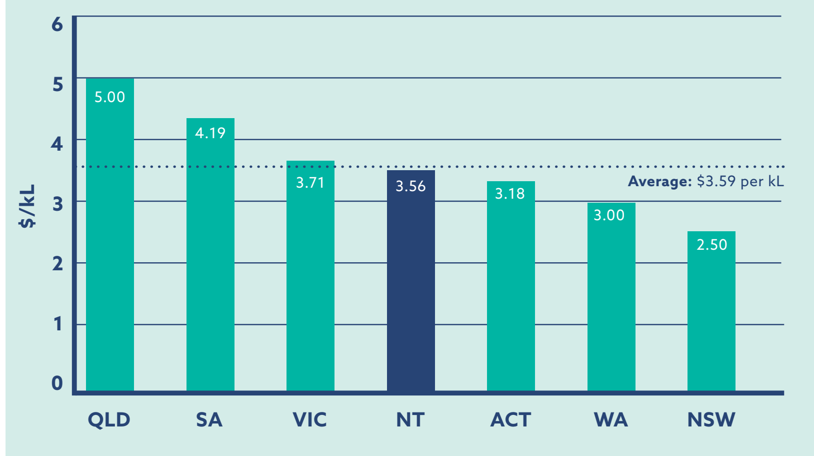
Power and Water was directed to adopt and comply with the Government’s new Corporate Governance and Reporting Framework for its Government Owned Corporations. The purpose of the Corporate Governance and Reporting Framework is to define the governance, reporting, investment and corporate planning obligations of Government Owned Corporations in the Northern Territory.

The framework provides direction and advice as to the processes, timeframes, content and controls associated with the governance relationships between GOCs, ministers and the Department of Treasury and Finance.

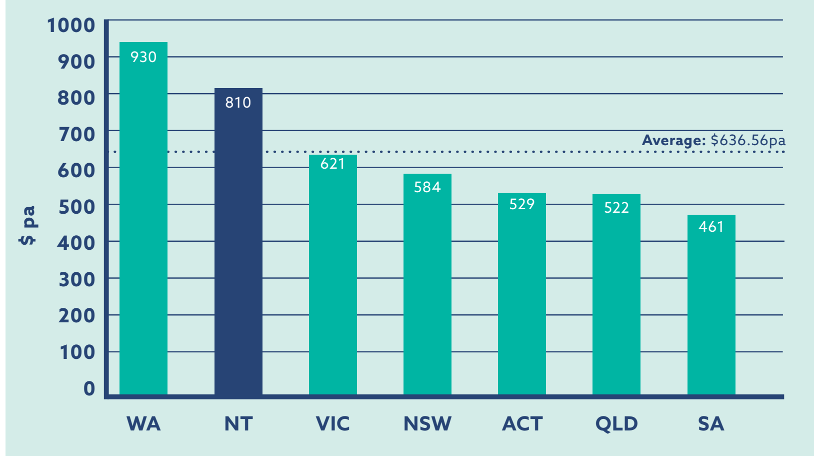
RESIDENTIAL NETWORK TARIFF COMPARISON AS AT JUNE 2017



RESIDENTIAL WATER TARIFF COMPARISON AS AT JUNE 2017



AVERAGE ANNUAL RESIDENTIAL SEWERAGE BILL AS AT JUNE 2017



Source: Retailers’ published tariffs

ORGANISATION STRUCTURE

HON NICOLE MANISON MLA
TREASURER AND SHAREHOLDING MINISTER

JOHN LANGOULANT
CHAIR AND BOARD OF DIRECTORS

MICHAEL THOMSON
CHIEF EXECUTIVE

DJUNA POLLARD
EXECUTIVE GENERAL MANAGER POWER NETWORKS

ROBERT BRITO
EXECUTIVE GENERAL MANAGER WATER SERVICES

DAVID COUCILL
A/GENERAL MANAGER REGIONS AND REMOTE

MALCOLM CONWAY
GENERAL MANAGER SYSTEM CONTROL

NEIL SIFORD
CHIEF FINANCIAL OFFICER

MARY-ANNE GOMATOS
A/GENERAL MANAGER SHARED SERVICES

FINANCIAL STATEMENTS AND EXPLANATORY STATEMENTS

Photographer: George Fragopoulos

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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Power and Water Corporation

Directors' report
for the year ended 30 June 2017

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 2017 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
Mr John Langoulant OAM (Chairman) B. Economics (Hons)	Mr Langoulant has an extensive list of credentials and experience from a range of industries in both the public and private sector, including time as the head of the Western Australian Chamber of Commerce and Industry and as the Under Treasurer of Western Australia. Mr Langoulant is the Independent Chair of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) and of the Telethon Institute for Child Health Research. He is also the Chair of the Government Employees Superannuation Board and has previously held the position of Chair for the Western Australian Treasury Corporation and Director of the Gold Corporation. In addition, Mr Langoulant consults to Curtin University, and the Westpac Group in Western Australia. Mr Langoulant joined the Power and Water Corporation Board in June 2017.
Mr Alan Tregilgas (former Chairman) BEc(Hons 1st Class), Mec	Mr Tregilgas is a public finance specialist. He has been a senior officer with the Commonwealth, South Australian and Northern Territory Treasury Departments, a senior associate with Access Economics (now Deloitte Access Economics), and spent time seconded to the International Monetary Fund in Washington DC. Mr Tregilgas also has extensive experience analysing the finances of a wide range of government-owned business enterprises from shareholder, creditor and regulatory perspectives accumulated during his Treasury Department tenures, as Director (Public Sector) with Standard & Poor's Ratings Group for four years in the 1990s and while undertaking the part-time role of Utilities Commissioner in the Northern Territory from 1999 to 2009. During 2012 and 2013, Mr Tregilgas was the NT Under Treasurer, and during 2013 and 2014 he was head of the NT's 'New Corporations Unit' involved with the structural separation of the Power and Water Corporation. Mr Tregilgas joined the Power and Water Corporation Board in April 2015 and resigned in November 2016.
Mr Ken Clarke (Deputy Chairman) BCom(Hons), Grad Dip (Mgt)	Mr Clarke has had an extensive career in public administration, with particular experience in public finance and governance. A former Under Treasurer in the Northern Territory Government, he also has experience working in Canberra as well as in the United Kingdom and Papua New Guinea. He has had various Board appointments, including Energex Limited, the NT Power and Water Authority, In Motion Technologies Pty Ltd, Northern Territory University and the Northern Territory Mango Industry Association. He works as a consultant and has Board and executive roles in a company developing software and content for the education industry in Australia and overseas. Mr Clarke joined the Power and Water Corporation Board in December 2013.
Mr Richard Griffiths	Mr Griffiths arrived in Darwin in 1959 with RAAF working in Darwin and Tindal. From 1965 to 1967, he worked as a disposals officer for the Department of Transport and Works, after which he worked as a life insurance agent for MLC until 1974. In 1975, Mr Griffiths opened the Bradlaw Agencies which manages national franchises such as Sony, Westinghouse, Simpson, Chef, Dishlex, AEG & Kelvinator. His primary customers are The Good Guys, Harvey Norman, Oasis and Murray Oakley. Mr Griffiths is the CEO of the company and runs the business along with his four children. He is a patron of the Chung Wah Society and a life member of the Waratah Football Club. Mr Griffiths was also a past president of the Carbine Club. Mr Griffiths joined the Power and Water Corporation Board in January 2014.
Emeritus Prof MaryAnn Bin-Sallik EdD (Harvard), Assoc. Dip. SW (SAIT) RSN, JP	Emeritus Prof Bin-Sallik was the Dean of Indigenous Research at Charles Darwin University until she retired in 2008. She was also the Dean of the College of Indigenous Education and research at University of South Australia prior to returning to Darwin in 2001. She has both her masters degree and doctorate in education from Harvard University. She graduated from general nursing at the Darwin Hospital and spent 17 years in the nursing profession in the Northern Territory before moving into higher education. She has served on a number of national committees and councils. An active researcher, her book Aboriginal Women by Degrees, was published by UQP in 2000 and records the journeys of 13 Indigenous women on their road to achievement. Prof Bin-Sallik joined the Power and Water Corporation Board in April 2014.
Mr Mervyn Davies BEng (Elec - Power & Control)(Hons 1st class), MEngSc, BCom(Econ)	Mr Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has previously held senior management positions at Energy Australia (now Ausgrid), Australia's largest electricity distribution company. Since leaving Energy Australia, Mr Davies has established and operated an engineering consultancy practice, specialising in the engineering and economics of the electricity distribution industry. He previously held directorships in electricity distribution businesses in Western Australia, Queensland and Tasmania. He holds honours and masters degrees in engineering and a Bachelor of Commerce (Economics). Mr Davies left the Power and Water Corporation Board in March 2013 and rejoined in April 2014.
Ms Helen Stanton BE GAICD	Ms Stanton brings strategy, risk and governance expertise to the Corporation's board. Her career spans operational, leadership and commissioning roles in the mining industry and more recently as a consultant supporting organisations to formulate strategies for bottom line, sustainable improvements. Ms Stanton is a Non Executive Director of Energy Queensland, Mater Health Services North Queensland and Northern Australia Primary Health Limited. Ms Stanton joined the Power and Water Corporation Board in April 2014 and chairs the Audit and Risk Committee.

Power and Water Corporation

Directors' report
for the year ended 30 June 2017

Directors (Cont'd)

Name	Experience and Special Responsibilities
Mr Ian Kowalick BSc (Hons), B.Ec, AM	Mr Kowalick brings to this directorship consulting experience across all levels of government and within the resources sector. He chaired a working group that examined options for the future of Adelaide's water supply and was an Independent Commissioner of the Murray Darling Basin Commission from February 2007 to December 2009. Mr Kowalick has also been on the boards of several Commonwealth and State Statutory Corporations and for 12 years was a member of the University of Adelaide Council, including three years as chair of the Finance Committee. Mr Kowalick was also one of three founding directors of Arafura Resources Ltd., a Western Australian listed Public Company. Mr Kowalick joined the Power and Water Corporation Board in July 2015.

Company Secretary

Mr Antoni Murphy	Appointed 25 July 2014 resigned 21 July 2017
Ms Lucia Ku	Appointed 21 July 2017

Principal activities

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

There were no significant changes in the nature of the activities conducted by the Corporation or its subsidiary during the financial year.

Review of Operations

		Consolidated	
	June 2017 millions	Restated[1] June 2016 millions	Restated[1] June 2015 millions
Total revenue	**712.6**	**732.2**	**742.4**
Expenditure	(488.4)	(531.6)	(537.2)
Impairment charge	(54.9)	(60.0)	(135.4)
Total expenditure	**(543.3)**	**(591.6)**	**(672.6)**
EBITDA	**169.3**	**140.6**	**69.8**
Depreciation and amortisation	(166.4)	(184.7)	(219.5)
EBIT	**2.9**	**(44.1)**	**(149.7)**
Interest expense	(45.9)	(45.1)	(48.0)
Net loss before income tax	**(43.0)**	**(89.1)**	**(197.7)**
Income tax expense	(0.7)	11.4	38.8
Net loss after income tax	**(43.7)**	**(77.7)**	**(158.9)**
EBITDA before impairment and onerous contract provision adjustments			
EBITDA	169.3	140.6	69.8
Impairment and onerous provision adjustments added back	54.9	60.0	135.4
Underlying EBITDA[2]	**224.2**	**200.7**	**205.2**
Depreciation and amortisation	(166.4)	(184.7)	(219.5)
Underlying EBIT[2]	**57.8**	**16.0**	**(14.3)**
Interest expense	(45.9)	(45.1)	(48.0)
Underlying Net profit/(loss) before income tax[2]	**11.9**	**(29.1)**	**(62.3)**
Total assets	3,110.0	2,811.7	2,874.7
Total liabilities	(1,735.7)	(1,558.8)	(1,554.9)
Total equity	**1,374.3**	**1,252.9**	**1,319.8**

[1] The comparative figures have been restated in respect of fixed assets. See Note 31 for further details

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

Power and Water Corporation

Directors' report
for the year ended 30 June 2017

Review of operations (Cont'd)

The consolidated entity recorded a net loss after tax for 2016-17 of $43.7 million, an improvement of $34.0 million compared to a restated net loss after tax of $77.7 million for 2015-16. The consolidated loss for 2016-17 is driven by the loss in IES of $47.2 million (2016 restated: $55.2 million). Underlying EBITDA (before the impact of impairment costs and onerous contract provision), increased from $200.7 million to $224.2 million. The significant movements in the profit and loss for 2016-17 are:

(i) A reduction in revenue from the sale of goods of $8.8 million, mainly as a result of a reduction in water services revenue of $8.5 million.

(ii) A reduction in revenue from the rendering of services and government grants of $8.6 million. Revenue from government grants decreased by $14.6 million which was partially offset by an increase in revenue from services rendered of $6 million.

(iii) A decrease in depreciation and amortisation of $18.3 million in the current year compared to the prior year due to a reduction in intangible assets amortisation of $12.2 million and a $6.1 million reduction in depreciation primarily driven by a reduction in infrastructure asset values at 30 June 2016 compared to 30 June 2015.

(iv) A decrease in other expenses of $28.7 million compared to 2015-16 primarily due to a reduction in the net loss of disposal of property, plant and equipment of $18.9 million, $3.4 million reduction in information technology and communication expense and $2.2 million reduction in motor vehicle expenses.

(v) A decrease in impairment of non-current assets and onerous contract provision expenses of $5.2 million in the current year compared to 2015-16.

Impairment expenses primarily consist of the impairment of banked gas of $16.0 million and a write down in the Power Networks infrastructure assets of $27.8 million offset by a reversal of a prior year write down in Water Services infrastructure assets of $31.0 million. Impairment is a non-cash accounting entry resulting from the application of Australian Accounting Standards AASB 136 'Impairment of Assets'.

Recognition of a $42.1 million onerous contract provision in relation to the Corporation's long term contracts to procure gas and the associated transport charges. Additional details in relation to this onerous contract are included under Gas Contracts below.

The following paragraphs discuss the full year result in more detail:

Revenue

The consolidated total revenue has decreased from $732.2 million to $712.6 million, a decrease of $19.6 million. The primary reason for the decrease is due to revenue from sale of goods which decreased by $8.8 million, mainly as a result of a decrease in water services revenue of $8.5 million due to the near record wet season which saw demand start to drop off earlier than usual and due to the revitalised Living Water Smart program. In addition, revenue from grants also decreased by $14.6 million compared to the restated balance which was offset by an increase in services rendered of $6.0 million.

Expenses

Overall consolidated expenditure including depreciation and amortisation expenses and finance costs, decreased from $821.3 million to $755.5 million, an decrease of $65.8 million. Other than impairment expenses, depreciation and other expenses the major movements are explained as follows:

(i) Energy and material costs decreased by $6.5 million, mainly as a result of decreased diesel prices and decreased diesel consumption.

(ii) Repairs and maintenance expenditure decreased by $6.8 million due to savings in repairs and maintenance costs.

(iii) Employee expenses decreased by $3.5 million primarily as a result of a reduction in the number of employees compared to the prior year.

