2018–19

ANNUAL REPORT

POWERING THE NT

TERRITORY GENERATION

2018–19 HIGHLIGHTS

300+ DAYS
OF LOST TIME INJURY FREE DAYS ACROSS ALL SITES
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REDUCED CO_2 EMISSIONS
TO 970,769 TONNES
(SEE PAGE 23)

1,054 DAYS
NEW RECORD SET IN RELIABILITY TO AUGUST 2018
(SEE PAGE 22)

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TOTAL SALES
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COST OF ENERGY
(SEE PAGE 25)

$8.5 MILLION NET PROFIT AFTER TAX
ACHIEVED (SEE PAGE 25)

BATTERY ENERGY STORAGE SYSTEM
PROJECT EXCEEDING EXPECTATIONS
(SEE PAGE 17)

1,694 GWh
ELECTRICITY PRODUCED
(SEE PAGE 22)

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TRAINING
$720,000 DEDICATED TO UPSKILLING STAFF
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(SEE PAGE 19)

WOMEN LEADERS
MENTORING AND DEVELOPMENT
(SEE PAGE 20)

ABOUT THIS REPORT

THE 2018–19 ANNUAL REPORT OF POWER GENERATION CORPORATION (TRADING AS TERRITORY GENERATION) SUMMARISES OPERATIONS AND ACHIEVEMENTS FOR THE FINANCIAL YEAR. AS PER SECTIONS 41 AND 44 OF THE *GOVERNMENT OWNED CORPORATIONS ACT 2001*, 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 Act.

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 2018–19 financial year.

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

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

FRONT COVER IMAGES:

Hal Ruger, Tennant Creek Coordinator and Australia Day 2019 Citizen of the Year (Tennant Creek)

Channel Island, gas turbine units C8 & C9

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VISION

TO BE THE NORTHERN TERRITORY'S TRUSTED AND RESPECTED ENERGY SERVICES BUSINESS.

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, efficient and available when required
- we exceed the expectations of our customers
- we are cost effective with other relevant players in the market
- we are the centre of technical excellence for energy services in the Territory
- we are an employer of choice.

PURPOSE

IN A RAPIDLY CHANGING ENVIRONMENT DUE TO THE TRANSITION TO RENEWABLES OF 50 PER CENT BY 2030, WE WILL SUPPORT SUSTAINABLE ENERGY SYSTEMS FOR THE NORTHERN TERRITORY BY:

- safely, efficiently and reliably providing electricity services on commercial terms
- providing ancillary services which support the adoption of renewable energy.

The nature and scope of electricity services undertaken will be:

- provision of energy
- frequency control and contingency control
- network support
- system security
- black start.

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 constantly 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 corporation 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.

- 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.

At Territory Generation, safety is not negotiable. This means:

> everyone has an obligation to stop work that they believe may be unsafe

> we must always report every incident, near hit and injury

> we only operate equipment for which we are competent and authorised

> we 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

> we must always correctly wear compulsory Personal Protective Equipment.

LETTER TO THE SHAREHOLDER

Treasurer
Parliament of the Northern Territory
Darwin NT 0800

Dear Treasurer

On behalf of the people and Board of Power Generation Corporation (trading as Territory Generation), we are pleased to present our fifth annual report, for the year ended 30 June 2019, in accordance with the provisions of sections 41 and 44 of the *Government Owned Corporations Act 2001*.

Dennis Bree
Director and Chair

Tim Duignan
Chief Executive Officer

CHAIR'S MESSAGE

This year has seen a return on the government's investment in new generation plants in Alice Springs and Tennant Creek as well as the benefit of significant work at Channel Island Power Station. These works have increased the efficiency of our power stations and as gas is over 50 per cent of our costs, this efficiency has meant improvements in our bottom line.

Added to this, strong and effective efforts by all staff have led to savings in what is referred to internally as 'controllable costs'. Together, these factors have contributed to a net profit after tax of $8.5 million. This has been achieved while maintaining high standards of safety and reliability.

An increase in uptake of solar energy behind the meter has led to low growth in market demand and an overall decline in demand for Territory Generation's services.

In this market environment, Territory Generation is looking to pursue further revenue streams and this year signed an agreement with the Australian Government Department of Defence to supply power to Pine Gap.

The upgrade of the Yulara Power Station will increase the use of solar power and include the addition of a battery. Territory Generation continues to look to the future and is investigating opportunities for a hydrogen solution.

This process is still underway, but the expertise and commitment of staff in this area is encouraging.

An Enterprise Agreement was developed this year in a cooperative environment that provides certainty for staff and Territory Generation going forward.

In the coming year, the Board looks forward to decisions on market reform and as part of that a review of the pricing of ancillary services to recognise Territory Generation's role in ensuring stability and reliability in the system.

I would like to acknowledge the ongoing commitment of staff in providing safe, reliable and efficient power to Territorians in a challenging commercial environment.

Dennis Bree
Director and Chair

CHIEF EXECUTIVE OFFICER'S MESSAGE

As Territory Generation celebrates its fifth year in business, I am proud to be in a position to report on significant achievements across all aspects of the business in this 2018–19 Annual Report. Against an increasingly challenging market backdrop, Territory Generation has brought a number of key strategic objectives to fruition while delivering on its core business imperative as the major electricity generator in the Northern Territory.

We have focused on business transformation both in the introduction of new generation technologies and business operations, and this has translated to significant efficiencies achieved at every level. The demonstrated shift toward cost ownership, control and accountability within business units has contributed to a company profit of $8.5 million (net profit after tax).

While the business transformation has taken longer than anticipated, we are now seeing the sustainable improvements in business and plant efficiencies that were anticipated in our strategic plans over the past five years.

We are seeing the dividends of our hard work and long-term investments in our major projects and maintenance works, with multiple major capital works delivered in this reporting period.

In November 2018, Territory Generation was pleased to launch its $8.5 million 5MW battery energy storage system (BESS) in Alice Springs. The BESS has been operational since March 2019 and has exceeded our expectations in terms of performance. It is one of the largest grid-connected storage solutions in Australia and is pivotal to Territory Generation's support of Alice Springs' transition to renewable energy.

Complementing the BESS is the $75 million completed capacity upgrade of Owen Springs Power Station to enable the transition from Ron Goodin Power Station, which has reached the end of its life. This reporting period has also seen the completion of the $26 million augmentation of the Tennant Creek Power Station with the latest technology high efficiency gas generators.

We have also planned and commenced the largest ever outage in our history with the replacement of the steam turbine rotor and high voltage cables at Channel Island Power Station costing approximately $15 million. This project will extend the life of the combined cycle plant at Channel Island Power Station, while maintaining the high efficiencies in our electricity delivery. It also underpins system security through the transition to renewable energy in the Darwin/Katherine region.

