TERRITORY GENERATION

2014/15 ANNUAL REPORT

POWERING THE NT

2014/15 HIGHLIGHTS

ACHIEVED RECORD RELIABILITY AND AVAILABILITY IN THE DARWIN/KATHERINE SYSTEM

DRAMATICALLY INCREASED THE EFFICIENCY OF ALICE SPRINGS GENERATION ASSETS

REDUCTION IN THE WHOLESALE PRICE OF ELECTRICITY TO CUSTOMERS IN THE DARWIN/KATHERINE SYSTEM

INDEPENDENT **WORKPLACE HEALTH AND SAFETY SYSTEM** IMPLEMENTED

ENTERPRISE BARGAINING AGREEMENT ENDORSED BY A MAJORITY OF TERRITORY GENERATION EMPLOYEES

DEVELOPED AND IMPLEMENTED **NEW ENTERPRISE RESOURCE PLANNING SOFTWARE**

STRATEGIC PLAN APPROVED BY THE TERRITORY GENERATION BOARD

POWER GENERATED
1,992.7 GWH

SALES
$345.9 MILLION

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION
$85.3 MILLION

NET PROFIT AFTER TAX
$36.0 MILLION

DIVIDEND TO NT GOVERNMENT (TO BE PAID IN DECEMBER 2015)
$18.0 MILLION

FULL-TIME EQUIVALENT EMPLOYEES AT 30 JUNE 2015
180

LOST TIME INJURY FREQUENCY RATE OF **3.3**, BELOW INDUSTRY AVERAGE OF 3.5

MAJOR PROJECTS
AT ALICE SPRINGS AND TENNANT CREEK IN PLANNING

INTEGRATED ASSET PLAN
DEVELOPED

ASSET MANAGEMENT STRATEGY
SIGNED OFF

VISION AND VALUES
DEVELOPED

LEADERSHIP TRAINING PROGRAM
IMPLEMENTED

PURPOSE

The 2014/15 annual report of Power Generation Corporation (trading as Territory Generation) provides a record of operations and achievements for the financial year. Pursuant to section 44 of the *Government Owned Corporations Act*, the report informs the Northern Territory Parliament, Northern Territorians and other stakeholders of:

- Territory Generation's primary services and responsibilities,
- Significant activities of the year, highlighting major projects, key achievements and outcomes,
- Financial management and performance in compliance with the *Government Owned Corporations Act*.

INTENDED AUDIENCE

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

It provides a statement of the financial position of the Corporation, including the achievements, income and expenditure for the 2014/15 financial year.

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

This is Territory Generation's first annual report following the introduction of structural reforms to the Northern Territory electricity industry. On Tuesday 13 May 2014, the Northern Territory Parliament passed a Bill to separate Power and Water Corporation into three separate government owned corporations (GOCs): Power and Water Corporation, a Power Retail Corporation (Jacana Energy) and a Power Generation Corporation (Territory Generation). Directors were appointed on 29 May 2014, and Territory Generation commenced operations on 1 July 2014.

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VISION

TO BE THE TRUSTED AND RESPECTED EMPLOYER AND ELECTRICITY GENERATION BUSINESS OF CHOICE.

These words have been carefully chosen, and for us they mean:

- Safety is universally recognised as our highest priority;
- We are known for being reliable and keeping the lights on;
- We are a commercial organisation that is highly efficient and financially sustainable;
- We exceed the expectations of our customers;
- We are competitive with other players in the market; and,
- We are an employer of choice.

PURPOSE

TO SAFELY, EFFICIENTLY AND RELIABLY GENERATE ELECTRICITY TO SUSTAINABLY CONTRIBUTE TO THE LIFESTYLE AND DEVELOPMENT OF THE NORTHERN TERRITORY.

VALUES

Territory Generation has developed a set of values that underpin the way we will work with each other and the way we will conduct our business:

FOCUS

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

We understand what is important to our success and we prioritise accordingly.

We deliver considered and timely outcomes.

We are competent in what we do and understand our roles.

We take responsibility and accountability to deliver on our agreed objectives.

We look for opportunities to improve everything we do.

INTEGRITY

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

We are trustworthy and honest.

We take responsibility for our words and our actions.

We do what we say we will do.

We do the right thing and comply with all legislation and procedures.

We challenge when our Values are not adhered to.

RESPECT

We show respect for our team mates, the environment, and the communities in which we work.

We are professional in our interactions, offering trust and support and treating people the same way as we would like to be treated.

We do not tolerate or ignore inappropriate comments or bullying.

We respect other cultures and treat people equally, regardless of gender, age, nationality or religion.

We treat our people, assets and finances respectfully, and comply with governing laws, regulations and company procedures.

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.

We recognise safety is first in everything we do.

We take responsibility for ensuring our own safety and lookout for workmates and others we work with as well.

We do not walk past or ignore what is not safe.

We adhere to safe work practices, processes and procedures.

We ensure that safety is considered in our planning, our work and our actions.

TEAMWORK

We are one team, with aligned goals working together to achieve Territory Generation's Vision.

We listen and learn from alternate points of view, we work together to achieve the best outcome for the business, our employees, and the community.

We look for better ways to operate more efficiently and willingly share our ideas and information within Territory Generation.

We volunteer to help others as needed and we encourage each other to challenge the process to find a better way.

LETTER TO THE SHAREHOLDER

The Hon David Tollner MLA
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), it gives us great pleasure to present our first annual report for the year ended 30 June 2015, in accordance with the provisions of section 44 of the *Government Owned Corporations Act*.

David De Silva
Chairman

Tim Duignan
Chief Executive

CHAIRPERSON'S MESSAGE

FROM ITS ESTABLISHMENT TERRITORY GENERATION HAS BEEN FOCUSED ON IMPROVING WORKPLACE HEALTH AND SAFETY PRACTICES, THE RELIABILITY AND EFFICIENCY OF OUR GENERATING CAPACITY, BUILDING CAPABILITY AND DEVELOPING THE SKILLS OF OUR WORKFORCE, REDUCING FIXED COSTS AND OPTIMISING PLANT AND DISPATCH.

I am pleased to report that substantial progress has been made to achieve these and other objectives as we work towards our Vision: to safely, efficiently and reliably generate electricity to sustainably contribute to the lifestyle and development of the Northern Territory.

Power and Water Corporation, the Northern Territory's first government owned corporation, was created in 2002 and was responsible for delivery of power, water and sewerage services to Northern Territorians.

In December 2013 the Northern Territory Government announced reforms to the structure of the Northern Territory electricity market.

The intent of the reforms was to increase competition in the electricity industry (generation and retail), remove inefficiencies and drive down costs. The reforms will also align regulatory arrangements operating in the Northern Territory with those in effect in the National Electricity Market.

On Tuesday 13 May 2014, the Northern Territory Parliament passed a Bill to separate Power and Water Corporation into three separate government owned corporations: Power and Water Corporation, Power Retail Corporation (Jacana Energy) and Power Generation Corporation (Territory Generation). Directors were appointed on 29 May 2014, and Territory Generation commenced operations on 1 July 2014.

The 2014/15 financial year was Territory Generation's first trading year, and during this period we have been focused on the safe, reliable and cost efficient provision of electricity.

The health and safety of our employees has been our foremost priority during this time.

The Board's commitment to this issue is demonstrated by the creation of a sub-committee of the Board, the People & Safety Committee.

The People & Safety Committee has been established to oversee the development, implementation and monitoring of initiatives, policies, practices and systems in relation to people and safety. It is a forum for championing continuous improvement, safety leadership and the development of a proactive safety culture.

To ensure appropriate risk and governance oversight the Board established the Audit and Risk Committee. This committee has provided the focus required to ensure key risks are appropriately addressed and corporate compliance maintained.

Over the first year of operations Territory Generation has undertaken extensive change programs in the key areas of strategic planning, business processes and systems, workforce development and recruitment, and major projects management.

We have worked hard alongside industry participants like Power and Water's System Control to improve the reliability of electricity supply and put downward pressure on the wholesale cost of electricity.

By working closely across the electricity industry, we have been able to create an optimum environment to ensure sustained electricity delivery to customers.

Territory Generation expects to see further efficiency improvements as we continue to play our part in the reforms introduced by the Northern Territory Government.

It is important to recognise the challenges and opportunities that lie ahead for Territory Generation as industry reforms introduced by the Northern Territory Government take effect.

Territory Generation is facing significant changes in the external business landscape, with the development of a new wholesale electricity market and the imminent threat of competition in the Darwin/Katherine market. These changes present significant challenges, but we are committed to exceeding the expectations of our customers and remaining competitive with other players in the market.

The Board and I considered it important to meet as many employees as possible across all sites. To this end the Board has travelled to all of the Territory Generation workplaces for Board meetings and we have thoroughly enjoyed our time meeting with employees across the business.

It is impressive to see the way Territory Generation employees work together to look for ways to improve our collective performance.

On behalf of the Board, I would like to thank Territory Generation's executive management, leadership team and all employees for their hard work in the 2014/15 financial year.

I would like to also thank Territory Generation's shareholder, the Northern Territory Government, for its continued support and for their vision in leading the industry into a new era.

The Board and I look forward to working with Territory Generation management and all employees into the future.

David De Silva
Chairman

CHIEF EXECUTIVE'S MESSAGE

IN A YEAR OF SIGNIFICANT INDUSTRY REFORM, TERRITORY GENERATION SUCCESSFULLY COMPLETED A RANGE OF STRUCTURAL AND BUSINESS CHANGES AHEAD OF THE INTRODUCTION OF A COMPETITIVE MARKET FOR ELECTRICITY GENERATION.

We have undertaken extensive change programs in the key areas of workplace health and safety, strategic planning, business processes and systems, workforce development and recruitment, and major projects management.

Our first priority has been to develop a strong focus on avoiding injury to our people or damage to our assets and the environment. Safety at Territory Generation is non-negotiable.

We have worked to encourage a strong culture of safety awareness, accompanied by an increased focus on reporting, and have reviewed frontline safety tools such as job safety and environment analysis and safe act observations.

For the 12 months ending 30 June 2015, we recorded one lost time injury, and achieved a Lost Time Injury Frequency Rate of 3.3. This compares to an industry average of 3.5 (Energy Supply Association of Australia).

Throughout the year Territory Generation's workforce has increased as the Corporation reduced its reliance on the Transitional Service Agreement in place since separation from Power and Water Corporation. At 30 June 2015, we had 180 full-time equivalent employees.

We successfully concluded negotiations on a new Enterprise Bargaining Agreement specific to Territory Generation employees. The Enterprise Bargaining Agreement has been endorsed by a majority of employees.

Territory Generation's core operations have undergone immense change over the twelve months to 30 June 2015.

We have focused on improving the reliability and efficiency of our generating capacity, reducing fixed costs and optimising plant and dispatch.

Territory Generation has developed a long-term integrated asset management framework which includes operations, maintenance, and capital expenditure, and links asset management activities with a new enterprise business planning system.

The framework has enabled Territory Generation to lift the reliability and efficiency of its generators in Alice Springs, Yulara, Kings Canyon, Katherine, Tennant Creek and Darwin.