Capital expenditure

Capital expenditure for the consolidated entity totalled $156.6 million for the year to 30 June 2017. Major project spending in 2016-17 included:

Location	Description	$ Million
Darwin	Replace Casuarina ZSS 66kV Outdoor Switchyard	6.7
	All Regions Customer Water Meter Replacement	2.6
	Mobile Radio Systems - 400MHz Band Relocation	2.5
	Replace Strangways ZSS (Formerly McMinns ZSS)	2.0
	Darwin rebuild The CIPS-Hudson Creek 132kV Transmission Line Including Elizabeth	1.7
Owen Springs	Owen Springs Power Station Lateral Extension	2.8
Palmerston	Archer ZSS - Palmerston 66kV Line	3.7
	Palmerston ZSS Third Transformer	1.9

Power and Water Corporation

Directors' report
for the year ended 30 June 2017

Review of operations (Cont'd)

The consolidated entity's cash balance at the end of June 2017 was $144.7 million. This is an increase of $60.9 million when compared to $83.8 million as at 30 June 2016. This balance includes $49.7 million held by the Corporation's wholly owned subsidiary, IES. The increase in cash held by the consolidated entity is a result of $182.9 million in cash flow generated from operating activities and $34.0 million from financing activities offset by $155.9 million in cash flows used in investing activities.

As at 30 June 2017, IES owed the Corporation $25.1 million (2016: $14.3 million) which is made up of an inter-entity receivable for recovery of net costs of $11.8 million in relation to services provided, a $7.5 million loan provided to IES on 30 March 2017 and a $3.5 million loan provided to IES on 30 June 2017 both in respect of the ARENA IES solar SETup project. This loan references IES's current contribution to the obligation to ultimately fund 50% of the forecast $55 million solar SETup project. A further $0.97 million was advanced on 30 June 2017 (see Notes 7 and 11).

Property, plant and equipment

Following the structural separation of Power and Water Corporation into three separate government owned corporations on 1 July 2014, the consolidated entity has progressively undertaken a Fixed Asset Rectification project to improve asset data, recording and reporting and to ensure consistency and robustness in the inputs and assumptions used in the valuation model. The culmination of this significant project, completed in the current financial year, has resulted in the rebuilding of the consolidated entity's statutory and taxation fixed asset registers and an improvement in ongoing asset management processes.

In recent years, for statutory accounting purposes the fair values of property, plant and equipment could only be reliably undertaken on an aggregated basis. The completion this year of the asset registers has allowed fair values to be determined on an asset by asset basis. The impact of the Fixed Asset Rectification project and the consequence of the ability for fair values to be determined on an asset by asset basis, is a reduction in the values of the consolidated entity's property, plant and equipment for the last two financial years of $537.8 million of which $446.8 million relates to 2014-15 and $91.0 million relates to 2015-16. Refer to Note 31 for further details.

A review of the useful life of infrastructure assets located on leased Indigenous land was also performed to ensure that current practices comply with the requirements of AASB 117 Leases. AASB 117 requires the useful life of assets located on leased Indigenous land to be allocated based on the term of the lease applicable to the asset or the actual useful life of the asset, whichever is the shorter. This has resulted in the useful life of a number of assets being adjusted downwards with an additional annual depreciation charge of $12.9 million impacting the statement of profit or loss for both years ended 30 June 2015 and 2016.

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

The Directors are confident that the values of fixed assets included in the financial statements are now materially correct and represent a true and fair view in accordance with the requirements of the Australian Accounting Standards. The Directors' note to the readers of the financial statements that the income approach differs to a depreciated replacement cost basis of valuation which is based on the cost of replacing the assets of these businesses in their depreciated state.

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

Restatement of prior year balances and profit and loss account

As noted above, the consolidated entity has completed a significant Fixed Asset Rectification project for both the Corporation and its subsidiary, Indigenous Essential Services Pty Ltd. A number of errors were found within the previous asset registers resulting in property, plant and equipment reported in the financial statements for the years ended 30 June 2016 and 2015 being materially misstated.

Property, plant and equipment and associated depreciation and tax items

The rebuild of the asset registers was applied to the books as at the last valuation being the 1 July 2014 and to each subsequent year through to 30 June 2016. The rebuild of the asset registers for both the Corporation and its subsidiary have resulted in a restructure of the existing asset registers, and the assignment of more suitable asset categories, and low value pools where fitting, to assist with the more efficient and accurate recording of current and future fixed assets of both the Corporation and its subsidiary. In addition to the rebuilding of the asset registers, the Corporation also adjusted the income approach fair value methodology for infrastructure assets to ensure a robust valuation approach was consistently applied from 1 July 2014.

The rebuild of the 2015 and 2016 fixed asset registers for both entities was applied to all classes of property, plant and equipment except for intangible assets and capital work in progress.

Power and Water Corporation

Directors' report
for the year ended 30 June 2017

Restatement of prior year balances and profit and loss account (Cont'd)

The financial effect of the above as at 30 June 2016 was a reduction in the value of the Corporation's property, plant and equipment of $424.1 million ($397.4 milliion relating to 2014-15 and $26.7 million relating to 2015-16) and $113.7 million of the value of Indigenous Essential Services Pty Limited's property, plant and equipment. These are reflected as a combined movement of $537.8 million ($446.8 million relating to 2014-15 and $91.0 million relating to 2015-16) in the restated consolidated financial statements for the years ended 30 June 2015 and 30 June 2016 (compared to the previously published financial statements).

Prior to the restatement exercise depreciation and amortisation charged for both years ended 30 June 2015 and 30 June 2016 had been calculated on a estimated basis outside the fixed asset register. As a consequence of the ability to calculate depreciation on an asset by asset basis through the fixed asset register, the correction of asset values in both years and the review of the useful life of infrastructure assets located on leased Indigenous land, depreciation charges increased by $9.6 million in the year ended 30 June 2016 and $58.7 million in the year ended 30 June 2015 compared with the previous estimates for these years.

The impact on the profit or loss for the year ended 30 June 2016 has been an increase in the restated net loss after tax of $39.5 million from $38.2 million in the previously published financial statements to $77.7 million which is primarily reflected in an increase in depreciation and amortisation expenses ($9.6 million), impairment of non-current assets ($21.4 million), net loss on disposal of property, plant and equipment ($29.0 million) shown in other expenses offset by increases in the consolidated capital grant revenue release ($8.8 million discussed below), gifted assets revenue ($1.4 million) and income tax benefit ($13.1 million) which was previously an income tax expense of $1.7 million.

The impact on the restated profit or loss for the year ended 30 June 2015 has been an increase in the net loss after tax of $128.9 million from $30.1 million to $159.0 million which is primarily reflected in an increase in depreciation and amortisation expenses ($58.7 million), impairment of non-current assets ($124.9 million) and offset by a decrease in net loss on disposal of property, plant and equipment ($16.2 million) which is shown in other expenses and increases in the consolidated capital grant revenue release ($23.0 million discussed below) and income tax benefit of $49.1 million which was previously an income tax expense of $10.4 million.

Refer to Note 31 for further details on the restatement of the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity.

Treatment of capital grants on consolidation

The Corporation applies Accounting Standard AASB 120 for the recognition and measurement of government grants whilst IES, as a not-for-profit entity applies AASB 1004. On consolidation, the accounting treatment applied to IES government grants is adjusted so that it aligns with the Corporation as detailed in Note 2 (c) and 2 (e). For the years ended 30 June 2015 and 2016, the consolidation adjustment for capital grant revenue release was based on an estimated historical cost depreciation charge using a weighted average percentage of the asset net book values as at 30 June 2014 and their useful lives. The fixed asset rectification project included rebuilding the historical cost register to enable consolidation entries to be completed based on historical depreciation. Therefore accurate historical cost depreciation data for the years ended 2015 and 2016 and future financials are now available.

The estimated historical cost depreciation to complete the consolidation journals for the years ended 30 June 2015 and 2016 in the previously published financial statements was understated, as it did not take into account the catchup depreciation for additions that were capitalised in those years but where the underlying assets were placed in service in prior years. In addition, the net book value of assets disposed of were also not taken into account as this data was not available at the time. The financial effect of the adjustments for the years ended 30 June 2015 and 2016 is an increase in consolidated revenue and a reduction in the restated net loss of $23.0 million and $8.8 million respectively. Refer to Note 31 for further details.

Impairment

Banked Gas: the current gas contracts relating to the sale and purchase of gas result in the Corporation having to pay for gas that will only be sold in future financial years. These payments are classified as intangible assets and disclosed under Banked Gas in Note 13(a) and 13(b). The net present value of the cash flows of the Gas Supply Unit under AASB 136 'Impairment of Assets' framework does not however support the continued recognition of this asset. Therefore the Corporation has written down the value to $5.6 million as at 30 June 2017 in accordance with the requirements of Australian Accounting standards incurring a charge to the income statement of $16.0 million in that year ended.

There have been no triggering events during the 2016-17 financial year which then would require further analysis for an impairment write-down of fixed assets.

Gas contracts

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

Power and Water Corporation

Directors' report
for the year ended 30 June 2017

Gas contracts (Cont'd)

The Directors consider these risks as part of their ongoing monitoring of the gas sales strategy and having considered both the risks and opportunities that they consider as more probable than not and which can therefore be quantified and assessed for materiality as required under AASB 137 "provisions, contingent liabilities and contingent assets", have concluded that at this point in time that there exists an onerous contract which has been quantified at $42.1 million at 30 June 2017 and recognised as an impairment expense in the statement of profit or loss and other comprehensive income. This results from the estimated cash inflows from future gas sales, being lower than the unavoidable costs of gas purchase and associated transportation agreements.

The sources of estimation uncertainty in the onerous contract provision that have a significant risk of resulting in a material adjustment to this provision include the underlying assumption that all gas purchased is on sold, the forward Henry Hub gas price outlook, the outcome of current contract negotiations, the east coast gas market outlook, renewables penetration and potential reservation policies. The Directors will continue to monitor the gas sales strategy and associated financial outlook having regard to sources of estimation uncertainty discussed above and note that the quantum of the provision is sensitive to both price and volume assumptions with the key underlying assumption adopted by the directors that gas purchase volumes will be covered by sales in the market. As a sensitivity a change of 10% in the average assumed sales price, or sales volume, would result in an overall NPV change of +/- $350 million.

Whilst the onerous contract provision of $42.1 million is material from an income statement perspective, it is not significant in the context of the remaining fixed cost of committed gas and transportation purchase contracts which amount to approximately $4.0 billion in todays dollars, with the provision representing approximately only 1.0% of future commitments.

Dividends

It was resolved by the Board to not declare a dividend for 2016-17. No other dividend was declared or paid in 2015-16.

Going concern

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

The Corporation has carried out an assessment of the going concern assumption. This includes assessing:

(i) Forward cash flow projections

(ii) Funding sources

(iii) Compliance with debt covenants

(iv) The continuity of key customers and suppliers

(v) The impact current economic conditions

(vi) Forward forecasts and budgets.

For the year ended 30 June 2017, the Corporation made a net profit after tax of $1.7 million compared to restated net losses after tax of $29.6 million and $90.9 million for 2015-16 and 2014-15 respectively. The restated net losses for the previous two financial years are primarily due to impairment expenses of $60.0 million and $135.4 million for the 2015-16 and 2014-15 respectively . The Corporation is forecast to continue to make profits over the next 4 years as reported in the Statement of Corporate Intent 2017-18 (SCI).

Although the Corporation's current liabilities for the current year exceed its current assets by $182.9 million, this was due to the debt maturity profile of the Corporation. All debt maturing in 2017-18 and in subsequent years of the SCI period is anticipated to the extent required, to be replaced by new long term debt.

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

Future developments

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

Environmental regulation

The consolidated entity's operations are subject to significant statutory responsibilities under both the Commonwealth and Northern Territory legislations. No known regulatory breaches have occurred in the Corporation or the subsidiary. The consolidated entity continues to pursue compliance with its statutory obligations and improve processes to meet its responsibilities in this area.

Power and Water Corporation

Directors' report
for the year ended 30 June 2017

Subsequent events

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

Indemnification and insurance of directors and officers

Indemnification

The Northern Territory Government has indemnified the Directors of the Corporation from and against all liabilities incurred or arising out of conduct as a Director of the Corporation, acting in good faith in compliance with any direction or request made by the shareholding Minister or the portfolio Minister to the Corporation or the Board of the Corporation pursuant to the *Government Owned Corporations Act 2014.*

Insurance premiums

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

(i) Group Personal Accident Insurance

(ii) Professional Indemnity Insurance

(iii) Directors' and Officers' Liability.

Rounding off

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

Dated at Darwin this 29th day of September 2017

John Langoulant
Chair

Auditor-General

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

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Opinion

I have audited the financial report of Power and Water Corporation (the Corporation) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- giving a true and fair view of the Corporation's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Annual Report and the Directors' Report included in the Corporation's financial report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

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

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

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

Auditor-General

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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Auditor-General

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Consolidated Entity's audit. I remain solely responsible for my audit opinion.

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

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

29 September 2017

Power and Water Corporation

Directors' Declaration
for the year ended 30 June 2017

The Directors declare that:

(a) in the Director's opinion, the attached financial statements and notes of the Corporation and the consolidated entity are in accordance with the *Government Owned Corporations Act 2014*, including:

(i) compliance with Accounting Standards in Australia and giving a true and fair view of the financial position and performance of the Corporation and the consolidated entity; and

(b) in the Director's opinion, there are reasonable grounds to believe that the Corporation and the consolidated entity will be able to pay its debts as and when they become due and payable; and

(c) in the Director's opinion, the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2(a) to the financial statements.

Dated at Darwin this 29th day of September 2017

John Langoulant
Chair

Power and Water Corporation

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

		Consolidated		Corporation	
	Note	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
Continuing Operations					
Revenue from sale of goods	3 (a)	489,860	498,664	453,394	459,261
Revenue from rendering of services and government grants	3 (b)	150,597	159,197	76,082	70,112
Finance revenue	3 (c)	1,383	805	1,140	647
Other income	3 (d)	70,725	73,529	64,884	71,139
Inter-Group sales		-	-	11,870	19,292
		712,565	**732,195**	**607,370**	**620,451**
Energy and materials		(212,183)	(218,677)	(186,077)	(189,890)
Repairs and maintenance expense	3 (h)	(72,192)	(79,001)	(55,856)	(62,364)
Employee benefits expense	3 (g)	(94,537)	(98,085)	(82,039)	(83,699)
External service agreements		(39,116)	(36,764)	(25,196)	(23,256)
Impairment of non-current assets and onerous contract provisions	3 (j)	(54,867)	(60,040)	(54,867)	(60,040)
Other expenses	3 (i)	(70,362)	(99,013)	(51,220)	(80,337)
		(543,257)	**(591,580)**	**(455,255)**	**(499,586)**
Earnings before interest, tax, depreciation and amortisation		**169,308**	**140,615**	**152,115**	**120,865**
Depreciation and amortisation expenses	3 (f)	(166,357)	(184,675)	(103,966)	(116,999)
Finance costs	3 (e)	(45,898)	(45,070)	(45,698)	(44,897)
(Loss)/profit before tax		**(42,947)**	**(89,130)**	**2,451**	**(41,031)**
Income tax equivalent benefit/(expense)	4 (a)	(737)	11,412	(737)	11,412
(Loss)/profit for the year		**(43,684)**	**(77,718)**	**1,714**	**(29,619)**
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation surplus/(deficit)	22	165,118	(29,525)	165,118	(29,526)
Other comprehensive income/(expense) for the year, net of tax		**165,118**	**(29,525)**	**165,118**	**(29,526)**
Total comprehensive income/(expense) for the year		**121,434**	**(107,243)**	**166,832**	**(59,145)**

