TERRITORY GENERATION

2020–21 ANNUAL REPORT

Territory Generation is the Northern Territory's largest electricity producer. We use gas, diesel and solar technologies to provide power and a range of energy and Essential System Services across the Territory. We are focused on supporting the Northern Territory's major power system through the transition to lower costs and renewables in line with Northern Territory Government policies.

2020-21 HIGHLIGHTS

1,000+

DAYS LOST TIME INJURY FREE ACROSS ALL SITES

(See page 12)

660

SAFETY TAKE 5S COMPLETED

(see page 12)

1,009

SAFETY INTERACTIONS

(see page 12)

$10.9M

NET PROFIT AFTER TAX

(see page 22)

$5.43M

DIVIDEND DECLARED

(see page 22)

$3M+

EFFICIENCY SAVINGS

(see page 22)

1,469

GWH ELECTRICITY PRODUCED

(see page 20)

~35MW

BATTERY ENERGY STORAGE PROJECT

(see page 16)

13.36%

EMISSIONS REDUCTION SINCE 2014

(see page 21)

ABOUT THIS REPORT

ACKNOWLEDGEMENT OF COUNTRY

Territory Generation acknowledges the Traditional Custodians and Elders of the country on which we work and live, and recognise their continuation of cultural, spiritual and educational practices. We pay our respect to the Elders past, present and emerging.

The 2020-21 annual report of Power Generation Corporation (trading as Territory Generation) summarises operations and achievements for the financial year 2020-21.

The annual report is tabled in the Northern Territory Parliament as a reporting mechanism for Territory Generation's Shareholding Minister, Portfolio Minister and the Northern Territory Parliament.

As per sections 41 and 44 of the *Government Owned Corporations Act 2001* (the Act), the report includes information about Territory Generation's:

- primary services and responsibilities
- significant activities of the year, major project highlights, key achievements and outcomes
- financial management and performance in compliance with the *Act.*

The report also provides information for stakeholders who have an interest in the provision of electricity generation services in the Northern Territory.

This is Territory Generation's seventh annual report following structural reforms to the Northern Territory electricity industry.

FRONT COVER TOP: MECHANICAL APPRENTICE, ASINATE BRADBURY, WORKING ON A JENBACHER AT TENNANT CREEK POWER STATION.

BOTTOM: 7 DAY OPERATOR MAINTAINER TECHNICIAN, SAM FLEMING, WITH CHANNEL ISLAND POWER STATION'S C8 AND C9 GAS TURBINES IN THE BACKGROUND.

CONTENTS

LETTER TO THE SHAREHOLDER

Treasurer
Parliament of the Northern Territory
Darwin NT 0800

Dear Treasurer

On behalf of the people and Board of Power Generation Corporation (trading as Territory Generation), we are pleased to present our seventh annual report, for the year ended 30 June 2021, in accordance with sections 41 and 44 of the *Government Owned Corporations Act 2001*.

DENNIS BREE
Chair

GERHARD LAUBSCHER
Chief Executive Officer

OPERATOR MAINTAINER TECHNICIAN (MECHANICAL), DAN OWERS WORKING ON THE GAS TRAIN AT KATHERINE POWER STATION.

OUR BUSINESS

Territory Generation is the largest electricity producer in the Northern Territory. We own 597MW of installed capacity and contract an additional 5.1MW from independent power producers, including 4.1MW of solar in Alice Springs and 1MW of gas from the Shoal Bay landfill site.

In the last financial year, Territory Generation produced 1,469GWh of electricity using gas, diesel and solar. We are committed to helping the Northern Territory Government achieve its goals of 50 per cent renewable energy by 2030 and net zero carbon emissions by 2050.

PRODUCTS

Our products include:

- wholesale electricity supply
  - electricity
  - capacity to supply peak load
- Essential System Services
  - network support services
  - generator testing/commissioning services
  - system strength services
  - capacity security services
  - electricity system services
  - frequency control services, including inertia
  - voltage control services
  - black start services

GOVERNANCE AND RISK

OPERATING STRUCTURE

Territory Generation is a Government Owned Corporation (GOC) which was incorporated to provide sustainable financial returns to the Northern Territory Government following a restructure of the Northern Territory electricity industry. We began operations on 1 July 2014 to undertake commercial wholesale electricity generation and provide Essential System Services.

Our business is governed by the *Government Owned Corporations Act 2001*, the *Power Generation Corporation Act 2014*, and generation and retail licenses, which are issued by the Utilities Commission.

Dennis Bree is the non-executive Chair of the Territory Generation Board of Directors. Richard Galton and Adjunct Professor Christine Charles are the non-executive Board members. The three directors are members of the Audit and Risk Committee, chaired by Mr Galton, and the People, Safety and Environment Committee, chaired by Adjunct Professor Charles. David Braines-Mead is an independent member of the Audit and Risk Committee with expert financial knowledge.

The Board is responsible to the Shareholding Minister for providing strategic direction, management accountability, corporate performance and governance of Territory Generation. In conjunction with the Chief Executive Officer, the Board sets targets based on key performance indicators for the Statement of Corporate Intent (SCI), which are monitored at every Board meeting and reviewed annually. Our 2021-22 SCI has been agreed with the Shareholding Minister and tabled in Parliament.

During the 2020-21 financial year, Territory Generation's Shareholding Minister was the Hon. Michael Gunner, and our Portfolio Minister was the Hon. Eva Lawler, the Minister for Essential Services. The Northern Territory Auditor-General audits our financial statements.

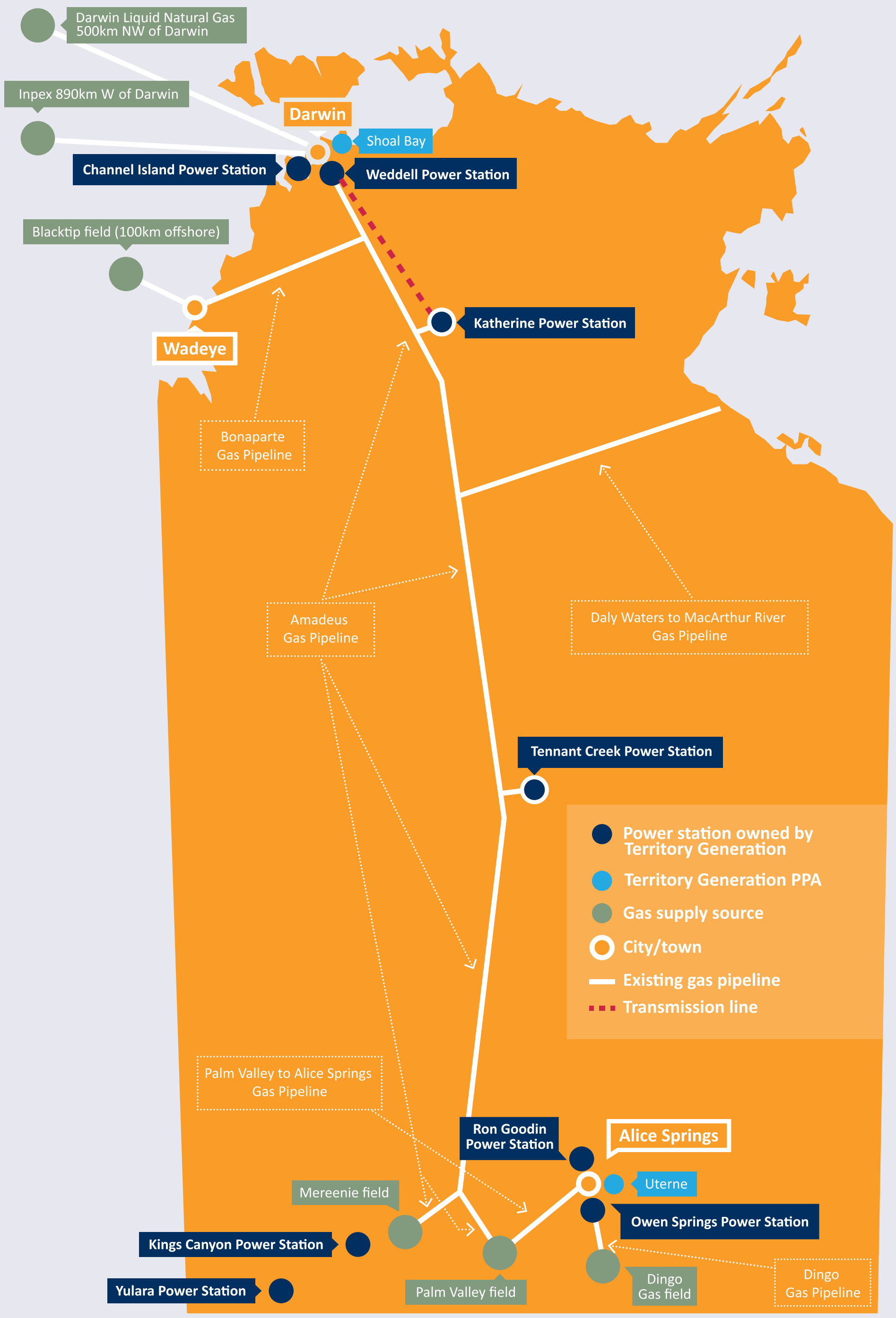
MANAGING RISK

Territory Generation manages and reduces risks while ensuring legal and regulatory compliance through comprehensive risk reviews, identification and management frameworks. We work in a high-risk environment and are exposed to a wide range of risks, including health and safety, competition, disruptive technology, information technology, security, natural disasters and pandemics. Safety is at the core of everything we do, and consideration of risks is part of the everyday activities at Territory Generation. We carry out a wide range of risk training in workshop, group and individual settings.

Our business is subject to legal requirements, including Commonwealth and Territory legislation, regulations, licensing, standards and codes. Territory Generation complies with part 9 of the *Information Act 2002*.

WHERE WE OPERATE

Territory Generation owns and operates eight power stations, 65 generating units and a battery energy storage system in the Northern Territory. These are located at Channel Island, Weddell and Katherine (the Darwin-Katherine interconnected system); Tennant Creek; Ron Goodin/Sadadeen Valley and Owen Springs (the Alice Springs power system); Kings Canyon and Yulara.



MESSAGES FROM THE CHAIR AND CEO

CHAIR'S MESSAGE

The past 12 months have been rewarding for Territory Generation, with some major milestones reached. Our staff continue to adapt commendably to the new COVID-19 culture.

Our 2021-22 Statement of Corporate Intent has been developed with two key things in mind: the Northern Territory Government's renewables policy and the increasing competition from solar.

During the transition to 50 percent renewable energy by 2030 and zero net emissions by 2050, Territory Generation will continue to play a significant role to responsibly and reliably provide energy, system security, stability and other Essential System Services (ESS).

Growth in solar penetration continues to have an impact on the electricity system, most significantly through an increase in the requirements for ESS.

The new Darwin-Katherine battery will support increased renewable penetration and strengthen the system further by providing additional security for the Darwin-Katherine interconnected system.

Our Fleet Transition Plan guides us to invest in new, more efficient and appropriately sized thermal generation assets, which will increase capability to consume renewably sourced fuels, such as hydrogen.

We continue to learn from the 2019 Alice Springs system black event, which has driven us to evaluate our systems. The lessons learned have been transferred to our sites at Channel Island, Weddell, Katherine and Tennant Creek. Ron Goodin Power Station remains operational to provide more system security.

Financially, we will again provide a modest dividend to the Northern Territory Government and will continue to manage our controllable costs effectively.

I'd like to conclude by paying tribute to the management and staff of Territory Generation who carry out their roles diligently, 24 hours a day, seven days a week, 365 days a year, to provide power to Territorians while maintaining safety as the number one priority.