Territory Generation and Power and Water's System Control have worked together to significantly increase the reliability of the Darwin/Katherine electricity system.

This complex work has required in-depth analysis of power generation and transmission to create an optimum environment to ensure sustained electricity delivery to customers.

Work completed under the partnership between Power and Water's System Control and Territory Generation has delivered a record number of days in the Darwin/Katherine network free of Under Frequency Load Shed events (212 days as of 30 June 2015).

Ultimately the work will continue to reduce the number and severity of outages across the Darwin/Katherine region, giving Territorians increased confidence in their electricity supply.

With some of our generation assets approaching the end of useful life we continued planning for major projects involving construction of new generation infrastructure, life extension upgrades, and retirement of old assets.

These generation projects included the proposed $60 million upgrade at Owen Springs, the refurbishment of Tennant Creek, the Ron Goodin closure and site rehabilitation, and asset life extension works at the Channel Island and Katherine power stations.

We have implemented new Enterprise Resource Planning software, which enables us to capture and analyse data relating to the costs of generation at the unit level.

In turn this allowed us to make accurate bids for supply of electricity to the Market Operator and System Controller in the Interim Northern Territory Energy Market (I-NTEM) from 27 May 2015.

It has been a year of extraordinary challenges and great change, and throughout our people have proved to be our greatest asset.

I would like to thank the Board for their guidance and support, and our people for their hard work and courage as we seize the opportunities we have been presented. I look forward to working with both our Board and people to position Territory Generation as a leader in the Northern Territory's new competitive electricity supply environment.

I also look forward to working with the Northern Territory Government, the I-NTEM operator, our suppliers and retail customers to safely, efficiently and reliably generate electricity to sustainably contribute to the lifestyle and development of the Northern Territory.

Tim Duignan
Chief Executive Officer

ASSETS

TERRITORY GENERATION IS THE LARGEST ELECTRICITY PRODUCER IN THE NORTHERN TERRITORY. WITH DECADES OF OPERATING EXPERIENCE, WE OWN AND OPERATE THE FOLLOWING POWER STATIONS: CHANNEL ISLAND, WEDDELL, KATHERINE, TENNANT CREEK, YULARA, KINGS CANYON, RON GOODIN AND OWEN SPRINGS.

Territory Generation is the largest electricity producer in the Northern Territory. The Darwin/Katherine interconnected system includes the Channel Island, Weddell and Katherine power stations, as well as power purchase agreements from Pine Creek Power Station and the Landfill Management Services facility at Shoal Bay. The interconnected system is linked by a 132kV transmission line from Darwin to Katherine and represents three quarters of the total Territory Generation capacity.

Territory Generation boasts decades of operational experience in some of Australia's most remote and isolated regions. Electricity for Alice Springs is produced at Territory Generation's Ron Goodin and Owen Springs power stations. Territory Generation owns and operates power stations at Tennant Creek, Yulara and Kings Canyon.

Territory Generation works in partnership with independent power producers to support renewable energy initiatives.

POWER STATION LOCATIONS:

DARWIN REGION

	ENGINE	TOTAL CAPACITY (MW)	DESCRIPTION
Channel Island	8 turbine sets (gas or diesel) and 1 heat recovery steam turbine	310	Channel Island Power Station (CIPS) is the largest power station in the Northern Territory and the main source of electricity for the Darwin/Katherine Interconnected system. The first units were commissioned at CIPS in 1986, and Channel Island now has 310MW of installed capacity. CIPS is a natural gas fired station, with diesel fuel back-up capability.
Weddell	3 turbine sets (gas)	129	The Weddell Power Station connects to the Darwin/Katherine grid and consists of two open cycle gas turbines commissioned in 2008, with a third commissioned in 2014.
Katherine	4 turbine sets (gas or diesel)	34.7	The Katherine Power Station has been operational since 1987. The station contains four open cycle gas turbines.

ALICE SPRINGS REGION

	ENGINE	TOTAL CAPACITY (MW)	DESCRIPTION
Ron Goodin	8 reciprocating sets (2 diesel only, 6 gas and diesel) and 1 turbine (gas or diesel)	42.5	The Ron Goodin Power Station was commissioned in 1973 and remains a major source of electricity in the Alice Springs area.
Owen Springs	3 reciprocating sets (gas or diesel) and 1 turbine (gas or diesel)	37	The Owen Springs Power Station uses the latest dual fuel reciprocating technology. With the majority of the capacity commissioned in 2011, Owen Springs Power Station services the Alice Springs Community.

OTHER REGIONS

	ENGINE	TOTAL CAPACITY (MW)	DESCRIPTION
Tennant Creek	11 reciprocating sets (5 gas, 6 diesel) and 1 turbine (gas or diesel)	16.5	The Tennant Creek Power Station services the Tennant Creek township, and surrounding communities as far as Ali Curung, 150km south of Tennant Creek.
Yulara	10 reciprocating sets (4 gas, 5 diesel, and 1 gas or diesel)	11.2	The Yulara Power Station services the Ayers Rock Resort and the Yulara township.
Kings Canyon	3 reciprocating sets (diesel), 1 solar set	1.3	The Kings Canyon Power Station is the only commercial source of electricity in the Kings Canyon area, servicing the Kings Canyon Resort and domestic customers.

BOARD PROFILES

DAVID DE SILVA

LLB

NON-EXECUTIVE CHAIR

David received his Bachelor of Law Degree from the University of Adelaide in 1987. He completed an Associateship with Justice Millhouse in the Supreme Court of South Australia in 1989, completed his Articles of Clerkship with Poveys and then worked as a litigation lawyer with Cridlands in Darwin. Since 1993, Mr De Silva has been a partner of De Silva Hebron, a legal firm which has now been in business in Darwin for more than 20 years. In addition to service on the below Boards, David is on the Committee of the Carbine Club NT (President), volunteers and is a member of several community organisations and clubs.

Current directorships:

- Crimestoppers (NT) Ltd (Chair)
- Darwin Waterfront Corporation
- Tennis NT Inc
- Territory Equities Pty Ltd
- Darwin Performing Arts Centre Ltd (Chair)

LEEANNE BOND

BE (CHEM), MBA, FAICD, FIEAUST, RPEQ

INDEPENDENT NON-EXECUTIVE DEPUTY CHAIR

Leeanne is an experienced company director and holds board roles in the energy and water sectors. Leeanne is a former director of Tarong Energy Corporation and Seqwater and former chair of Brisbane Water. Leeanne has a background in chemical engineering and over 25 years senior management experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources. From 1996 to 2006, Leeanne played a key role in establishing and growing WorleyParsons in Queensland in senior positions including as General Manager (Queensland, PNG & NT).

Current directorships:

- Coffey International Ltd
- Liquefied Natural Gas Ltd
- JKTech Pty Ltd

JON HUBBARD

BCOM, CA, GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Jon is a former partner at PricewaterhouseCoopers and a former director of CS Energy. He has extensive experience in the energy, utility and resources sectors, as well as a strong accounting and finance background. During his advisory career, Jon has specialised in providing advice to the energy industry in the areas of corporate strategy, industry reform, mergers and acquisitions, regulation, climate change and renewable energy.

Current directorships:

- Infocus Wealth Management Ltd
- Australian Energy Market Operator Ltd

EXECUTIVE LEADERSHIP TEAM

TIM DUIGNAN

BBUS MARKETING, ASS DIP (ELEC ENG)

CHIEF EXECUTIVE OFFICER

Tim has more than 30 years' experience in the electricity generation, retail, transmission and distribution sectors of the energy industry. He commenced his career as an apprentice electrical fitter mechanic, and held senior management roles working for electricity retailer NorthPower. Tim then joined Queensland's major generation corporation Enertrade, where he held the position of Chief Executive Officer. In 2008 Tim co-founded advisory and development firm ARC Developments International. Tim also has experience in gas infrastructure, and reserves delineation and extraction techniques in the gas industry.

GRANT CHORVAT

BE (HONS), FIEAUST, CPENG, GAICD, MAIPM

CHIEF OPERATIONS OFFICER

Grant is an electrical engineer with extensive experience in process automation, technology and maintenance management. Grant has more than twenty years in leadership and management roles in a range of industries. Prior to joining Territory Generation, Grant managed the Tamar Valley Power Station and Bass Strait Islands facility for Hydro Tasmania, reporting to the Chief Operations Officer.

STEVE BARTLETT

BCOM, CA

CHIEF FINANCIAL OFFICER

Steve is a Chartered Accountant with more than 25 years of experience across public practice, the resources industry, and more recently, the power generation industry. Steve supplements his technical accounting base with extensive commercial experience in heavy industry, covering business analysis and modelling, contractor management, supply chain management, strategic contracts negotiation and development, and business process improvement.

ANDREW KNEEBONE

MBA, MAICD

GENERAL MANAGER STRATEGY, PROJECTS AND BUSINESS IMPROVEMENT

Andrew is an experienced executive manager and Board Director across a range of utility organisations. Andrew has held a diverse range of senior executive roles, including CEO, in the Victorian, Tasmanian and Western Australian water sectors over the past 20 years. Andrew's experience encompasses customer service, operations and maintenance, finance, regulatory affairs, strategy, and governance. Andrew was the industry lead in preparing and implementing independent economic regulation to the Tasmanian Water sector.

ROBERT ROSS

MAICD

GENERAL MANAGER BUSINESS SERVICES AND COMPANY SECRETARY

Robert commenced his career as an apprentice electrician and has worked in a range of executive positions within Power and Water Corporation over the past 38 years. . He has undertaken a range of operational courses and has a Diploma in Frontline Management. He has been a long-term representative on national and Northern Territory skills, training and advisory panels.

SCOTT PIPER

BBUS

GENERAL MANAGER PEOPLE AND SAFETY

Scott was appointed to the role of General Manager People and Safety in May 2015 and has significant experience in people related disciplines working in the Northern Territory Government and in particular government owned corporations. He has eight years' experience in the Energy sector and is responsible for leading Territory Generation's Safety, Human Resources, Employee Relations and Training teams. Scott holds a Bachelor of Business and is in the process of finalising his Bachelor of Laws.

SAFETY

IN THE FORMATION OF TERRITORY GENERATION, SAFETY HAS BEEN OUR HIGHEST PRIORITY WITH A FOCUS ON KEEPING PEOPLE SAFE FROM HARM. WHILE WE MAY HAVE ONLY RECORDED ONE LOST TIME INJURY DURING THE LAST 12 MONTHS, WE RECOGNISE THAT THIS INJURY IS ONE TOO MANY.

We will continue to maintain and improve our workplace health and safety performance. We are dedicated to further improving our safety focus and systems and to make safety leadership personal and embed safety in everything we do.

We aim to create a positive safety culture where we have a safe working environment free of accidents and injuries and where all persons are healthy, engaged and committed to achieving safety best practice.

Our lost time injury frequency rate (LTIFR) for the period was 3.3, which compares favourably to the 2013/14 generating industry average of 3.5 (ref: Energy Supply Association of Australia).

HEALTH AND SAFETY MANAGEMENT SYSTEM

In 2014/15, we developed and introduced a new independent workplace health and safety management system.

This system is designed to support the health and safety of our people, assets and workplaces and fully aligns with national health and safety legislation.