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

Power and Water Corporation

Consolidated statement of financial position for the year ended 30 June 2017

		Consolidated			Corporation		
	Note	June 2017 $'000	Restated June 2016 $'000	Restated June 2015 $'000	June 2017 $'000	Restated June 2016 $'000	Restated June 2015 $'000
Current assets							
Cash and cash equivalents	6	144,741	83,817	25,113	95,090	56,984	11,483
Trade and other receivables	7	77,605	91,968	125,908	87,851	100,563	137,545
Prepayments		2,198	2,382	1,971	1,955	2,019	1,595
Intangible assets	13 (a), (b)	1,456	1,253	2,166	1,456	1,253	2,166
Inventories	8	24,471	25,759	25,088	19,445	20,903	18,779
Loans to subsidiaries	11	-	-	-	967	-	-
Total current assets		**250,471**	**205,179**	**180,246**	**206,764**	**181,722**	**171,568**
Non-current assets							
Loans to subsidiaries	11	-	-	-	11,000	-	-
Investments	9	3	3	3	3	3	3
Property, plant and equipment	12	2,802,160	2,565,590	2,631,399	2,113,657	1,840,712	1,860,113
Intangible assets	13 (a), (b)	9,887	12,484	44,062	9,886	12,482	44,052
Deferred tax assets	4 (b)	47,516	28,412	19,033	47,516	28,412	19,033
Total non-current assets		**2,859,566**	**2,606,489**	**2,694,497**	**2,182,062**	**1,881,609**	**1,923,201**
Total assets		**3,110,037**	**2,811,668**	**2,874,743**	**2,388,826**	**2,063,331**	**2,094,769**
Current liabilities							
Trade and other payables	14	59,086	55,944	130,982	49,285	45,340	116,189
Borrowings	16	208,805	15,000	82,541	208,805	15,000	82,541
Current tax liabilities	4 (c)	26,959	19,752	13,589	26,959	19,752	13,589
Provisions	18	79,016	35,799	34,106	79,016	35,799	34,106
Unearned revenue	15	25,544	17,116	18,350	25,544	17,135	18,072
Government grants	19	78,927	65,849	54,777	-	-	-
Finance lease liabilities	17	942	782	383	12	13	13
Total current liabilities		**479,279**	**210,242**	**334,728**	**389,621**	**133,039**	**264,510**
Non-current liabilities							
Borrowings	16	939,000	1,097,805	951,805	939,000	1,097,805	951,805
Deferred tax liabilities	4 (b)	73,502	9,042	38,634	73,502	9,042	38,634
Provisions	18	7,346	6,234	5,427	7,346	6,234	5,427
Government grants	19	228,795	224,023	214,742	-	-	-
Other		-	4,673	3,058	-	4,673	3,058
Finance lease liabilities	17	7,765	6,733	6,549	198	211	223
Total non-current liabilities		**1,256,408**	**1,348,510**	**1,220,215**	**1,020,046**	**1,117,965**	**999,147**
Total liabilities		**1,735,687**	**1,558,752**	**1,554,943**	**1,409,667**	**1,251,004**	**1,263,657**
Net assets		**1,374,350**	**1,252,916**	**1,319,800**	**979,159**	**812,327**	**831,112**
Equity							
Contributed equity	20	34,336	34,336	(6,024)	34,336	34,336	(6,024)
Retained earnings	21	515,398	544,575	609,228	604,835	603,120	625,798
Asset Revaluation Reserve	22	824,616	674,005	716,596	339,988	174,871	211,338
Total equity		**1,374,350**	**1,252,916**	**1,319,800**	**979,159**	**812,327**	**831,112**

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

Power and Water Corporation

Consolidated statement of changes in equity
for the year ended 30 June 2017

	Note	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000
Contributed equity					
Balance at beginning of year		34,336	(6,024)	34,336	(6,024)
Equity contributions from the Northern Territory Government		-	40,000	-	40,000
Transfer of assets and liabilities to new entities		-	360	-	360
Balance at end of year	20	**34,336**	**34,336**	**34,336**	**34,336**
Retained earnings					
Balance at beginning of year		544,575	609,227	603,120	625,798
Net profit/(loss) for the year		(43,684)	(77,718)	1,714	(29,619)
Retirements transferred from Asset Revaluation Reserve		14,507	13,066	1	6,941
Balance at end of year	21	**515,398**	**544,575**	**604,835**	**603,120**
Asset revaluation reserve					
Balance at beginning of year		674,005	716,596	174,871	211,338
Increase/(decrease) in asset valuation		235,883	(42,180)	235,883	(42,180)
Less deferred tax effect recognised in deferred tax liabilities		(70,765)	12,655	(70,765)	12,654
Retirements transferred to retained earnings		(14,507)	(13,066)	(1)	(6,941)
Balance at end of year	22	**824,616**	**674,005**	**339,988**	**174,871**
Total equity		**1,374,350**	**1,252,916**	**979,159**	**812,327**
Total equity attributable to owners of the parent		**1,374,350**	**1,252,916**	**979,159**	**812,327**

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

Power and Water Corporation

Consolidated statement of cash flows
for the year ended 30 June 2017

	Note	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000
Cash flows from operating activities					
Receipts from customers		665,739	691,304	620,536	648,694
Payments to suppliers and employees		(538,905)	(608,014)	(454,192)	(502,675)
Income tax paid	4 (c)	(18,940)	(8,382)	(18,940)	(8,382)
Community Service Obligations received		30,608	12,957	30,608	12,957
Receipt of Government grants		89,022	104,929	-	-
Interest received		1,311	830	1,079	683
Interest paid		(45,960)	(45,396)	(45,762)	(45,223)
Net cash generated by operating activities	6 (b)	**182,875**	**148,228**	**133,329**	**106,054**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		670	-	405	-
Payments for property, plant and equipment		(156,587)	(207,512)	(118,648)	(178,999)
Loans to controlled entity		-	-	(11,967)	-
Net cash used in investing activities		**(155,917)**	**(207,512)**	**(130,210)**	**(178,999)**
Cash flows from financing activities					
Proceeds from equity injection	20	-	40,000	-	40,000
Repayment of borrowings		(16,034)	(83,012)	(15,013)	(82,554)
Proceeds from borrowings		50,000	161,000	50,000	161,000
Dividends paid	5	-	-	-	-
Net cash provided by/(used in) financing activities		**33,966**	**117,988**	**34,987**	**118,446**
Net increase/(decrease) in cash and cash equivalents		**60,924**	**58,704**	**38,106**	**45,501**
Cash and cash equivalents at beginning of year		83,817	25,113	56,984	11,483
Cash and cash equivalents at end of year	6 (a)	**144,741**	**83,817**	**95,090**	**56,984**

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

1 Corporate information

Power and Water Corporation (the Corporation) is a government owned corporation domiciled in Australia. The consolidated financial report of the Corporation for the year ended 30 June 2017 comprises the Corporation and its controlled entity, Indigenous Essential Services Pty Limited.

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

These financial statements are general purpose financial statements, which have been prepared in accordance with Accounting Standards and Interpretations and the *Government Owned Corporations Act 2014*, and comply with other requirements of the law. The *Government Owned Corporations Act 2014* requires the financial statements of the Corporation and the consolidated entity to comply with the requirements of the *Corporations Act 2001*.

The financial statements comprise the financial statements of the Corporation and the consolidated financial statements of the consolidated entity. For the purposes of preparing the consolidated financial statements, the Corporation is a for-profit entity therefore any accounting policy difference arising from Indigenous Essential Services Pty Limited (a non-profit entity) is adjusted on consolidation.

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

The financial report was authorised for issue by the Directors on 29 September 2017.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost except for certain property, plant and equipment and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted at market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its controlled entity as at 30 June each year (the consolidated entity). A list of controlled entities appears in Note 10 to the financial statements. Control is achieved when the Corporation:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(c) Basis of consolidation (Cont'd)

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

(i) the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) potential voting rights held by the Corporation, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a controlled entity begins when the Corporation obtains control over the controlled entity and ceases when the Corporation loses control of the controlled entity. Specifically, income and expenses of a controlled entity acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Corporation gains control until the date when the Corporation ceases to control the controlled entity.

When necessary, adjustments are made to the financial statements of a controlled entity to bring their accounting policies into line with the consolidated entity's accounting policies.

The financial statements of the controlled entity, Indigenous Essential Services Pty Limited, are prepared for the same reporting period as the Corporation, using consistent accounting policies with the exception of the treatment of government grant revenue received by 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 Note 2 (d) Revenue recognition, shown below.

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

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. 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. For further information on unbilled consumption, refer to Note 2 (v) below.

Rendering of services

The revenue from the rendering of services pertaining to waste services is recognised when the service is provided, having regard for the costs incurred in providing those services.

Community service obligation

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.

Investment revenue

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

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.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(d) Revenue recognition (Cont'd)

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:

(i) 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; and

(ii) 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.

(e) Government grants

Government 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, where the primary condition is that the consolidated entity should purchase, construct or otherwise acquire non-current assets, are either presented by deducting the grant in arriving at the carrying amount of the asset resulting in reduced future depreciation charge, or the grant is recognised in the profit or loss over the life of a depreciable asset as a reduced depreciation expense. 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 they become

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

(f) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amounts can be measured reliably and their receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as unearned revenue. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

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

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time (greater than 24 months) 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 borrowing costs are recognised as an expense in the period in which they are incurred.

(i) Income tax equivalents

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

Income tax equivalent payments are made pursuant to section 33(3) of the *Government Owned Corporations Act 2014* 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*.

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

Current tax

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

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

Deferred tax

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

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

(i) 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

(ii) 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:

(i) 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

(ii) 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.

(i) Income tax equivalents (Cont'd)

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

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

(k) Financial instruments

Financial assets and liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Receivables that have fixed or determinate payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

Receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the consolidated entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past 90 days, as well as the observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows.

The carrying amount of the receivables are reduced by the impairment loss through the use of an allowance account. When receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that 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.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(k) Financial instruments (Cont'd)

Derecognition of financial assets

The consolidated entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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

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

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

Derecognition of financial liabilities

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(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 amounts expected to be realised from the use of the inventory.

(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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are initially recognised as assets of the consolidated entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. 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 unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's policy on borrowing costs.

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.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(m) Leased assets (Cont'd)

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 and equipment

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

Freehold land, buildings, plant and infrastructure are originally stated at cost less accumulated depreciation (apart from freehold land as this is not depreciated) and any accumulated impairment losses. Such cost includes, for qualifying assets, borrowing costs capitalised in accordance with the consolidated entity's accounting policy. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the consolidated entity. Ongoing repairs and maintenance is expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(n) Property, plant and equipment (Cont'd)

Freehold land is not depreciated.

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

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

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

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

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

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

(o) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no further future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is recognised.

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

	June 2017	June 2016
Purchased Software	1-21 years	1-21 years
Renewable Energy Certificates	indefinite	indefinite

Purchased software

All purchased software items have limited useful lives and are amortised using the straight-line method over their estimated useful lives. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Banked gas

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(o) Intangible assets (Cont'd)

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. Rights held are of the nature of intangible assets and are disclosed in the statement of financial position as current assets. The assets and liabilities held under the scheme are acquitted throughout the year. Assets remaining after the acquittal process are expected to be realised within twelve months after the date of acquittal.

(p) Employee benefits

Short-term employee benefits

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

Wages and Salaries

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

Annual Leave

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

Long-term employee benefits

Long service leave

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

Superannuation plans

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

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

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

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

Termination benefits

Termination benefits are recognised as an expense when the Corporation is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(q) Provisions

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

The amount recognised as a provision is the best estimate of the considerations required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding 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.

(r) Dividends

A provision for dividends payable is recognised in the reporting period that it is declared. The Northern Territory Government's dividend policy requires the Corporation to provide for a dividend payable, generally at a rate of 50% of net profit after income tax less the effect of any recoverable amounts test impairment write-downs/write-backs. See Note 5 for further information.

(s) Impairment of tangible and intangible assets

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

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

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

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

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

(t) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. In addition to this, the comparative figures have been restated in respect of property, plant and equipment. Refer to Note 31 for further details.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(u) Application of new and revised Accounting Standards

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

The consolidated entity 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 an accounting period that begins on or after 1 July 2016.

New and revised Standards and amendments thereof and Interpretations effective for the year ended 30 June 2017 that are relevant to the consolidated entity include:

Standard or Interpretation	Nature of Change to Accounting Policy
AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs	This Standard effectively moved Australian Accounting specific application paragraphs from each Standard into a combined Standard. The Standard has no impact on the application of individual standards. The application of these amendments has had no impact on the consolidated entity's financial statements.
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 11 Joint Arrangements has been amended to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business. The consolidated entity did not have any interests in joint operations as at or at anytime during the 2016-17 financial year. Therefore the application of these amendments to AASB 1 and AASB 11 is unlikely to have any effect on the consolidated entity's financial statements for the 2016-17 financial year.
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets has been amended to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. As the consolidated entity already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, the application of these amendments has had no impact on the consolidated entity's financial statements.
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted. The application of these amendments will not have a material effect on the financial performance or financial position of the consolidated entity's financial statements.
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The consolidated entity does not include in the financial statements information that is immaterial that inhibits the usefulness of financial disclosures. Therefore the application of these amendments to the financial statements, has not resulted in any impact on the financial performance or financial position of the consolidated entity's financial statements.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(u) Application of new and revised Accounting Standards (Cont'd)

Standard or Interpretation	Nature of Change to Accounting Policy
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: - Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: - Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. - Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: - Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: - Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. The consolidated entity does not have any servicing contracts, presently or likely to, as at or during the 2016-17 financial year where there is a 'continuing involvement' in a transferred financial asset. A continuing involvement is where the entity retains any of the contractual rights or obligations inherent in a transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. In relation to AASB 119 Employee Benefits, ithis amendment and AASB 119 are not considered to have a material impact on the consolidated entity's financial statements for the 2016-17 year.

Standards and Interpretations in issue not yet adopted

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

Standard or Interpretation	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers'. AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'. AASB 2015-8 'Amendments to Australian Accounting Standards - Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associates or Joint Venture'	1 January 2018	30 June 2019
AASB 2015-10 'Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses' (AASB 112)	1 January 2017	30 June 2018

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

(u) *Standards and Interpretations in issue not yet adopted (Cont'd)*

Standard or Interpretation	*Effective annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 2016-4 'Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities' (AASB 136)	1 January 2017	30 June 2018
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
AASB 2016-6 'Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts [AASB 4]'	1 January 2018	30 June 2019
AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 June 2019
AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019

(v) 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 management have made in the process of applying the consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Qualifying assets

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

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

Under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', for contracts that are onerous the present obligation under the contract shall be recognised and measured as a provision. The definition of an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs of a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Significant judgement is required when selecting the discount rate that shall be applied in determining the carrying amount of the provision. The consolidated entity has determined that any provision cashflow workings shall be discounted using the long term bond yield rate of 2.75%. Refer to Note 18 for futher details.

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:

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

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

Fair value measurements and valuation processes

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

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

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

Impairment write-back

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

Impairment write-off

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

Unbilled revenue

As per accounting standard AASB 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 consolidated entity 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 2 (d) above.

Useful lives of property, plant and equipment

As described in Note 2 (n) above, the consolidated entity reviews the estimated useful lives of buildings and property, plant and equipment at the end of each reporting period and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

During the current year, an extensive exercise was undertaken to review the useful lives of buildings and property, plant and equipment as part of the asset register rebuild project. The financial effect of any changes, if any, to the useful lives of any of property, plant and equipment have been reflected in the financial statements for the year ending 30 June 2017 and the comparative years ended 30 June 2016 and 2015. This change has not been applied retrospectively as per AASB 108 on the basis that it would not be misleading to the users of the financial statements.