Throughout the delivery of our major projects, safety has remained our number one priority. I'm delighted to say we have continued to achieve industry-leading safety outcomes across the business.

We have been through a period of significant change. During this time Territory Generation has remained focused on delivering for its customers, which we are doing more efficiently and to a higher standard than ever before. We have continued to deliver on the system reliability standards set by Power and Water System Control, and this includes cautiously integrating the new equipment and technologies while ensuring the reliability of and stability of generation into the systems in which we operate. This has resulted in a new reliability record of 1,054 days without a single-contingency under-frequency load shed event in the Darwin/Katherine system, which was achieved in August 2018.

Our people remain our most important asset, and I would like to thank our employees for their focus and dedication over the past year. All teams across the business have worked hard to embed a culture of ownership, efficiency and accountability that has helped the business achieve its strategic goals.

Tim Duignan
Chief Executive Officer

BOARD PROFILES

DENNIS BREE

BE, MAICD

Independent Non-Executive Chair

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

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

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

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

CHRISTINE CHARLES

BA(Hons), ADJUNCT PROF MAICD

Independent Non-Executive Director

Christine is Managing Director of D4G Pty Ltd, and provides strategic advice about external issues and challenges to companies, government and non-government organisations.

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

Christine was Chief Executive Officer of the South Australian Human Services Department from 1997 to early 2002, after heading the South Australian Cabinet Office. She worked for the World Health Organisation based in Kobe, Japan and for a number of non government organisations within Australia. She sits on the board of Save the Children Australia.

RICHARD GALTON

BE, MBA

Independent Non-Executive Director

Richard graduated as a civil engineer from the University of Sydney in 1972 and started his career with the New South Wales Department of Main Roads. Richard focused on planning, design and construction of motorway and bridge construction projects in Sydney, London and Wollongong for a decade before he was seconded to the Northern Territory in 1982 to manage road network development.

Richard then completed a Master of Business Administration while working in senior management roles within the Northern Territory Public Sector.

Since 1994, Richard has held executive roles in a broad range of Northern Territory Government agencies, including a period as Executive Director Technical with Power and Water Authority as it commenced the transition to a government owned corporation in 2002.

EXECUTIVE LEADERSHIP TEAM PROFILES

TIM DUIGNAN

BBus, Marketing, MAICD, Ass Dip (Elec Eng), AFIEAust, CEngA, EngExec

Chief Executive Officer

Tim was appointed to the role of Chief Executive Officer in July 2014 following the demerger of the generation business from Power and Water Corporation. Tim led the establishment of Territory Generation and has transformed the business through the renewal of generation assets in Alice Springs and Tennant Creek and the installation of the first utility scale battery energy storage system in the Northern Territory. The operating model was also transformed under his leadership from a traditional Operator and Maintainer model to the more efficient Operator Maintainer Technician (OMT) model.

Tim has more than 30 years' experience in the electricity generation, retail, transmission and distribution sectors of the energy industry. Tim has held senior executive management roles in both private and publicly owned enterprises across all sectors of the electricity industry in Australia and Southeast Asia. Tim has also previously held various board positions in both domestic and international businesses.

GRANT CHORVAT

BE(Hons), FIEAust, EngExec, CPEng GAICD, MAIPM

General Manager Assets and Operations

Grant is an electrical engineer with extensive experience in process automation, technology and maintenance management. Grant has more than 20 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 facilities for Hydro Tasmania.

STEVE BARTLETT

BCom, CA, MBA, GAICD

General Manager Commercial

Steve is an experienced commercial executive, with 23 years' experience in the resources and power generation industries, covering strategic commercial contracts negotiation and management, business analysis and modelling, strategy development and execution, as well as end-to-end value chain and business process improvement. Steve is a Chartered Accountant, has a Masters in Business Administration and provides governance on a number of external boards.

MARIA WALTERS

BBusCom, CPA, GAICD

General Manager Finance and Corporate Services

Maria is a Certified Practising Accountant with significant experience gained across her career in the power generation industry. Maria holds a Bachelor of Business and Commerce, and has held key board positions on several external boards over a number of years. She brings strong technical accounting, strategic and analytical skills as well as extensive experience and knowledge to the corporate services functions.

REBECCA MILLS

BE(Hons), BEC, MIEAust

General Manager Major Projects

Rebecca holds Bachelor Degrees in Mechanical Engineering and Economics. Rebecca has gained extensive experience in major project development and delivery, business analytics, strategy, commercial contracts and the development of the wholesale energy market throughout her career, from various roles in Power and Water Corporation and Territory Generation.

WHO WE ARE AND OUR ACHIEVEMENTS

TERRITORY GENERATION IS A GOVERNMENT OWNED CORPORATION (GOC) AND COMMENCED OPERATIONS ON 1 JULY 2014 DUE TO THE RESTRUCTURE OF THE ELECTRICITY INDUSTRY IN THE NORTHERN TERRITORY.

Territory Generation is the largest electricity producer in the Northern Territory, owning 593MW of installed capacity and contracting an additional 5.1MW from Independent Power Producers for supply to our customers (4.1MW solar plus 1MW gas produced from the Shoal Bay landfill site).

Territory Generation produces approximately 1694GWh of electricity per year using gas, diesel and solar technologies to power the Territory's major population centres and towns.

The global shift toward renewable energy is taking effect and will continue to impact Territory Generation over the coming years.

OUR ACHIEVEMENTS

Key achievements from the past year include:

- achieving $8.5 million net profit after tax as a result of cost savings initiatives, totalling $9.2 million in savings across the business
- completion of several major projects, including the Owen Springs Power Station expansion, Tennant Creek Power Station upgrade and Alice Springs battery energy storage system
- finishing the first direct customer agreement for long term power supply
- a new record of 1,054 days without a single-contingency under-frequency load-shed event in the Darwin/Katherine system which is significantly greater than previous records
- implementing the Safe Systems of Work system across all power stations in the Northern Territory
- implementing a health and wellbeing program which included seminars on sleep, hydration and heat stress and undertook health and wellness checks and vaccination programs for all employees.

TENNANT CREEK TOWN CLOCK

TENNANT CREEK COORDINATOR HAL RUGER WITH TERRITORY GENERATION BOARD AND CEO

WHERE WE OPERATE

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

The Darwin/Katherine interconnected system is linked by a 132kV transmission line from Darwin to Katherine and represents three quarters of the total Territory Generation capacity. The system is supplied by the Channel Island, Weddell and Katherine power stations, as well as a Power Purchase Agreement from the Landfill Management Services facility at Shoal Bay.

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.

We work closely with independent power producers to support renewable energy initiatives including 4.1MW of solar generation produced under a Power Purchase Agreement with Epuron in Alice Springs.