Dennis Bree

CHIEF EXECUTIVE OFFICER'S MESSAGE

I am proud to report on exceptional safety achievements during the 2020-21 financial year, including the significant milestone of 1,000 days (more than three years) without a Lost Time Injury. This, and the challenges posed by the global COVID-19 pandemic have again proven that we maintain a workplace with safety at the core of everything we do.

Territory Generation also delivered on its 2020-21 strategic objectives in a challenging electricity market. Low power system loads caused by increased commercial and behind-the-meter photovoltaic solar uptake continue to affect the operation of our generating units. We have considered the challenges—and opportunities—presented by increased solar uptake to continue supporting the Northern Territory Government's renewables and emission policies.

Importantly, we are shifting our tariff structure towards unbundling our Essential System Services (ESS). In this way, Territory Generation will continue its essential role of providing energy and a variety of ESS under commercial terms for each service, supporting the power systems from black start through to firming, and the Northern Territory Government's vision for power generation.

The changing demands on Territory Generation regarding spinning reserve and increased minimum loads have led us to plan to deliver more flexible, smaller, fast-start and renewable-capable machines. As some assets near the end of their lives, it is exciting to see the start of our Fleet Transition Plan, and the Darwin-Katherine Battery Energy Storage System project commencing soon.

It remains critical for Territory Generation to focus on its core business to maintain its role as a safe, reliable and cost-effective electricity generator. Looking forward, we will continue to increase focus on contemporary asset management methodologies to further enhance our plant reliability and maintain process safety.

I thank our staff for their incredible dedication and commitment to delivering exceptional services. They all play such an important role in making Territory Generation a great company to work for.

Gerhard Laubscher

OUR STRATEGIC DIRECTION

Territory Generation's strategic direction is to support and contribute to the provision of sustainable energy solutions in line with the Northern Territory Government's commitment to 50 per cent renewables by 2030 and net zero carbon emissions by 2050. We have a crucial role in supporting this policy, not only to deliver on our strategic intent by transitioning our fleet to be capable of supporting more renewable energy but also to be the trusted provider of reliable energy, Essential System Services and firming services to the power systems in which we operate.

During the transition to renewables, Territory Generation will continue to focus on its core business of being a safe, reliable and cost-effective electricity essential service in all circumstances, and invest in generation assets suited to the power systems of the future.

OUR VISION

To be the Northern Territory's trusted and respected energy services business. This means:

- running our business safely is recognised as our highest priority
- we are known for being reliable, available and responsible
- we exceed the expectations of our stakeholders
- we are recognised for technical excellence for energy services in the Territory
- we are cost effective with other relevant players in the market
- we are an employer of choice.

OUR PURPOSE

We safely, reliably and responsibly provide:

- electricity on sustainable terms
- Essential System Services which facilitate system reliability and the adoption of renewable energy.

We contribute to the provision of sustainable energy solutions for the Northern Territory as part of the transition to 50 per cent renewables by 2030 and net zero emissions by 2050.

OBJECTIVES

Territory Generation's strategic objectives are:

- **Safety:** We have an embedded behavioural based safety culture, where safety is at the core of everything we do
- **People and capability:** We have a culture that attracts, retains and develops highly skilled people aligned with the TGen vision and values
- **Plant operations:** We operate our plant safely, reliably and responsibly every day
- **Finance:** We achieve our agreed controllable SCI outcomes; We monitor and report the impact of uncontrollable events against our SCI; We have an accepted and transparent understanding of the cost of system services
- **Sustainability:** We ensure sustainability by effectively managing the social, environmental and economic performance of Territory Generation
- **Stakeholders and customers:** We are a trusted supplier delivering safe and reliable products and services.

OUR VALUES At Territory Generation, our values come FIRST

F

Focus: We focus our efforts on delivering a safe, reliable and cost-efficient operation we are all proud to be a part of.

I

Integrity: We are open and honest with our words and actions: "to do and say the right thing"

R

Respect: We show respect for our teammates, the environment, and the communities in which we work.

S

Safety: We conduct our business and our roles with a strong focus on avoiding injury to our people or damage to assets and the environment. Safety is not negotiable.

T

Teamwork: We are one team with aligned goals working together to achieve Territory Generation's vision.

OUR BOARD

DENNIS BREE

INDEPENDENT
NON-EXECUTIVE CHAIR
BE, MAICD

Dennis is a civil engineer whose whole career has been in the Territory. Dennis was involved in the recovery from Cyclone Tracy, focusing on structural design with GHD, after which he joined the Commonwealth Government. He focused on water and sewerage, particularly in remote areas and then moved into management roles with the Northern Territory Department of Transport and Works and then Power and Water Authority.

Dennis was Executive Director Operations at Power and Water Authority and was responsible for generation as well as other business units.

Dennis has been Deputy Chief Executive of a number of departments and Chief Executive of the Department of Business. Dennis has also been Chief of Staff to two Chief Ministers and two Leaders of the Opposition, and most recently a senior advisor to Chief Minister Michael Gunner.

In his private life Dennis has been very involved in rugby union and was President of the Northern Territory Rugby Union for ten years and a Director of the Australian Rugby Union for four years.

CHRISTINE CHARLES

INDEPENDENT
NON-EXECUTIVE DIRECTOR
BA(HONS), ADJUNCT PROF MAICD

Christine is Managing Director and co-founder of D4G and an experienced Board chair and non-executive Director. She brings substantial board and management experience with a particular focus on operating in highly regulated environments and realising the business benefits of understanding and managing regulatory, sovereign, community and environmental risks.

Christine has broad knowledge across a number of sectors, having held a variety of positions in the community, public and private sectors and academia. Her understanding of the resources and energy industry is based on several years in an executive role with Newmont Mining and her work within the sector as a specialist. Christine chaired the Northern Territory Green Energy Task Force and the Northern Territory Mining Board.

Christine was Chief Executive Officer of the South Australian Human Services Department from 1997 to early 2002 after heading the South Australian Cabinet Office. She worked for the World Health Organisation in Kobe, Japan and for a number of non-government organisations within Australia. She sits on the boards of Transformations in Mining Economies CRC and the Sustainable Minerals Institute, and chairs the Boards of both the Resources and Skills Alliance, and the Centre for Social Responsibility in Mining.

RICHARD GALTON

INDEPENDENT
NON-EXECUTIVE DIRECTOR
BE, MBA

Richard graduated as a civil engineer from the University of Sydney in 1972 and started his career with the New South Wales Department of Main Roads. Richard focused on planning, design and construction of motorway and bridge construction projects in Sydney, London and Wollongong for a decade before he was seconded to the Northern Territory in 1982 to manage road network development. Richard then completed a Master of Business Administration while working in senior management roles within the Northern Territory Public Sector.

Since 1994, Richard has held executive roles in a broad range of Northern Territory Government agencies, including Work Health, Infrastructure, ICT, Economic and Regional Development, Primary Industry, Fisheries and Resources. He also served a period as Executive Director Technical with Power and Water Authority as it commenced the transition to a government owned corporation in 2002.

OUR EXECUTIVE LEADERSHIP TEAM

GERHARD LAUBSCHER

CHIEF EXECUTIVE OFFICER
NDIPENG (MECH), NHDIPENG (MECH), MDP, MTECHENG, MAICD, MIEAUST,

Gerhard has global experience as a leader across a variety of industries. He has held CEO and Board Director roles and positions in the public and private sectors with accountability for all business functions.

Gerhard's expertise is across mining (mineral processing, gold, aluminium and coal), manufacturing, power generation (renewables, cogeneration, gas, hydro, coal and biomass), nuclear, military and other engineering industries.

His passion is to lead people and develop leadership teams that are inspired, resilient and deliver value with an uncompromising approach to safety. His key strengths include developing vision and strategy to successfully align business and culture.

JOHN GREENWOOD

GENERAL MANAGER ASSETS AND OPERATIONS
GRADDIP(LEADERSHIP&MGT), MAICD, MIML

John is an accomplished senior executive with management experience gained across a variety of roles in both New Zealand and Australia. He has a long work history in service delivery, asset management and capital works delivery in the electrical supply industry.

Prior to joining Territory Generation, John was CEO of an electricity utility contractor based in the South Island of New Zealand.

TERRITORY GENERATION'S EXECUTIVE LEADERSHIP TEAM (FROM LEFT TO RIGHT) HIEU NGUYEN, EDDIE MALLAN, GERHARD LAUBSCHER, JOHN GREENWOOD, MARIA WALTERS

MARIA WALTERS

GENERAL MANAGER FINANCE AND BUSINESS SERVICES
BBUSCOM, FCPA, GAICD

Maria is a Fellow of CPA Australia with significant experience gained across her career in the power generation industry. She brings strong technical accounting, strategic and analytical skills as well as extensive experience and knowledge of the business services functions. Maria has held key board positions on several external boards over a number of years.

EDDIE MALLAN

GENERAL MANAGER COMMERCIAL
ADV DIP HOSPMAN, BCOMM, MBA, GRAD DIP WHS, MAICD

Eddie is an experienced executive who has a history of working in a range of industries including ports, mining, supply chain, logistics, mass manufacturing and technology.

He is skilled in negotiation, business planning, operations management, strategic sourcing and business improvement, and has experience in both the private and public sectors across the Asia Pacific region.

HIEU NGUYEN

GENERAL COUNSEL AND COMPANY SECRETARY
BSC, LLB, LLM, GAICD

Hieu is an executive with extensive legal experience in private and government enterprises and has held various board and committee positions. Hieu helped to establish the Business Services function of Territory Generation covering ICT, Environment, Risk & Compliance, Records Management, Facilities, Communications, Stakeholder Management and Legal. He has been involved in a number of large commercial contractual negotiations during his career.

KPI ACHIEVEMENTS

Territory Generation has developed key performance indicators (KPIs) to define its strategic direction for the financial year. There are six key result areas that define Territory Generation's vision and establish its objectives. These are Safety, People and Culture, Plant Operations, Finance, Sustainability, and Stakeholders and Customers.