Capitalisation of expenses

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

Borrowing costs

As decsribed in Note 2 (h) above, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. To the extent that the funds are borrowed generally and used for the purpose of obtaining or constructing a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditure on that asset. The average carrying amount of the asset during the period, including borrowing costs previously capitalised, is used as the basis for determining expenditures to which the capitalisation rate is applied in that period. Therefore the consolidated entity has estimated the amount of borrowing costs to be capitalised at the end of each reporting period.

Labour recovery costs

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

Indirect costs supporting capital projects

During the current year, the consolidated entity has performed a detailed review of the nature of the support costs included in each of of its business units to identify costs which may directly or indirectly relate to the acquisition or construction of capital assets. Where such costs were identified the consolidated entity has adopted an accounting treatment and method for capitalisation for these costs for the first time this financial year. The financial effect of this change in estimate is a reduction in the expenses and increase in the profit recognised in the statement of profit or loss.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
3 Revenue and expenses				
(a) Revenue from sale of goods				
Standard control service	180,875	181,247	180,875	181,247
Gas	159,043	155,609	159,043	155,609
Water	115,892	124,435	110,577	118,448
Electricity	34,050	37,373	2,899	3,957
	489,860	**498,664**	**453,394**	**459,261**
(b) Revenue from rendering of services and government grants				
IES capital government grants	22,014	25,488	-	-
IES recurrent government grants	49,437	60,570	-	-
Services rendered	79,146	73,139	76,082	70,112
	150,597	**159,197**	**76,082**	**70,112**
(c) Investment income				
Bank deposits	1,383	805	1,050	647
Loans to related party	-	-	90	-
	1,383	**805**	**1,140**	**647**
(d) Other income				
Community Service Obligations:				
Uniform tariffs	6,645	6,550	6,645	6,550
Gas CSO	18,000	-	18,000	-
Pensioner Concessions Scheme	5,963	6,407	5,963	6,407
	30,608	12,957	30,608	12,957
Developer, customer and other capital contributions:				
Gifted assets	13,446	28,768	13,446	28,619
Other	2,382	7,037	2,382	7,037
	15,828	35,805	15,828	35,656
Recoverable works	5,203	5,279	3,350	3,472
Temporary service provision	4,373	5,625	4,373	5,625
Other revenue	14,713	13,863	10,725	13,429
	70,725	**73,529**	**64,884**	**71,139**
(e) Finance costs				
Interest Expense - Other	204	431	5	258
Interest Expense - Government	55,076	56,720	55,076	56,720
	55,280	57,151	55,081	56,978
Less: Capitalised finance costs	(9,382)	(12,081)	(9,383)	(12,081)
	45,898	**45,070**	**45,698**	**44,897**

The weighted average capitalisation rate on funds borrowed generally is 4.76% per annum (2016: 4.96%).

	Consolidated		Corporation	
	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
(f) Depreciation and amortisation expense				
Depreciation				
Buildings	1,185	1,125	1,185	1,125
Plant and equipment	3,757	4,848	3,543	4,642
Infrastructure	152,207	157,515	90,952	90,759
Finance leases	928	713	7	7
Total depreciation	**158,077**	**164,201**	**95,687**	**96,533**
Amortisation				
Intangible assets	8,280	20,474	8,279	20,466
Total amortisation	**8,280**	**20,474**	**8,279**	**20,466**
Total depreciation and amortisation expense	**166,357**	**184,675**	**103,966**	**116,999**
(g) Employee benefits expense				
Personnel direct	145,918	142,695	127,390	124,290
Contract and apprentice labour	6,819	9,869	6,657	8,223
	152,737	152,564	134,047	132,513
Less: capital and maintenance labour recovery	(58,200)	(54,479)	(52,008)	(48,814)
	94,537	**98,085**	**82,039**	**83,699**

Consolidated direct personnel expenses include superannuation costs of $13.9 million (2016: $12.9 million).

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
3 Revenue and expenses (Cont'd)				
(h) Repairs and maintenance expense				
Materials	43,159	48,960	29,713	34,823
Labour	29,033	30,041	26,143	27,541
	72,192	**79,001**	**55,856**	**62,364**
(i) Other expenses				
Impairment of trade receivables	1,501	1,062	1,510	251
Freight	1,221	1,545	349	384
Grants and subsidies	992	1,430	991	1,429
Information technology and communications expense	5,552	8,947	4,346	7,948
Insurance costs	2,829	3,156	2,786	3,138
Laboratory fees and environmental compliance	3,844	3,620	3,000	2,973
Motor vehicle	5,295	7,464	4,367	6,382
Net loss on disposal of property, plant and equipment	15,975	34,865	2,092	26,411
Other expenses	11,816	14,247	11,605	10,097
Property costs	17,374	18,821	16,967	18,453
Training	2,391	2,056	2,332	2,033
Travel and accommodation	1,572	1,800	875	838
	70,362	**99,013**	**51,220**	**80,337**
(j) Impairment of non-current assets and onerous contract provisions				
Impairment of make up gas	16,007	31,941	16,007	31,941
Onerous contract	42,063	-	42,063	-
Revaluation increase	(31,009)	-	(31,009)	-
Revaluation decrease	27,806	26,609	27,806	26,609
CWIP write-off	-	1,490	-	1,490
	54,867	**60,040**	**54,867**	**60,040**

As at 30 June 2017 Water Services assets were revalued resulting in a revaluation uplift of $31 million going through the profit and loss as a reversal of impairment charges previously taken to the restated prior year income statements. This was largely offset by an impairment to Power Network assets of $28 million.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
		Restated		Restated
	June 2017	June 2016	June 2017	June 2016
	$'000	$'000	$'000	$'000
4 Income tax equivalent expense				
The major components of income tax expense are:				
(a) Income tax recognised in profit or loss				
Current income tax				
Current income tax charge	26,146	14,539	26,146	14,539
Deferred income tax				
Relating to origination and reversal of temporary differences	(25,409)	(25,951)	(25,409)	(25,951)
Income tax expense reported in profit or loss	**737**	**(11,412)**	**737**	**(11,412)**
Numerical reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax from continuing operations	(42,947)	(89,130)	2,451	(41,031)
At the consolidated entities' statutory income tax rate of 30% (2016: 30%)	(12,884)	(26,739)	735	(12,309)
Expenditure not allowable for income tax purposes	13,621	15,327	2	897
Income tax expense/(benefits) on pre-tax profit/(loss)	**737**	**(11,412)**	**737**	**(11,412)**
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Property, plant and equipment	73,422	8,948	73,422	8,948
Prepayments	80	94	80	94
Gross deferred income tax liabilities	**73,502**	**9,042**	**73,502**	**9,042**
Movements:				
Opening balance at 1 July	9,042	38,634	9,042	38,634
Over/(under) provision from prior years	-	(365)	-	(365)
Credited/(charged) to profit or loss	(6,305)	(16,574)	(6,305)	(16,574)
DTL on revaluation recognised directly against ARR	70,765	(12,653)	70,765	(12,653)
Closing balance at 30 June	**73,502**	**9,042**	**73,502**	**9,042**
Deferred tax assets				
Employee provisions	13,608	12,671	13,608	12,671
Unearned revenue	-	28	-	28
Allowance for doubtful debts	2,401	1,217	2,401	1,217
Obsolete stock provision	476	316	476	316
Carbon and renewable energy provision	11	-	11	-
Make up gas impairment	17,250	12,448	17,250	12,448
Accrued expenses	1,151	1,732	1,151	1,732
Provision for onerous contract	12,619	-	12,619	-
Gross deferred income tax assets	**47,516**	**28,412**	**47,516**	**28,412**
Movements:				
Opening balance at 1 July	28,412	19,033	28,412	19,033
Credited/(charged) to profit or loss	19,105	9,379	19,105	9,379
Closing balance at 30 June	**47,517**	**28,412**	**47,517**	**28,412**
Net deferred tax assets and deferred tax liabilities	**(25,985)**	**19,370**	**(25,985)**	**19,370**
Deferred tax income/(expense)	**(25,410)**	**(25,953)**	**(25,410)**	**(25,953)**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
		Restated		Restated
	June 2017	June 2016	June 2017	June 2016
	$'000	$'000	$'000	$'000
4 Income tax equivalent expense (cont'd)				
(c) Income tax payable/(receivable)				
Opening balance at 1 July	19,752	13,589	19,752	13,589
Income tax paid	(18,940)	(8,382)	(18,940)	(8,382)
Current year income tax expense	26,147	14,539	26,147	14,539
Under/(over) provision from prior years	-	6	-	6
Closing balance at 30 June	**26,959**	**19,752**	**26,959**	**19,752**
5 Dividends				
Declared during the year:				
Dividends on ordinary shares:	-	-	-	-
	-	**-**	**-**	**-**

Final dividend declared in 2017 $nil (2016: $nil)

It was resolved by the Board to not declare a dividend for 2016-17.

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:

	Consolidated June 2017	Consolidated June 2016	Corporation June 2017	Corporation June 2016
Cash assets	**144,741**	**83,817**	**95,090**	**56,984**
(b) Reconciliation of net profit after tax to net cash flows from operations				
Net profit/(loss)	(43,684)	(77,718)	1,714	(29,619)
Adjustments for:				
Depreciation and amortisation	166,357	184,675	103,966	116,999
Impairment writedown	54,867	60,040	54,867	60,040
Contributed assets provided free of charge	(13,446)	(28,768)	(13,446)	(28,619)
Net (profit)/loss on disposal of property, plant and equipment	15,975	34,865	2,092	26,411
Changes in assets and liabilities:				
(Increase)/decrease in inventories	1,288	(671)	1,458	(2,123)
(Increase)/decrease in trade and other receivables	14,363	33,940	12,712	36,981
(Increase)/decrease in current intangible assets	(203)	913	(203)	913
(Increase)/decrease in prepayments	186	(411)	62	(423)
(Decrease)/increase in net deferred tax payable	(25,410)	(25,957)	(25,410)	(25,957)
(Decrease)/increase in current tax liabilities	7,206	6,163	7,206	6,163
(Decrease)/increase in trade and other payables	(18,495)	(62,078)	(17,692)	(57,890)
(Decrease)/increase in government grants	17,851	20,354	-	-
(Decrease)/increase in provisions (ex dividend)	(2,407)	4,115	(2,407)	4,115
(Decrease)/increase in unearned revenue	8,427	(1,234)	8,410	(937)
Net cash flows from operating activities	**182,875**	**148,228**	**133,329**	**106,054**

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

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of $13.4 million (2016: $28.8 million) by means of gifts. These acquisitions are not reflected in the statement of cash flows. See Note 2 (d) for further discussion on contributed assets.

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2017

	Consolidated		Corporation	
	June 2017	Restated June 2016	June 2017	Restated June 2016
	$'000	$'000	$'000	$'000
7 Trade and other receivables				
Current				
Service receivables				
Service receivables	24,436	38,973	23,313	32,482
Allowance for doubtful debts	(6,262)	(4,868)	(5,557)	(4,057)
	18,174	34,105	17,756	28,425
Unbilled consumption	34,638	33,455	34,638	33,455
	52,812	**67,560**	**52,394**	**61,880**
Other receivables				
Loans and advances to controlled entities	-	-	13,165	14,300
Allowance for doubtful debts	-	-	(2,447)	-
	-	-	10,718	14,300
Other receivables	24,793	24,408	24,739	24,383
	24,793	**24,408**	**35,457**	**38,683**
	77,605	**91,968**	**87,851**	**100,563**

(a) Service receivables

Receivables at 30 June 2017 are non-interest bearing. The consolidated entity has undertaken a review of the collectability of all receivables that are over 90 days outstanding and has recognised a provision for doubtful debts for all receivables that are considered not recoverable.

Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the consolidated entity has not recognised a provision for doubtful debts because there has not been a significant change on credit quality and the amounts are still considered recoverable.

The consolidated entity does not offset the risk of these overdue balances with collateral or financial instruments due to the historical success of recovering these amounts. The average age of these receivables is 31 days (2016: 67 days).

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

Ageing of past due but not impaired service receivables:

	June 2017	June 2016	June 2017	June 2016
31 - 60 days	2,113	1,436	2,113	1,436
61 - 90 days	870	812	870	812
91 + days	3,482	1,325	3,482	1,325
	6,465	**3,573**	**6,465**	**3,573**

Power and Water Corporation

Notes to the financial statements for the year ended 30 June 2017

	Consolidated		Corporation	
	June 2017	Restated June 2016	June 2017	Restated June 2016
	$'000	$'000	$'000	$'000
7 Trade and other receivables (Cont'd)				
Ageing of impaired service receivables:				
Current	53	-	53	-
0 - 30 days	81	634	81	634
31 - 60 days	110	88	110	88
61 - 90 days	22	396	22	396
91 + days	5,996	3,750	5,291	2,939
	6,262	**4,868**	**5,557**	**4,057**
Movement in the allowance for doubtful debts:				
Balance at beginning of year	(4,868)	(4,382)	(4,057)	(4,382)
Impairment losses recognised on receivables	(1,510)	(1,062)	(1,510)	(251)
Amounts written off as uncollectible	356	1,026	250	1,026
Written off debts subsequently collected	(240)	(450)	(240)	(450)
Balance at end of year	**(6,262)**	**(4,868)**	**(5,557)**	**(4,057)**
8 Inventories				
Materials and stores	17,340	20,003	17,340	20,003
Fuel stocks	5,544	5,221	518	365
Gas stocks	1,319	82	1,319	82
Tokens	268	453	268	453
	24,471	**25,759**	**19,445**	**20,903**

The cost of inventories recognised as an expense during the year in respect of continuing operations for the Corporation and the consolidated entity respectively was $116.5 million and $137.8 million (2016: $120.9 million and $143.4 million respectively).

9 Investments				
2,500 $1 unlisted units, in Amadeus Gas Trust beneficially held by the Corporation	**3**	**3**	**3**	**3**

The Corporation also holds 5 (2016: 5) ordinary shares of $1 each in NT Gas Pty Limited.

10 Investment in subsidiaries				
Indigenous Essential Services Pty Limited	-	-	10	10
	-	**-**	**10**	**10**

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

Name of subsidiary	Place of incorporation and operation	Equity Interest June 2017	Equity Interest June 2016
BGP Tenure Holdings Pty Limited	Australia	50%	50%
Indigenous Essential Services Pty Limited	Australia	100%	100%

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
		Restated		Restated
	June 2017	June 2016	June 2017	June 2016
	$'000	$'000	$'000	$'000

10 Investment in subsidiaries (Cont'd)

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2017 owned 100% (2016: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

Principal activities of the subsidiaries

Indigenous Essential Services Pty Limited

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

BGP Tenure Holdings Pty Limited

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

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

BGP Tenure Holdings Pty Ltd is a non-trading entity and as such did not make a profit for the year ended 30 June 2017 (2016: $Nil).

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

	Corporation	
		Restated
	June 2017	June 2016
	$'000	$'000
Non-current assets	100	100
Equity	100	100
Equity attributable to the Corporation		
- Corporation	50	50
- Non-controlling interests	50	50

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

There have been no changes in the ownership interests held by the consolidated entity in any of its subsidiaries during the year ended 30 June 2017 (2016: Nil).

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
		Restated		Restated
	June 2017	June 2016	June 2017	June 2016
	$'000	$'000	$'000	$'000

10 Investment in subsidiaries (Cont'd)

Financial support

The financial statements for IES has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. IES has incurred a net loss for the year ended 30 June 2017 of $47.2 million and a restated net loss of $55.2 million for the year ended 30 June 2016. IES's net working capital at 30 June 2017, 2016 and 2015 were deficits of $13.3 million, $16.7 million and $10.1 million respectively. Current liabilities, excluding unearned revenue and finance lease liabilities at 30 June 2017, 2016 and 2015 include $23.0 million, $24.6 million and $25.3 million of trade and other payables respectively.