This has been supported by ongoing work to review existing workplace health and safety policies and procedures specific to Territory Generation needs.

Key to this management system is a hierarchy of workplace health and safety committees. At Territory Generation we have a tiered system of health and safety committees comprising members from operations, executive management and the Board.

Committees meet on a routine basis and all employees are encouraged to attend safety meetings in order to maintain a strong safety dialogue through the organisation.

We have also been working on encouraging a stronger culture of safety awareness, accompanied by an increased focus on reporting, and review of frontline safety tools such as job safety and environment analysis and safe act observation processes.

ENGAGING OUR WORKFORCE

During 2014/15 we engaged with employees across Territory Generation sites to seek their views on a range of safety related matters.

This feedback has been used to make safety improvements across Territory Generation sites and also for developing the following top six safety non-negotiables for Territory Generation:

- Everyone has an obligation to stop work that they believe may be unsafe;
- We must always report every incident, near hit and injury;
- Only operate equipment for which you are competent and authorised;
- Never remove another person's Danger Tag or Personal Lock, without written authorisation;
- No person may work if under the influence of alcohol or drugs; and,
- We must always correctly wear compulsory Personal Protective Equipment (PPE).

These life-saving rules continue to be communicated to all employees and contractors through an ongoing awareness campaign, and are being incorporated into induction processes at all levels.

PEOPLE AND SAFETY COMMITTEE

The People & Safety Committee has been established by the Board to oversee the effective development, implementation and monitoring of initiatives, policies, practices and systems in relation to people and safety. It is a forum for championing continuous improvement, safety leadership and the development of a proactive safety culture.

OTHER SAFETY INITIATIVES

Other safety initiatives developed during the year include:

Safety induction – Site safety induction processes are being strengthened to ensure all employees, contractors and visitors obtain relevant information on site safety requirements. Work continues on the development of a corporate induction process for new employees. The new corporate induction process being finalised will be specific to Territory Generation and cover key aspects of our business culture and the expectations relating to quality, environment and workplace health and safety.

Reward and recognition – While our Enterprise Agreement encourages and recognises safety achievements by individuals, we are also establishing a recognition program aimed at promoting and fostering a workplace culture aligned with our corporate Values, which incorporates safety.

Task based risk assessment review - A review of the Job Safety and Environmental Assessment (JSEA) tool is underway to align this process further with current operational risk assessment processes and risk registers. To supplement the JSEA tool a Take-5 process is also being implemented. The Take-5 process ensures that a person carrying out work completes effective identification of hazards and control measures at the task level.

Personal Protective Equipment - As part of Operational Risk Assessment, we identified key risks and launched a Hand and Eye Protection Awareness campaign, and introduced a policy making it mandatory to carry safety glasses and gloves.

Safety leadership – We are improving safety leadership by reviewing our performance and creating and promoting a positive Vision encouraging all employees to demonstrate personal responsibility and commitment towards safety with an emphasis on leadership accountability.

PEOPLE

AT TERRITORY GENERATION WE RECOGNISE THAT OUR PEOPLE AND VALUES ARE THE FOUNDATION TO OUR BUSINESS SUCCESS. THESE VALUES WERE DEVELOPED IN CONSULTATION WITH EMPLOYEES DURING A RANGE OF PLANNING FORUMS:

- FOCUS;
- INTEGRITY;
- RESPECT;
- SAFETY; AND,
- TEAMWORK.

We continue to build a responsive and cohesive team to support these Values and help achieve our goals by working flexibly across geographical, functional and structural boundaries.

A key part of our people strategy is to ensure we encourage an inclusive and diverse workforce through our recruitment and development processes. We commit to provide employees with development opportunities and allow them to reach their full potential in line with our business needs.

During the year we have recruited 33 employees to Territory Generation to support the business into the future. This has enabled Territory Generation to reduce its reliance on the Transitional Service Arrangement with Power and Water Corporation, and build internal capability. Many of these roles have been filled by transfer of Power and Water Corporation employees into Territory Generation.

ENTERPRISE BARGAINING

During the reporting period, negotiations for a new Enterprise Agreement were held with union and employee bargaining representatives and a vote conducted, with a majority of employees endorsing the proposed Territory Generation Enterprise Agreement.

With the arrival of competition in the Northern Territory market, the proposed new Agreement seeks to retain a level of certainty and flexibility for both employees and the business.

LEADERSHIP DEVELOPMENT

Territory Generation believes strongly in developing the skills of its leaders.

In May 2015 Territory Generation held the first of a series of leadership workshops tailored and designed to enhance the capability of leaders.

The Leadership Program provides opportunities to build skills, share experiences and develop relationships so leaders can perform their roles to the best of their ability.

The program is a core part of Territory Generation's training program, which is designed to provide opportunities for emerging and potential leaders.

The following themes are addressed within the leadership training program:

- Business & Culture – corporate strategy, values & behaviours, operating in a commercial environment and change management.
- People & Performance – effective communication, negotiating strategies, building effective teams, managing performance & leadership.
- Management – managing priorities, effective business writing, budgeting and finance.

TRAINING AND DEVELOPMENT

Territory Generation employees have been offered targeted training throughout the year. In the core operations area of the business employees have been engaged in training in the following areas: Instrumentation and Control, Vehicle Loading and Crane, Electrical Skills Maintenance, and Dogging.

Safety has been a core area of focus, with employees completing the following training: Confined Space and Entry Awareness, Breathing Apparatus, Safe Working at Heights, First Aid and CPR, Fire Warden and Extinguisher, Low Voltage Rescue, Workplace Investigations, Permitting and Induction Training, and Hazardous Area Classification and Design.

Additional training had also been completed in these areas: Leadership, Code of Conduct, Company Directors Courses, and software training.To support training and development goals we are undertaking a workforce plan that includes a 'Territory Generation Capability Profile' to track employee skills and capabilities required in each role for future business needs.

This is being supported by a skills gap analysis of core functions, the use of online learning to supplement traditional classroom-based training and a calendar of planned and agreed training.

A skills and resource requirements review will be undertaken to align strategic initiatives with training needs to increase flexibility, efficiency and competitiveness.

WORKPLACE DIVERSITY

Territory Generation seeks to provide a workplace which encourages inclusivity and diversity. We are focused on raising cultural awareness across the business and increasing the representation of Indigenous Australians within Territory Generation by identifying career pathways and reviewing our recruitment processes to ensure we give consideration to the needs of this employment group. We are also strengthening the development and support for women during their careers within Territory Generation by leveraging their strengths, views and experiences through the creation of a female leader's forum.

At Territory Generation, we believe workplace diversity is about acknowledging the diverse skills and perspectives that employees may bring to the workplace because of their gender, age, language, ethnicity, cultural background, disability, religious belief, sexual orientation, working style, educational level, professional skills, work and life experiences, socio-economic background, job function, geographical location, marital status and family responsibilities.

We believe that encouraging diversity involves removing barriers to ensure all employees enjoy full participation in the workplace, which supports the development and achievement of well-informed and culturally appropriate business outcomes.

Territory Generation has developed a Workplace Diversity Strategy, which includes specific recruitment and development strategies for Aboriginal and Torres Strait Islanders, women in leadership roles, people with disabilities and people from culturally and linguistically diverse backgrounds. The Strategy's objectives are to:

- Make workplace diversity everyone's responsibility;
- Make Territory Generation an employer of choice for people from diverse backgrounds and improve our ability to attract, develop and retain staff from these groups;
- Support and empower employees to be able to make their mark in the workplace; and,
- Monitor and report the success of our Workplace Diversity Strategy.

APPRENTICES

Territory Generation is committed to continuing to act as a host of apprentices and supporting the development of industry skills and career opportunities.

In 2014/15 we employed a total of 17 apprentices, over 9% of our workforce, across Darwin, Katherine, Tennant Creek, Yulara and Alice Springs.

FINANCIAL PERFORMANCE

TERRITORY GENERATION HAS DELIVERED A STRONG FINANCIAL RESULT IN ITS FIRST YEAR OF OPERATION.

FOR THE 12 MONTHS ENDED 30 JUNE 2015, TOTAL REVENUE FROM THE SALE OF ELECTRICITY WAS $342.8 MILLION.

FOR THE 2014/2015 FINANCIAL YEAR, TERRITORY GENERATION WILL PAY A DIVIDEND TO THE NORTHERN TERRITORY GOVERNMENT OF $18.0 MILLION. NET PROFIT AFTER TAX WAS $36.0 MILLION.

COSTS

Territory Generation's principal costs are associated with the purchase of fuel and other supplies required for the generation of electricity.

During 2014/15 Territory Generation's operating costs were $265.6 million, mainly associated with purchase of gas supplies. This was in line with the budget of $265.7 million.

Capital expenditure for the 2014/15 year was $18.1 million, a reduction of $0.9 million from budget. Major capital expenditure costs were associated with the Channel Island Power Station and Katherine Power Station life extension works, and the development of a new Enterprise Resource Planning software package.

DIVIDEND

Territory Generation pays all dividends to the Northern Territory Government.

The Board's recommendation on the dividend is made after considering end-of-year financial results, our capital structure, capital investment commitments and the capacity to pay in accordance with prudent financial management.

After consulting with the shareholding Minister, the Board makes a determination on the dividend to be paid each year.

For the 2014/2015 financial year, the dividend to be paid by Territory Generation to the Northern Territory Government is $18.0 million.

NEW FINANCIAL SUPPORT SYSTEMS

A critical component of works undertaken by Territory Generation in 2014/15 has been to establish a new financial accounting system to support successful entry into a competitive market.

This work encompasses developing our accounts and financial systems, preparing the Territory Generation Strategic Plan, and subsequent Statement of Corporate Intent documents.

An Integrated Enterprise Resource Planning software system is being progressively implemented. The new system performs key functions and services previously provided by Power and Water Corporation under a Transitional Services Agreement.

The new system will drive improvement and consistency in business processes, consolidate and reduce the number of disparate IT systems, assist with simplification and standardisation of processes, and reduce interfaces between systems. This will allow the business to improve its cost efficiency through greater oversight of business performance in real time.

WHOLESALE PRICING SCHEDULE

One of the critical financial capabilities delivered by Territory Generation's Enterprise Resource Planning software is the ability to identify the cost, performance, efficiency and output of individual generation assets.

This operational data is then used to develop a wholesale pricing schedule which in turn allows Territory Generation to submit realistic and accurate bids for the wholesale cost of electricity generation to the Market Operator.

Territory Generation's new wholesale pricing schedule has now been released to our retailer customers.

POWER PURCHASE AGREEMENTS

Territory Generation has a number of Power Purchase Agreements with privately owned companies where the electricity produced is purchased by Territory Generation.

Agreements are in place with independent producers at Brewer Power Station, Pine Creek Power Station, Uterne Solar, and the Landfill Management Services facility at Shoal Bay.

During 2014/15 Territory Generation purchased a total of 333 MWh through Power Purchase Agreements.

ANCILLARY SERVICE AGREEMENTS

During 2014/15 Territory Generation worked with the System Controller and Market Operator to define the way in which Ancillary Service Arrangements will be delivered.