KPI measure	Target	Actual
SAFETY		
Report lead indicators	Increase in near miss reporting	Reporting increased
Increase safe act observations and safety interaction reporting rates and improve quality	Monthly allocated targets met or exceeded	Targets achieved
Lost time injury frequency rate (LTIFR)	Zero LTI recorded	Zero
Measure safety culture and engagement through staff engagement surveys	Improvement in safety engagement	Improvement: 87% of employees agreed there was an appropriate level of focus on safety in the workplace
PEOPLE AND CULTURE		
Number of people – Full Time Equivalent (FTE)	FTE = or < 207	Target achieved
Performance appraisal and development plans completed within the defined timeframe	Appraisal completion > 90%	100%
Employee engagement survey outcomes	Engagement survey result > 70%	62%
Employee retention rate	Retention rate > 85%	88%
Compliance training provided as per training schedule	Training completed on time > 90%	99%
PLANT OPERATIONS		
Critical plant availability across portfolio	Total TGen average = or > 88%	82%
Metric reports produced	Metric reports produced for all sites	Reports produced
Operating expenditure (less energy) as a percentage of total revenue	Achieve = or < 34.2%	29.8%
Operating expenditure (less energy) per sent out MWh generated	Achieve = or < 62.9%	54.3%
Operational efficiency across all sites	Across all sites average energy efficiency = or > 32%	29%: due to machines running at lower capacity to support system security

KPI ACHIEVEMENTS (CONTINUED)

KPI measure	Target	Actual
FINANCE		
EBITDA	$37.63M	$44.52M
Current ratio	2.66x	2.60x
Return on assets	3.56%	5.12%
Return on equity	5.57%	8.11%
Debt to equity	1.74x	1.72x
EBIT	$15.32M	$22.60M
TGen products are costed in accordance with the agreed documented methodology	Documented methodology approved	Documented methodology approved
SUSTAINABILITY		
The measurement and reporting of TGen's total emissions	TGen's emissions < tC02-e 1,000,000 total tonnes for the year	tC02-e 904,911
Annual review of New Energy Transition plan	Plan produced	Fleet Transition Plan produced
Estimate of regulated system carbon intensity	The estimated system carbon intensity advised to Board	Target achieved
Emission impacts included in business cases	All business cases include emissions impacts	Emissions included in business cases
Cyber security management and processes	Achieve a rating of = or > 1.4	Target achieved
STAKEHOLDERS & CUSTOMERS		
WESAs negotiated	Approved by Board and Shareholder	Approved by the Board and Shareholder
Identify new technologies and develop appropriate business cases, products and services to meet requirements of stakeholders and customers	Two business cases presented to the Board	Two business cases presented to the Board
Customer and stakeholder survey	Initial Customer and Stakeholder survey result finalised to set future benchmark	Work delayed by COVID lockdowns; contract finalised and surveys in development

SAFETY

At Territory Generation, we have created a safety culture that is embedded in and at the core of everything we do—safety is paramount and always at the forefront of the decision-making process. That said, we never cease striving to do even better through continuous improvement strategies. Our aim is simple and clear: we want every employee, contractor and visitor to return home safely every day, the same way they arrived.

During 2020-21, Territory Generation again maintained its zero Lost Time Injury status.

We are all proud of the safety record at Territory Generation. It shows that everyone in the organisation is working hard to ensure safety remains our number one priority. Our safety record has been achieved in several ways. We proactively encourage no-blame reporting, thoroughly investigate all incidents to identify root cause and contributing factors, take action to prevent incidents happening again and share learnings from investigations.

Proactive reporting of hazards and near misses is particularly encouraged as this means we can potentially prevent an injury or incident from occurring.

We continue to increase the number of safety interactions. These are held at all levels of the organisation to keep safety front of mind. A safety share is held at the start of every meeting as a standing agenda item.

We are pleased to have exceeded our safety interaction key performance indicator over the past 12 months, demonstrating the workforce is acutely conscious of our safety-first culture.

The Take 5 Checklist, which is a proactive lead indicator, was also refreshed during the year. Conducting Take 5s prior to starting work or changing task enables staff to complete a final risk assessment to ensure that it is safe to proceed with a job or task. We were pleased to see 660 Take 5s logged in the 2020-21 financial year.

Safety performance is measured with a focus on lead indicators. While lag indicators, such as data on lost time injuries, are still notable, these track negative outcomes. Safety lead indicators are proactive measures of prevention efforts and promote a strong safety culture across the business.

	2017-18	2018-19	2019-20	2020-21
INJURIES AND ILLNESSES				
Lost Time Injuries (LTI)	1	0	0	**0**
Lost Time Injury Frequency Rate (LTIFR)	3.2	0.0	0.0	**0.0**
INCIDENT REPORTING				
Safety Interactions	992	986	882	**1,009**

ELECTRICAL TRADESPERSON, BEN LITTLE, AT RON GOODIN POWER STATION

OUR PEOPLE

At 30 June 2021, Territory Generation had 192 full-time equivalent employees, compared with 190 at the same time in 2020.

DIVERSITY AND INCLUSION DEVELOPMENT PROGRAM

The Diversity and Inclusion Development Program (DIDP) was created to build on work previously done by the Women Leaders Forum and cover a broader range of diversity within Territory Generation. The major initiative being managed by the DIDP Committee is the development and succession planning for a variety of employees from diverse groups.

Territory Generation believes in a diverse workforce that is representative of the community in which we work and live. Diversity benefits the organisation in many ways, including better decision making, and increased creativity, productivity and staff engagement.

HEALTH AND WELLBEING

The health and wellbeing of staff continues to be a priority at Territory Generation. Over the past 12 months we have introduced a well-received free skin cancer screening program. We also took part in Men's Health Week, the Push-Up Challenge promoting mental health awareness, and sponsored employees to take part in the NT Santos City2Surf. Other continuing initiatives include:

- celebrating R U OK? Day
- providing advice about exercise, diet, mental health and sleep in the monthly newsletter
- offering mental health training through LinkedIn Learning
- circulating COVID-19 communications and information, including a dedicated intranet page
- delivering a flu vaccination program.

ELECTRICAL TRADESPERSON, MATTHEW HALL, AND MECHANICAL APPRENTICE, RODNEY BOWMAN, AT OWEN SPRINGS POWER STATION

CHANNEL ISLAND ELECTRICAL APPRENTICE, KALINA PRICE

LEARNING AND DEVELOPMENT

Territory Generation is committed to providing development and career opportunities for all staff. Increased efforts were invested in training and upskilling employees during the financial year. We believe a well-trained workforce provides greater efficiencies, paying back many more times the initial investment in training.

We continue to strive to be an employer of choice by growing our own. Two of our current apprentices have recently transitioned to dual trade apprenticeships. We are also the host employer for seven apprentices from our arrangement with Group Training Northern Territory (GTNT).

Our partnership with Engineers Australia continues to strengthen as we provide mentors for sySTEMic Collaboration project high school programs in both Alice Springs and Darwin. Territory Generation also hosted three secondary school students who had participated in the sySTEMic Collaboration project for engineering work experience placements.

Gas Type B License Training and Mandatory Compliance Training, delivered in week-long blocks to minimise disruption to our employees, strives to ensure our staff members are given the opportunity to not only work safely and efficiently but improve themselves and advance their career prospects.

TENNANT CREEK POWER STATION ELECTRICAL APPRENTICE, KANE PLUMMER

OUR PROJECTS

Territory Generation is transitioning to meet the current and future needs of the major Northern Territory power systems which have changed in recent years with the growth of renewables.

Our power systems are built around old technology, but renewables demand different characteristics. We recognise the transition to renewables will require a change in our fleet as well as in thinking. All power system stakeholders will need to work collaboratively to navigate the challenges we face.

Our Fleet Transition is designed to ensure generation flexibility and to support the Northern Territory Government's renewables and emissions targets. It will also realign our asset base with the current needs of the power systems. The current Darwin-Katherine fleet consists of aging generators that were not designed to support the variable load requirements brought on by the significant penetration of solar photovoltaic technology.

As some of Territory Generation's fleet, particularly in Darwin and Katherine, nears the end of its operational life, projects will be carried out in a cost-effective and staged process to maximise unit life and value.

DARWIN-KATHERINE BATTERY ENERGY STORAGE SYSTEM

The ~35MW Darwin-Katherine Battery Energy Storage System (DK BESS) is a cornerstone of Territory Generation's Fleet Transition. It is projected to achieve a five-year payback and will deliver greater system reliability and security to the Darwin-Katherine interconnected system.

The DK BESS will supply power system services currently provided by gas-fired generation. It is expected to be operational in the second half of 2022.

CHANNEL ISLAND TM2500 MODULAR GAS TURBINE

This project marks Territory Generation's first investment into our future energy fleet in the Darwin-Katherine region and will see a smaller, modular, more flexible and renewable fuel capable gas turbine introduced to Channel Island Power Station.

Our key drivers for this project are to maintain an appropriate level of installed capacity at Channel Island and to increase efficiency savings. These savings will occur in the form of reduced gas consumption. The new modular gas turbine will minimise the requirement to start and stop large generators to manage small changes in demand.

Procurement for the project commenced in Q2 2021 with installation to occur during 2022.

A BATTERY ENERGY STORAGE SYSTEM

ALICE SPRINGS TRANSMISSION LINE AND SUBSTATION

The design, construction and commissioning of a new single circuit transmission line and substation for Alice Springs is progressing well despite COVID restrictions.

Original project requirements included a new bay at the Owen Springs switchyard, new 66kV transmission line and a new 66/11kV substation. Following a review of transmission line capacity requirements, a project redesign and execution review were undertaken to maintain time frames.

Once commissioned, Territory Generation will manage the operations and maintenance. For the first time, Territory Generation has acquired a Retail Licence to allow us to sell electricity directly to the customer.

The load will improve the stability of the Alice Springs network and the efficiency of the Alice Springs generating units. This will in turn provide a stable and reliable baseload on the network, thereby allowing more room in the power system for renewables.

Substation building works began in June 2020. It is scheduled to be in service in March 2022.

OWEN SPRINGS SUBSTATION WORKS

YULARA ENERGY TRANSITION INITIATIVE

The Yulara Energy Transition Initiative is a program of works that will transition power generation in Yulara to a greener and more sustainable supply. It will progress in a staged approach without compromising system security. The program has been developed in close collaboration with key local stakeholders and includes the following projects:

Yulara Capacity Replacement (in progress)

- Replace aging capacity at the Yulara Power Station with new, reliable and modular diesel generation, ensuring security of supply for the foreseeable future. Procurement will occur in Q3 2021 and installation during 2022.

Yulara Solar Optimisation (in progress)

- Maximise the value of the existing solar arrays. This will initially consist of a revised curtailment methodology (currently in implementation) and then look to implement a small, grid-forming battery with a view towards ending diesel operation.

Yulara Future Energy (in planning)

- Define the long-term future of power generation in Yulara and sustainably and economically position the Yulara Power Station to maximise the overall contribution of renewables and further reduce its operating costs.

Significant stakeholder engagement, supporting studies and other enabling works were completed throughout 2020-21. Implementation of key program milestones are forecast to occur during 2021-22, significantly improving the outcomes for all participants in the Yulara power system.

YULARA POWER STATION BLACK START GENERATOR INSTALLED IN 1990

OUR POWER STATIONS

	Engine	Total capacity (MW)	Description
DARWIN-KATHERINE REGION			
Channel Island Power Station (CIPS)	5 heavy industrial gas turbines, 3 aero derivative turbines (1 gas and 2 dual fuel), and 1 steam turbine.	279	CIPS is Territory Generation's largest power station and the main source of electricity for the Darwin-Katherine Interconnected system. The first units were commissioned at CIPS in 1986, and CIPS now has 310MW of installed capacity. CIPS is a natural gas fired station, with diesel fuel back-up capability. C3 is in the process of being decommissioned thereby reducing the total MW availability from 310MW to 279MW
Weddell Power Station (WPS)	3 turbine sets (gas)	129	WPS connects to the Darwin-Katherine grid and consists of two open cycle gas turbines commissioned in 2008, with a third commissioned in 2014.
Katherine Power Station (KPS)	4 turbine sets (dual fuel)	36.5	KPS has been operational since 1987. The station contains four open cycle gas turbines.
ALICE SPRINGS REGION			
Ron Goodin Power Station (RGPS)	8 reciprocating sets (2 diesel only, 6 dual fuel) and 1 gas turbine (dual fuel)	38.6	RGPS was commissioned in 1973 and remains a source of electricity for the Alice Springs area. RGPS has been kept operational to provide more capacity to the Alice Springs system. RG1 and RG2 are being reserved for black start capability, and RG8 is in the process of being decommissioned thereby reducing the total MW availability from 44.1MW to 35.3MW.
Owen Springs Power Station (OSPS)	13 reciprocating sets (3 dual fuel and 10 gas only) and 1 turbine (dual fuel)	77	OSPS uses the latest dual fuel and gas spark reciprocating technology. OSPS services the Alice Springs community.
Sadadeen Valley	Battery energy storage system (BESS)	5	The Sadadeen Valley BESS is a grid-connected modular lithium iron phosphate battery system which has been in operation since 2018 to supportthe Alice Springs power system.
TENNANT CREEK REGION			
Tennant Creek Power Station (TCPS)	11 reciprocating sets (5 gas, 6 diesel) and 1 turbine (dual fuel)	19.8	TCPS services the Tennant Creek township and surrounding communities as far as Ali Curung.
YULARA-KINGS CANYON REGION			
Yulara Power Station (YPS)	10 reciprocating sets (4 gas, 5 diesel and 1 dual fuel)	11	YPS services the Ayers Rock Resort and the Yulara township. The Yulara Energy Transition Initiative will result in a significant change in the asset base in the near future.
Kings Canyon Power Station (KCPS)	3 reciprocating sets (diesel) and 1 solar panel	1.05	KCPS is the only commercial source of electricity in the Kings Canyon area, servicing the Kings Canyon Resort and domestic customers.