Notwithstanding the indicators noted above, IES's performance has been significantly impacted by the change in value of its fixed assets from historical cost to depreciated replacement cost from 1 July 2014. This has significantly increased the annual depreciation charge (non-cash) from $14.7 million in 2013-14 to $64.5 million, $69.8 million and $79.7 million for the years ended 30 June 2017, 2016 and 2015 respectively. Assets are fundamental to the essential services provided by IES. Accordingly, IES is economically dependent on the Northern Territory Government to fund its future capital expenditure as well as a significant portion of its operating expenses. IES's cash balances as at 30 June 2017 increased by $22.8 million to $49.6 million due to cash inflows from operating activities exceeding the outflows by $49.5 million and IES receiving $11.97 million in loan proceeds from the Corporation during the year which were offset by payments for purchases of property, plant and equipment of $38.0 million.

The Corporation has guaranteed financial support to its subsidiary, Indigenous Essential Services Pty Limited effective from 28 October 2015 until such time as Indigenous Essential Services Pty Limited ceases to be a wholly owned subsidiary of the Corporation. The Corporation will provide financial support to Indigenous Essential Services Pty Limited so as to ensure that it has sufficient funds to meet its financial obligations to pay its debts as and when they become due and payable. The Corporation has also undertaken that it will not take any action which may result in Indigenous Essential Services Pty Limited being unable to perform those financial obligations, including that the Corporation will not call upon any loans owed to it by Indigenous Essential Services Pty Limited unless there are sufficient excess funds available to do so.

11 Loans to subsidiaries

Current	-	-	967	-
Non-current	-	-	11,000	-
	-	**-**	**11,967**	**-**

The Corporation provided an advance of $0.97 million to Indigenous Essential Services Pty Ltd which represents the portion that is due and receivable within one year, being $0.97 million for year ended 30 June 2017 and nil for year ended 2016. The loans in non-current liabilities represent the portion of the Company's borrowings not due and payable within one year.

During the year ended 30 June 2017, the Corporation provided a loan of $7.5 million on 29 March 2017 and a loan of $3.5 million on 29 June 2017, to its subsidiary, Indigenous Essential Services Pty Ltd. The loans are interest only fixed term loans for five years ending 29 March 2022 and 29 June 2022. Interest of 4.55% per annum is charged on the outstanding balance. The loan was provided to provide capital assistance on the Arena solar project, where Indigenous Essential Services Pty Ltd is building a solar farm to reduce the cost of electricity production in the communities it services.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Consolidated Restated June 2015 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000	Corporation Restated June 2015 $'000
12 Property, plant and equipment						
Carrying amounts of:						
Land at fair value	82,208	82,208	90,644	82,208	82,208	90,644
Buildings at fair value	20,268	21,057	21,476	20,268	21,057	21,476
Infrastructure at fair value	2,385,334	2,194,609	2,054,487	1,754,874	1,510,240	1,382,739
Plant and Equipment at fair value	19,220	20,264	18,107	17,185	18,036	17,000
Finance Leased Land at cost	9,639	8,341	7,961	246	253	260
Capital Work in Progress at cost	285,491	239,111	438,724	238,876	208,918	347,994
	2,802,160	2,565,590	2,631,399	2,113,657	1,840,712	1,860,113

	Land at fair value $'000	Buildings at fair value $'000	Infrastructure at fair value $'000	Plant and Equipment at fair value $'000	Finance Leased Land at Cost $'000	Work in Progress at cost $'000	Total Property, Plant and Equipment $'000
Movement in carrying amounts							
Year ended 30 June 2017							
Consolidated							
Opening Balance	82,208	21,057	2,194,609	20,264	8,341	239,111	2,565,590
Transfer/Adjustments	-	-	(1,977)	-	-	28,961	26,984
Additions	-	-	(4,283)	7	2,226	133,124	131,074
Depreciation	-	(1,185)	(152,207)	(3,757)	(928)	-	(158,077)
Transfer From WIP	-	396	112,551	2,706	-	(115,705)	(52)
Disposals	-	-	(2,444)	-	-	-	(2,444)
Revaluation	-	-	239,085	-	-	-	239,085
Closing balance	**82,208**	**20,268**	**2,385,334**	**19,220**	**9,639**	**285,491**	**2,802,160**
Corporation							
Opening Balance	82,208	21,057	1,510,240	18,036	253	208,918	1,840,712
Transfer/Adjustments	-	-	(1,977)	-	-	28,961	26,984
Additions	-	-	9,901	7	-	95,151	105,059
Depreciation	-	(1,185)	(90,952)	(3,543)	(7)	-	(95,687)
Transfer From WIP	-	396	91,021	2,685	-	(94,154)	(52)
Disposals	-	-	(2,444)	-	-	-	(2,444)
Revaluation	-	-	239,085	-	-	-	239,085
Closing balance	**82,208**	**20,268**	**1,754,874**	**17,185**	**246**	**238,876**	**2,113,657**
Year ended 30 June 2016 Restated							
Consolidated							
Opening Balance	90,644	21,476	2,054,487	18,107	7,961	438,724	2,631,399
Transfer/Adjustments	-	-	-	-	-	(14,524)	(14,524)
Additions	482	-	50,903	102	1,159	164,751	217,397
Depreciation	-	(1,125)	(157,515)	(4,848)	(713)	-	(164,201)
Transfer From WIP	1,367	706	334,186	6,903	-	(349,840)	(6,678)
Disposals	(10,285)	-	(23,845)	-	(66)	-	(34,196)
Revaluation	-	-	(63,607)	-	-	-	(63,607)
Closing balance	**82,208**	**21,057**	**2,194,609**	**20,264**	**8,341**	**239,111**	**2,565,590**
Corporation							
Opening Balance	90,644	21,476	1,382,739	17,000	260	347,994	1,860,113
Transfer/Adjustments	-	-	-	-	-	(14,524)	(14,524)
Additions	482	-	50,755	102	-	136,111	187,450
Depreciation	-	(1,125)	(90,759)	(4,642)	(7)		(96,533)
Transfer From WIP	1,367	706	246,337	5,576	-	(260,663)	(6,677)
Disposals	(10,285)	-	(15,225)	-	-		(25,510)
Revaluation	-	-	(63,607)	-	-		(63,607)
Closing balance	**82,208**	**21,057**	**1,510,240**	**18,036**	**253**	**208,918**	**1,840,712**
Year ended 30 June 2015 Restated							
Consolidated							
Opening Balance*	17,327	51,125	1,325,503	20,052	8,240	461,551	1,883,797
Transfer/Adjustments	-	-	-	-	-	10,756	10,756
Additions	90	-	51,489	-	335	176,491	228,405
Depreciation	-	(11,736)	(189,207)	(3,193)	(614)	-	(204,750)
Transfer From WIP	-	-	203,831	1,248	-	(210,074)	(4,995)
Disposals	(616)	(422)	(19,943)	-	-	-	(20,981)
Revaluation	73,843	(17,491)	682,814	-	-	-	739,166
Closing balance	**90,644**	**21,476**	**2,054,487**	**18,107**	**7,961**	**438,724**	**2,631,399**
Corporation							
Opening Balance*	17,257	51,125	1,151,272	19,000	267	368,509	1,607,430
Transfer/Adjustments	-	-	-	-	-	9,589	9,589
Additions	90	-	51,489	-	-	148,407	199,986
Depreciation	-	(11,736)	(112,310)	(3,054)	(7)	-	(127,107)
Transfer From WIP	-	-	172,463	1,054	-	(178,511)	(4,994)
Disposals	(546)	(422)	(222)	-	-	-	(1,190)
Revaluation	73,843	(17,491)	120,047	-	-	-	176,399
Closing balance	**90,644**	**21,476**	**1,382,739**	**17,000**	**260**	**347,994**	**1,860,113**

*Note: The opening balance as at 1 July 2014 differs compared to the published financial statements as at and for the year ended 30 June 2014. The difference is a result of the structural separation that occurred at the beginning of 1 July 2014 which saw those assets relating to the Generation business unit being transferred to the then newly formed Territory Generation.

Power and Water Corporation

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12 Property, plant and equipment (Cont'd)

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

Property Plant and Equipment	June 2017	June 2016
Plant and equipment	2 to 50 years	2 to 50 years
Buildings	5 to 53 years	5 to 53 years
Infrastructure	4 to 100 years	4 to 100 years

Depreciation and amortisation of assets related to finance leases have been calculated based on the estimated useful lives used for each class of asset (being the shorter of the lease term and their useful lives) as follows:

Property Plant and Equipment situated on finance leased land	June 2017	June 2016
Plant and equipment	8 to 40 years	8 to 40 years
Buildings	1 to 40 years	1 to 40 years
Infrastructure	8 to 40 years	8 to 40 years
Finance leases	12 to 40 years	12 to 40 years

Restatement of plant and equipment as at 30 June 2015 and 2016

As noted in the consolidated entity's financial statements for the year ended 30 June 2015 and 2016, the consolidated entity changed the measurement basis for property, plant and equipment from historical cost to fair value effective from 1 July 2014. In addition to changing the measurement basis for property, plant and equipment, it also undertook an exercise of rebuilding the asset registers for both the Corporation and its subsidiary, Indigenous Essential Services Pty Ltd at the same time. A number of errors were found within the asset registers for both the Corporation and its subsidiary resulting in property, plant and equipment reported in the financial statements for the years ended 30 June 2015 and 2016 being materially misstated.

During the year ended 30 June 2017, the consolidated entity with the assistance of external expert consultants, carried out extensive work rebuilding the asset registers for both the Corporation and its subsidiary, Indigenous Essential Services Pty Ltd, for the years ended 30 June 2015 and 2016 for the purpose of certifying the accuracy, existence and completeness of the assets recorded, the allocated useful lives and to ensure that the recording and maintenance of the consolidated entity's assets are in accordance with the Australian Accounting Standards. This exercise was undertaken as a result of the material errors identified in the balances previously recognised and reported in the financial statements for the years ended 30 June 2015 and 2016.

The rebuild of the asset registers for both the Corporation and its subsidiary have resulted in a restructure of the existing asset registers, and the assignment of more suitable asset categories to assist with the more efficient and accurate recording of current and future fixed assets of both the Corporation and its subsidiary.

In addition to the rebuilding of the asset registers for the consolidated entity, errors were also identified in the income approach model used to value the Corporation's assets for both years ended 30 June 2015 and 2016 which have subsequently been corrected and the income approach model re-run for both years.

As a result of the rebuilding of the asset registers for the both the Corporation and its subsidiary and the revised application of the income approach model, the comparative balances for the years ended 30 June 2015 and 2016 have been restated. Refer to Note 31 for more further details.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

12 Property, plant and equipment (Cont'd)

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

The following valuation techniques are used for the Corporation [1]:

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

(1) Excludes the assets of Indigenous Essential Services Pty Limited in which assets are measured using the Depreciated Replacement Cost approach for infrastructure systems assets.
(2) Gas supply assets are comprised of the McArthur River Gas Pipeline and the Palm Valley Interconnect Pipeline
(3) Non-specialised assets such as minor items of office equipment are held at historic cost.

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

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

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

As at 30 June 2015, 2016 and 2017

The Corporation's assets are stated at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation losses. The fair value measurement of the Corporation's infrastructure assets as at 30 June 2017 ("Valuation Date") was performed by the Corporation with an independent consulting firm engaged to assess the valuation model, approach and methodology used and derive the fair value.

Indigenous Essential Services Pty Limited changed the measurement basis from historical cost to fair value using the depreciated replacement cost method on 1 July 2014. Independent valuers, GHD, were engaged to undertake a review of the asset base and factors that formed a material part of the asset valuation calculations for the financial year ending 30 June 2017. Following this review, GHD's opinion was that none of these factors have materially changed and therefore there is no impact to the value of the asset base as at 30 June 2017. The significant factors include the transportation factor, foreign exchange rates, CPI Index, Reserve Bank cash rates and the construction cost factor.

There has been no changes to the valuation techniques during the years ended 30 June 2015, 2016 or 2017.

Power and Water Corporation

Notes to the financial statements
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12 Property, plant and equipment (Cont'd)

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

Consolidated entity	Level 2 $'000	Level 3 $'000	Fair value as at 30 June 2017 $'000
Fair value as at 30 June 2017			
Freehold land	82,208	-	82,208
Buildings	-	20,268	20,268
Infractructure	-	2,385,334	2,385,334
Plant and equipment	-	19,220	19,220
Finance leased assets	-	9,639	9,639
Work in progress	-	285,491	285,491
Total	**82,208**	**2,719,952**	**2,802,160**
Fair value as at 30 June 2016 Restated			
Freehold land	82,208	-	82,208
Buildings	-	21,057	21,057
Infractructure	-	2,194,609	2,194,609
Plant and equipment	-	20,264	20,264
Finance leased assets	-	8,341	8,341
Work in progress	-	239,111	239,111
Total	**82,208**	**2,483,382**	**2,565,590**

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

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

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

Impairment losses recognised in the year

There were no triggering events to require further analysis for an impairment write-down of property, plant and equipment for both years ended 30 June 2016 or 2017.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

13 (a) Intangibles

	Other Intangible Assets $'000	Renewable Energy Certificates $'000	Make up Gas $'000	Total $'000
Year ended 30 June 2017				
Consolidated				
At cost	81,023	1,456	63,131	145,610
Accumulated amortisation	(76,767)	-	-	(76,767)
Accumulated impairment	-	-	(57,500)	(57,500)
Written down value	**4,256**	**1,456**	**5,631**	**11,343**
Corporation				
At cost	80,935	1,456	63,131	145,522
Accumulated amortisation	(76,680)	-	-	(76,680)
Accumulated impairment	-	-	(57,500)	(57,500)
Written down value	**4,255**	**1,456**	**5,631**	**11,342**
Year ended 30 June 2016 Restated				
Consolidated				
At cost	80,991	1,253	41,494	123,738
Accumulated amortisation	(68,507)	-	-	(68,507)
Accumulated impairment	-	-	(41,494)	(41,494)
Written down value	**12,484**	**1,253**	**-**	**13,737**
Corporation				
At cost	80,903	1,253	41,494	123,650
Accumulated amortisation	(68,421)	-	-	(68,421)
Accumulated impairment	-	-	(41,494)	(41,494)
Written down value	**12,482**	**1,253**	**-**	**13,735**
Movement in carrying amounts				
Year ended 30 June 2017				
Consolidated				
Opening balance	12,484	1,253	-	13,737
Additions	-	2,217	21,637	23,854
Amortisation	(8,280)	-	-	(8,280)
Transfer from WIP	52	-	-	52
Disposals	-	(2,014)	-	(2,014)
Impairment - specific assets	-	-	(16,006)	(16,006)
Closing balance	**4,256**	**1,456**	**5,631**	**11,343**
Corporation				
Opening balance	12,482	1,253	-	13,735
Additions	-	2,217	21,637	23,854
Amortisation	(8,279)	-	-	(8,279)
Transfer from WIP	52	-	-	52
Disposals	-	(2,014)	-	(2,014)
Impairment - specific assets	-	-	(16,006)	(16,006)
Closing balance	**4,255**	**1,456**	**5,631**	**11,342**
Year ended 30 June 2016 Restated				
Consolidation				
Opening balance	31,102	2,166	12,959	46,227
Additions	361	-	18,982	19,343
Amortisation	(20,474)	-	-	(20,474)
Transfer from WIP	6,677	-	-	6,677
Disposals	-	(913)	-	(913)
Impairment - specific assets	(5,182)	-	(31,941)	(37,123)
Closing balance	**12,484**	**1,253**	-	**13,737**
Year ended 30 June 2016				
Corporation				
Opening balance	31,093	2,166	12,959	46,218
Additions	361	-	18,982	19,343
Amortisation	(20,467)	-	-	(20,467)
Transfer from WIP	6,677	-	-	6,677
Disposals	-	(913)	-	(913)
Impairment - specific assets	(5,182)	-	(31,941)	(37,123)
Closing balance	**12,482**	**1,253**	-	**13,735**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated		Corporation	
	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
13 (b) Intangible Assets				
Current				
Renewable energy certificates	1,456	1,253	1,456	1,253
	1,456	**1,253**	**1,456**	**1,253**
Non-current				
Other intangible assets	4,256	12,484	4,255	12,482
Make up gas	5,631	-	5,631	-
	9,887	**12,484**	**9,886**	**12,482**
Total	**11,343**	**13,737**	**11,342**	**13,735**

Impairment losses recognised in the year

The current gas contracts relating to the sale and purchase of gas result in the Corporation having to pay for gas that will only be sold in future financial years. These payments are classified as intangible assets and disclosed under 'Make up Gas'. The net present value of the cash flows of the Gas Supply Unit under AASB 136 'Impairment of Assets' framework does not however support the continued recognition of this asset. Therefore the Corporation has written down the value by $16.0 million to $5.6 million as at 30 June 2017 in accordance with the requirements of Australian Accounting Standards. The remaining balance of $5.6 million represents that portion of the banked gas that has been sold to third parties however not taken as at 30 June 2017.