These arrangements provide for cost recovery associated with the operation of generation assets at levels below peak capacity.

From a network stability perspective, running power stations at below capacity provides 'headroom' to cope with short-term demand spikes.

However in a competitive market wholesale operators would prefer to maximise return on asset operation by running at full capacity.

Territory Generation will continue negotiation with the System Controller and Market Operator on the application of Ancillary Service Arrangements.

COMMERCIAL REFORMS

The Northern Territory Government has introduced a number of reforms designed to promote competition and efficiency in the electricity supply industry. This will align regulatory arrangements operating in the Northern Territory with those in effect in the National Electricity Market.

Part of these reforms involved the separation of Power and Water Corporation into three stand-alone government owned corporations, establishing a new wholesale electricity market, and the subsequent introduction of competition in the Darwin/Katherine generation market.

Territory Generation is the new wholesale electricity supply organisation that commenced operations on 1 July 2014 as a result of the restructure of the electricity industry in the Northern Territory.

Power and Water Corporation's electricity retail function became a new stand-alone retail electricity corporation called Jacana Energy, and is one of five retail companies that are licensed to purchase wholesale supply from Territory Generation. The other retail companies are Rimfire Energy Pty Ltd, QEnergy Pty Ltd, Power and Water Corporation Retail and ERM Power Retail Pty Ltd.

A cornerstone of the Northern Territory Government's energy sector reforms is the creation of the Interim Northern Territory Electricity Market (I-NTEM).

The I-NTEM commenced operations on 27 May 2015.

The I-NTEM provides a framework to facilitate the wholesale electricity arrangements between generators and retailers in the electricity market.

The I-NTEM is designed to align the Northern Territory electricity market to other Australian markets.

Initially the I-NTEM will only operate in the Darwin/Katherine region. This initiative is supported by the creation of a Market Operator in addition to the existing System Controller.

Under the I-NTEM, Territory Generation and any other wholesale power supplier that is registered for entry into the market will submit bids for the operation of generation assets at a specific price.

The Market Operator then accepts bids on the basis of lowest price and other factors, ensuring the most efficient allocation of electricity generation.

Once bids have been accepted the System Controller dispatches plant into operation.

I-NTEM arrangements are governed by the Northern Territory System Control Technical Code. Amendments to the Code are made by the Power System Controller and are subject to approval by the Utilities Commission.

During 2014/15 Territory Generation contributed to the development of the I-NTEM arrangements.

OPERATIONAL PERFORMANCE

AS THE NORTHERN TERRITORY'S LARGEST ELECTRICITY PRODUCER, TERRITORY GENERATION OPERATES 579 MEGAWATTS (MW) OF INSTALLED CAPACITY (SITE RATED), AND CONTRACTS AN ADDITIONAL 36.9 MW FROM INDEPENDENT POWER PRODUCERS FOR SUPPLY TO OUR CUSTOMERS.

In the 12 months to 30 June 2015, Territory Generation used a combination of gas, diesel and solar technologies to generate a total of 1,992.7 Gigawatt hours (GWh) of electricity.

The largest regulated system, the Darwin/Katherine Interconnected System, includes the Channel Island, Weddell and Katherine power stations, supplemented by power purchase agreements from Pine Creek Power Station and the Landfill Management Services facility at Shoal Bay.

The interconnected system is linked by a government-owned and managed 132kV transmission line from Darwin to Katherine and represents three quarters of the total Territory Generation capacity (approx. 497MW).

Electricity for Alice Springs is produced at Territory Generation's Ron Goodin and Owen Springs power stations, as well as from independent producers at Brewer Power Station and Uterne Solar.

Territory Generation owns and operates power stations at Tennant Creek, Yulara and Kings Canyon as the sole generator of electricity to these townships.

INTEGRATED ASSET MANAGEMENT

Developing a clear, long-term approach for integrated asset management has been a critical focus of Territory Generation's priority activities throughout 2014/15.

In May 2015 the Territory Generation Board approved the new Territory Generation Integrated Asset Management Strategy framework.

The strategy is a key document that underpins Territory Generation's long-term asset management planning, including operations, maintenance, and capital expenditure, and links asset management activities with Territory Generation's new Enterprise Resource Planning software.

This ensures that the production impacts of all asset management activities, such as scheduled maintenance, are highlighted and reflected in broader business planning.

The strategy provides a clear framework for the development of our Integrated Asset Management Plan, which sets out the detail and timing of operational activities required to achieve strategic asset management goals.

MAJOR PROJECTS

Territory Generation continued with detailed planning for a major capital works program in 2014/15.

These projects are designed to improve the efficiency and extend the life of existing power stations, to retire old power generating plant that has exceeded useful life, and to remediate sites no longer required.

The upgrades and renewal of our generation capacity will allow us to continue to generate electricity reliably and efficiently into the future.

Territory Generation's major capital works program comprises the following projects:

- The expansion of the Owen Springs Power Station. The expansion will provide new generation capacity to replace the aged Ron Goodin power station.
- An upgrade of the Tennant Creek Power Station to replace aged equipment.
- Remediation of the Ron Goodin Power Station site after it is retired and decommissioned.

Territory Generation has received in-principle approval from the shareholding Minister to proceed towards a Financial Investment Decision on the expansion of the Owen Springs Power Station.

The Tennant Creek Power Station augmentation was included in Territory Generation's 2015-16 Statement of Corporate Intent, which sets out Territory Generation's strategies and initiatives for the year ahead.

A Financial Investment Decision on the Owen Springs and Tennant Creek projects is expected to be made by the first quarter of 2016.

Work to extend the life of generation assets at the Channel Island Power Station continued during the year.

This involves progressive refurbishment of gas-fired turbines to minimise the number of generation sets that are off-line at any one time.

In addition, planned minor capital works and maintenance activities for 60 priority projects will help ensure short-term asset maintenance funds are directed to essential areas.

UNINTERRUPTED POWER: NEW RECORD SET

A partnership between Territory Generation and Power and Water Corporation's System Control has significantly increased the reliability of the Darwin/Katherine electricity system.

The partnership has helped set a new record for the longest consecutive days (212 as of 30 June 2015) in the Darwin/Katherine system without power interruption due to under-frequency load shed events.

Detailed analysis of power generation and transmission characteristics has helped to create an optimum environment to ensure sustained electricity delivery to customers.

SYSTEM INTEGRITY IMPROVEMENTS

On 12 March 2014 the Darwin/Katherine system experienced a system black (loss of all electricity supply) event.

AECOM was engaged by Power and Water Corporation to compile a list of recommendations to improve the integrity of the Darwin/Katherine system, and these were assigned to Power and Water Corporation business line units after the report was delivered.

Territory Generation has implemented all of the recommendations of the report which dealt with issues relating to power generation. While there is no perfect system, the work has significantly improved the integrity of electricity supply in the Darwin/Katherine system.

EFFICIENCY IMPROVEMENTS

The Owen Springs Power Station was re-commissioned during 2014/15 to maximise potential efficiency improvements.

This has delivered an efficiency increase from 29 per cent at the start of the year to regularly exceeding 38 per cent by 30 June 2015.

GAS

Territory Generation's largest input cost is supply of gas to operate our power plants.

In 2014/15 we entered into a short term gas supply agreement, through which we pay Power and Water Corporation for base commodity gas, the majority of Power and Water Corporation's transportation costs, and the overheads associated with the Power and Water Corporation gas supply unit.

We are seeking to negotiate a long term gas supply agreement which provides a competitive delivered price for gas to our power stations.

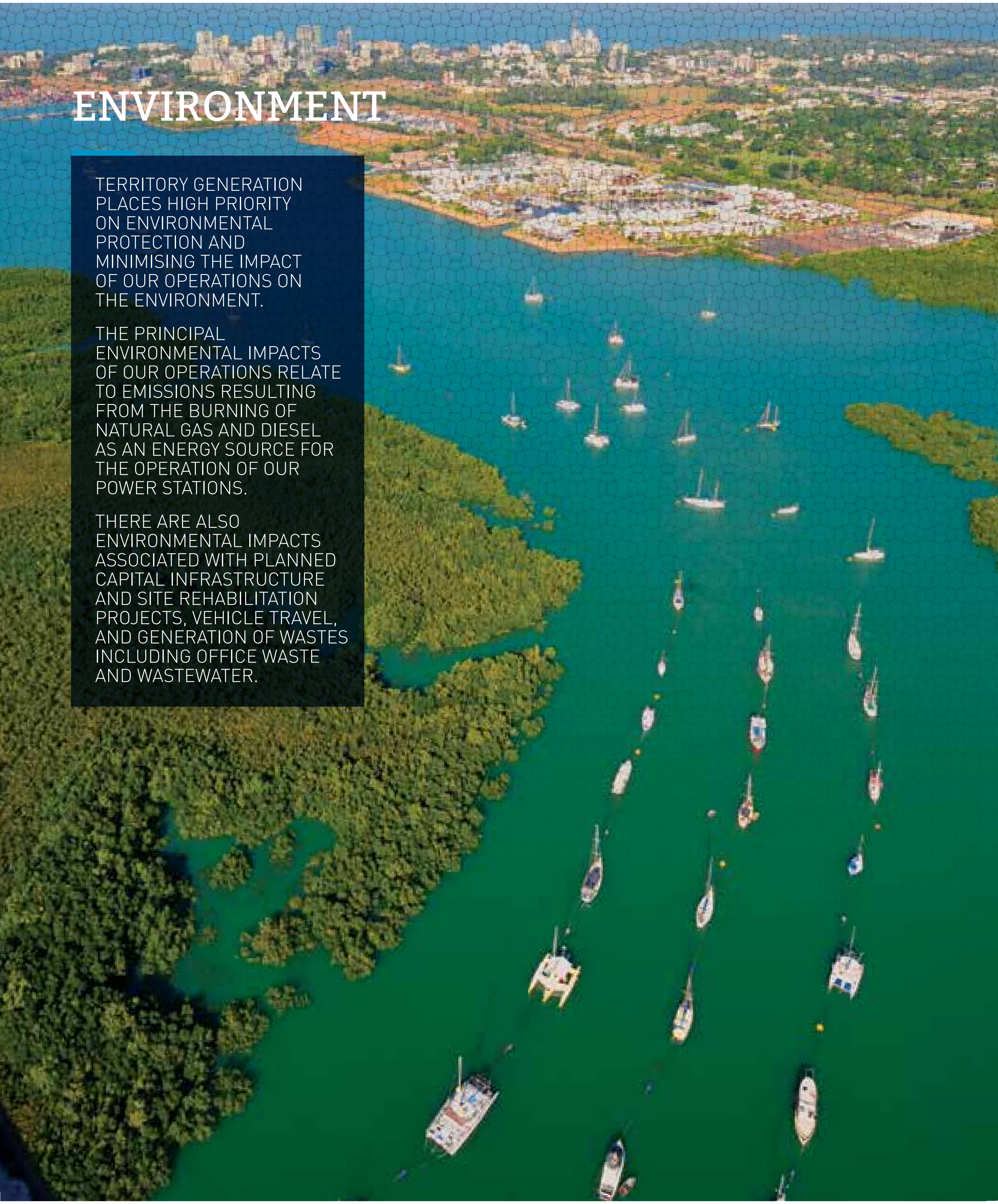
We are optimising our gas use by increasing the reliability of our power stations and encouraging efficient dispatch of this plant through our market bid prices.