MAJOR OUTAGES AND WORKS

Territory Generation conducts major outages and works to carry out machine replacements, upgrades, maintenance, repairs and improvements.

DARWIN-KATHERINE INTERCONNECTED SYSTEM

CHANNEL ISLAND C8

Channel Island's C8 and C9 are Siemens aero-derivative turbines. C8 was scheduled for a mid-life overhaul and hot section exchange at 35,000 hours. In April 2020, we removed the turbine and replaced it with a lease unit. It is being repaired in the Siemens Abu Dhabi facility and is scheduled for reinstallation in November 2021.

CHANNEL ISLAND 132KV CABLE REPLACEMENTS

During 2020-21, we continued a program of works to replace ageing 132kV cables from the transformers at Channel Island Power Station to the Power and Water Corporation switchyard by completing the C5 cable replacement. The C8/C9 cable replacement has been postponed until 2022 to align with Power and Water Corporation switch yard works.

WEDDELL W1 ENGINE REPLACEMENT

Weddell Power Station uses a GE LM6000D high-efficiency aero-derivative turbine, capable of generating 42MW when using the SPRINT water intercooling system. Combustor damage was identified on W1 during planned maintenance in August 2020. We weighed up returning the damaged engine to service with routine borescope inspections or undertaking an early engine changeout. In the end, a spare engine was installed to replace W1 to minimise the risk of generation disruptions. W1 was returned to service in September 2020. The damaged unit was replaced with a new gas turbine in December 2020 and is now on hand as a spare unit.

KATHERINE ENGINE REPLACEMENTS

Katherine Power Station uses Solar Turbine small industrial gas turbines. K4 is a Solar Titan 130 turbine capable of 12MW while K1 is a Solar Mars 100 turbine capable of 8.5MW. KPS is critical in providing power generation to the Katherine region when the 132kV power transmission lines from Darwin are out of service. This includes lightning strikes in the wet season.

K4 was deemed emergency-use only in September 2020 due to bearing oil leaks and high vibration on start up. K1 was out of service in January 2021 due to high vibrations originating in the gas producer. We worked with Solar Turbines to rectify the problems on site, but both engines were deemed unserviceable and transported to the OEM engine facility in Melbourne. Following disassembly, it was determined replacement of both units was required. The K4 turbine was replaced as the priority unit in April 2021, subsequently followed by K1 in May 2021.

ALICE SPRINGS POWER SYSTEM

OWEN SPRINGS OSA ENGINE EXCHANGE

OSA is a Solar Taurus small industrial gas turbine capable of 3.9MW. The engine operated beyond standard life based on condition reports and achieved 55,000 hours before an engine exchange was completed in May 2021. It was returned to service in June 2021.

OWEN SPRINGS OS1 TOP END OVERHAUL

OS1 is one of three MAN 10.9MW medium-speed reciprocating engines that provide inertia and improve security of the Alice Springs power system. The 30,000-hour overhaul was completed in December 2020 using mainly internal resources.

CHANNEL ISLAND POWER STATION'S C8 AND C9 GAS TURBINES

OPERATIONAL PERFORMANCE AND RELIABILITY

As the major supplier of electricity to the Northern Territory, Territory Generation uses a combination of gas, diesel and solar panels to generate power and manage assets to enhance reliability, availability and safety.

GENERATION OUTPUT

In 2020-21, our combined output from gas, diesel and solar facilities was 1,469 GWh of electricity, not including power purchase arrangements (PPA). It was 1,554 GWh in 2019-20 and 1,677 GWh in 2018-19 without PPA.

ASSET MANAGEMENT AND RELIABILITY

Territory Generation is committed to an industry best practice Asset Management System that is consistent with our vision, values and objectives and aligns with International Standards Organisation (ISO) 55000 for Asset Management. Our current focus is on work management and condition monitoring.

MAINTENANCE

Territory Generation has been refining maintenance work management practices to improve maintenance resource effectiveness and minimise unplanned downtime for generation equipment. This includes developing procedures and metric reports to support the business in delivering industry best practices for planning and scheduling maintenance work. We plan to develop training packages and embed practices into the business in the coming financial year.

ALICE SPRINGS SYSTEM BLACK RECOMMENDATIONS

Territory Generation has been working through recommendations following the Alice Springs power outage in October 2019. Many activities have required coordination with Power and Water to plan and implement changes required.

MANAGER PROJECTS & CONTRACTS, ALISDAIR MCDONALD, AT AN OWEN SPRINGS ENGINE MANAGEMENT SYSTEM PANEL.

ENVIRONMENT & SUSTAINABILITY

ENVIRONMENT

Territory Generation is committed to environmental stewardship. We work hard to balance our responsibility to provide electricity to our customers with our environmental, social and economic obligations. Our Environmental Policy Statement is displayed at all our sites.

A key priority for our business is transitioning to a low-carbon operation and reducing greenhouse gas emissions. Our strategy is in line with the Northern Territory Government's commitment to take action on climate change.

We are transparent about our performance by reporting to the Environmental Protection Authority, the National Pollutant Inventory and the Clean Energy Regulator on National Greenhouse and Energy Reporting. Reporting covers greenhouse gas emissions, energy production and consumptions throughout our operations.

Our strong commitment to protecting the environment is contained in our environmental framework and procedures, which ensure we achieve best-practice performance in our operations.

We work with Power and Water Corporation to monitor and reduce water use as much as possible. Flow meters have been installed at power stations to monitor wastewater discharge.

SUSTAINABILITY

Territory Generation's Sustainability Framework adopts some of the United Nations 17 Sustainability Development Goals and is designed to help the Northern Territory Government achieve its objectives of 50 per cent renewable energy by 2030 and net zero emissions by 2050. Since 2014, Territory Generation has reduced its total CO_2-e by 13.36 per cent.

Our principles, processes and procedures, investment decision-making and risk assessments are reported in our Environmental, Social and Government (ESG) report.

The goals of the ESG report are to identify the priorities that matter to us and our stakeholders, report work carried out in light of these priorities and in view of key performance indicators, and make such reporting available to allow comparison with previous reports.

TENNANT CREEK POWER STATION

FINANCIAL PERFORMANCE

Territory Generation has recorded a Net Profit After Tax (NPAT) of $10.9 million, $3.5 million more than budgeted.

This strong financial result was achieved through more than $3 million in cost saving initiatives and efficiency savings. Territory Generation will continue to look at how we can safely, reliably and responsibly deliver efficiencies as the Northern Territory transitions to 50 per cent renewables by 2030 and net zero emissions by 2050.

Overall electricity demand continues to decrease, while costs and system support requirements continue to increase. Total revenue from electricity sales for the 2020-21 financial year was $261.6 million while total cost of energy was $214.6 million.

Closing cash holdings for the 2020-21 financial year were $58.6 million. Territory Generation spent $42.2 million on capital projects investing in our sustaining capital and Fleet Transition, focusing on smaller, fast-start and renewable-capable machines. Our focus is on ensuring the generation flexibility required for a successful transition to renewables.

In consultation with the Shareholding Minister, the Territory Generation Board recommended paying a dividend. The dividend recommendation takes into consideration financial performance, capital structure, capital investment commitments and capacity to pay in accordance with prudent financial management. For the 12 months to 30 June 2021, a dividend of $5.43 million was subsequently declared in July 2021, and will be paid to the Northern Territory Government. A dividend of $3.95 million was declared for 2019-20.

ELECTRICAL TRADESPERSON, ACHILLES ROJO.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Power Generation Corporation (the Corporation) for the year ended 30 June 2021 and the Auditor's report thereon. This report is to be read in conjunction with the financial statements of the Corporation.

DIRECTORS

The following persons were directors of the Corporation during the financial year and up to the date of this report, unless otherwise stated:

Mr Dennis Bree (Chair)	Non-executive Director
Ms Christine Charles	Non-executive Director
Mr Richard Galton	Non-executive Director

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

	Board		Audit & Risk Committee		People, Safety & Environment Committee	
Meeting Attendance	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
D Bree	12	12	4	4	3	3
C Charles	12	12	4	4	3	3
R Galton	12	12	4	4	3	3

PRINCIPAL ACTIVITIES

The principal activities of the Corporation are to safely, reliably and efficiently generate electricity and to provide system stability and associated services supporting the Northern Territory Governments' transition to 50 per cent renewable energy by 2030 and net zero emissions by 2050.

REVIEW OF OPERATIONS

The Corporation recorded a Net Profit After Tax of $10.9 million (2020: Net Profit After Tax $7.9 million). During the financial year, the Corporation invested $42.2 million (2020: $14.0 million) in its capital investment program.

Overall profit is consistent with the previous year as the Corporation continues to benefit from increased efficiencies and through process improvements and continued tightly managed costs.

The Corporation's operations are subject to environmental regulations under Commonwealth and Territory legislation. The Board believes that the Corporation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environment requirements as they apply to the Corporation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Corporation during the financial year.

GOING CONCERN

The policy environment supports and accelerates the expected increase in penetration of renewables through government's target of 50 per cent renewable by 2030 and net zero emissions by 2050.

Territory Generation's role through this transition will be to ensure our generators are available and reliable while keeping the costs of transition as low as possible.

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 of current economic conditions

(vi) Forward forecasts and budgets

For the year ended 30 June 2021, the Corporation recorded a Net Profit After Tax of $10.9 million compared to a Net Profit After Tax of $7.9 million for the 2019-20 financial year. The Corporation is forecast to continue to make profits over the next 4 years as reported in the Statement of Corporate Intent 2021-22.

All debt maturing in 2020-21 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 casts significant doubt about the Corporation's ability to continue as a going concern. The Corporation continues to work towards being sustainable and has the continued support of its sole shareholder, the Treasurer.

Accordingly, 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.

DIVIDENDS

The Corporation declared and paid a dividend of $3.95 million during the financial year.

Since the end of the financial year, the Directors have declared a dividend of $5.43 million (2020: $3.95 million) to be paid by 18 November 2021.

FUTURE DEVELOPMENTS

The Corporation continues to contribute to the development of the Interim Northern Territory Electricity Market (I-NTEM) arrangements. Consultations continue on the structure of the electricity market, as well as reliability standards and ancillary charges.

The growth in solar penetration continues to impact our business as solar in our major markets currently reduces market share while our Corporation continues to supply the majority of essential services to the system, leading to increased costs per megawatt hour as overheads are absorbed over a smaller market.

Plans to close Ron Goodin Power Station have been delayed due to the Alice Springs October 2019 system black. Territory Generation has invested significant resources to ensure system security in the region. This involved completing maintenance activities which had previously been deferred as part of closure planning.