	ENGINE	TOTAL CAPACITY (MW)	DESCRIPTION
DARWIN/KATHERINE REGION			
Channel Island	8 turbine sets (gas or diesel) and 1 heat recovery steam turbine	310	Channel Island Power Station 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 Channel Island in 1986, and it now has 310MW of installed capacity. Channel Island Power Station 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)	36.5	The Katherine Power Station has been operational since 1987. The station contains four open cycle gas turbines.
ALICE SPRINGS REGION			
Ron Goodin	8 reciprocating sets (2 diesel only, 6 gas or diesel) and 1 turbine (gas or diesel)	44.1	The Ron Goodin Power Station was commissioned in 1973 and remains a source of electricity for the Alice Springs area. It will be closed once the newly expanded Owen Springs Power Station is fully operational.
Owen Springs	3 reciprocating sets (gas or diesel) and 1 turbine (gas or diesel) 10 new gas spark reciprocating sets commissioned in 2019	77	The Owen Springs Power Station uses the latest dual fuel and gas spark reciprocating technology. Owen Springs Power Station services the Alice Springs community.
TENNANT CREEK REGION			
Tennant Creek	11 reciprocating sets (5 gas, 6 diesel) and 1 turbine (gas or diesel)	19.8	The Tennant Creek Power Station services the Tennant Creek township, and surrounding communities as far as Ali Curung.
YULARA/KINGS CANYON REGIONS			
Yulara	10 reciprocating sets (4 gas, 5 diesel, and 1 gas or diesel)	11	The Yulara Power Station services the Ayers Rock Resort and the Yulara township.
Kings Canyon	3 reciprocating sets (diesel), 1 solar set	1.2	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.

OUR STRATEGIC INTENT

IN ITS FIFTH YEAR OF BUSINESS, TERRITORY GENERATION CONTINUES TO SUPPORT THE NORTHERN TERRITORY'S TRANSITION TO RENEWABLE ENERGY THROUGH A CONTINUED FOCUS ON RELIABILITY AND EFFICIENCY, AND IN PROVIDING A HIGH QUALITY SERVICE FOR ALL REGIONS.

Roof-top and large-scale solar penetration is growing rapidly. Central Australia remains one of the highest areas for solar uptake in the world and, for the first time, the industry has witnessed the impact of behind the meter solar uptake in the Darwin/Katherine region.

This continues to affect Territory Generation's business model and reduce its market share. As the generator of last resort, continuing to ensure stability to the system in the current environment results in increased costs per megawatt hour as overheads are absorbed over a smaller market.

Territory Generation is strategically tackling these challenges by investing in high-quality reliability services that will underpin the transition to renewables and investigating new technologies to address the changing market demand.

The business continues to work with the shareholding and portfolio Ministers to progress a battery energy storage system for the Darwin/Katherine region as one alternative to ensure reliability and quality of supply and lower environmental impact, as the region transitions to renewables.

It also is engaging with stakeholders such as the Australian Renewable Energy Agency (ARENA) on a hydrogen solution for Yulara to significantly increase solar energy deliverables to that region.

Past investments in efficiency and reliability projects are now delivering significant positive returns as forecast. The business will now look to the creation of additional revenue streams from non-traditional sources through power supply solutions for new industrial and mining developments in the Territory, and leveraging assets such as the Remote Operations Centre as a service offering.

The supply contract with the Joint Defence Facility Pine Gap will be delivered in the coming financial year, demonstrating the potential of a diversified market base.

Territory Generation remains a thermal power business and the generator of last resort in the Northern Territory. Decisions on market reform and the review of pricing of ancillary support services are yet to be finalised. In addition, the high efficiency of the gas conversion to electricity has and will continue to deliver stronger economic outcomes for the business. Gas supply continuity remains a critical risk.

Territory Generation will continue to focus on reliability and efficiency while keeping its customers front of mind and delivering a return to government.

DAN OWERS, KATHERINE POWER STATION

KEY PERFORMANCE INDICATORS

THERE ARE SIX KEY RESULT AREAS (KRAs) THAT DEFINE THE VISION AND PROVIDE OBJECTIVES TO ACHIEVE. THESE ARE SAFETY, FINANCE, CUSTOMERS, SUSTAINABILITY, INTERNAL PROCESSES AND PEOPLE AND CULTURE.

KRAs	KPI MEASURE	TARGET	ACTUAL
SAFETY	Total Injury Frequency Rate (TIFR)	Decreasing trend	Decreasing Trend 2017–18 (19) 2018–19 (13)
	Establish near miss and hazard target	Increasing trend	Increasing trend 2017–18 (107) 2018–19 (120)
FINANCE	EBITDA	$31.6M	$36.8M
	Current Ratio	2.2%	2.1%
	Return on total assets	2.3%	4.3%
	Return on equity	(0.2%)	7.4%
	Debt to Equity Ratio	2.2	1.7
	Return on Capital Employed (ROCE)	2.5%	4.6%
	EBIT **excluding net impairment*	$8.5M	$17.5M*
CUSTOMER	Customer and stakeholder management plan	Identify and communicate with critical customers and stakeholders as planned	Completed
SUSTAINABILITY	tCO_2 equivalent emissions per MWh	Decreasing trend	Decreasing trend 30 June 2019 = 0.58 30 June 2018 = 0.62
	tCO_2-e	Decreasing trend	Decreasing trend 30 June 2019 = 968,744 30 June 2018 = 1,034,457
INTERNAL PROCESSES	Asset availability	Achieving 90%+ target across all sites	92%
	Operating expenditure as a % of total revenue (excluding energy)	<31.9%	29.3%
	Operating expenditure per Sent out MWh generated	<$52.8/MWh	$47.5/MWh
	Outage plan delivery (DK, ASP, TC)	Delivery of outage plan on time, on budget, by region	Darwin/Katherine Completed on time: 85% Budget: Not met Alice Springs Completed on time: 100% Budget: Not met Tennant Creek Completed on time: 100% Budget: Met
	Operational efficiency (gas)	Achieving 32%+ target across all sites	31.4%
PEOPLE AND CULTURE	Performance reviews completed on time*	Achieving 100% target	71%
	Mandatory training delivered on time	Achieving 100% target	100%

**Additional time provided to operational staff working on major outages.*

MAJOR OUTAGES

TERRITORY GENERATION CONDUCTED A NUMBER OF MAJOR OUTAGES OVER THE PAST 12 MONTHS TO ENABLE CRITICAL UPGRADES AND MAINTENANCE WORKS.