METERING

Territory Generation continued a process to implement more accurate metering systems at the network point of exit from our power stations.

New meters will provide real-time data on the amount of power being exported, providing greater accuracy for billing our wholesale customers, as well as providing information about individual power station performance and efficiency.

At 30 June 2015 the metering project had been completed in the northern region (Channel Island, Weddell, Katherine, and Darwin) and will continue in 2015-16 in the southern region (Tennant Creek, Alice Springs, Kings Canyon and Yulara).



ENVIRONMENT

TERRITORY GENERATION PLACES HIGH PRIORITY ON ENVIRONMENTAL PROTECTION AND MINIMISING THE IMPACT OF OUR OPERATIONS ON THE ENVIRONMENT.

THE PRINCIPAL ENVIRONMENTAL IMPACTS OF OUR OPERATIONS RELATE TO EMISSIONS RESULTING FROM THE BURNING OF NATURAL GAS AND DIESEL AS AN ENERGY SOURCE FOR THE OPERATION OF OUR POWER STATIONS.

THERE ARE ALSO ENVIRONMENTAL IMPACTS ASSOCIATED WITH PLANNED CAPITAL INFRASTRUCTURE AND SITE REHABILITATION PROJECTS, VEHICLE TRAVEL, AND GENERATION OF WASTES INCLUDING OFFICE WASTE AND WASTEWATER.

To ensure we are able to protect the environment and reduce where practicable our environmental footprint, Territory Generation is developing new management systems, reviewing relevant policies and procedures, and promoting a workplace culture that values environmental awareness.

Our aim is to encourage a proactive environmental workplace culture where we minimise our impact on the environment as a corporation, and all employees and contractors are conscious of the requirements and behaviours required to maintain a high environmental standard.

During 2014/15 there were no reportable environmental incidents.

NATIONAL GREENHOUSE AND ENERGY REPORTING

Territory Generation's power stations primarily use natural gas to provide an energy source to operate our power stations to generate electricity.

Electricity produced from gas produces 50 per cent to 70 per cent less greenhouse gas emissions than current coal-fired power generation facilities (Australian Petroleum Production & Exploration Association).

We also transport, store and use diesel fuel for use in generation units that require diesel injection for effective gas combustion, as well for use in diesel powered back-up generator systems.

Territory Generation is registered under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act).

Under the NGER Act, Territory Generation reports annually on greenhouse gas emissions, energy production and energy consumption on all facilities under our operational control.

In 2014/15, Territory Generation reported emissions of 1,200,845 tonnes of CO_2-e, and consumed 18,827,413 GJ (gigajoules) of energy in the form of gas and diesel at Territory Generation sites only, excluding Power Purchase Agreements.

Our four largest power plants - Channel Island Power Station, Weddell Power Station, Ron Goodin Power Station and Owen Springs Power Station - generated more than 80 per cent of our greenhouse gas emissions.

During the year, plant improvements delivered increases in operating efficiency at Owen Springs Power Station, minimising fuel consumption and greenhouse gas emissions.

Territory Generation works in partnership with independent power producers to support renewable energy initiatives, and has power purchase agreements in place with two renewable energy producers: Uterne solar power station and the Shoal Bay landfill site.

The Uterne power station in Alice Springs is a four megawatt solar power station. It is Australia's largest tracking solar power system, and has been providing Alice Springs with power since 2011.

Methane gas is constantly being generated at a landfill site at Shoal Bay in Darwin. A one megawatt generator which generates electricity from this energy source has been installed by LMS Pty Ltd at Shoal Bay and has been connected to the grid since August 2005.

In addition, Territory Generation owns a solar power station located at Kings Canyon which has a peak generating capacity of 225 kW. This solar power station, as well as the Uterne power station, does not produce any greenhouse gas emissions during operation.

CAPITAL WORKS ENVIRONMENTAL RISK ASSESSMENTS

Territory Generation is planning a number of capital projects involving installation of new generation capacity, upgrades to existing plant, and rehabilitation of sites.

Capital works projects with potential for significant environmental impact are referred to the NT Environment Protection Agency (NT EPA) for consideration under the *Environmental Assessment Act*.

In conjunction with referral to the NT EPA, some projects may also require referral to the Commonwealth Government for assessment under the *Environment Protection and Biodiversity Conservation Act*.

WEED MANAGEMENT

Management activities include control and mapping of weeds on the Channel Island site. Control methods include spraying and removal by hand.

ASBESTOS REMOVAL

Territory Generation is proactive in identifying asbestos in our workplace. Territory Generation has an Asbestos Management Plan to ensure that all practicable steps are taken to prevent, or minimise the risk of exposure to Asbestos Containing Material (ACM) along with Asbestos Registers for all Territory Generation sites which:

- Outlines the necessary actions to control the risk as required by legislation;
- Identifies and describes the administrative line of authority for the site, outlining responsibilities, procedures and systems for the effective management and control of ACM; and,
- Requires that all participants involved in the management and operations at the building are clearly informed and, where necessary, trained to manage the asbestos risks.

Assessments and Asbestos Registers are updated every five years by a registered Asbestos consultant. This is driven by Commonwealth legislation and is completed through the identification and listing of the known and typical locations of the ACM and the implementation of appropriate control measures including engineering and administrative systems. We are continuously reviewing our systems and process's to meet best practice. We are also working with other agencies to address any asbestos risks in proximity to our sites.

BUSINESS SERVICES

FOLLOWING SEPARATION FROM POWER AND WATER CORPORATION, TERRITORY GENERATION ENTERED INTO A TRANSITIONAL SERVICES AGREEMENT (TSA) WITH POWER AND WATER CORPORATION.

UNDER THE TSA, POWER AND WATER CORPORATION HAS PROVIDED A RANGE OF BUSINESS SERVICES FUNCTIONS TO ALLOW TERRITORY GENERATION TO OPERATE WHILE ESTABLISHING ITS OWN STAND-ALONE BUSINESS SYSTEMS AND PROCESSES.

Business services provided under the TSA include information technology systems licensing and administration, records management, finance support, governance advice and support, regulatory compliance, audit and risk management, human resources, health, safety and environmental management, quality assurance, emergency and security management, asset and facilities management, and procurement.

The TSA helped ensure a smooth transition without disruption to Territory Generation's business.

The business services functions in the TSA are being progressively reduced as Territory Generation implements a new integrated Enterprise Resource Planning software system and its own corporate systems that will meet Territory Generation's specific requirements.

These new systems will help ensure Territory Generation is in a position to perform the key roles, functions and services that were initially provided by Power and Water Corporation under the TSA.

GOVERNANCE AND OPERATING STRUCTURE

Territory Generation is a government owned corporation established under the *Government Owned Corporations Act* to undertake commercial activities, namely generation of electricity, with the objective of providing greater sustainable financial returns to the Territory on its investment.

Territory Generation has a shareholding Minister and a portfolio Minister. The Hon. David Tollner MLA, the Treasurer, is the shareholding Minister and the Hon. Willem Rudolf Westra van Holthe MLA, Minister for Essential Services, is the portfolio Minister.

The Territory Generation Board is responsible to the shareholding Minister for providing strategic direction, accountability of management, corporate performance and corporate governance of Territory Generation.

Each year Territory Generation produces a Statement of Corporate Intent which sets out agreed objectives, strategies, financial targets and any other matters that may be agreed on by the shareholding Minister and Territory Generation's Board.

The Statement of Corporate Intent then provides the basis for development of Territory Generation's strategic planning and operational activities.

In accordance with the *Government Owned Corporations Act*, the Auditor-General of the Northern Territory is responsible for the audit of the Corporation's financial statements.

Throughout the year, the shareholding Minister may request relevant corporate information such as performance targets as contained in the Statement of Corporate Intent.

BOARD COMMITTEES

The Territory Generation Board has created two sub-committees to provide additional oversight on matters of significance.

The People & Safety Committee has oversight of ensuring the effective development, implementation and monitoring of initiatives, policies, practices and systems in relation to people and safety. It is a forum for championing continuous improvement, safety leadership and the development of a proactive safety culture.

The Board has also established the Audit and Risk Committee to identify and mitigate key risks and ensure corporate compliance is maintained.

MANAGING RISK

As a result of Territory Generation's principal activities of operating power generators to create electricity, Territory Generation is subject to a range of legal requirements.

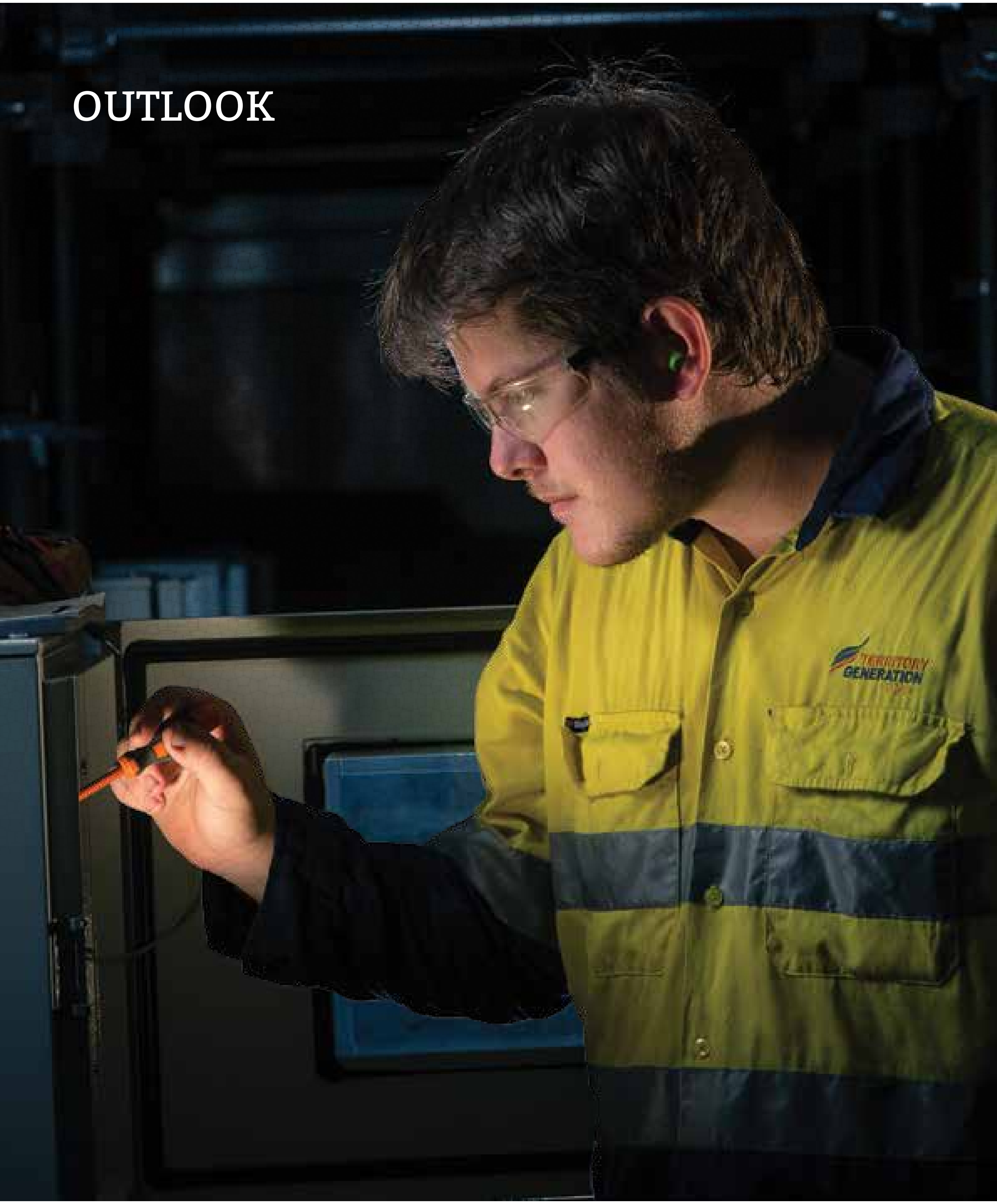
These include Commonwealth and Northern Territory legislation, regulations, licences, standards, codes and other legal instruments.