In May 2020, the Northern Territory Government announced that the Corporation will deliver a large-scale battery for the Darwin-Katherine Interconnect System. In addition to contributing to the 50 per cent renewable target, the major benefits of this project will include increased stability and reliability of power supply and reduced carbon emissions for the Northern Territory and is expected to be operational in the second half of 2022.

During the financial year the Corporation made its first investment into our future energy fleet in the Darwin-Katherine region and will see smaller, modular and more flexible and renewable fuel capable gas turbine introduced to Channel Island Power Station.

Significant stakeholder engagement, supporting studies and other enabling works towards the Yulara Power Station energy transition initiative will commence throughout 2021-22. The program will transition power generation in Yulara to a greener and more sustainable supply.

Building works began in June 2021 of a new single circuit transmission line and substation for a contractor and is scheduled to be in service in March 2022.

Apart from the above, there are no developments affecting the operations of the Corporation that, in the opinion of the directors, are likely to significantly impact the Corporation during future financial years.

SUBSEQUENT EVENTS

In July 2021, the Directors declared a final dividend of $5.43 million (2020: $3.95 million) payable by 18 November 2021.

Aside from the dividend declaration, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2021 that is likely to significantly affect the operations, the results of those operations or the state of affairs of the Corporation 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 of the Corporation or the Board of the Corporation pursuant to the Deed of Indemnity executed by the NT Government.

The Corporation has, subject to the prohibition in the *Government Owned Corporations Act 2001*, provided an indemnity to the directors of the Corporation from and against civil liability unless the liability arises out of conduct involving a lack of good faith. Liability for costs and expenses incurred by the directors in defending a proceeding, whether civil or criminal, is covered by the Corporation where judgement is given in favour of the directors or the directors are acquitted.

INSURANCE PREMIUMS

The following insurance policies were purchased to cover the directors and officers of the Corporation:

- Personal Accident Insurance
- Directors' and Officers' Liability

ROUNDING OFF

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

This report is made in accordance with a resolution of directors.

Dated at Darwin this 28th day of September 2021.

MR DENNIS BREE
Chair

DIRECTORS' DECLARATION

In the opinion of the directors of the Corporation:

(a) The financial statements and notes of the Corporation are in accordance with the *Government Owned Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the Corporation as at 30 June 2021 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards.

(b) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Darwin this 28th day of September 2021.

MR DENNIS BREE
Chair

Auditor-General

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

Opinion

I have audited the financial report of Power Generation Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial report including a summary of significant accounting policies, and the Directors' declaration.

In my opinion, the accompanying financial report of Power Generation Corporation is in accordance with Australian Accounting Standards and the *Government Owned Corporations Act 2001*, including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; 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 *Government Owned Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	Audit scope response to the Key Audit Matter
Carrying value of property, plant and equipment and calculation of impairment	
Property, plant and equipment totalling \$324.400 million, as disclosed in Note 10 to the financial statements, represents a significant balance. A net asset impairment of \$0.740 million disclosed in the statement of profit or loss and other comprehensive income represents a significant balance.	My audit procedures included but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the assets within each cash generating unit; ▪ assessing the consistency of the forecast cash flow to the Board approved five year financial plan documented within the latest Statement of Corporate Intent;

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Key Audit Matter	Audit scope response to the Key Audit Matter
Significant management judgement is applied in determining the value in use of property, plant and equipment and any related impairment adjustment attributable to each cash generating unit. The valuation of property, plant and equipment is a key audit matter due to the complexity in the evaluation of the recoverable amount of the assets which requires significant judgement in determining the key assumptions supporting the expected future cash flows of the Corporation, the utilisation of the relevant assets and the useful lives of property, plant and equipment. The utilisation and useful life of each asset can change significantly as a result of technical innovations or other events.	▪ checking, on a sample basis, the mathematical accuracy of the cash flow forecast and impairment model and the appropriateness of the inclusion of the specific cash flows in accordance with the Accounting Standards; ▪ performing sensitivity analyses to stress test the key assumptions used in the valuation model around key drivers such as growth rates and discount rates and considering the impact on the recoverable amount from changes in these key assumptions especially in view of the impact of the current economic conditions on the cash flow projections and growth rates; ▪ reviewing the useful lives of assets as determined by management; ▪ reviewing the qualifications and independence of the specialists appointed by the Corporation to undertake the Weighted Average Cost of Capital calculation; and ▪ reviewing the Corporation's framework for determining the recoverable amount relevant to each cash generating unit.
Estimation and valuation of Decommissioning Provision	
The provision associated with the Ron Goodin Power Station decommissioning of $5.900 million, as disclosed in Note 15 to the financial statements, represents a significant balance. The estimation of future decommissioning costs requires significant judgement as decommissioning is an evolving activity and there is limited historical precedent against which to benchmark estimated future costs.	My audit procedures included but were not limited to: ▪ assessing the annual review and confirmation of the estimated costs of decommissioning determined by the Corporation's contractor engaged for the project; ▪ reviewing the consistency in the application of the current year's principles and assumptions to the prior year and to the Corporation's accounting policy, as described in Note 1(q) to the financial statements; ▪ reviewing the calculation of the present value of expected future payments of the provision using a pre-tax discount rate that reflect current market assessment of time value of money and the risks specific to the liability; and ▪ checking the mathematical accuracy of the provision calculation and the correct treatment of the movement in the Corporation's books.

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Key Audit Matter	Audit scope response to the Key Audit Matter
Recoverability of deferred tax assets	
The deferred tax assets of $19.725 million, as disclosed at Note 11 to the financial statements, represents a significant balance in the Corporation's financial statements. Recognition of the deferred tax assets is influenced by management's assessment of the ability of the Corporation to realise the asset.	My procedures included but were not limited to: • confirming the accounting treatment applied by the Corporation was consistent with the accounting and taxation advice received and provided by the Corporation and previously subject to audit assessment; and • re-performing the testing on the recoverability of the deferred tax assets and ascertaining that the Corporation's recognition of deferred tax assets attributable to impairment losses is reasonable.
Unbilled Revenue Estimate at year end	
Unbilled generation revenue of $18.373 million, as disclosed in Note 7 to the financial statements, represents an estimate of the value of electricity generated and sent out however not billed as at 30 June 2021. Management's estimate is based upon information provided by the market operator.	My procedures included but were not limited to: ▪ recalculating the unbilled revenue based on the preliminary settlement statements obtained from the market operator; ▪ reviewing the final settlement obtained from the market operator against the preliminary settlement at year end; ▪ reviewing the reconciliation between the information provided by the market operator and the Supervisory Control and Data Acquisition (SCADA) system readings; and ▪ performing a trend analysis of the unbilled revenue.

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Corporation's Annual Report for the year ended 30 June 2021, 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 accordingly I do 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 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.

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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 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 the Directors either intend to liquidate the Corporation or to cease operations, or have 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 the 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 this 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 the auditor's 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 internal controls as they apply to the Corporation.
- 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 the opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report however, future events or conditions may cause the Corporation to cease to continue as a going concern.

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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.

I communicate with those charged with governance 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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

28 September 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue	3	264,896	264,786
Cost of energy		214,601	216,795
Gross profit		**50,295**	**47,991**
Other income	3	4,093	2,491
Administrative expenses	4	27,837	28,145
Other expenses		3,873	2,908
Impairment expenses / (reversal)	4	74	(98)
Finance costs	4	7,114	8,119
Profit before income tax		**15,491**	**11,408**
Income tax expense	5	4,632	3,509
Profit for the year		**10,859**	**7,899**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**10,859**	**7,899**

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	58,567	45,541
Trade and other receivables	7	27,332	24,063
Inventories	8	30,325	26,683
Other current assets	9	1,232	1,022
Total current assets		**117,456**	**97,309**
Non-current assets			
Property, plant and equipment	10	323,414	301,571
Intangible assets	10	986	1,309
Deferred tax assets	11	19,725	23,099
Total non-current assets		**344,125**	**325,979**
Total assets		**461,581**	**423,288**
LIABILITIES			
Current liabilities			
Trade and other payables	12	29,300	26,662
Deferred income	18	3,333	3,333
Current tax payable	13	-	273
Employee provisions	14	11,825	10,996
Lease Liabilities	19	691	698
Total current liabilities		**45,149**	**41,962**
Non-current liabilities			
Other payables	12	310	310
Employee provisions	14	1,421	1,575
Other provisions	15	5,900	5,356
Deferred tax liabilities	16	1,534	3
Deferred income	18	38,722	42,056
Lease Liabilities	19	1,272	1,664
Borrowings	17	230,000	200,000
Total non-current liabilities		**279,159**	**250,964**
Total liabilities		**324,308**	**292,926**
Net assets		**137,273**	**130,363**
EQUITY			
Contributed equity	21	213,593	213,593
Reserves	22	107	107
Retained earnings/(deficit)	23	(76,427)	(83,337)
Total equity		**137,273**	**130,363**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Note	Contributed Equity $'000	Revaluation reserve $'000	Retained Earnings/ (Deficit) $'000	Total Equity $'000
BALANCE AT 1 JULY 2020	21, 22, 23	213,593	107	(83,337)	130,363
Profit for the year		-	-	10,859	10,859
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**10,859**	**10,859**
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Dividend paid or provided		-	-	(3,950)	(3,950)
Balance at 30 June 2021	21, 22, 23	**213,593**	**107**	**(76,427)**	**137,273**

BALANCE AT 1 JULY 2019	21, 22, 23	213,593	107	(86,990)	126,710
Profit for the year		-	-	7,899	7,899
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**7,899**	**7,899**
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Dividend paid or provided		-	-	(4,246)	(4,246)
Balance at 30 June 2020	21, 22, 23	**213,593**	**107**	**(83,337)**	**130,363**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		262,290	264,335
Interest received		105	248
Payments to suppliers and employees		(224,893)	(226,038)
Interest paid		(6,972)	(7,384)
Income taxes received/(paid)		-	148
Net cash flows from operating activities	24	**30,529**	**31,309**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		(520)	(49)
Payments for property, plant and equipment		(41,727)	(13,490)
Payments for intangibles		-	(643)
Net cash flows used in investing activities		**(42,247)**	**(14,182)**
Cash flows from financing activities			
Increase (decrease) in debt		30,000	-
Dividends paid		(3,950)	(4,245)
Equity received		-	-
Principal repayment of lease liabilities		(1,307)	(586)
Net cash flows from / (used in) financing activities		**24,743**	**(4,831)**
Net increase in cash and cash equivalents		**13,026**	**12,296**
Cash and cash equivalents at the beginning of the period		45,541	33,245
Cash and cash equivalents at the end of the period	6	**58,567**	**45,541**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021

CORPORATE INFORMATION

Power Generation Corporation (the Corporation) trading as Territory Generation was established on 29 May 2014 under the *Power Generation Corporation Act 2014* (PGC Act).

The Corporation is declared to be a Government Owned Corporation for the purposes of the *Government Owned Corporations Act 2001* (GOC Act).

The Board of Directors is responsible to the Shareholding Minister for the financial performance of the Corporation. The financial report was authorised for issue by the directors on 20 September 2021.

1. Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) New, revised or amending accounting standards and interpretations adopted

The Corporation has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Several amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have no impact on the Corporation's reporting.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the GOC Act, as appropriate for profit oriented entities.

The financial statements comprise Power Generation Corporation's financial statements as an individual entity. For the purpose of preparing financial statements, the Corporation is a for-profit entity.

Historical Cost Convention
The financial statements have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for the assets. Certain assets are carried at their fair value, where the fair value is lower than the historical cost.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Foreign currency translation

The financial statements are presented in Australian dollars, which is the Corporation's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at financial year-end exchange rates are recognised in profit or loss.