CHANNEL ISLAND POWER STATION

Territory Generation commenced the largest outage in its history at Channel Island Power Station in June 2019. The outage involved replacing the steam turbine rotor on C6, representing a $6 million capital investment in a project with a total cost of $15 million. The C6 steam turbine utilises the steam generated from C4 and C5 heat recovery steam generators (HRSG) as the fuel source, which together are known as the combined cycle block, significantly raising the combined cycle efficiency. The new rotor will also have the capacity to manage more thermal cycling due to the change in load pattern from the increasing uptake in solar. It is set to continue to generate an approximate $15 million annual saving in fuel costs. The previous rotor completed a significant 250,000 operational hours over a 32-year lifespan.

General Manager Assets and Operations Grant Chorvat explained that meticulous planning has ensured safe and timely implementation.

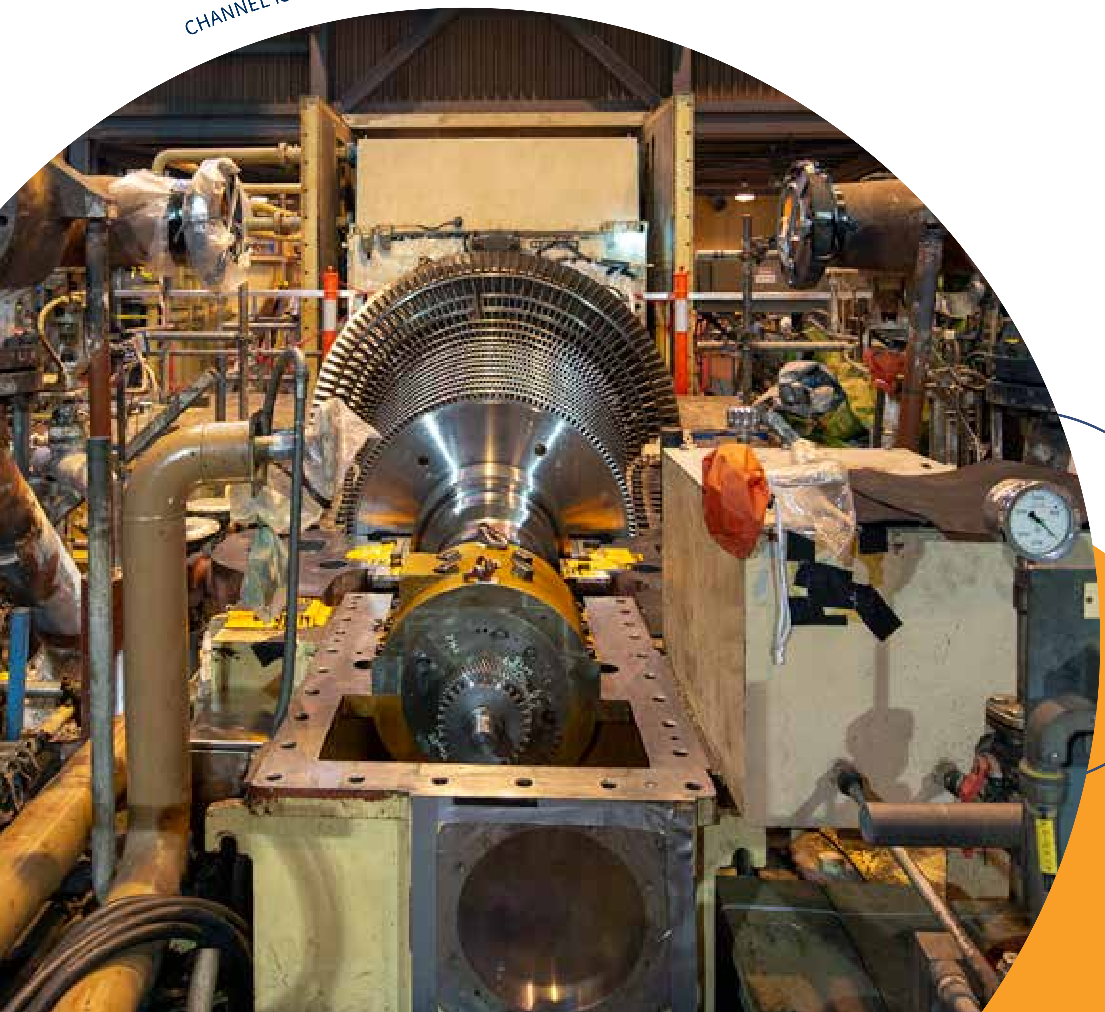
"Progressively planning for this important and significant outage has been detailed and comprehensive, and extremely well executed. This means that everything from safety to ancillary maintenance works have been accounted for so the job can be completed successfully, safely and on time, and so that we can make best use of the outage."

The outage is scheduled to be completed in August 2019.

OSPS UNIT 2

A major overhaul of Owen Springs Power Station Unit 3 that spanned 153 days was completed in December 2018. Unit 2 began its major outage in May 2019 and is planned to be completed in October over an estimated 123 days duration. These overhauls will ensure Owen Springs Power Station has the capacity to provide reliable supply for the 2019–20 Central Australian summer, when the region experiences peak energy demands and changes to the load pattern. Unit 3 was completed with no Lost Time Injuries and Unit 2 is currently on schedule with no Lost Time Injuries.

CHANNEL ISLAND C6 STEAM TURBINE



CHANNEL ISLAND NODE SWAP RE-CABLING

NODE SWAP

A $3.6 MILLION NODE SWAP PROJECT IS TAKING PLACE AT CHANNEL ISLAND POWER STATION TO ENSURE RELIABLE, EFFICIENT AND SAFE SUPPLY OF POWER TO THE DARWIN/KATHERINE REGION.

An introduced Power and Water System Control constraint requiring a minimum of two frames online on separate nodes at all times meant that a total of three frames were required to be dispatched at all times to enable system security. To adhere to the requirements and reduce the operating costs, the C4 and C5 combined cycle frames at Channel Island, which were on the same node initially, were separated in the switch yard by installing new high voltage cables from the generator transformers to the high voltage circuit breakers and swapping C2 and C4 terminations. This new arrangement satisfies the network constraint and reduces the operational costs of having three frame units online.

In the short term, hosting the combined cycle frame units on the same node meant an additional frame had to be operating to satisfy the new security constraints, leading to significantly higher fuel usage and additional operational costs of $2 million per year.

The node swap project is being carried out in two stages; Stage 1 was carried out in 2018 and saw the C4 and C5 units separated to different nodes to satisfy the new constraint. Plant assessment during the planning phase for this work indicated that there has been potentially dangerous degradation and water damage to the unit cable sheaths. Stage 2 focused on replacing the cables for the C2 and C4 units from the transformers to the switch yard. In addition to the node swap, a project that focuses on replacing the remainder frame high voltage cables and C6 was established. During stage two of the node swap, C6 cables were replaced.