Territory Generation is also exposed to a wide range of risks associated with the generation of electricity.

Effective risk management and compliance with Territory Generation's legal and regulatory obligations are important in achieving strategic objectives, reducing organisational risks and ensuring compliance.

Territory Generation's Audit and Risk Committee is responsible for the oversight of financial management, external reporting, audit, risk management and statutory compliance.

OUTLOOK



TERRITORY GENERATION'S HIGH-LEVEL OBJECTIVES FOR 2015-16 INCLUDE:

1 To do no harm to our people or the environment. Safety is our highest priority and is not negotiable.

Safety is paramount to Territory Generation and our objective is to ensure that we cause no harm and embed a safe working environment into everything we do.

Everyone is responsible for safety, including our contractors, and our expectation is that safety is non-negotiable and will be given the highest priority.

As a power generator that uses fossil fuels, Territory Generation is conscious of its emissions and is committed to minimising our overall impact on the environment as far as practicable.

2 Continuously improve best practice, stand-alone IT systems and business processes that meet Territory Generation's needs.

Territory Generation is a significantly different business from Power and Water Corporation and it is critical for us to develop and implement IT systems and business processes that are relevant and cost effective for our purposes.

As part of the separation from Power and Water Corporation, there have been a number of processes and activities being undertaken on our behalf by Power and Water Corporation for a transition period. These activities are gradually being taken up by Territory Generation and our objective is to ensure that we are able to perform all key processes ourselves before the end of the transition period. Once completed, we will be able to operate as a fully stand-alone and separate business from Power and Water Corporation.

Beyond this transition period, we will continuously improve and enhance our systems and processes to ensure they are efficient and meet our evolving needs.

3 Successfully participate in the wholesale electricity market and its development, facilitate retail competition, and exceed the expectations of our customers.

Territory Generation will be a key player in the Wholesale Electricity Market (WEM) once it commences and we have a responsibility for, and an interest in, assisting with the development of the market, including its structure and its rules. Our objective is to ensure the market operates transparently, fairly and cost effectively.

As part of the development phase, we will participate in the market trial and assist with defining the related systems and processes. Concurrently, our objective is to ensure that we have the capability (IT systems, business processes, skills and knowledge) to operate in the market once it formally commences.

We recognise that part of our role in the broader market is to supply all existing retailers and potential new entrants. Our objective is to ensure all customers are treated equally and fairly and that there are no barriers to entry as a result of our operations.

Although we have a small number of customers, our commercial relationships are complex, often involving significant volumes of data, different contractual forms and multiple interfaces. Our objective is to work closely with our customers and ensure that our services exceed their expectations.

4 Efficient and reliable core business operations.

In order to compete effectively in the WEM and offer our customers competitive market prices, Territory Generation must ensure that its core business operations of electricity purchasing, fuel purchasing and electricity generation are efficient and reliable.

'Reliability' means that we are always able to deliver electricity to our customers to meet their requirements and fulfil our commitments. As the main generator in the Territory, we must also be able to meet the requests of System Control to ensure we fulfil our obligations with respect to keeping the lights on.

Efficiency is a pivotal driver of our success because we can only offer competitive pricing by optimising our costs in every part of our business. Efficiency is focused not only on costs but also on outputs, our assets and the way we undertake our work.

5 Satisfied/aligned people working as one team, with a positive culture and capability aligned with Territory Generation's needs.

Our people and our culture are the cornerstone of our business and our objective is to galvanise our workforce into one team with no geographical or functional boundaries. As one company, we need to work together and support each other to ensure Territory Generation is successful and has the capability to be a competitive market leader in the future. Although the journey may be challenging and require change, it is achievable if we adopt a positive, team-oriented approach.

A key part of our people strategy is to ensure that we have an appropriately diverse range of age, gender, ethnicity and training opportunities in the organisation.

6 Fit for Growth.

In the first two years of operations, growth will not be a high priority for Territory Generation. Our primary objective in this initial period is to get fit for growth, which means we will build and shore up our core foundations so we have a solid platform upon which we can grow.

Although growth will not be our core focus during this initial period, we will be undertaking some key growth activities such as keeping abreast of the market and our competitors, undertaking high level market analysis, and identifying opportunities for future growth.

Once we are fully fit for growth in approximately two years' time, we will commence more detailed growth strategies.

7 Financial sustainability.

As a commercially focused business, it is important that we are financially sustainable for all Territorians. This means that we are able to deliver an appropriate return to our shareholders, the people of the Northern Territory, achieve market competitive pricing for our customers, optimise our risk portfolio, and invest sufficient funds in our assets and our people to ensure we continue to be successful over the long term. We also want to be recognised as a good corporate citizen, delivering value throughout our operations in the Northern Territory.

Our financial sustainability objective both drives and depends on the success of our other objectives and it is critical that a commercial focus is integrated into everything we do.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

POWER GENERATION CORPORATION
DIRECTORS' REPORT

The directors present their report together with the financial report of the Power Generation Corporation (the Corporation) for the year ended 30 June 2015 and the Auditor's report thereon. This report is to be read in conjunction with the financial statements of the Corporation.

DIRECTORS

The directors of the Corporation at any time during or since the end of the financial year are:

Name

Mr David De Silva was appointed Chairperson of the Corporation's Board on 29 May 2014.

Ms Leeanne Bond was appointed to the Corporation's Board on 29 May 2014.

Mr Jon Hubbard was appointed to the Corporation's Board on 29 May 2014.

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:

MEETING ATTENDANCE	BOARD		AUDIT & RISK COMMITTEE		PEOPLE & SAFETY COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
D De Silva	11	10	3	3	3	3
L Bond	11	11	3	3	3	3
J Hubbard	11	11	3	3	3	3

REVIEW OF OPERATIONS

Principal activities

The principal activities of the Corporation are to safely, efficiently and reliably generate electricity to sustainably contribute to the lifestyle and development of the Northern Territory. The 2014/15 financial year was the first year of trading, hence there are no significant changes to report in the nature of the activities conducted by the Corporation during the financial year.

Review of Operations

The Corporation recorded a Net Profit After Tax of $36.0 million in its first year of operations. During the financial year, the Corporation invested $18.1 million in its capital investment program excluding the initial acquisition of the electricity generation business from Power and Water Corporation.

The Corporation's cash balance was $22.8 million at the end of June 2015.

Northern Territory electricity industry reforms

In 2012 the Northern Territory Government commenced a range of reforms to the regulatory framework governing the Northern Territory's electricity market. The reforms were established to encourage private suppliers to establish in the Territory to compete with the newly restructured Corporations, to reduce electricity tariffs and increase reliability, efficiencies and accountability. On 13 May 2014, the Northern Territory Legislative Assembly passed a Bill to separate Power and Water Corporation into three separate government owned corporations: Power and Water Corporation, a Power Retail Corporation (Jacana Energy) and a Power Generation Corporation (Territory Generation).

Dividends

Since the end of the financial year, the Directors have declared a dividend of $18.0 million to be paid on 1 December 2015.

POWER GENERATION CORPORATION
DIRECTORS' REPORT

SUBSEQUENT EVENTS

Aside from the above dividend declaration, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2015 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.

FUTURE DEVELOPMENTS

The Corporation continues to contribute to the development of the Interim Northern Territory Electricity Market arrangements. It is expected that this interim market will ultimately transition to the final arrangements governed by the Northern Territory Electricity Market.

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 periods.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Northern Territory Government has indemnified the directors of the Corporation from and against all liabilities incurred or arising out of conduct as a director of the Corporation, acting in good faith in compliance with any direction or request made by the shareholding Minister or the portfolio Minister to the Corporation or the Board of the Corporation pursuant to the Deed of Indemnity executed by the Northern Territory Government.

The Corporation has, subject to the prohibition in the *Government Owned Corporations Act*, 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. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

- 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 2nd day of November 2015.

Mr David De Silva
Director and Chairman

DIRECTORS' DECLARATION

POWER GENERATION CORPORATION
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*, including:

  (i) giving a true and fair view of the financial position of the Corporation as at 30 June 2015 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.

(c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1(b) to the financial statements.

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

Dated at Darwin this 2nd day of November 2015.

Mr David De Silva
Director and Chairman

INDEPENDENT AUDIT OPINION

POWER GENERATION CORPORATION
INDEPENDENT AUDIT OPINION

Auditor-General

Independent Auditor's Report to the Board of Directors

Power Generation Corporation

I have audited the accompanying financial report of Power Generation Corporation ("the Corporation"), which comprises the statement of financial position as at 30 June 2015, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Government Owned Corporation Act*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Opinion

In my opinion:

a) the financial report gives a true and fair view of the financial position of the Power Generation Corporation, as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the *Government Owned Corporations Act*; and

b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

2 November 2015

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

POWER GENERATION CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 $'000	2014 $'000
REVENUE	3	350,915	-
Cost of energy	4	197,910	-
Employee benefits expense		20,499	-
Depreciation and amortisation expenses	4	24,031	-
Other expenses	4	47,184	-
Finance costs	4	10,260	-
Profit before income tax		51,031	-
Income tax expense	5	15,042	-
Profit for the year		35,989	-
Other comprehensive income			
Other comprehensive income (net of tax)		-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		35,989	-

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

STATEMENT OF FINANCIAL POSITION

POWER GENERATION CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	NOTE	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	22,769	-
Trade and other receivables	7	72,936	-
Inventories	8	20,915	-
Other current assets	9	2,232	-
Total current assets		118,852	-
Non-current assets			
Property, plant and equipment	10	338,393	-
Intangible assets	11	1,168	-
Deferred tax asset	12	4,599	-
Total non-current assets		344,160	-
Total assets		463,012	-
LIABILITIES			
Current liabilities			
Trade and other payables	13	29,788	-
Taxes payable	14	17,147	-
Employee provisions	15	5,663	-
Total current liabilities		52,598	-
Non-current liabilities			
Employee provisions	15	3,338	-
Other provisions	16	5,000	-
Deferred tax liability	17	2,494	-
Borrowings	18	180,000	-
Total non-current liabilities		190,832	-
Total liabilities		243,430	-
Net assets		219,582	-
EQUITY			
Contributed equity	20	183,593	-
Retained earnings	21	35,989	-
Total equity		219,582	-