14 Trade and other payables

	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000
Service creditors	29,042	22,442	23,065	18,922
Other creditors and accruals	30,044	33,502	26,220	26,418
	59,086	**55,944**	**49,285**	**45,340**

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.

15 Unearned revenue

	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000
Recoverable work projects	11,117	10,233	11,117	10,233
Customer payments in advance	5,577	6,260	5,577	6,260
Banked gas arising from sales to third parties	6,722	-	6,722	-
Other	2,128	623	2,128	642
	25,544	**17,116**	**25,544**	**17,135**

16 Interest bearing borrowings

	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000
Government loans - current	208,805	15,000	208,805	15,000
	208,805	**15,000**	**208,805**	**15,000**
Government loans - non-current	939,000	1,097,805	939,000	1,097,805
	939,000	**1,097,805**	**939,000**	**1,097,805**

The government loans represent loans provided to the consolidated entity from its parent entity, the Northern Territory Government and all are unsecured. The portion recognised as current liabilities represents borrowings payable within one year, being $208.8 million (2016: $15.0 million). The non-current balance of interest-bearing liabilities represents the portion of the consolidated entity's borrowings not due within one year. The weighted average effective interest rate on the loans is 4.8% (2016: 5.0%)

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

17 Finance lease liabilities

Leasing arrangements

The consolidated entity leased land for its existing infrastructure assets on Indigenous land in 87 Communities throughout the Northern Territory. The lease terms vary between 12 and 40 years with most of them providing the consolidated entity with lease extension options. The present value discount factor used for the minimum lease payments was 4.72% at the inception of the leases in 2013. Leases added in 2017 have been calculated using a present value factor of 2.5%.

Finance lease liabilities

	Consolidated			
	Minimum Lease Payments		Present Value of the minimum lease payments	
	June 2017 $'000	June 2016 $'000	June 2017 $'000	June 2016 $'000
Not later than one year	1,120	920	942	782
1 to 5 years	4,512	3,650	3,442	2,774
Later than 5 years	9,275	8,869	4,323	3,959
	14,907	13,439	8,707	7,515
less: future finance charges	(6,200)	(5,924)	-	-
Total present value of minimum lease payments	**8,707**	**7,515**	**8,707**	**7,515**

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

Provided for in the financial statements as:				
Current	942	782	942	782
Non-current	7,765	6,733	7,765	6,733
	8,707	**7,515**	**8,707**	**7,515**

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

18 Provisions

	Consolidated		Corporation	
	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
Current				
Employee benefits (i)	36,213	35,069	36,213	35,069
Other provisions:				
Employee related provisions	704	730	704	730
Renewable Energy Certificates	36	-	36	-
Onerous contracts	42,063	-	42,063	-
	79,016	**35,799**	**79,016**	**35,799**
Non-current				
Employee benefits	7,346	6,234	7,346	6,234
	7,346	**6,234**	**7,346**	**6,234**

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

Other provisions

Employee related provisions				
Carrying amount at beginning of year	730	712	730	712
Provisions made during the year	9,941	8,443	9,941	8,443
Payments made during the year	(9,967)	(8,425)	(9,967)	(8,425)
Carrying amount at end of year	**704**	**730**	**704**	**730**

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

Renewable Energy Certificates				
Carrying amount at beginning of year	-	142	-	142
Provisions made during the year	36	-	36	-
Payments made during the year	-	(142)	-	(142)
Carrying amount at end of year	**36**	**-**	**36**	**-**

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

18 Provisions (Cont'd)

	Consolidated		Corporation	
	June 2017 $'000	Restated June 2016 $'000	June 2017 $'000	Restated June 2016 $'000
Onerous contracts				
Carrying amount at beginning of year	-	-	-	-
Provisions made during the year	42,063	-	42,063	-
Payments made during the year	-	-	-	-
Carrying amount at end of year	**42,063**	**-**	**42,063**	**-**

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

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

The Directors consider these risks as part of their ongoing monitoring of the gas sales strategy and having considered both the risks and opportunities that they consider as more probable than not and which can therefore be quantified and assessed for materiality as required under AASB 137 "provisions, contingent liabilities and contingent assets", have concluded that at this point in time that there exists an onerous contract which has been quantified at $42.1 million at 30 June 2017. This results from the estimated cash inflows from future gas sales, being lower than the unavoidable costs of gas purchase and associated transportation agreements.

The sources of estimation uncertainty in the onerous contract provision that have a significant risk of resulting in a material adjustment to this provision include the underlying assumption that all gas purchased is on sold, the forward Henry Hub gas price outlook, the outcome of current contract negotiations, the east coast gas market outlook, renewables penetration and potential reservation policies. The Directors will continue to monitor the gas sales strategy and associated financial outlook having regard to sources of estimation uncertainty discussed above and note that the quantum of the provision is sensitive to both price and volume assumptions with the key underlying assumption adopted by the directors that gas purchase volumes will be covered by sales in the market. As a sensitivity a change of 10% in the average assumed sales price, or sales volumes, would result in an overall NPV change of +/- $350 million.

Whilst the onerous contract provision of $42.1 million is material from an income statement perspective, it is not significant in the context of the remaining fixed cost of committed gas and transportation purchase contracts which amount to approximately $4.0 billion in todays dollars, with the provision representing approximately only 1.0% of future commitments.

19 Government grants

Operational 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 Community Services 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 Community Services for the development of power, water and sewerage infrastructure in remote indigenous communities.

Operational grants	14,455	5,874	-	-
Capital grants	293,267	283,997	-	-
	307,722	**289,871**	**-**	**-**
Provided for in the financial statements as:				
Current	78,927	65,849	-	-
Non-current	228,795	224,023	-	-
	307,722	**289,871**	**-**	**-**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

		Consolidated		Corporation	
		June 2017	Restated June 2016	June 2017	Restated June 2016
		$'000	$'000	$'000	$'000
20	**Contributed equity**				
	Share capital				
	1 Share (2016: 1 Share)	-	-	-	-
	Equity contribution	40,000	40,000	40,000	40,000
	Debt to equity swap	322,582	322,582	322,582	322,582
	Transfer of assets and liabilities to new entities	(328,246)	(328,246)	(328,246)	(328,246)
	Total contributed equity	**34,336**	**34,336**	**34,336**	**34,336**
	Contributed equity at beginning of year	34,336	(6,024)	34,336	(6,024)
	Equity contributions from the Northern Territory Government	-	40,000	-	40,000
	Transfer of assets and liabilities to new entities	-	360	-	360
	Total contributed equity	**34,336**	**34,336**	**34,336**	**34,336**

The *Government Owned Corporations Act 2014* 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.

As a result of structural separation as at 1 July 2014 the Corporation transferred identifiable assets and liabilities to Jacana Energy and Territory Generation with this transfer being accounted for as a distribution from equity. The net effect was a $324.0 million reduction in the net asset position of the Corporation.

The Shareholder contributed $40.0 million in equity to the Corporation on 8 November 2015 post-structural separation.

21	**Retained earnings**				
	Retained earnings at beginning of year	544,575	609,227	603,120	625,798
	Net profit/(loss) for the year	(43,684)	(77,718)	1,714	(29,619)
	Retirements moved from Asset Revaluation Reserve	14,507	13,066	1	6,941
	Retained earnings at end of the year	**515,398**	**544,575**	**604,835**	**603,120**
22	**Asset revaluation reserve**				
	Balance at beginning of year	674,005	716,595	174,871	211,338
	Increase/(decrease) in asset valuation	235,883	(42,180)	235,883	(42,180)
	Less deferred tax effect recognised in Deferred tax liabilities	(70,765)	12,655	(70,765)	12,654
	Revaluation surplus/(deficit)	165,118	(29,525)	165,118	(29,526)
	Retirements transferred to retained earnings	(14,507)	(13,066)	(1)	(6,941)
	Asset revaluation reserve at end of the year	**824,616**	**674,005**	**339,988**	**174,871**

The asset revaluation reserve arises on the revaluation of property, plant and equipment (assets). When revalued assets are sold, the portion of the asset's revaluation reserve that relates to those assets is transferred directly to retained earnings.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

23 Risk management objectives

(a) Financial risk management objectives and policies

The consolidated entity's principal financial instruments are government loans and cash.

The main purpose of these financial instruments is to raise finance for the consolidated entity's operations. The consolidated entity has various other financial instruments such as trade receivables and trade payables. It is the consolidated entity's policy not to trade in financial instruments. The Board of Directors reviews and agrees policies for managing the consolidated entity's financial risks and these are summarised below.

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

The consolidated entity's overall strategy remains unchanged from 2016.

The main risks arising from the consolidated entity's financial instruments are:

· Market risk	the risk that changes in the market will adversely impact the operations and returns of the Corporation and the consolidated entity
· Interest rate risk	the risk that financing costs will increase and impact prices to customers and returns to the shareholder
· Credit risk	the risk of financial loss if a counterparty to a transaction does not fulfil its financial obligations
· Liquidity risk	the risk of insufficient funds to fulfil the cash flow obligations on a timely basis
· Foreign currency risk	the risk that contract prices will move as a result of adverse movements in foreign exchange rates
· Commodity price risk	the risk that contract prices will move as a result of adverse movements in the market
· Capital risk management	the risk of the consolidated entity structuring its balance sheet inefficiently resulting in suboptimal returns to shareholders
· Operational risk	the inherent risk resulting from internal processes and systems or from external events

(b) Market risk

The Corporation was established under the *Power and Water Corporation Act 2002* and is a NT Government Owned Corporation under the *Government Owned Corporations Act 2014 (GOC Act)*.

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

(i) operate at least as efficiently as a comparable business; and

(ii) to maximise the sustainable return to the Northern Territory on its investment in the Corporation and the consolidated entity.

The Corporation and the consolidated entity provides safe and reliable power, water and sewerage services to the people of the Northern Territory and meets its mandated environmental obligations.

There has been no change during the current financial year to the consolidated entity's exposure to market risks or the manner in which these risks are managed and measured.

(c) Interest rate risk management

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

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

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

23 Risk management objectives (Cont'd)

Loan term	Consolidated: Fixed and Variable Rate Loans	Consolidated: Average Interest Rate	Consolidated: Increase in annual interest expense if interest rates rise by 1.00%	Corporation: Fixed and Variable Rate Loans	Corporation: Average Interest Rate	Corporation: Increase in annual interest expense if interest rates rise by 1.00%
	$'000	%	$'000	$'000	%	$'000
<1 to 2 years	412,805	5.31%	1,421	412,805	5.31%	1,421
2 to 5 years	735,000	4.44%	504	735,000	4.44%	504
5+ years	-	0.00%	-	-	0.00%	-
	1,147,805		**1,925**	**1,147,805**		**1,925**

(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 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 4 year projection of the consolidated entity's financial position. The current year actual results are reported against the SCI budget.

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

(f) Foreign currency risk management

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

The consolidated entity is exposed to foreign currency risk in the normal course of its operations through its procurement contracts. Large contracts are reviewed to determine if any mitigation strategies should be applied to reduce this risk.

Material exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and a foreign currency bank account.

The carrying amount of the consolidated entity's foreign currency denominated monetary liabilities at the reporting date was $nil (2016: $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 Corporation's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure in line with Shareholding Minister expectations.

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising issued capital and retained earnings as disclosed in Notes 20 and 21 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.

Power and Water Corporation

Notes to the financial statements
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23 Risk management objectives (Cont'd)

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

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

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

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

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	Corporation: June 2017	Corporation: Restated June 2016	Corporation: Restated June 2015
	$'000	$'000	$'000
Debt	1,147,805	1,112,805	1,034,346
Cash and cash equivalents	(95,090)	(56,984)	(11,483)
Net debt	1,052,715	1,055,821	1,022,863
Equity	979,159	812,327	831,112
Net debt to equity ratio	108%	130%	123%

Debt is defined as long-term and short-term borrowings as described in Note 16.

Equity includes all capital and reserves of the Corporation that are managed as capital.

(i) Operational risk

Operational risk refers to the extent that process, system, compliance or fraud matters could impact the financial risk profile. This includes the integrity of information used to make decisions, maintain assets, protect staff and provide business continuity. The Corporation manages operational risk through continuous development and improvement in its guidelines, standards, methodologies and systems.

Power and Water Corporation

Notes to the financial statements
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24 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 $1,163.1 million (2016: $1,139.8 million).