The node swap project was first initiated in March 2014 with option studies, preliminary design work and logistics being undertaken over two years. The project was paused in 2015 due to system complexity and a risk of an unplanned, extended loss of generation capacity. Further design work mitigated this risk and the project was able to resume in 2017.

The project has resulted in a significant reduction in fuel use and mitigated the risk of cable failure, which could have risked employee safety.

The major outage to facilitate Stage 1 was completed to schedule and with no Lost Time Injuries and Stage 2 is on schedule for completion in August 2019.

EFFICIENCIES

TERRITORY GENERATION HAS FOCUSED ON AND ACHIEVED SIGNIFICANT SYSTEM AND PROCESS EFFICIENCIES IN 2018–19 RESULTING IN COST SAVINGS ACROSS THE BUSINESS. FUEL IS THE LARGEST COST FOR TERRITORY GENERATION, AND A FUEL EFFICIENCY FOCUS HAS CONTRIBUTED TO PROFITABILITY. OPERATIONAL COSTS ARE MONITORED AND ANALYSED ON AN ONGOING BASIS TO ASSIST IN IDENTIFYING POSSIBLE AREAS FOR COST SAVINGS.

LIFTING CONSTRAINTS ON WEDDELL POWER STATION

Network limitation constraints for Weddell Power Station were removed in 2019 by Power and Water System Control. This means the station can run at its full capacity of 120MW and provides Territory Generation more flexibility to ensure the most efficient units are dispatched and run at more efficient loads, resulting in significant cost savings per year.

Coinciding improvement works such as the water bath heater gas feed pipe reconfiguration have also contributed to the station running with greater flexibility, efficiency, capacity and with more reliability.

BATTERY ENERGY STORAGE SYSTEM

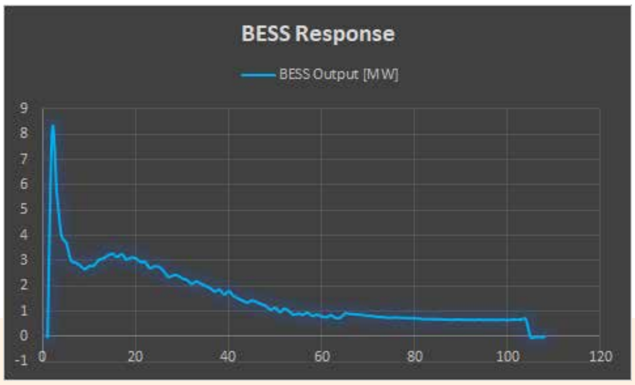
Territory Generation's battery energy storage system (BESS) has been online in the Alice Springs region since March 2019.

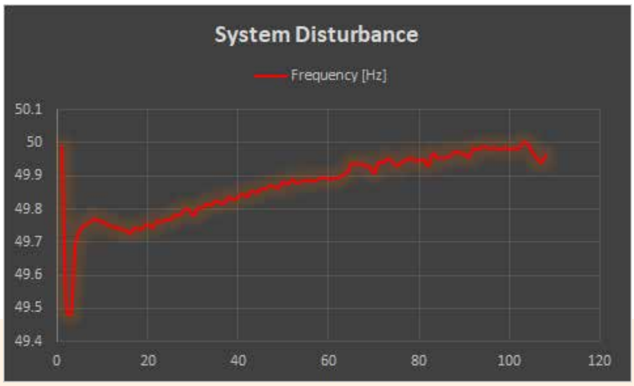
The BESS is a leading-edge 5MW system and is one of the largest grid-connected storage systems in Australia. It is comprised of 816 individual batteries and as a whole the system is capable of delivering 5MW for up to 40 minutes. 5MW is equivalent to around 10 per cent of the Alice Springs maximum demand, and up to 50 per cent during lower system load periods. It can also deliver 8MW for six seconds for extreme events.

Central Australia has one of the largest solar uptakes in the world, and this requires a very high amount of conventional spinning reserve to stabilise changes in the load pattern due to interruption by cloud cover.

The BESS smooths solar fluctuations, and reacts near instantaneously to interruptions and complements the expanded Owen Springs Power Station.

The BESS will replace a significant portion of the required spinning reserve, resulting in further efficiency improvements for the Alice Springs network.





THE BESS INJECTING 8MW OF POWER INTO THE ALICE SPRINGS GRID IN RESPONSE TO A FREQUENCY DISTURBANCE. THE GRID FREQUENCY IS RETURNED TO NORMAL WITHIN A FEW SECONDS.

MODIFICATIONS TO MAN UNITS AT OWEN SPRINGS POWER STATION

The transition from Ron Goodin Power Station to Owen Springs Power Station includes a significant reduction in diesel usage that will result in significant fuel savings and a drastic reduction to the business's carbon footprint in the region.

Diesel is used as a system redundancy however the extreme temperatures in Alice Springs meant the cooling systems were overheating and tripping the MAN units to diesel.

A small change to water intake for the cooling system has improved the flow and heat exchange efficiency and has lowered the rate of unit trips. The units are now more reliable and efficient, helping to consolidate the savings from the transition to gas.

SECURITY CHANGES AT WEDDELL POWER STATION

Territory Generation has invested more than $2 million in new technology to improve security systems across our sites resulting in significant cost savings for the business.

An example of Territory Generation's investment into new technology is security surveillance at Weddell Power Station, which has evolved from 24 hour a day physical security presence to CCTV cameras, digital radios and swipe cards for employees.

COMPETITIVE TENDERS

In the past year, internal processes have been reviewed to improve the effectiveness of the competitive tendering process. As a result of this review, Territory Generation has been able to go to market on a number of contracts and achieve considerable savings for the business while maintaining the quality of services.

CORPORATE RESTRUCTURE

A corporate restructure that was focused on headquarters was rolled out on 1 July 2018. The purpose of the restructure was to enable cost savings and to adapt to changes in the external environment. The most significant change was the consolidation of the Finance and People and Culture teams into Finance and Corporate Services. This resulted in more streamlined operations and a reduction of one General Manager and will enable greater efficiencies in corporate teams.

OWEN SPRINGS POWER STATION

PEOPLE AND DIVERSITY

AT 30 JUNE 2019, TERRITORY GENERATION HAD 197 FULL-TIME EQUIVALENT EMPLOYEES, COMPARED WITH 212 AT THE SAME TIME IN 2018.

This decrease in resource numbers is due to a corporate restructure, the completion of projects, management of short term contracts and natural attrition, and it is anticipated that workforce numbers will continue to reduce over time.