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

STATEMENT OF CHANGES IN EQUITY

POWER GENERATION CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2014		-	-	-
Profit for the year		-	35,989	35,989
Other comprehensive income (net of tax)		-	-	-
Total comprehensive income for the year		-	35,989	35,989
Transactions with owners in their capacity as owners:				
Contributions of equity	20	183,593	-	183,593
Balance at 30 June 2015		183,593	35,989	219,582
Balance at 29 May 2014		-	-	-
Profit/(loss) for the year		-	-	-
Other comprehensive income (net of tax)		-	-	-
Total comprehensive income for the year		-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity		-	-	-
Balance at 30 June 2014		-	-	-

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

STATEMENT OF CASH FLOWS

POWER GENERATION CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		334,250	-
Interest received		79	-
Payments to suppliers and employees		(293,510)	-
Net cash from operating activities	22	40,819	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	10	(18,038)	-
Payments for intangibles	11	(12)	-
Net cash from investing activities		(18,050)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	-
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		22,769	-
Cash at the beginning of the period		-	-
Cash at the end of the period	6	22,769	-

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

NOTES TO THE FINANCIAL STATEMENTS

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

CORPORATE INFORMATION

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

The Corporation is a Government Owned Corporation (or GOC) under the *Government Owned Corporations Act* (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 2 November 2015.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been applied to the first financial report of the Corporation for the year ended 30 June 2015.

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

The Corporation has adopted all of the new, revised or amended 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 amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and will have no impact on the financial statements.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The Corporation has applied AASB 2012-3. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

The Corporation has applied AASB 2013-3. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The Corporation has applied AASB 2014-1. Amendments to AASB 116 'Property, Plant and Equipment' and AASB138 'Intangible Assets' clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset. Amendments to AASB124 'Related Party Disclosures' extends the definition of 'related party' to include a management entity that provides KMP services to the entity and requires disclosure of the fees paid to the management entity.

(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. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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.

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.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Prior year comparative

The Corporation commenced operations on 1 July 2014. The prior year comparative information reports on the non-operational period from its establishment on 29 May 2014 to 30 June 2014, reflecting that no financial transactions were entered into by the Corporation during that period.

(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 recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Unbilled revenue

Unbilled revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. 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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(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 Government Owned Corporations Act and are based on rulings set out in the National Tax Equivalent Regime's manual. The National Tax Equivalent Regime manual gives rise to obligations which reflect in all material 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 for each jurisdiction, 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.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

(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 purposes 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 purposes 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 provision for impairment. Trade receivables are normally settled within 30 days and are carried at amounts due.

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. A provision for impairment of trade receivables is raised when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(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

It is the Corporation’s policy to record all fixed asset items at fair value. All assets recognised by the Corporation on 1 July 2014 from the structural separation of Power and Water Corporation were valued at fair value on an income basis for initial recognition. The condition of the assets was assessed and estimates of the remaining useful lives of all assets were calculated. The acquisition price was recorded as the opening cost of these items at this time.

Initially the asset item is recorded at the fair value of the consideration to acquire the item. In most cases, this will be the purchase price, or cost of the asset. On a periodic basis a fair value assessment will be performed under either the market approach, the cost approach or the income approach dependent on the asset class:

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

- Market approach – Land, Buildings
- Cost approach – Leasehold improvements, furniture and fittings, software
- Income approach – Prime movers, plant and equipment

The Corporation depreciates assets over their useful lives utilising both the time basis and output/service basis of depreciation. The determination of the appropriate method is based on the expected pattern of consumption of the future economic benefits embodied in the asset.

Assets depreciated using the time basis are:

ASSET CLASS	EFFECTIVE LIFE
Buildings	10 to 40 years
Plant and equipment	2 to 30 years
Furniture and fittings	5 to 10 years
Software	2 to 10 years

Assets depreciated using the output/service basis are:

ASSET CLASS	EFFECTIVE LIFE
Prime Movers	25,000 to 50,000 equivalent operating hours

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

The Corporation capitalises assets when the asset life is greater than one year, and the cost is greater than $10,000. For existing assets, the cost 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 listed on the fixed asset register has been replaced,
- it represents the recognition of decommissioning provisions, or
- it is for a new component of a parent asset where the cyclical inspections are greater than one year.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings.

(k) Leases

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

A distinction is made between finance leases, which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the corporation will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

(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.

(m) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(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 there is an unconditional right to defer settlement of the liability 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 the bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount 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 entity 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.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

(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 annual leave and long service leave not expected to be settled within 12 months of the reporting date are 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.

Constructive obligation

Whilst Power and Water Corporation retain the legal obligation to meet the entitlements of the Corporation's employees until the employees are formally transferred from Power and Water Corporation to the Corporation, the Corporation recognises the constructive obligation of the Corporation to settle any entitlements for those Power and Water Corporation employees actively working for the Corporation.

(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 its 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.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(t) Issued capital

The *Government Owned Corporations Act* requires the Corporation to have share capital to be held by one shareholder only, being the shareholding Minister, who holds the share on behalf of the Northern Territory 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.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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

Cash flows are presented on a net 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.

The Corporation has been grouped for GST with Power and Water Corporation and Power Retail Corporation for 2014/15.

(v) Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(w) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Corporation for the annual reporting period ended 30 June 2015. The Corporation's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Corporation, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Corporation will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Corporation.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Corporation will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Corporation.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

Unbilled revenue

Unbilled revenue has been calculated by estimating consumption at the customer meters and applying the relevant tariffs, based on:

- for franchise end users, the consumption for the same period in the prior year; and
- for contestable end users, the meter read consumption for the period.

Provision for impairment of inventories

The provision for impairment 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.

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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 are 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.

Decommissioning provision

The Corporation has recognised a decommissioning provision based on an evaluation and assessment provided by an external expert. This assessment may be subject to future unexpected events and as such may change in response to other factors.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

		2015 $'000	2014 $'000
3.	**REVENUE**		
	Revenue		
	Sales revenue		
	Electricity sales	342,789	-
	Gas sales	3,079	-
		345,868	-
	Other revenue		
	Other revenue	4,495	-
	Interest revenue	552	-
		5,047	-
	Total revenue	350,915	-
4.	**EXPENDITURE**		
	Profit before income tax includes the following specific expenses:		
(a)	**Cost of energy**		
	Purchased product	19,301	-
	Energy costs	178,609	-
	Total cost of energy	197,910	-
(b)	**Depreciation and amortisation**		
	Depreciation		
	Property, plant and equipment – refer Note 10(b)	23,650	-
	Amortisation		
	Intangible assets – refer Note 11(b)	381	-
	Total depreciation and amortisation	24,031	-
(c)	**Other expenses**		
	Repairs and maintenance	17,596	-
	External service agreements	10,957	-
	Property costs	5,541	-
	Other expenses	13,090	-
	Total other expenses	47,184	-
(d)	**Finance costs**		
	Interest and finance charges paid/payable	10,260	-
	Total finance costs	10,260	-

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

		2015 $'000	2014 $'000
5.	**INCOME TAX EQUIVALENT EXPENSE**		
(a)	**Income Tax expense**		
	Current tax – refer Note 14	17,147	-
	Deferred tax – origination and reversal of temporary differences	(2,105)	-
	Income tax expense reported in profit or loss	15,042	-
(b)	**Deferred tax included in income tax expense comprises:**		
	(Increase) / decrease in deferred tax assets – refer Note 12	(4,599)	-
	Increase / (decrease) in deferred tax liabilities – refer Note 17	2,494	-
	Deferred income tax - origination and reversal of temporary differences	(2,105)	-
(c)	**Numerical reconciliation current tax expense and pre-tax net profit**		
	Profit before income tax expense	51,031	-
	Tax at the statutory income tax rate of 30%	15,309	-
	Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	(267)	
	Current tax equivalent expense	15,042	-
6.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	22,769	-
	Cash and cash equivalents	22,769	-
7.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	11,978	-
	Less: impairment of receivables	-	-
		11,978	-
	Other receivables		
	Unbilled generation	26,596	-
	Interest receivable	56	-
	Loan arising from disaggregation	29,201	-
	Other receivables	5,105	-
	Total current receivables	72,936	-

Impairment of receivables

No trade receivables are past due, and none are considered to require impairment.

Loan arising from disaggregation

As a result of the reforms of the electricity industry, the business was disaggregated from Power and Water Corporation over the course of the financial year. This receivable represents the final settlement of the financial position between the Corporation and Power and Water Corporation, and will be settled within the coming twelve months.

POWER GENERATION CORPORATION
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		2015 $'000	2014 $'000
8.	**INVENTORIES**		
	Stores and spares	19,302	-
	Less: Provision for obsolescence	(1,907)	-
		17,395	-
	Fuel stocks	3,520	-
	Total inventories	20,915	-
	Movement in the provision for obsolescence:		
	Opening provision for obsolescence	-	-
	Additional provisions recognised during the period	1,907	-
	Closing provision for obsolescence	1,907	-

Obsolescence is a fall in the value of an inventory asset as a result of age, technological improvements or decline in its usefulness for any other reason.

		2015 $'000	2014 $'000
9.	**OTHER CURRENT ASSETS**		
	Excise duty	616	-
	Prepayments	543	-
	GST recoverable	1,073	-
	Total other current assets	2,232	-

Excise duty is the recovery of excise tax imposed on the purchase of diesel fuel.