(d) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognises revenue when performance obligations under relevant customer contracts are completed. Performance obligations may be completed at a point in time or over time

Electricity sales
Revenue is recognised upon billing, as there is a right to invoice, when the customers have consumed the performance obligation of electricity supply. Electricity sales revenue is recognised on measurement of electrical consumption at the metering point, as derived from the information provided by the Market Operator. The transaction price is the contracted price for the electricity consumed during the period. Electricity sales are billed monthly in arrears with 30 day payment terms. At each balance date, sales and receivables include an amount of sales delivered to customers but not yet billed and recognised as accrued income.

Unbilled revenue
Unbilled revenue is recognised to the extent that the performance obligation has been completed and the revenue can be measured reliably. Therefore, the Corporation has recognised the estimate of the amount of electricity consumed but yet to be billed. Refer Note 2 for further details.

Interest

Interest revenue is accrued on a time basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Government grants

Government grants are recognised upon receipt. Grants related to purchase or construction of assets are treated as deferred income and allocated to the income statement over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

Other revenue

Other revenue includes fees for services provided to customers. These fees charged for providing ongoing services are recognised as income over the period the service is provided.

(e) 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 were it not a Government Owned Corporation.

Income tax equivalent payments are made pursuant to section 33 of the GOC Act and are based on rulings under the National Tax Equivalent Regime (NTER). The NTER gives rise to obligations which reflect in all material aspects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997.*

Current tax

The income tax expense for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within 12 months after the reporting period; or
- The asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are normally settled within 30 days and are carried at amounts due.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The Corporation recognises an allowance for expected credit losses (ECLs) for trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the loan contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. The Corporation considers a trade and other receivables in default when contractual payments are past agreed contract terms, and for receivables not under an agreement, 30 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A trade and other receivables is written off when there is no reasonable expectation of recovering the contractual cash flows.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value using the weighted average cost method, and are impaired accordingly to take into account obsolescence.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Corporation capitalises assets when the asset's life is greater than one year, and the cost is greater than $10,000.

All assets recognised by the Corporation on 1 July 2014 from structural separation of Power and Water Corporation were recognised at fair value. The condition of the assets was assessed and estimates of the remaining useful lives of all assets were calculated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Expenditure on existing assets is capitalised if:

- the service capacity is significantly increased;
- the useful life has increased significantly and permanently from original expectations;
- there has been a significant increase in efficiency or performance;
- a component on the fixed asset register has been replaced; or
- it represents an item of major periodic maintenance where the cyclical inspections are greater than one year and the new asset will be recognised as a component of the parent asset.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria is met. Refer to significant accounting judgements, estimates and assumptions (Note 2) and other provisions (Note 15) for further information about the recognised decommissioning provision.

Depreciation is calculated using the time basis and output/service basis to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

Asset class	Depreciation Method	Effective life
Buildings	Time basis	10 to 40 years
Plant and equipment	Time basis	2 to 40 years
Prime Movers	Output/ service basis	22,000 to 60,000 equivalent operating hours

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount (Note 1(m)).

An item of property, plant and equipment is derecognised upon disposal or where there is no future economic benefit to the Corporation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Capital work in progress (CWIP) represents assets which are under construction/development and have not been completed for their intended use. As such, CWIP is recognised in the balance sheet as an asset but is not depreciated. Once the assets have been completed and are available for intended use, they will be capitalised to one of the above asset classes and and depreciation will commence.

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

(k) Leases

Right of Use Assets

Corporation as a lessee

The Corporation leases office buildings and motor vehicles. Lease contracts are typically made for fixed periods of 4 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. The Corporation does not provide residual value guarantees in relation to leases.

The Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low value assets are assets with a fair value of $10,000 or less when new and not subject to a sublease arrangement comprising mainly of photocopiers.

Recognition and measurement

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

The Corporation recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site, if any.

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Asset class	Effective life
Buildings	5 to 10 years
Motor Vehicles	4 to 7 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset.

The right-of-use assets are subsequently measured at fair value which approximates costs except for those arising from leases that have significantly below-market terms and conditions principally to enable the Corporation to further its objectives and are also subject to impairment.

The right-of-use assets are subject to remeasurement principles consistent with the lease liability including indexation and market rent review that approximates fair value and only revalued where a trigger or event may indicate their carrying amount does not equal fair value.

Lease Liabilities

At the commencement date of the lease where the Corporation is the lessee, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments may include fixed payments (including in substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Corporation's leases, the weighted average incremental borrowing rate is used as the incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (such as changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(l) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are amortised on a straight-line basis 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. Software has a useful life of 2- 10 years.

(m) Impairment of non-financial assets

At each reporting date, the Corporation reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). For Territory Generation each region is not connected and therefore meets the criteria to be identified as a separate CGU.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill (if applicable), and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where the Corporation has the discretion to refinance or roll over an obligation for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(p) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on bank overdrafts
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of discounts on provisions.

(q) Provisions

Provisions are recognised when the Corporation has a present (legal or constructive) obligation as a result of a past event, it is probable the Corporation 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 consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Decommissioning

A decommissioning provision is raised when there is the existence of a present obligation that can be reliably measured. Reliable measurement is taken at the point a reasonable expectation of the remaining useful life of the asset can be determined. The provision is measured as the present value of expected future payments. The expected future payments are discounted to present value using an appropriate discount rate.

(r) Employee benefits

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 the 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(s) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on their highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(t) Issued capital

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

(u) Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(v) Dividends

Dividends are recognised when declared and at the point in time they become payable to the Government.

(w) Cost of energy

Cost of energy is recognised as those costs directly attributable to the energy sold and includes the costs of electricity generation, materials and associated network connection expenses. Electricity generation costs are those direct costs including generator operation and maintenance, employee expenses, direct facility costs and the contracted purchase price of electricity from third party suppliers.

(x) Rounding of amounts

The Corporation is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Instrument 2016/191 (for rounding in Financial/Directors' reports), issued by ASIC, in relation to "rounding off". Amounts in this report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, or in certain cases the nearest dollar.

(y) Going concern

The policy environment supports and accelerates the expected increase in penetration of renewables through the government's target of 50 per cent renewable by 2030 and net zero emissions by 2050.

Territory Generation's role through this transition will be to ensure our generators are available and reliable while keeping the costs of transition as low as possible.

Accordingly, 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.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impact of COVID-19

The COVID-19 pandemic has led to more variability and uncertainty underlying the preparation of the Corporation's financial statements. Additional considerations of key estimates and judgement areas have been made where appropriate when assessing areas such as impairment of assets, expected credit losses of receivables, recovery of deferred tax assets and the assessment of the entity's ability to continue as a going concern.

Fortunately for Territory Generation, the impact of the COVID-19 pandemic on the Corporation's financial performance and financial outlook has been limited. This assessment is based on the following considerations:

- Forward cash flow projections are not significantly affected due to demand forecasts and fixed tariff rates.
- The continuity of four key customers with no indication of cash flow problems.
- Funding sources including loans with Northern Territory Government and its ability to roll over maturing loans when they fall due.
- The impact of current economic conditions on business continuity.

The most challenging area of consideration from the COVID-19 pandemic is impairment of assets and the supportable estimates of future cash flows. Although current estimates suggest limited volatility in cash flows projections and growth rates there is increased volatility as a result of the pandamic. To capture this uncertainty in the market when calculation asset impairment, the Corporation has reviewed and updated the discount rate used to reflect current market data.

Unbilled Revenue

The Corporation recognises an estimate of the amount of electricity consumed but yet to be billed. The estimate is derived from information provided by the Market Operator to all market participants. Refer to Note 7 for more information.

Expected credit losses of trade and other receivables

The Corporation uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by location, customer type).

The provision matrix is initially based on the Corporation's historical observed default rates. The Corporation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Corporation's trade and other receivables is disclosed in Note 7.

Provision for obsolescence of inventories

The provision for obsolescence of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent consumption experience, the ageing of inventories and other factors that affect inventory obsolescence. Refer to Note 8 for more information.

Estimation of useful lives of assets

The Corporation determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Refer to Note 10 for more information.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The Corporation has not derecognised its Deferred Tax Asset balance during the financial year based on its assessment of future taxable profit. This assessment may change in response to future unexpected events and other factors. Refer to Note 11 for more information.

Employee benefits provision

As discussed in Note 1(r), the liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account. Refer to Note 14 for more information.

Decommissioning provision

The Corporation has recognised a decommissioning provision based on internal and external assessment of the decommissioning of Ron Goodin Power Station (RGPS) and engines at Tennant Creek Power Station. This assessment may be subject to future unexpected events and as such may change in response to other factors. The provision is measured at the present value of the estimated future payment using a discount rate. Refer to Note 15 for more information.

With regards to RGPS, which was expected to be closed last financial year, it remains operational as a result of system black in order to provide additional support to the Alice Springs system. Work is underway to determine if it has an ongoing role in the system due to demand growth and maximum temperatures.

Key assumptions used in the calculation of the provision:

- decommissioning cost estimates provided by an external expert adjusted for CPI
- management estimates on the expected remaining useful life

Impairment loss and Impairment reversal

The Corporation has recognised an impairment loss based on an assessment of the recoverable amount of its assets.

Determining the recoverable amount requires estimates of the future cash flow, discount rates and other internal and external factors. Refer to Note 10 for more information.

Other key assumptions used in the calculation of the recoverable amounts:

- inflation was calculated using CPI rates as per the 2021-22 Statement of Corporate Intent (SCI)
- growth rates of between 0.0% and 1.99% beyond 2025 were used
- market share for each region is detailed in the 2021-22 SCI and has been assumed based on publicly available information.

		2021 $'000	2020 $'000
3.	**Revenue**		
	Revenue - recognised over time		
	Electricity sales	261,563	261,453
	Deferred grant income	3,333	3,333
	Other revenue	-	-
		264,896	**264,786**
	Other income - recognised at a point in time		
	Other income	3,988	2,243
	Interest income	105	248
		4,093	**2,491**
4.	**Expenses**		
	Profit/(loss) before income tax includes the following specific expenses:		
(a)	Administrative expenses		
	Employee benefits expense	12,534	13,429
	Depreciation and amortisation	2,640	2,117
	Other administrative costs	12,663	12,599
	Total administrative expenses	**27,837**	**28,145**
(b)	Depreciation and amortisation		
	Included in cost of energy:		
	Property, plant and equipment	19,004	18,977
	Intangible assets	275	295
		19,279	**19,272**
	Not included in cost of energy:		
	Property, plant and equipment	2,593	2,010
	Intangible assets	47	107
		2,640	**2,117**
	Total depreciation and amortisation	**21,919**	**21,389**
(c)	Impairment of assets		
	Impairment expense	74	832
	Impairment reversal	-	(930)
	Total net impairment of assets	**74**	**(98)**
(d)	Finance costs		
	Interest and finance charges	7,114	8,119
	Total finance costs	**7,114**	**8,119**
(e)	Employee benefits expense		
	* Employee benefits expense	33,036	35,731
	Total employee benefits expense	**33,036**	**35,731**

* Includes all employee-related costs, including those costs that form part of cost of energy and part of administrative expenses.