ENTERPRISE AGREEMENT

The new Enterprise Agreement commenced on 1 July 2018 and final approval was received on 24 June 2019. The parties to the bargaining were the Electrical Trades Union, Professionals Australia, the Community and Public Sector Union, the Australian Manufacturing Workers Union and the Commissioner for Public Employment as the employer and lead negotiator. The Agreement was finalised with positive collaboration and cooperation from all parties involved.

LEARNING AND DEVELOPMENT

Territory Generation is committed to growing its people and providing development and career opportunities. The past year has seen a focus on improving systems to enable uptake of training for employees. Over $720,000 has been invested in training and upskilling employees this financial year.

Block scheduling for mandatory training has continued to be implemented across all sites to ensure employees are provided with the knowledge and tools to carry out their work safely. New training programs have also been made available to staff to broaden their skillsets, including training in information technology systems, communication and conflict management.

This has been supported by the implementation of the MyPlan training approval request system which has seen professional development requests processed more efficiently. Over 190 requests were received and processed in the financial year.

As part of our commitment to growing our staff, 11 employees were approved to undertake studies assistance in a range of areas including finance, human resources, accounting and engineering. Two employees completed their higher education studies and Territory Generation welcomed a new human resources graduate, the first outside of the engineering field. Two apprentices also completed their apprenticeships in the past year, with one new apprentice commencing their apprenticeship in 2019.

EVAN QUIN, MECHANICAL APPRENTICE, CHANNEL ISLAND POWER STATION

The business also continued to focus on increasing the number of women and indigenous people working in engineering careers through partnership with Engineers Australia which included sponsoring the Diversity Scholarship Program.

In the past year, Territory Generation also participated as an industry partner in the inaugural sySTEMic collaboration with Engineers Australia. The program promotes careers in science, technology, engineering and maths (STEM) and involved engineers at Territory Generation mentoring a group of Taminmin College students in a real-life engineering challenge. The program won best STEM program in the Curriculum category at the 2019 Australian Education Awards.

HEALTH AND WELLBEING

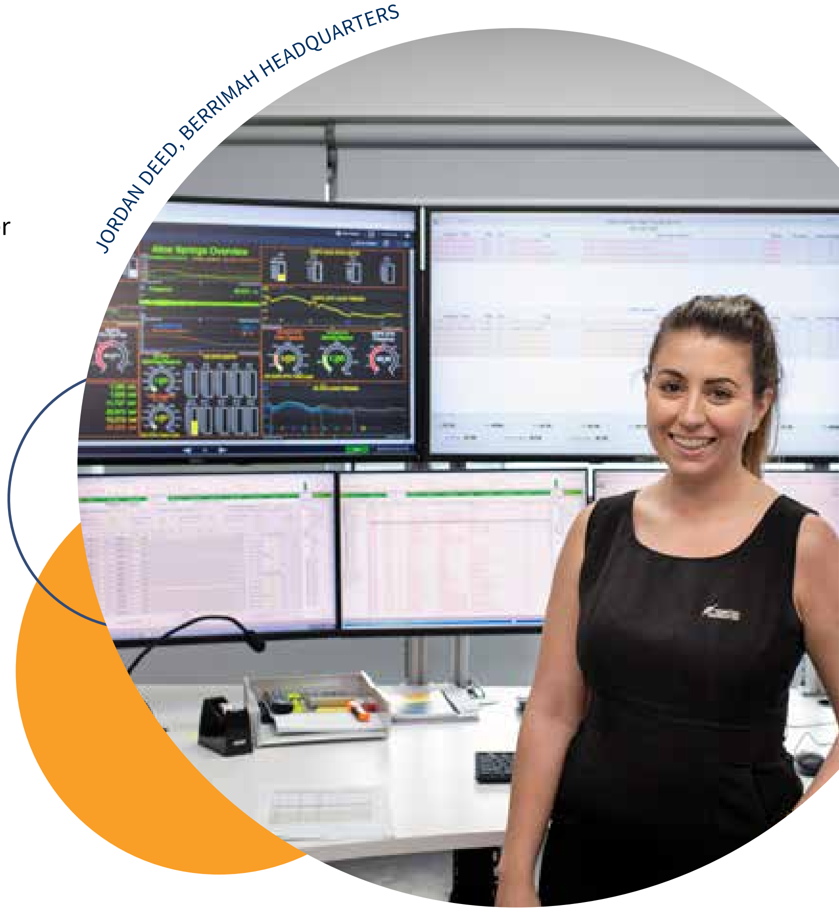
Territory Generation recognises the significant role health and wellbeing plays in the lives of its employees and has introduced a number of prevention-focused initiatives to ensure its people can be healthy and happy at work and at home. This includes:

- flu vaccination program
- health and wellness checks
- ergonomic assessments
- organisation-wide seminars on topics such as sleep, hydration and heat stress
- employee yoga programs.

WOMEN LEADERS FORUM

The 2018 Women Leaders Forum managed a large number of projects. These included facilitating station open days, initiating and training Territory Generation staff on the SpeechMasters program, rolling out SpeechMasters to Casuarina Senior College indigenous students, reporting monthly to the Executive Leadership Team, organising guest speakers to talk to all staff and setting up a Territory Generation library. Increased general attendance and improved participation by men at Women Leaders Forum events was evident.

Towards the end of their term, the Women Leaders Forum developed and introduced a new three year program which will ensure a sustainable pathway offering opportunities, mentoring and support for current and future women leaders in Territory Generation.



JORDAN DEED, BERRIMAH HEADQUARTERS

DIVERSITY

Monthly Average Figures

FTE Employee Numbers	Avg 18–19	Avg 17–18
Full time	193.70	225.00
Part time	4.70	4.00
Total employees	**198.40**	**229.00**
Fixed term	57.70	86.00
Males	162.70	172.00
Females	36.00	43.00
Women in management positions	8.30	9.00
Men in management positions	27.30	NA
Actual Employee Numbers		
Aboriginal and Torres Strait Islander	1.33	3.00
Employees with a Disability	0.58	0.00
Culturally Diverse Background	18.96	25.00
Aboriginal and Torres Strait Islander hosted apprentices	2.00	NA
Hosted Apprentices and trainees	4.30	7.00
Territory Generation employee apprentices	4.40	3.00

SAFETY

TERRITORY GENERATION IS COMMITTED TO ENSURING THE HEALTH AND SAFETY OF ALL EMPLOYEES, CONTRACTORS AND VISITORS ENTERING AND WORKING ON OUR SITES.

Our focus has been on promoting safe behaviours and a positive safety culture to achieve a workplace free of accidents and injuries. Safety comes first, and employees are empowered to continually improve and contribute to a safer workplace.