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

		2015 $'000	2014 $'000
10.	**PROPERTY, PLANT AND EQUIPMENT**		
(a)	**Summary**		
	Land	1,110	-
	Buildings	45,037	-
	Less: Accumulated depreciation	(2,301)	-
		42,736	-
	Plant and equipment	304,481	-
	Less: Accumulated depreciation	(21,349)	-
		283,132	-
	Assets under construction	23,913	-
	Less: Internal transfers	(12,498)	-
		11,415	-
	Total property, plant and equipment	338,393	-

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(b) Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
Cost				
Opening balance at 29 May 2014	-	-	-	-
Additions – refer Note 10(c)	-	-	-	-
Disposals	-	-	-	-
Closing balance 30 June 2014	-	-	-	-
Opening balance at 1 July 2014	-	-	-	
Additions – refer Note 10(c)	46,147	304,481	11,415	362,043
Disposals	-	-	-	-
Closing balance 30 June 2015	46,147	304,481	11,415	362,043
Accumulated depreciation and impairment				
Opening balance at 29 May 2014	-	-	-	-
Depreciation expense – refer Note 4(b)	-	-	-	-
Disposals	-	-	-	-
Closing balance 30 June 2014	-	-	-	-
Opening balance at 1 July 2014	-	-	-	-
Depreciation expense – refer Note 4(b)	(2,301)	(21,349)	-	(23,650)
Disposals	-	-	-	-
Closing balance 30 June 2015	(2,301)	(21,349)	-	(23,650)
Carrying amounts				
At 30 June 2014	-	-	-	-
At 30 June 2015	43,846	283,132	11,415	338,393

(c) Additions reconciliation

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
Additions	-	-	-	-
Additions to 30 June 2014	-	-	-	-
Recognised at structural separation	46,057	292,086	5,863	344,005
Additions during course of business	90	12,395	5,552	18,038
Additions to 30 June 2015	46,147	304,481	11,415	362,043

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000

11. INTANGIBLES

(a) Summary

Software	1,549	-
Less: Accumulated amortisation	(381)	-
Total intangibles	1,168	-

(b) Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	SOFTWARE $'000	TOTAL $'000
Cost		
Opening balance at 29 May 2014	-	-
Additions – refer Note 11(c)	-	-
Disposals	-	-
Balance at 30 June 2014	-	-
Opening balance at 1 July 2014	-	-
Additions – refer Note 11(c)	1,549	1,549
Disposals	-	-
Balance at 30 June 2015	1,549	1,549
Accumulated amortisation		
Opening balance at 29 May 2014	-	-
Amortisation expense – refer Note 4(b)	-	-
Disposals	-	-
Balance at 30 June 2014	-	-
Opening balance at 1 July 2014	-	-
Amortisation expense – refer Note 4(b)	(381)	(381)
Disposals	-	-
Balance at 30 June 2015	(381)	(381)

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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	SOFTWARE $'000	TOTAL $'000
Carrying amounts		
At 30 June 2014	-	-
At 30 June 2015	1,168	1,168

(c) **Additions reconciliation**		
Additions	-	-
Additions to 30 June 2014	-	-
Recognised at structural separation	1,537	1,537
Additions during course of business	12	12
Additions to 30 June 2015	1,549	1,549

12. DEFERRED TAX ASSET

	2015 $'000	2014 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit and loss:		
Employee provisions	2,514	-
Obsolete stock provision	572	-
Other provisions	1,500	-
Property, plant and equipment	13	-
Deferred tax asset	4,599	-
Movements:		
Opening deferred tax asset	-	-
Credited/(charged) to profit or loss	4,599	-
Closing deferred tax asset	4,599	-
Deferred tax liability – refer Note 17	2,494	-
Net deferred tax assets	2,105	-

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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	2015 $'000	2014 $'000
13. TRADE AND OTHER PAYABLES		
Trade creditors	477	-
Other creditors and accruals	15,086	-
Energy accruals	14,225	-
Total payables	29,788	-

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

14. TAXES PAYABLE		
Provision for income tax	17,147	-
Taxes payable	17,147	-

15. EMPLOYEE PROVISIONS		
Current		
Employee benefits	5,663	-
	5,663	-
Non-current		
Employee benefits	3,338	-
	3,338	-

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

16. OTHER PROVISIONS		
Decommissioning		
Opening decommissioning provision	-	-
Provisions made during the year	5,000	-
Closing decommissioning provision	5,000	-

The decommissioning provision has been raised 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.

POWER GENERATION CORPORATION
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FOR THE YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000
17. DEFERRED TAX LIABILITY		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	2,315	-
Interest	17	-
Prepayments	162	-
Deferred tax liability	2,494	-
Movements:		
Opening deferred tax liability	-	-
(Credited)/charged to profit or loss	2,494	-
Closing deferred tax liability	2,494	-

18. BORROWINGS

	2015 $'000	2014 $'000
Non-current		
NT Government loans - unsecured	180,000	-
	180,000	-

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

19. EQUITY - ISSUED CAPITAL

	2015 $'000	2014 $'000
Share capital		
1 Share	-	-
Total share capital	-	-

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

20. EQUITY - CONTRIBUTED EQUITY

	2015 $'000	2014 $'000
Contributed equity at beginning of year	-	-
Contributed equity during the year	183,593	-
Contributed equity at end of the year	183,593	-

The contributed equity was the result of the approved capital structure for the Corporation by the shareholding Minister with regard to the fair value of its acquired asset base and an appropriate debt level.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000
21. EQUITY - RETAINED EARNINGS		
Retained earnings at beginning of year	-	-
Total comprehensive income for the year	35,989	-
Retained earnings at end of the year	35,989	-
22. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES		
Profit after income tax expense for the year	35,989	-
Adjustments for:		
Depreciation and amortisation	24,031	-
Changes in assets and liabilities:		
(Increase)/decrease in Trade and other receivables	(45,371)	-
(Increase)/decrease in inventories	(942)	-
Increase/(decrease) in Trade and other payables	13,439	-
Increase/(decrease) in Energy accruals	1	-
Increase/(decrease) in Employee provisions	(1,370)	-
Increase/(decrease) in Taxation liabilities	15,042	-
Net cash flows from operating activities	40,819	-

23. 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.

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

The Corporation is exposed to competition through the establishment of the I-NTEM in the Darwin/Katherine market.

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

POWER GENERATION CORPORATION
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(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, excessive spinning reserve, and running inefficient plant to provide inertia to the system. The ancillary services all have the impact of increasing the operational costs of the Corporation, without a corresponding ability to recover through market payments for ancillary services.

(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 purchasing foreign currency at current rates to meet future commitments. This option was not exercised during the 2014/15 financial year.

The carrying amount of the Corporation's foreign currency denominated monetary liabilities at the reporting date was $0.2 million.

(e) Price risk

The Corporation manages price risk by aligning the terms of the wholesale electricity sales and fuel purchase agreements. 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 over the life of the loans. All loans are non-current.

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

	FIXED RATE LOANS	AVERAGE INTEREST RATE
Loan term	$'000	%
0 to 1 year	-	-
1 to 2 years	-	-
2 to 5 years	160,000	4.94
Over 5 years	20,000	4.24
	180,000	4.80

As the interest rates for debt are fixed, a 100 basis point movement will not impact either liquidity or profitability over the next two years.

(g) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The maximum exposure to credit risk at the reporting date to recognised 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 entity 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 2015 owed the entity $10.1 million (84% of Trade receivables). This balance was within the terms of the wholesale electricity sales agreement and no impairment was made as at 30 June 2015. 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. Aging analysis is regularly undertaken for all customers to understand and mitigate credit risk.

POWER GENERATION CORPORATION
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(h) Liquidity risk

Liquidity risk management requires the Corporation to maintain 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 considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Corporation's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

The following tables detail the Corporation's remaining contractual maturity for its financial instrument liabilities.

AT 30 JUNE 2015	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000
Non-interest bearing				
Trade payables	29,788	-	-	-
Other payables	17,147	-	-	-
Interest bearing - fixed rate				
Bank loans	-	-	160,000	20,000
Total	46,935	-	160,000	20,000

AT 30 JUNE 2014	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000
Non-interest bearing				
Trade payables	-	-	-	-
Other payables	-	-	-	-
Interest bearing - fixed rate				
Bank loans	-	-	-	-
Total	-	-	-	-

(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 continue to provide returns for the shareholder and benefits for other stakeholders and maintain an optimal capital structure in line with shareholding Minister expectations.

The capital structure of the Corporation consists of debt, which includes borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising contributed capital and retained earnings as disclosed in notes 20 and 21 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.

POWER GENERATION CORPORATION
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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.

24. COMMITMENTS

	2015 $'000	2014 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Capital commitments - payable		
Within one year	1,771	-
One to five years	3,543	-
More than five years	-	-
	5,314	-
Operating lease commitments - payable		
Within one year	696	-
One to five years	2,079	-
More than five years	359	-
	3,134	-

Operating lease commitments include contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within one to ten years.

25. AUDITORS' REMUNERATION

	2015 $'000	2014 $'000
Audit services:		
Auditors of the Corporation - NT Auditor-General	83	-
	83	-

26. DIRECTOR AND EXECUTIVE DISCLOSURES

Remuneration of key management personnel

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

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

POWER GENERATION CORPORATION
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		FEES $	SUPERANNUATION $	TOTAL $
Non-executive directors				
Mr David De Silva (Chairperson)	**2015**	111,716	10,613	122,329
(Term commenced May 2014)	**2014**	-	-	-
Ms Leeanne Bond	**2015**	93,331	8,867	102,198
(Term commenced May 2014)	**2014**	-	-	-
Mr Jon Hubbard	**2015**	74,947	7,120	82,067
(Term commenced May 2014)	**2014**	-	-	-
Total non-executive directors	**2015**	279,994	26,600	306,594
	2014	-	-	-

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

Executives' remuneration

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

	2015 $	2014 $
Short-term employee benefits	996,975	-
Post-employment benefits	87,290	-
Long-term benefits	114,754	-
Total compensation of key management personnel	1,199,019	-

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.

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.

27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities

The Corporation is not aware of any events that give rise to contingent liabilities of the organisation.

(b) Contingent assets

The Corporation is not aware of any events that give rise to contingent assets of the organisation.

28. SUBSEQUENT EVENTS

Apart from the dividend declared as disclosed in Note 29, the Corporation is not aware of any subsequent events or developments that give rise to any disclosures that are not already captured.

29. DIVIDENDS

	2015 $'000	2014 $'000
Dividends not recognised at the end of the reporting period		
Since the end of the financial year, the Directors have declared a final dividend equal to 50% of the Net Profit After Tax. The amount of the declared dividend expected to be paid on 1 December 2015, but not recognised as a liability at year end, is:	17,994	-
	17,994	-

30. RELATED PARTY INFORMATION

The parent entity of the Corporation is the Northern Territory Government, which at 30 June 2015 owned 100% (2014: 100%) of the issued shares of Power Generation Corporation. This share is held by the shareholding Minister on behalf of the Northern Territory.

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

On 13 May 2014, legislation was passed in the Northern Territory Parliament to separate the Power and Water Corporation into three separate government owned corporations (GOCs). The three GOCs are operational from 1 July 2014 and are:

- Territory Generation (power generation)
- Jacana (power retail); and
- Power and Water Corporation (residual functions).

The Corporation undertakes certain transactions with Jacana Energy and Power and Water Corporation. The Corporation sold electricity to the GOCs.

A Transitional Service Agreement (TSA) between the Corporation and Power and Water Corporation was implemented during 2014-15 where Power and Water Corporation provided retail, finance, payroll, information, data and security services. On 23 April 2015 the financial separation from Power and Water Corporation was completed. At this point the Corporation became a separate entity within the Power and Water Corporation technology systems, specifically the Financial Management System. Prior to financial separation, no formal invoices were raised for services and reimbursement of revenue and expenditure. This was done by a transfer in ledgers.

All related party transactions since the Corporation's inception have been at an arm's length basis in the normal course of business and on commercial terms and conditions.

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. As transactions were completed by ledger transfers prior to financial separation during the financial year, it is not practical to list separately the related party transactions that occurred between the Corporation and the related entities.

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.	334,894	130,080	26,573	196,129

As at 30 June 2015, the expenses charged to the Corporation included services provided under the TSA from Power and Water Corporation, as well as the supply of gas from Power and Water Corporation. The charges were negotiated under commercial terms, and are supported by normal contractual conditions.

The Corporation provides wholesale electricity to Jacana Energy and Power and Water Corporation in the normal course of business and on normal terms and conditions.

TERRITORY GENERATION

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