		2021	2020
5.	**Income tax equivalent expense**	**$'000**	**$'000**
(a)	Income tax expense		
	Current tax (benefit)/expense	-	273
	Adjustment recognised for prior periods	(273)	-
	Deferred income tax		
	Movement in deferred tax assets	3,374	3,247
	Movement in deferred tax liabilities	1,531	(10)
	Total deferred tax expense / (benefit)	4,905	3,237
	Income tax expense/(benefit)	**4,632**	**3,509**
(b)	Reconciliation of income tax expense to prima facie tax payable		
	Net profit/(loss) before tax	15,491	11,408
	Tax expense /(benefit) at the statutory income tax rate of 30%	4,647	3,422
	Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	258	87
	Adjustment recognised for prior periods	(273)	-
	Current equivalent tax expense/(benefit)	**4,632**	**3,509**
6.	**Cash and cash equivalents**		
	Cash at bank	58,567	45,541
	Cash and cash equivalents	**58,567**	**45,541**

A $20 million overdraft facility has been approved from 1 July 2019 and is available to manage short term operational cash requirements.

7.	**Trade and other receivables**		
	Trade receivables	6,252	5,357
	Less: expected credit losses	-	-
		6,252	**5,357**
	Other receivables		
	Unbilled generation	18,373	17,051
	Interest receivable	7	11
	Other receivables	2,700	1,644
	Total current receivables	**27,332**	**24,063**

Impairment of receivables

No trade receivables are considered to require allowance for expected credit losses.

		2021	2020
8.	**Inventories**	**$'000**	**$'000**
	Stores and spares	30,842	26,771
	Less: Provision for obsolescence	(3,148)	(2,672)
		27,694	**24,099**
	Fuel stocks	2,631	2,584
	Total Inventories	**30,325**	**26,683**
	Movement in the provision for obsolescence:		
	Opening provision for obsolescence	2,672	2,635
	Additional provisions recognised during the period	476	37
	Closing provision for obsolescence	**3,148**	**2,672**

9.	**Other current assets**		
	Prepayments	1,232	1,022
	Total other current assets	**1,232**	**1,022**

Prepaid costs greater than $10,000 are recorded in the balance sheet and released over the relevant period.

10.	Property, plant, equipment and intangibles	2021 $'000	2020 $'000
(a)	Summary		
	Property, plant and equipment		
	Land	1,326	1,326
	Less: Accumulated impairment	(472)	(469)
		854	**857**
	Buildings	69,726	68,293
	Less: Accumulated depreciation and impairment	(30,537)	(28,238)
		39,190	**40,055**
	Plant and Equipment	488,839	475,898
	Less: Accumulated depreciation and impairment	(238,477)	(225,480)
		250,362	**250,418**
	Right of Use Assets	3,489	2,938
	Less: Accumulated amortisation	(1,486)	(616)
		2,002	**2,322**
	Assets under construction- net of accumulated impairment of $68 thousand	**31,006**	**7,920**
	(2020: $271 thousand)		
	Total property, plant and equipment	**323,413**	**301,572**
	Intangibles	5,237	5,237
	Less: Accumulated amortisation and impairment	(4,251)	(3,929)
	Total intangibles	**986**	**1,308**
	Total property, plant, equipment and intangibles	**324,399**	**302,880**

Reconciliations of the movement in carrying amounts at the beginning and end of the financial year are set out below:

	Land and Buildings $'000	Plant and Equipment $'000	Intangibles $'000	Right of Use $'000	Assets under Construction $'000	Total $'000
(b) Reconciliations						
Net Carrying amounts						
Opening balance at 1 July 2019	34,907	252,860	1,068	-	18,900	307,735
Adjustments	7,959	(8,367)	406			(2)
Additions	-	257	237	2,938	16,283	19,715
Capitalisation	184	26,808	-	-	(26,992)	-
Disposals	-	(56)	-	-	-	(56)
Impairment Transfer from CWIP on Assets Capitalised		(3,317)				(3,317)
Impairment of assets (Note 4c)	(54)	(475)	-	-	(303)	(832)
Reversal of previous impairment of assets (Note 4c)	39	859	-	-	32	930
Depreciation expense (Note 4b)	(2,123)	(18,152)	(402)	(616)	-	(21,293)
Closing balance at 30 June 2020	**40,912**	**250,417**	**1,309**	**2,322**	**7,920**	**302,880**
						-
Opening balance at 1 July 2020	40,912	250,417	1,309	2,322	7,920	302,880
Adjustments	9	25	(1)	678	(31)	679
Additions	11	181	-	260	42,825	43,277
Capitalisation	1,421	18,219	-	-	(19,640)	-
Disposals	-	(415)	-	(29)	-	(444)
Impairment Transfer from CWIP on Assets Capitalised	-	-	-	-	-	-
Impairment of assets (Note 4c)	-	(6)	-	-	(68)	(74)
Reversal of previous impairment of assets (Note 4c)	-	-	-	-	-	-
Depreciation expense (Note 4b)	(2,310)	(18,058)	(322)	(1,228)	-	(21,919)
Closing balance at 30 June 2021	**40,043**	**250,362**	**986**	**2,002**	**31,006**	**324,399**

	Land and Buildings $'000	Plant and Equipment $'000	Intangibles $'000	Right of Use $'000	Assets under Construction $'000	Total $'000
Net Carrying Amounts						
At 30 June 2020	40,912	250,417	1,309	2,322	7,920	302,880
At 30 June 2021	**40,043**	**250,362**	**986**	**2,002**	**31,006**	**324,399**

Impairment loss

Wholesale prices approved by the Shareholding Minister and the continuing loss of market share triggered the impairment of assets. An additonal impairment loss of $0.1 million (2020: $0.8 million) was recognised as the carrying amounts of the assets exceeded their recoverable amounts.

Impairment losses were applied to the assets on a pro-rata basis in the following regions:

	2021 $'000	2020 $'000
Darwin-Katherine Region	-	-
Alice Springs Region	-	-
Tennant Creek Region	-	268
Yulara Region	74	564
Kings Canyon Region	-	-
Total	**74**	**832**

Impairment reversal

Kings Canyon Resort behind-the-meter diesel generation suffered a significant failure with no plans for reparation, resulting in generation demand for the Corporation. An impairment reversal of $0 million (2019: $0.93 million) was recognised as the recoverable amounts of the assets exceeded their carrying amounts.

Impairment reversals were applied to the assets on a pro-rata basis in the following regions:

	2021 $'000	2020 $'000
Alice Springs Region	-	-
Tennant Creek Region	-	-
Kings Canyon Region	-	930
Total	**-**	**930**

11.	Deferred tax assets	2021 $'000	2020 $'000
	Deferred tax asset comprises temporary differences attributable to:		
	Amounts recognised in profit and loss:		
	Employee provisions	3,952	3,717
	Other provisions	1,313	1,434
	Obsolete stock provision	945	801
	Deferred grant income	12,617	13,617
	Property, plant and equipment	-	3,530
	Tax losses carried forward	898	-
	Deferred tax assets	**19,725**	**23,099**
	Movements:		
	Opening deferred tax assets	23,099	26,346
	Movement from deferred tax liability	-	-
	Credited/(charged) to profit or loss	(3,374)	(3,247)
	Closing deferred tax assets	**19,725**	**23,099**
	Deferred tax liabilities - refer Note 16	1,534	3
	Net deferred tax assets	**18,191**	**23,096**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of impairment losses, or on the reversal of previously impaired assets under construction, because it is not probable that future taxable profit will be available against which the Corporation can utilise the benefits.

Impairment Losses	29,912	29,880
	29,912	**29,880**

		2021 $'000	2020 $'000
12.	**Trade and other payables**		
	Current		
	Trade creditors	12,860	10,598
	Other creditors and accruals	6,162	6,245
	Energy accruals	10,278	9,819
		29,300	**26,662**
	Non-current		
	Other non-current payables	310	310
		310	**310**

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

13.	**Current tax payable**		
	Provision for income tax	-	273
	Current tax payable / (receivable)	**-**	**273**

14.	**Employee provisions**		
	Current		
	Employee benefits	11,825	10,996
		11,825	**10,996**
	Non-current		
	Employee benefits	1,421	1,575
		1,421	**1,575**

Employee benefits include amounts for recreation leave, long service leave and related on costs.

It is expected that recreation leave earned should be settled within 12 months.

15.	**Other provisions**		
	Decommissioning		
	Opening decommissioning provision	5,356	5,306
	Additional/(reversal) of provisions	544	50
	Closing decommissioning provision	**5,900**	**5,356**

The decommissioning provision has been recognised due to the existence of a present obligation for the rectification of the operating site at Ron Goodin Power Station which is coming to the end of its useful life, and for the disposal of Tennant Creek Power Station old engines.

The decommissioning provision has been adjusted for the time value of money based on its estimated future payments.

		2021	2020
16.	**Deferred tax liabilities**	**$'000**	**$'000**
	Deferred tax liability comprises temporary differences attributable to:		
	Amounts recognised in profit or loss:		
	Property, plant and equipment	1,532	-
	Interest	2	3
	Deferred tax liabilities	**1,534**	**3**
	Movements:		
	Opening deferred tax liability	3	13
	Charged/(credited) to profit or loss	1,531	(10)
	Movement to deferred tax assets	-	-
	Closing deferred tax liabilities	**1,534**	**3**

17.	**Borrowings**		
	Non Current		
	Northern Territory Government loans- unsecured	230,000	200,000
		230,000	**200,000**

The loans have been classified as Non Current as the Corporation has the discretion to roll over the maturing loans for at least twelve months after the reporting period.

Refer to Note 1(o) Borrowings, Note 25(f) Interest rate risk and Note 25(h) Liquidity risk.

18.	**Deferred income**		
	Current	3,333	3,333
	Non-current	38,722	42,056
		42,055	**45,389**

The Corporation received a $50 million capital grant toward the construction of Alice Springs and Tennant Creek power stations in 2016-17. Construction was completed during the 2018-19 year. Accordingly, a portion of the deferred income was realised and allocated to statement of profit or loss and other comprehensive income during the year. Refer to Note 1 (d).

19.	Lease Liabilities	2021 $'000	2020 $'000

Leasing arrangements

The Corporation leases motor vehicles and buildings throughout the Northern Territory. The lease terms vary between 1 and 10 years.

The Corporation lease liabilities consisted of:

	2021 $'000	2020 $'000
Current		
- Lease Liabilities	691	698
Non Current	1,272	1,664
- Lease Liabilities		
Total	**1,963**	**2,362**

The following table presents liabilities under leases for 2020-21:

	2021 $'000	2020 $'000
Balance at 1 Jul 2020	2,362	2,694
Additions/re-measurements	551	263
Interest expenses	134	109
Payments	(1,084)	(704)
Balance at 30 June 2021	**1,963**	**2,362**

Fair value

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

20.	Issued capital	2021 $'000	2020 $'000
	Share capital		
	1 Share	-	-
	Total share capital	**-**	**-**

Refer to Note 1(t) Issued Capital.

21.	Contributed equity		
	Contributed equity at beginning of the year	213,593	213,593
	Contributed equity during the year	-	-
	Contributed equity at end of the year	**213,593**	**213,593**

The original contributed equity of $183.593 million was the result of the capital structure of the Corporation approved by the Shareholding Minister with regard to the fair value of its acquired asset base and an appropriate debt level. An additional $15.0 million was contributed during the 2018-19 year to assist with funding the Corporation's $101.0 million of major capital projects.

22.	Reserves		
	Balance at beginning of the year	107	107
	Movement for the year	-	-
	Balance at end of the year	**107**	**107**

A parcel of land in Alice Springs that was allocated to the Corporation upon separation from Power Water Corporation was revalued from its originally allocated value of $1 to $107,000 based on its fair value from its long term lease arrangement.