	2016–17	2017–18	2018–19
Lost Time Injuries (LTI)	1	0	**1**
Lost Time Injury Frequency Rate	2.1	2.1	**3.2**
Medical/first aid treated injuries	21	13	**11**

Safety interactions are about meaningful discussions that build a positive reporting culture focused on learning and improvement. The initiative is now well embedded across the business and empowers anyone at any time to have a conversation about safety. In 2018–19, 986 safety conversations were held across the organisation.

INCIDENT REPORTING

	2016–17	2017–18	2018–19
Total number of incidents reported (all types)	155	196	**220**
Hazard and near-miss reporting	66	107	**121**
Medical/first aid treated injuries	21	13	**11**

The upward trend in hazard and near-miss reporting in 2018–19 indicates there is an increase in proactive reporting and improved safety culture as issues are addressed before they become an actual incident.

Territory Generation continues to focus on the development of safety systems and processes, with Permit to Work (PTW) processes now consistent across all sites. A PTW Improvement Forum supports the continuous improvement of this safety and site induction and PTW training programs have been strengthened for the safety of everyone entering and working on our sites.

Health and Safety Committees and representatives have shared dialogue about safety across the business. Site Safety Committees meet regularly to discuss work, health and safety matters and resolve issues.

Other initiatives from 2018–19 include:

- implementing a new electronic Incident Management System for incident reporting and investigation
- embedding Incident Cause Analysis (ICAM) as the principle methodology for all incident investigations
- the three-year arc flash hazard reduction program
- the Safety Document review project (updating all safety-related documentation under the Safety Management System)
- implementing self-retracting knives (cut reduction initiative).

SAFETY NON-NEGOTIABLES

Safety non-negotiables are six key safety rules which have been put in place to establish a standard of expected safety behaviour. The rules target high-risk activities, behaviours or processes which have the potential to cause serious injury or fatality if not complied with. They are at the core of everything Territory Generation's people do. Please refer to page 4.

OPERATIONAL PERFORMANCE AND RELIABILITY

TERRITORY GENERATION IS THE MAJOR SUPPLIER OF ELECTRICITY TO THE NORTHERN TERRITORY AND IS THE GENERATOR OF LAST RESORT. IT USES A COMBINATION OF GAS, DIESEL AND SOLAR PANELS TO GENERATE POWER.

At 30 June 2019, Territory Generation's power assets include eight power generation facilities and 64 generating units, with a combined installed capacity of 593MW.

During the reporting period, Territory Generation achieved significant operational efficiencies as a result of a number of major projects coming online. These projects, combined with a continued focus on preventative maintenance, also delivered significant improvements in reliability.

The major projects that were delivered include:

- new generating units at Owen Springs Power Station
- the Alice Springs battery energy storage system
- new generating units at Tennant Creek Power Station
- the node swap and steam turbine rotor replacement at Channel Island Power Station.

Territory Generation contracted up to an additional 5MW for sale to customers from independent power producers under Power Purchase Agreements during the financial year.

In the 12 months to 30 June 2019, Territory Generation's combined output from gas, diesel and solar facilities was 1,694 Gigawatt hours (GWh) of electricity. This compares with 1,639 GWh produced in 2017–18. The decrease is due to an increase in behind the meter rooftop solar generation.

RELIABILITY ACHIEVEMENTS

Territory Generation continued its reliability record for the Darwin/Katherine system into this financial year. The new record for the longest run without a single-contingency under-frequency load shed event in the Darwin/Katherine interconnected system was 1,054 days, which was achieved in August 2018. The system is currently over 341 days (as at 30 June 2019) as the second longest run on record.

Major maintenance works at Channel Island Power Station and Weddell Power Station have contributed to the reliability record set for the Darwin/Katherine region. The major outage to replace the steam turbine rotor was optimised to allow for significant preventative maintenance works. Maintenance works at Weddell Power Station including the water bath heater reconfiguration and fuel nozzle refurbishment contributed to that station's reliability and enabled the major outages at Channel Island Power Station.

The transition to Owen Springs Power Station will be complete in 2019, and the transition from Ron Goodin Power Station will help to enable future improvement in reliability and efficiency for Alice Springs.

The implementation of Plant Information Display Systems connected to the now operational Remote Operations Centre has been key to supporting grid stability. The real time data displayed on the screens enables ownership and greater control over efficiencies from the generation fleet to ensure the lowest cost of energy generation is achieved while maximising reliability across all sites.

The emphasis on real time data and ownership is carried through to the Station Manager Model, which was implemented in the previous reporting period. Greater control over plant and assets, including financial management, at the Station Manager level has translated to considerable reliability and cost improvements.

ASSET MANAGEMENT

Territory Generation's Strategic Asset Management Plan (SAMP) generates a risk based "heat map" showing areas of focus for setting maintenance priorities. In the coming year, the plan will be updated with a view to how the asset portfolio will strategically change with renewable energy assets considered.

The business is moving into a more strategic phase of asset management and the Asset Management Team is working closely with operational sites to reduce maintenance costs and define risks while ensuring reliability.

SUSTAINABILITY

SUSTAINABILITY IS A KEY PRINCIPLE OF TERRITORY GENERATION'S BUSINESS OPERATIONS AND IS INGRAINED IN ITS PRACTICES.

The United Nations 2030 Agenda for Sustainable Development consists of 17 Sustainable Development Goals, which Territory Generation is using as a framework to focus its sustainability objectives and actions. Territory Generation has a Sustainability Committee that facilitates a Sustainability Report, and Territory Generation has developed a Sustainability Mind Map addressing the 17 Sustainable Development Goals.

Some of the sustainable initiatives that Territory Generation has implemented over the past year include:

- the Class A sewage treatment plant at Channel Island Power Station imbedded and being monitored to ensure compliance with Department of Health and Environment Protection Authority requirements
- solar panels at Owen Springs Power Station now being used to charge electric vehicles on site
- the launch of recycling programs and continual improvements in environmental processes.

Territory Generation also achieves its initiatives through ongoing recycling programs, projects to reduce water and chemical usage, improvements to efficiencies and the implementation of new technologies. Reductions in both environmental emissions and energy consumption will be achieved by improved maintenance routines, more efficient generation assets at Owen Springs and Tennant Creek Power Stations, as well as the eventual decommissioning of the ageing Ron Goodin Power Station in Alice Springs.

ENVIRONMENT

Maintaining a reduced environmental footprint is a priority for Territory Generation. This is done through an environmental management framework backed by accredited system, policies and procedures. This provides a plan against which best practice environmental performance can be achieved at a business level.

A business goal is to minimise impact on the environment by encouraging a proactive workplace culture where all employees and contractors support the daily behaviours required to maintain the highest environmental standards.

Vehicle use and construction activities contribute to greenhouse gas emissions and large volumes of water are required for cooling at our Channel Island Power Station. This water is released subject to conditions outlined in Territory Generation's Channel Island Power Station wastewater discharge licence. Used water is held in settling ponds and tested monthly for compliance with Northern Territory Environment Protection Authority water quality parameters prior to release.