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

Liquidity risk management

The following table sets out the carrying amount, by maturity, of the financial instruments for the consolidated entity:

					Fixed and floating interest maturing in:			
Consolidated	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
2017								
Financial Assets								
Cash assets	1.52%	144,741	-	-	144,741	-	-	144,741
Receivables		-	-	77,605	77,605	-	-	77,605
Investments		-	-	3	-	-	3	3
		144,741	**-**	**77,608**	**222,346**	**-**	**3**	**222,349**
Financial Liabilities								
Payables		-	-	59,086	59,086	-	-	59,086
Government loans	4.76%	-	1,147,805	-	208,805	939,000	-	1,147,805
Finance lease liability	5.07%	-	8,707	-	942	3,442	4,323	8,707
		-	**1,156,512**	**59,086**	**268,833**	**942,442**	**4,323**	**1,215,598**
2016								
Financial Assets								
Cash assets	1.46%	83,817	-	-	83,817	-	-	83,817
Receivables		-	-	94,000	94,000	-	-	94,000
Investments		-	-	3	-	-	3	3
		83,817	**-**	**94,003**	**177,817**	**-**	**3**	**177,820**
Financial Liabilities								
Payables		-	-	75,094	75,094	-	-	75,094
Government loans	4.96%	-	1,112,805	-	15,000	938,805	159,000	1,112,805
Finance lease liability	4.63%	-	7,515	-	782	2,775	3,958	7,515
		-	**1,120,320**	**75,094**	**90,876**	**941,580**	**162,958**	**1,195,414**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

24 Financial instruments (Cont'd)

					Fixed and floating interest maturing in:			
Corporation	Weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
2017								
Financial Assets								
Cash assets	1.52%	95,090	-	-	95,090	-	-	95,090
Receivables		-	-	87,851	87,851	-	-	87,851
Investments		-	-	3	-	-	3	3
		95,090	**-**	**87,853**	**182,941**	**-**	**3**	**182,944**
Financial Liabilities								
Payables		-	-	49,285	49,285	-	-	49,285
Government loans	4.76%	-	1,147,805	-	208,805	939,000	-	1,147,805
Finance lease liability	5.07%	-	211	-	12	43	155	210
		-	**1,148,016**	**49,285**	**258,102**	**939,043**	**155**	**1,197,300**
2016								
Financial Assets								
Cash assets	1.46%	56,984	-	-	56,984	-	-	56,984
Receivables		-	-	102,577	102,577	-	-	102,577
Investments		-	-	3	-	-	3	3
		56,984	**-**	**102,580**	**159,561**	**-**	**3**	**159,564**
Financial Liabilities								
Payables		-	-	64,489	64,489	-	-	64,489
Government loans	4.96%	-	1,112,805	-	15,000	938,805	159,000	1,112,805
Finance lease liability	5.07%	-	223	-	13	45	166	223
		-	**1,113,028**	**64,489**	**79,502**	**938,850**	**159,166**	**1,177,518**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

	Consolidated June 2017 $'000	Consolidated Restated June 2016 $'000	Corporation June 2017 $'000	Corporation Restated June 2016 $'000
25 Commitments				
Capital expenditure commitments				
Contracted but not provided for and payable within one year:	**49,044**	**36,494**	**39,615**	**23,188**
Lease and hire expenditure commitments (non-cancellable)				
Contracted but not provided for:				
Property, Plant and Equipment	**21,554**	**24,634**	**17,332**	**18,850**
Purchase expenditure commitments				
Contracted but not provided for:				
Gas purchase	3,514,827	3,672,354	3,514,827	3,672,354
Gas transportation	1,208,739	1,333,660	1,208,739	1,333,660
	4,723,566	**5,006,014**	**4,723,566**	**5,006,014**
Payable:				
Within one year	270,572	252,701	256,921	233,611
One year or later and no later than five years	1,180,096	1,160,672	1,180,096	1,160,672
Later than five years	3,343,496	3,653,770	3,343,496	3,653,770
	4,794,164	**5,067,143**	**4,780,513**	**5,048,053**

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

Gas purchase commitments include take-or-pay obligations under a 25-year gas purchase agreement with Eni Australia B.V., the first supply of which commenced in the 2009-10 financial year.

Remuneration commitments

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

Within one year	33,239	38,187	33,239	38,187
After one year but not more than five years	23,254	28,609	23,254	28,609
	56,493	**66,796**	**56,493**	**66,796**

26 Operating lease arrangements

Operating leases relate primarily to leases of motor vehicles and property.

Payments recognised as an expense				
Minimum lease payments:				
- Motor vehicles	5,655	5,513	5,032	4,913
- Property leases	3,704	3,608	3,661	3,577
- Other	141	236	141	236
	9,500	**9,357**	**8,834**	**8,726**

27 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.

There are no other contingent liabilities or assets for the year ended 30 June 2017.

Power and Water Corporation

Notes to the Financial Statements
for the year ended 30 June 2017

28 Related party transactions

The parent entity within the consolidated entity is Power and Water Corporation. The ultimate Australian parent entity is the Northern Territory Government which at 30 June 2017 owned 100% (2015: 100%) of the issued ordinary shares of Power and Water Corporation. This share is held by the Shareholding Minister on behalf of the Northern Territory.

The consolidated entity has a related party relationship with its parent entity (includes other agencies and departments of the Northern Territory), director related entities and associates. All financial transactions between the consolidated entity and related parties are at arm's length terms.

The Corporation undertakes certain transactions for Jacana Energy. The Corporation sold electricity distribution services to Jacana Energy and Territory Generation.

TSAs between the Corporation and Jacana Energy and Territory Generation were implemented during 2014-15 where the Corporation provided retail, finance, payroll, information, data and security services. For 2016-17 and 2015-16 all transactions between Jacana Energy and Territory Generation were at an arm's length basis in the normal course of business and on commercial terms and conditions.

Trading transactions

Balances and transactions between the Corporation and its controlled entity, which is a related party of the Corporation, have been eliminated on consolidation and are not disclosed in this note.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. Due to the large number of transactions it is not practical to list separately related party transactions that occurred between the Corporation and these entities, and therefore, these transactions have been aggregated as shown in the following table:

Related Party		Revenue from related parties $'000	Purchases from related parties (1) $'000	Amounts owed by related parties $'000	Amounts owed to related parties (2) $'000
The ultimate parent entity, the Northern Territory Government, including all entities that are associated with the parent entity including Territory Generation and Jacana Energy	June 2017	395,126	171,328	141,182	1,121,819
	June 2016	368,545	91,552	56,810	1,056,465

(1) For the year ended 30 June 2017, purchases from the Northern Territory Government includes interest paid on borrowings of $55.08 million (2016: $56.72 million) refer to Note 3 (e).

(2) For the year ended 30 June 2017, the amount owed to the Northern Territory Government includes borrowings of $1,147.81 million (2016: $1,112.81 million) refer to Note 16.

As at 30 June 2017, the revenue received by the Corporation for services provided under the TSA from Jacana Energy was $3.9 million (2016: $4.8 million) and the total revenue from Territory Generation was $0.5 million (2016: $0.8 million).

The consolidated entity receives grants from the Northern Territory Government in the form of Community Service Obligations and other miscellaneous grants. See Notes 2 (e), 3 (b) and 19 for further details.

As disclosed in Note 11 Loans to controlled entities, the Corporation has provided a interest only fixed loan to its subsidiary, Indigenous Essential Services Pty Ltd on the 29 March 2017 for a loan term of 5 years ending 30 June 2022. Interest is charged at 4.55% per annum on the outstanding balance.

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

Power and Water Corporation

Notes to the Financial Statements
for the year ended 30 June 2017

28 Related party transactions (Cont'd)

To ensure that Indigenous Essential Services Pty Limited is able to pay its debts as and when they fall due, a letter of financial support dated 28 October 2015 was provided by the Corporation to the subsidiary which guarantees support should Indigenous Essential Services Pty Limited not be able to pay its debts as and when they fall due. This letter is valid for the period 28 October 2015 to such time as Indigenous Essential Services Pty Limited ceases to be a wholly owned subsidiary of the Corporation.

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

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

	Consolidated		Corporation	
	June 2017 $	Restated June 2016 $	June 2017 $	Restated June 2016 $
Expense transactions with key management personnel	45,539	11,984	43,689	11,349

For the year ended 30 June 2015, the consolidated entity has made allowance for doubtful debts relating to amounts owed by related parties of $nil (2016: $nil).

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

Loans to related parties

The Corporation has provided an interest only fixed loan to its subsidiary Indigenous Essential Services Pty Ltd interest on the 29 March 2017 for 5 years ending on the 30 June 2022. Interest rate of 4.55% is charged on the outstanding balance. Refer to Note 11 Loans to controlled entities for further details.

Remuneration of key management personnel

Compensation levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages are usually a fixed remuneration.

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

		Short-term employee benefits Salary & Fees $	Post employment benefits Superannuation $	Total $
Non-executive directors				
Mr John Langoulant (Chairperson)	June 2017	-	-	-
(Term commenced June 2017)	June 2016	-	-	-
Mr Alan Tregilgas (Chairperson)	June 2017	36,672	3,484	40,156
(Term commenced April 2015; ended November 2016)	June 2016	90,346	8,551	98,897
Mr Ken Clarke (Deputy Chairperson)	June 2017	80,057	7,542	87,599
(Term commenced December 2013)	June 2016	72,230	6,836	79,066
Mr Richard Griffiths	June 2017	52,314	4,932	57,246
(Term commenced January 2014)	June 2016	54,112	5,122	59,234
Emeritus Prof MaryAnn Bin-Sallik	June 2017	52,314	4,932	57,246
(Term commenced April 2014)	June 2016	54,112	5,122	59,234

Power and Water Corporation

Notes to the Financial Statements
for the year ended 30 June 2017

28 Related party transactions (Cont'd)

		Short-term employee benefits Salary & Fees $	Post employment benefits Superannuation $	Total $
Mr Mervyn Davies	June 2017	52,314	4,932	57,246
(Term recommenced April 2014)	June 2016	54,112	5,122	59,234
Ms Helen Stanton	June 2017	52,314	4,932	57,246
(Term commenced April 2014)	June 2016	54,112	5,501	59,613
Mr Ian Kowalick	June 2017	52,314	4,932	57,246
(Term commenced July 2015)	June 2016	52,315	4,951	57,266
Total non-executive directors	**June 2017**	**378,299**	**35,686**	**413,985**
	June 2016	**431,339**	**41,205**	**472,544**

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

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

	Consolidated		Corporation	
	June 2017 $	Restated June 2016 $	June 2017 $	Restated June 2016 $
Short-term employee benefits	2,533,579	3,327,109	2,533,579	3,327,109
Other long-term benefits	86,404	487,273	86,404	487,273
Total compensation of key management personnel (excluding non-executive directors)	**2,619,983**	**3,814,382**	**2,619,983**	**3,814,382**

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

Other transactions with key management personnel

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

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

29 Auditor's remuneration

Audit of the financial statements	317,705	358,168	262,210	298,879
	317,705	**358,168**	**262,210**	**298,879**

The auditor of the Corporation and the consolidated entity is the Auditor-General for the Northern Territory.

30 Events after the reporting period

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

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

31 Restatement of comparatives

Property, plant and equipment

Fixed asset register rebuild

The rebuild of the asset registers was applied to the books as at the last valuation being 1 July 2014 and to each subsequent year through to 30 June 2016. The rebuild of the asset registers for both the Corporation and its subsidiary have resulted in a restructure of the existing asset registers, and the assignment of more suitable asset categories, and low value pools where fitting, to assist with the more efficient and accurate recording of current and future fixed assets of both the Corporation and its subsidiary. In addition to the rebuilding of the asset registers, the Corporation also adjusted the fair value methodology to income approach for infrastructure assets.

There was an overstatement error in the original 2014 SKM valuation of Power Networks assets. This valuation underpins the Regulated Asset Base (RAB) and has flow-on affects in the Income Approach Valuation model as the RAB is used as the terminal asset value in the Power Networks valuation. Ther corrected RAB has been used in the calculation of the restated 2015-16 income approach valuation with a resultant impact of approximately $42.0 million (net present value) decrease in asset value for Power Networks in 2015-16.

The rebuild of the 2015 and 2016 fixed asset registers for both entities was applied to all classes of property, plant and equipment except for intangible assets and capital work in progress.

Adjustments to the useful life of Indigenous Essential Services Pty Ltd infrastructure assets located on leased Indigenous land

A review of the useful lives allocated to Indigenous Essential Services's (IES) infrastructure assets located on leased Indigenous land was undertaken during the year ended 30 June 2017 which resulted in the useful life of a number of IES's infrastructure assets being reduced to comply with the requirements of AASB 117 Leases. The impact of this on the consolidated statement of profit or loss is a further increase in the depreciation charge and the net restated loss of $12.9 million for each year ended 30 June 2015 and 2016.

The financial effect of the above as at 30 June 2016 was a reduction in the value of the Corporation’s property, plant and equipment by $424.1 million ($397.4 million relating to 2014-15 and $26.7 million relating to 2015-16) and $113.7 million of Indigenous Essential Services Pty Limited's property, plant and equipment. These are reflected as a combined movement of $537.8 million ($446.8 million relating to 2014-15 and $91.0 million relating to 2015-16) in the restated consolidated financial statements for the years ended 30 June 2015 and 30 June 2016 (compared to the previously published financial statements).

Prior to the restatement exercise depreciation and amortisation charged for both years ended 30 June 2015 and 30 June 2016 had been calculated on a estimated basis outside the fixed asset register. As a consequence of the ability to calculate of depreciation on an asset by asset basis through the fixed asset register, the correction of asset values in both years and the review of the useful life of infrastructure assets located on leased indigenous land, depreciation charges increased by $9.6 million in the year ended 30 June 2016 and $58.7 million in the year ended 30 June 2015 compared with the previous estimates for these years.

The impact on the profit or loss for the year ended 30 June 2016 has been an increase in the restated net loss after tax of $39.5 million from $38.2 million in the previously published financial statements to $77.7 million which is primarily reflected in an increase in depreciation and amortisation expenses ($9.6 million), impairment of non-current assets ($21.4 million), net loss on disposal of property, plant and equipment ($29.0 million) shown in other expenses offset by increases in the consolidated capital grant revenue release ($8.8 million discussed below), gifted assets revenue ($1.4 million) and income tax benefit ($13.1 million) which was previously an income tax expense of $1.7 million.

The impact on the restated profit or loss for the year ended 30 June 2015 has been an increase in the net loss after tax of $128.9 million from $30.1 million to $159.0 million which is primarily reflected in an increase in depreciation and amortisation expenses ($58.7 million), impairment of non-current assets ($124.9 million) and offset by a decrease in net loss on disposal of property, plant and equipment ($16.2 million) which is shown in other expenses and increases in the consolidated capital grant revenue release ($23.0 million discussed below) and income tax benefit of $49.1 million which was previously an income tax expense of $10.4 million.

Treatment of capital grants on consolidation

The Corporation applies Accounting Standard AASB 120 for the recognition and measurement of government grants whilst IES, as a not-for-profit entity applies AASB 1004. On consolidation, the accounting treatment applied to IES government grants is adjusted so that it aligns with the Corporation as detailed in Note 2 (c) and 2 (e). For the years ended 30 June 2015 and 2016, the consolidation adjustment for capital grant revenue release was based on an estimated historical cost depreciation charge using a weighted average percentage of the asset net book values as at 30 June 2014 and their useful lives. The fixed asset rectification project included rebuilding the historical cost register to enable consolidation entries to be completed based on historical depreciation. Therefore accurate historical cost depreciation data for the years ended 2015 and 2016 and future financials are now available.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

31 Restatement of comparatives (Cont'd)

The estimated historical cost depreciation to complete the consolidation journals for the years ended 30 June 2015 and 2016 in the previously published financial statements was understated, as it did not take into account the catchup depreciation for additions that were capitalised in those years but where the underlying assets were placed in service in prior years. In addition, the net book value of assets disposed of were also not taken into account as this data was not available at the time. The financial effect of the adjustments for the years ended 30 June 2015 and 2016 is an increase in consolidated revenue and a reduction in the restated net loss of $23.0 million and $8.8 million respectively.

Reclassication of account balances in the statement of profit or loss and the statement of financial position

Unearned revenue

Unearned revenue has previously been recognised as part of Trade and other payables in the statement of financial position however has been reclassified to be shown as a separate line item on the statement of financial position to provide further transparency to the financial statements.

Cost recovery associated with projects undertaken on behalf of third parties

Cost recovery associated with projects undertaken on behalf of third parties was previously reported under Trade and other receivables whereas the associated costs were reported under Trade and other payables in unearned revenue. During the year ended 30 June 2017, the cost recovery associated with projects undertaken on behalf of third parties has been reclassified to unearned revenue together with the associated costs incurred. This change has been applied retrospectively to the years ended 30 June 2015 and 2016.

Revenue from rendering of services and government grants

Revenue from rendering of services and government grants has increased for both years ended 30 June 2015 and 2016 due to an additional grant release of $23.0 million and $8.8 million respectively impacting the consolidated entity as discussed above. This increase was offset by the reclassification of miscellaneous income from this account to "Other income" in the amount of $2.8 million and $2.9 million for the Corporation for 30 June 2015 and 2016 respectively.