23.	Retained earnings		
	Retained earnings /(deficit) at beginning of the year	(83,337)	(86,990)
	Total comprehensive income (loss) for the year	10,859	7,899
	Dividends paid	(3,950)	(4,245)
	Retained earnings/(deficit) at end of the year	**(76,427)**	**(83,337)**

24.	Reconciliation of profit after income tax to net cash from operating activities	2021 $'000	2020 $'000
	Profit/(loss) after income tax expense for the year	10,859	7,899
	Adjustments for:		
	Depreciation and amortisation	21,919	21,389
	Net loss on disposal of non-current assets	520	50
	Net impairment / (recovery) of assets	74	(98)
	Changes in assets and liabilities:		
	Decrease/(increase) in:		
	Trade, other receivables and other current assets	(3,645)	327
	Inventories	(3,643)	122
	Increase/(decrease) in:		
	Trade and other payables	1,468	(206)
	Energy accruals	459	(266)
	Provisions	1,219	1,766
	Deferred income	(3,333)	(3,333)
	Taxation liabilities	4,632	3,659
	Net cash flows from operating activities	**30,529**	**31,309**

25. Financial Instruments

(a) Financial risk management objectives

The Corporation's activities expose it to a variety of financial risks including market risk, foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk.

Risk management is carried out by the senior executives under policies approved by the board of directors. These policies include identification and analysis of the risk exposure of the Corporation and appropriate procedures, controls and risk limits.

The main purpose of these financial instruments is to raise finance for the Corporation's operations. The Corporation has various other financial instruments such as trade receivables and trade payables. It is the Corporation's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Corporation's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 1 to the financial statements.

(b) Market risk

Recent market reforms have exposed the Corporation to competition and potential loss of market share.

The Corporation is focused on developing performance and cost efficiencies across its operations in order to mitigate the business impact of increasing competition.

(c) Efficiency risk

The Corporation is exposed to the risk of running its plant inefficiently to manage electricity network system integrity issues. This includes risks such as inefficient or uneconomic system dispatch, additional spinning reserve, and running inefficient plant to provide inertia to the system.

(d) Foreign currency risk

The Corporation undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Corporation manages foreign currency exposure on a case by case basis, with future foreign currency commitments also considering potential exchange rate volatility . The Corporation has the ability to enter forward exchange rate contracts, or alternatively purchase foreign currency at current rates to meet future commitments.

The carrying amount of the Corporation's foreign currency denominated monetary liabilities at the reporting date was $0.0 million (2020: $0.0 million)

Foreign currency contracts - cash flow hedges

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

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

(e) Price risk

The Corporation manages price risk by aligning the terms of the wholesale electricity sales agreements with its market participants and fuel purchase agreements with its suppliers. As the individual agreements are considered to be commercial-in-confidence, a sensitivity on these risks is not able to be presented.

(f) Interest rate risk

The Corporation's exposure to the risk of changes in market interest rates relates to the long-term debt obligations to the Northern Territory Government. The loans are interest only based on fixed interest rates and the Corporation is exposed to interest rate risk when there are interest rate resets only upon expiry and refinancing of the fixed rate terms.

The following table shows the Corporation's debt and interest obligations to the Northern Territory Government:

	2021		2020	
	Fixed Rate Loans $'000	**Average Interest Rate %**	**Fixed Rate Loans $'000**	**Average Interest Rate %**
Remaining loan term				
0- 1 year	37,000	3.55	30,000	4.17
1 to 2 years	34,000	3.64	37,000	3.55
2 to 5 years	159,000	3.13	133,000	3.33
Over 5 years	-		-	
	230,000	**3.31**	**200,000**	**3.57**

* See also Note 17. The maturity analysis of loans from Northern Territory Treasury Corporation is based on its current loans agreement.

Cash flow sensitivity analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and pre-tax profit and loss by the amount shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss		Equity Net of Tax	
Effect in $'000	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
30 Jun 2021	(2,300)	2,300	(1,610)	1,610
30 Jun 2020	(2,000)	2,000	(1,400)	1,400

(g) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The maximum exposure to credit risk at the reporting date to recognise financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Corporation does not hold any collateral.

The Corporation has a credit risk exposure with Power Retail Corporation trading as Jacana Energy, which as at 30 June 2021 owed the Corporation $5.4 million (86% of trade receivables) (2020- $5.26 million). This balance was within the terms of the wholesale electricity sales agreement and no impairment was made as at 30 June 2021 (2020: $Nil). There are no guarantees against this receivable but management closely monitors the receivable balance on a regular basis and is in regular contact with this customer to mitigate risk. This customer is a Government Owned Corporation.

New and existing customers are evaluated for credit risk, with the Corporation actively monitoring the appropriateness of credit limits, and clear accountability for customer relationships established. Ageing analysis is regularly undertaken for all customers to understand and mitigate credit risk.

(h) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Corporation's objective is to maintain cash to meet its liquidity requirements for 30 day periods. This objective was met for the period.

The Corporation's existing cash resources include an approval for a $20 million overdraft, the discretion to roll over loans on maturity, and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

Liability Maturity Analysis

Non-derivatives	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2020-21	**$'000**	**$'000**	**$'000**	**$'000**
Non-interest bearing				
Trade and other payables	29,300	-	-	-
Interest bearing - fixed rate				
Loans from				
Northern Territory Treasury Corporation	37,000	34,000	159,000	-
Total	**66,300**	**34,000**	**159,000**	**-**

Non-derivatives	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2019-20	**$'000**	**$'000**	**$'000**	**$'000**
Non-interest bearing				
Trade and other payables	26,662	-	-	-
Interest bearing - fixed rate				
Loans from				
Northern Territory Treasury Corporation	30,000	37,000	133,000	-
Total	**56,662**	**37,000**	**133,000**	**-**

* See also Note 17. The maturity analysis of loans from Northern Territory Treasury Corporation is based on its current loans agreement.

(i) Capital risk management

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide benefits for stakeholders.

The capital structure of the Corporation consists of debt, which includes borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising of contributed capital and retained earnings as disclosed in Notes 21 and 23 respectively.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, increase borrowings, reduce debt from operating cash flows or sell assets to reduce debt.

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

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

The Corporation is not subject to any externally imposed capital requirements.

26.	Commitments	2021 $'000	2020 $'000
	Committed at the reporting date but not recognised as liabilities, payable:		
	Capital commitments - payable:		
	Within one year	176	110
	One to five years	-	175
		176	**285**
	Operating commitments - payable:		
	Within one year	680	128
	One to five years	1,587	-
	More than five years	-	-
		2,267	**128**

27.	Auditor's remuneration		
	Audit services:		
	Auditors of the Corporation- NT Auditor-General	169	168
		169	**168**

28. Director and key management personnel disclosures

Remuneration of non-executive directors

Remuneration of directors is determined by the Shareholding Minister under section 24 of the GOC Act.

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

		$	$	$
Non-executive directors		Fees	Superannuation	Total
Mr Dennis Bree	2021	95,407	9,064	104,471
	2020	95,407	9,064	104,471
Ms Christine Charles	2021	60,226	5,722	65,948
	2020	60,226	5,722	65,948
Mr Richard Galton	2021	60,226	5,722	65,948
	2020	60,226	5,722	65,948
Total non-executive directors	**2021**	**215,859**	**20,508**	**236,367**
	2020	**215,859**	**20,508**	**236,367**

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

Remuneration of key management personnel

Compensation levels are competitively set to attract and retain appropriately qualified and experienced senior executives.

The following table shows the aggregate compensation made to key management personnel of the Corporation:

		2021 $	2020 $
(i)	Short-term employee benefits	1,767,331	1,641,946
(ii)	Post-employment benefits	123,494	109,475
(iii)	Long-term benefits	132,673	(39,158)
	Termination benefits	-	796,960
	Total compensation of key management personnel	**2,023,498**	**2,509,223**

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

(i) Short-term employee benefits refer to salary and wages and annual leave paid or accrued during the financial year.

(ii) Post-employment benefits refer to superannuation contributions made or accrued during the financial year.

(iii) Long-term benefits refer to long service leave paid or accrued during the financial year.

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 since the commencement of the Corporation and there were no material contracts involving their interests existing at year end.

29. Related party information

The parent entity of the Corporation is the Northern Territory Government, which at 30 June 2021 owned 100% (2020 :100%) of the issued capital of Power Generation Corporation. This single share is held by the Shareholding Minister on behalf of the Northern Territory.

The Corporation has related party transactions with its parent entity (includes other agencies and departments of the Northern Territory Government). All financial transactions between the Corporation and related parties are on arm's length normal market terms.

Transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. The Corporation is the predominant supplier of wholesale electricity in the Northern Territory.

Related Party		Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
The parent entity including all entities that are associated with the parent entity	2020	251,137	153,927	20,364	209,500
	2021	247,567	153,394	22,088	239,993

As at 30 June 2021 related party transactions of the Corporation included:

- services provided by Power and Water Corporation under the ICT Service Level Agreement;
- supply of gas from Power and Water Corporation;
- services provided by the Department of Corporate and Digital Development under a Service Level Agreement;
- borrowings from the Northern Territory Treasury Corporation;
- provision of wholesale electricity to Jacana Energy; and
- provision of wholesale electricity and associated services to Power and Water Corporation.

30. Contingent assets and liabilities

(a) Contingent assets and liabilities

Various contractual disputes, including those involving ordinary routine matters to which the Corporation is a party, are pending or have been asserted against the Corporation. The wide variety and nature of the individual cases and the uncertainty of any potential liability or asset means that no value can be attributed to individual cases until the matters are resolved.

31. Subsequent events

Since the end of the financial year, the Directors have declared a dividend of $5.43 million (2020: $3.95 million) to be paid by 18 November 2021.

Apart from the dividend noted in the Directors' report, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2021 that is likely to significantly affect the operations, the results of those operations or the state of affairs of the Corporation in future financial years.

GLOSSARY

AASB	Australian Accounting Standards Board
BESS	Battery Energy Storage System
CCTV	Closed Circuit Television
CGUS	Cash Generating Units
CIPS	Channel Island Power Station
CO2	Carbon dioxide
CPI	Consumer Price Index
DK BESS	Darwin-Katherine battery energy storage system
DKIS	Darwin-Katherine Interconnected System
ESS	Essential system services
FTE	Full time equivalent
GCC	Generation Consultative Committee
GOC	Government Owned Corporation
GST	Goods & Services Tax
GWh	Gigawatt-hour
HSR	Health and safety committee representatives
HV	High voltage
ICAM	Incident Cause Analysis Method
IMT	Incident management team
KCPS	Kings Canyon Power Station
KPI	Key Performance Indicator
KPS	Katherine Power Station
KRA	Key Result Area
LED	Light-emitting diode
LMS	LMS Landfill Management Services Pty Ltd (Shoal Bay)
LNG	Liquefied Natural Gas
LTI	Lost time injury
M	Million
MW	Megawatt
MWh	Megawatt-hour
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
NT	Northern Territory
NTG	Northern Territory Government
NTEM	Northern Territory Electricity Market
NTER	National Tax Equivalent Regime
OMT	Operator Maintainer Technician
OSPS	Owen Springs Power Station
PGC Act	Power Generation Corporation Act 2014
PPA	Power Purchase Agreement
PPE	Personal protective equipment
PV	Photovoltaic
PWC	Power and Water Corporation
RGPS	Ron Goodin Power Station
ROC	Remote Operations Centre
SAMP	Strategic Asset Management Plan
SCI	Statement of Corporate Intent
TCPS	Tennant Creek Power Station
TGen	Territory Generation
WHS	Workplace Health and Safety
WLF	Women Leaders Forum
WPS	Weddell Power Station
YPS	Yulara Power Station

BACK COVER: OWEN SPRINGS POWER STATION MANAGER, STEVE BELL.

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