Other income

Other income for both years ended 30 June 2015 and 2016 has increased by $2.7 million and $1.4 million for both the Corporation and the consolidated entity due to the reclassification of $2.8 million and $2.9 million respectively from account "Revenue from rendering of services and government grants" which was then offset by $0.15 million and $1.5 million decreases in revenue from gifted assets associated with the rebuild of the fixed asset registers as discussed above under property, plant and equipment.

Tax effects

Due to the rebuild of the Fixed Asset Register, the tax calculations for 2014-15 and 2015-16 were reviewed and recalculated. Throughout this process it was determined that there was $4.2 million transferred in structural separation that had previously not been included in the calculation of tax in the 2014-15 year. This was subsequently included in the revised calculation for the 2014-15 tax as a transfer on structural separation.

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

31 Restatement of comparatives (Cont'd)

As a result of the above, the financial statements for the comparative year have been restated as follows

	Consolidated			Consolidated		
	Restated June 2016 $'000	Original June 2016 $'000	Variance $'000	Restated June 2015 $'000	Original June 2015 $'000	Variance $'000
(a) Statement of financial position						
Assets						
Trade and other receivables	91,968	94,001	(2,033)	125,908	130,437	(4,529)
Total current assets	**205,179**	**207,212**	**(2,033)**	**180,246**	**184,775**	**(4,529)**
Property, plant and equipment	2,565,590	2,656,541	(90,951)	2,631,399	3,078,183	(446,784)
Intangible assets	12,484	12,472	12	44,062	43,846	216
Deferred tax assets	28,412	24,989	3,423	19,033	16,878	2,155
Total non-current assets	**2,606,489**	**2,694,005**	**(87,516)**	**2,694,497**	**3,138,909**	**(444,412)**
Total assets	**2,811,668**	**2,901,217**	**(89,549)**	**2,874,743**	**3,323,684**	**(448,941)**
Liabilities						
Trade and other payables	55,944	75,094	(19,150)	130,982	153,860	(22,878)
Current tax liabilities	19,752	9,189	10,563	13,589	1,849	11,740
Unearned revenue	17,116	-	17,116	18,350	-	18,350
Total current liabilities	**210,242**	**201,712**	**8,530**	**334,728**	**327,516**	**7,212**
Government grants	224,023	255,851	(31,828)	214,742	237,752	(23,010)
Deferred tax liabilities	9,042	19,531	(10,489)	38,634	163,227	(124,593)
Total non-current liabilities	**1,348,510**	**1,390,827**	**(42,317)**	**1,220,215**	**1,367,818**	**(147,603)**
Total liabilities	**1,558,752**	**1,592,539**	**(33,787)**	**1,554,943**	**1,695,334**	**(140,391)**
Net assets	**1,252,916**	**1,308,676**	**(55,760)**	**1,319,800**	**1,628,350**	**(308,550)**
Equity						
Contributed equity	34,336	38,617	(4,281)	(6,024)	(1,383)	(4,641)
Retained earnings	544,575	643,159	(98,584)	609,228	681,348	(72,120)
Asset revaluation reserve	674,005	626,900	47,105	716,596	948,385	(231,789)
Total equity	**1,252,916**	**1,308,676**	**(55,760)**	**1,319,800**	**1,628,350**	**(308,550)**

Power and Water Corporation

Notes to the Financial Statements
for the year ended 30 June 2017

31 Restatement of comparatives (Cont'd)

	Consolidated			Consolidated		
	Restated June 2016 $'000	Original June 2016 $'000	Variance $'000	Restated June 2015 $'000	Original June 2015 $'000	Variance $'000
(b) Statement of profit or loss and other comprehensive income						
Revenue from rendering of services and government grants	159,197	153,250	5,947	170,051	149,867	20,184
Other income	73,529	72,149	1,380	92,798	90,123	2,675
Depreciation and amortisation expenses	(184,675)	(175,111)	(9,564)	(219,534)	(160,830)	(58,704)
Impairment of non-current assets and onerous contract provisions	(60,040)	(38,654)	(21,386)	(135,375)	(10,499)	(124,876)
Other expenses	(99,013)	(70,000)	(29,013)	(86,077)	(69,902)	(16,175)
Finance costs	(45,070)	(45,070)	(0)	(48,026)	(46,940)	(1,086)
(Loss)/profit before tax	**(89,130)**	**(36,494)**	**(52,636)**	**(197,755)**	**(19,775)**	**(177,980)**
Income tax equivalent benefit/(expense)	11,412	(1,695)	13,107	38,765	(10,354)	49,119
(Loss)/profit for the year	**(77,718)**	**(38,189)**	**(39,529)**	**(158,990)**	**(30,129)**	**(128,861)**
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss:						
Revaluation surplus/(deficit)	(29,525)	(321,485)	291,960	774,322	948,385	(174,063)
Other comprehensive income/(expense) for the year, net of tax	(29,525)	(321,485)	291,960	774,322	948,385	(174,063)
Total comprehensive income/(expense) for the year	**(107,243)**	**(359,674)**	**252,431**	**615,332**	**918,256**	**(302,924)**
(c) Statement of changes in equity						
Contributed equity						
Balance at beginning of year	(6,024)	(1,383)	(4,641)	152,582	152,582	-
Transfer of assets and liabilities to new entities	360	-	360	(328,606)	(323,965)	(4,641)
Balance at end of year	**34,336**	**38,617**	**(4,281)**	**(6,024)**	**(1,383)**	**(4,641)**
Retained Earnings						
Balance at beginning of year	609,227	681,348	(72,121)	710,492	710,505	(13)
Net profit/(loss) for the year	(77,718)	(38,189)	(39,529)	(158,991)	(30,129)	(128,862)
Retirements transferred from Asset Revaluation Reserve	13,066	-	13,066	57,726	-	57,726
Recognise revaluation position on disposal of assets	-	-	-	-	972	972
Balance at end of year	**544,575**	**643,159**	**(98,584)**	**609,227**	**681,348**	**(72,121)**
Asset Revaluation Reserve						
Balance at beginning of year	716,596	948,385	(231,789)	-	-	-
Increase/(decrease) in asset valuation	(42,180)	(459,264)	417,084	864,988	1,108,295	(243,307)
Less deferred tax effect recognised in deferred tax liabilities	12,655	137,779	(125,124)	(90,666)	(159,910)	69,244
Retirements transferred to retained earnings	(13,066)	-	(13,066)	(57,726)	-	(57,726)
Balance at end of year	**674,005**	**626,900**	**47,105**	**716,596**	**948,385**	**(231,789)**
Total equity	**1,252,916**	**1,308,676**	**(55,760)**	**1,319,799**	**1,628,350**	**(308,551)**

Power and Water Corporation

Notes to the Financial Statements

31 Restatement of comparatives (Cont'd)

	Corporation			Corporation		
	Restated June 2016 $'000	Original June 2016 $'000	Variance $'000	Restated June 2015 $'000	Original June 2015 $'000	Variance $'000
(d) Statement of financial position						
Assets						
Trade and other receivables	100,563	102,578	(2,015)	137,545	141,961	(4,416)
Prepayments	2,019	2,021	(2)	1,595	1,599	(4)
Total current assets	**181,722**	**183,738**	**(2,016)**	**171,568**	**175,988**	**(4,420)**
Property, plant and equipment	1,840,712	1,867,452	(26,740)	1,860,113	2,257,471	(397,358)
Intangible assets	12,482	12,471	11	44,052	43,844	208
Deferred tax assets	28,412	24,989	3,423	19,033	16,878	2,155
Total non-current assets	**1,881,609**	**1,904,915**	**(23,306)**	**1,923,201**	**2,318,195**	**(394,994)**
Total assets	**2,063,331**	**2,088,653**	**(25,322)**	**2,094,769**	**2,494,183**	**(399,414)**
Liabilities						
Trade and other payables	45,340	64,489	(19,149)	116,189	138,677	(22,488)
Current tax liabilities	19,752	9,189	10,563	13,589	1,849	11,740
Unearned revenue	17,135	-	17,135	18,072	-	18,072
Total current liabilities	**133,039**	**124,490**	**8,549**	**264,510**	**257,187**	**7,323**
Deferred tax liabilities	9,042	19,531	(10,489)	38,634	163,227	(124,593)
Total non-current liabilities	**1,117,965**	**1,128,454**	**(10,489)**	**999,147**	**1,123,741**	**(124,594)**
Total liabilities	**1,251,004**	**1,252,944**	**(1,940)**	**1,263,657**	**1,380,927**	**(117,270)**
Net assets	**812,327**	**835,710**	**(23,383)**	**831,112**	**1,113,255**	**(282,143)**
Equity						
Contributed equity	34,336	38,617	(4,281)	(6,024)	(1,383)	(4,641)
Retained earnings	603,120	745,454	(142,334)	625,798	741,514	(115,716)
Asset revaluation reserve	174,871	51,639	123,232	211,338	373,124	(161,786)
Total equity	**812,327**	**835,710**	**(23,383)**	**831,112**	**1,113,255**	**(282,143)**

Power and Water Corporation

Notes to the financial statements
for the year ended 30 June 2017

31 Restatement of comparatives (Cont'd)

	Corporation			Corporation		
	Restated June 2016 $'000	Original June 2016 $'000	Variance $'000	Restated June 2015 $'000	Original June 2015 $'000	Variance $'000
(e) Statement of profit or loss and other comprehensive income						
Revenue from rendering of services and government grants	70,112	72,950	(2,838)	67,913	70,705	(2,792)
Other income	71,139	69,793	1,346	90,985	88,345	2,640
Depreciation and amortisation expenses	(116,999)	(117,217)	218	(141,873)	(102,070)	(39,803)
Impairment of non-current assets and onerous contract provisions	(60,040)	(38,654)	(21,386)	(135,375)	(10,499)	(124,876)
Other expenses	(80,337)	(56,331)	(24,006)	(59,464)	(61,312)	1,848
Finance costs	(44,897)	(44,897)	-	(47,876)	(46,790)	(1,086)
(Loss)/profit before tax	**(41,031)**	**5,635**	**(46,666)**	**(129,716)**	**34,353**	**(164,069)**
Income tax equivalent benefit/(expense)	11,412	(1,695)	13,107	38,765	(10,354)	49,119
(Loss)/profit for the year	**(29,619)**	**3,940**	**(33,559)**	**(90,950)**	**23,999**	**(114,949)**
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss:						
Revaluation surplus/(deficit)	(29,526)	(321,485)	291,959	211,555	373,124	(161,569)
Other comprehensive income/(expense) for the year, net of tax	(29,526)	(321,485)	291,959	211,555	373,124	(161,569)
Total comprehensive income/(expense) for the year	**(59,145)**	**(317,545)**	**258,400**	**120,604**	**397,123**	**(276,519)**
(f) Statement of changes in equity						
Contributed equity						
Balance at beginning of year	(6,024)	(1,383)	(4,641)	152,582	152,582	-
Loans re-assigned on structural separation	-	-	-	170,000	170,000	-
Equity contributions from the Northern Territory Government	40,000	40,000	-	-	-	-
Transfer of assets and liabilities to new entities	360	-	360	(328,606)	(323,965)	(4,641)
Balance at end of year	**34,336**	**38,617**	**(4,281)**	**(6,024)**	**(1,383)**	**(4,641)**
Retained Earnings						
Balance at beginning of year	625,798	741,514	(115,716)	716,531	716,536	(5)
Net profit/(loss) for the year	(29,619)	3,940	(33,559)	(90,950)	24,000	(114,950)
Retirements transferred from Asset Revaluation Reserve	6,941	-	6,941	217	-	217
Recognise revaluation position on disposal of assets	-	-	-	-	978	(978)
Balance at end of year	**603,120**	**745,454**	**(142,333)**	**625,798**	**741,514**	**(115,717)**
Asset Revaluation Reserve						
Balance at beginning of year	211,338	373,124	(161,786)	-	-	-
Increase/(decrease) in asset valuation	(42,180)	(459,264)	417,084	302,221	533,034	(230,813)
Less deferred tax effect recognised in deferred tax liabilities	12,654	137,779	(125,125)	(90,666)	(159,910)	69,244
Retirements transferred to retained earnings	(6,941)	-	(6,941)	(217)	-	(217)
Balance at end of year	**174,871**	**51,639**	**123,232**	**211,338**	**373,124**	**(161,786)**
Total equity	**812,327**	**835,710**	**(23,382)**	**831,112**	**1,113,255**	**(282,144)**

ATTACHMENT 1: LEGISLATIVE OBLIGATIONS

Power and Water, as a government owned corporation providing essential services in the Northern Territory, is subject to a range of legislative instruments that guides and determines the way it operates and delivers its services.

LICENCES
Generation Licence
Network Licence
Retail Licence
System Control Licence
Water Supply Services Licence
Sewerage Supply Service Licence

CODES
Network Access Code
System Control Technical Code
Network Technical Code and Network Planning Criteria
Electricity Ring-fencing Code
Electricity Standards of Service Code
Energy Loss Factors Code
Guaranteed Service Level Code
Electricity Retail Supply Code
Water Services Connection Code
Water Metering Code
Trade Waste Code

LEGISLATION
Government Owned Corpoorations Act
Power and Water Corporation Act
Electricity Reform Act
Electricity Reform (Administration) Regulations
Electricity Reform (Safety and Technical) Regulations
Electricity Reform (System Control and Market Operator Functions Code) Regulations
Water Supply and Sewerage Services Act
Water Supply and Sewerage Services Regulations
Utilities Commission Act
Utilities Commission Regulations

GUIDELINES
Electricity Ring-fencing Guidelines
Electricity Standards of Service Code Feeder Category Guidelines
Credit Support Guidelines
Compliance Framework and Reporting Guidelines

ORDERS
Electricity Pricing Order
Water and Sewerage Pricing Order

ATTACHMENT 2: DEFINITION OF 2016-17 KEY PERFORMANCE INDICATORS

LTIFR: Number of lost-time injuries divided by the total hours worked per million hours worked. Rolling 12 month average.

CIFR: Combined injuries (Lost Time Injury and Medical Treated Injury) / Total hours worked per million hours worked. Rolling 12 month average

Engagement: The level of favourable engagement for all employees based on the number of survey respondents. Measured annually. Survey completed October 2016.

Participation rate: Number of people who participated in the survey out of the total possible participants.

Turnover: Number of employees (permanent and fixed term) who have terminated during the period. Rolling 12 month average.

Aboriginal employment: Full time equivalent (FTE) employees identifying as Aboriginal employees (permanent and fixed term, excluding contractors).

Return on assets: EBIT / Average total assets. Full year measure.

Funds from operations to interest times: EBITDA less gifted assets less tax paid / interest expense. Rolling 12 month.

Debt to Equity ratio: (Term debt + current debt) / equity

Cash Coverage: Average cash balance / ((operating expenditure + capital expenditure) / 52 weeks).

Quick ratio: (Current assets – inventories) / current liabilities

Water demand per household: Average kilolitres per household.

Water quality: Number of samples in which Escherichia coli (E. coli) is detected to establish compliance with the Australian Drinking Water Guidelines' stated performance measure for monitoring for E. coli in supplied water. Assessed across five major and 15 minor urban centres over the financial year.

System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI): Reflects distribution reliability targets approved by the Utilities Commission in the Standards of Service Code. Rolling 12 month average.

Customer satisfaction index: Percentage of customers that rate their overall satisfaction with the Corporation's services as either good or better. Covers major centres (including Darwin rural) based on a random sample of total customer population. Results reflect the survey completed August 2016.

Outstanding significant environmental compliance issues: Number of outstanding significant environmental compliance issues without endorsed planning in place to rectify over time (endorsed by regulator).

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