NATIONAL GREENHOUSE AND ENERGY REPORTING

In the reporting period, Territory Generation achieved reduced emissions of 970,769 tCO_2-e carbon dioxide, compared to 1,037,457 tCO_2-e in the previous reporting period.

Natural gas is the primary fuel used by Territory Generation to operate power stations to generate electricity. Electricity generated using gas produces 50 to 70 per cent less greenhouse gas emissions than coal-fired power generation facilities.

Territory Generation's sites transport, store and use diesel fuel for generation units that require diesel injection for effective gas combustion, as well as for use in diesel powered generators. The transition from diesel to gas generation, for example from Ron Goodin Power Station to Owen Springs Power Station, will continue to be a focus from Territory Generation and will reduce its carbon footprint.

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.

WEED MANAGEMENT

Territory Generation undertakes regular weed management activities at its sites. Management activities include control and mapping of weeds and removal of weeds using approved weed control practices.

ASBESTOS REMOVAL

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. An Asbestos Register is maintained for all Territory Generation sites, in line with Commonwealth legislation.

RISK AND GOVERNANCE

TERRITORY GENERATION PROMOTES HIGH STANDARDS OF CORPORATE GOVERNANCE THROUGH THE STRATEGIC GUIDANCE OF THE BOARD, AUDIT AND RISK COMMITTEE AND THE PEOPLE, SAFETY AND ENVIRONMENT COMMITTEE FOR EFFECTIVE MANAGEMENT OVERSIGHT.

GOVERNANCE AND OPERATING STRUCTURE

Territory Generation is a government owned corporation established to undertake commercial activities (generation of wholesale electricity). Territory Generation's business is governed by the *Government Owned Corporations Act 2001 (GOC Act)*, the *Power Generation Corporation Act 2014* and its generation licence, issued by the Utilities Commission, and was incorporated to provide sustainable financial returns to the Northern Territory Government.

Territory Generation has a shareholding Minister and a portfolio Minister. The Honourable Nicole Manison MLA, the Treasurer, is the shareholding Minister and the Honourable Dale Wakefield MLA, Minister for Renewables, Energy and Essential Services, is the portfolio Minister.

Mr Dennis Bree is the non-executive Chair of the Board of Directors of Territory Generation with Mr Richard Galton and Adjunct Professor Christine Charles being the other non-executive Board members. All three directors are also members of the two Board Committees, the Audit and Risk Committee and the People, Safety and Environment Committee. In November 2018 David Braines-Mead was appointed by the Board to join the Audit and Risk Committee as an independent member to provide his expert financial support to the Committee.

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 (SCI) which sets out agreed objectives, strategies, financial targets and any other matters that may be agreed on by the shareholding Minister and the Board. The 2018–19 SCI has been presented and approved by the Northern Territory Government. The SCI provides the formal basis for development of Territory Generation's strategic planning and operational activities. The Board sets targets based on key performance indicators in the SCI. These targets are monitored at each Board meeting and reviewed annually.

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

BOARD COMMITTEES

The Territory Generation Audit and Risk Committee and the People and Safety Committee have been established by the Board to provide close scrutiny and additional oversight in areas of key significance.

The Audit and Risk Committee is responsible for the oversight of financial reporting, the application of accounting policies, business policies and practices, legal and regulatory compliance, internal control and risk management systems, ensure effective internal and external audit functions and communication between the Board and the external and internal auditors.

During the reporting period, the People and Safety Committee was expanded in scope and was renamed People, Safety and Environment Committee.

The People, Safety and Environment Committee provides a forum for developing safety leadership and human resource planning, a proactive safety culture and environmental management by ensuring that safety, human resource and environment policies, practices and systems are developed, implemented and monitored effectively.

MANAGING RISK

Territory Generation is a critical supplier of wholesale electricity, an essential service necessary for safe and productive operation of Northern Territory communities and businesses.

Territory Generation is exposed to a wide range of risks associated with the generation of electricity, including competition, disruptive technology, health and safety, information technology and security.

Territory Generation is also subject to specific legal requirements, including but not limited to Commonwealth and Northern Territory legislation, regulations, licences, standards, and codes.

This includes Territory Generation's compliance with Part 9 of the *Information Act 2002*, which sets out the obligations, standards and management of our records and archives systems.

Territory Generation achieves strategic business objectives, reduces organisational risks and ensures compliance with legal and regulatory obligations through comprehensive risk review, identification and management framework.

FINANCIAL PERFORMANCE

DURING THE 2018–19 FINANCIAL YEAR, TERRITORY GENERATION BEGAN TO SEE THE OPERATIONAL EFFICIENCIES OF SOME OF OUR LONG-TERM PROJECTS. ALONG WITH STRICT COST-SAVINGS MEASURES, THESE OPERATIONAL EFFICIENCIES ENABLED TERRITORY GENERATION TO RETURN A PROFIT OF $8.5 MILLION.

Our $8.5 million profit was the result of total cost and efficiency savings of $9.2 million. This is a significant improvement to our results of the past two years and demonstrates that the business and our people are committed to continuously reducing our costs and improving our processes to increase the returns to our shareholder. Adjustments to the deferred tax asset, the impairment recognition and prior year impairment reversals had a net effect of reducing profit by $213 thousand.

The 2018–19 year result included a $66.2 million impairment reversal for the Alice Springs/Tennant Creek region. This impairment reversal was the result of securing a new significant contract and evidence of increased MWh modelled through the Power System Review for these regions. There was a further impairment expense recognised in the Darwin/Katherine region of $45.1 million due to the continued uptake of solar. An adjustment to the deferred tax asset resulted in a $21.4 million tax expense.

Overall, electricity demand continues to decrease as forecasted by the 2016–17 Power System Review, while costs and system support requirements continue to increase.

Total revenue from electricity sales for the 2018–19 financial year was $264.8 million compared to $272.6 million for 2017–18, a decrease of $7.8 million.

Cost of energy for the 2018–19 financial year was $221.9 million compared to $231.4 million for 2017–18, a decrease of $9.5 million.

The movements seen in revenue and energy costs from prior years corresponds with data from the Power System Review 2016–17, published by the Utilities Commission of the Northern Territory.

Territory Generation's single shareholder is the Northern Territory Government. All dividends are paid to the Northern Territory Government. In consultation with the shareholding Minister, the Territory Generation Board recommended a dividend amount. The dividend recommendation takes into consideration financial performance, capital structure, capital investment commitments and capacity to pay in accordance with prudent financial management. For the 12 months to 30 June 2019, a dividend of $4.25 million will be paid by Territory Generation to the Northern Territory Government. A dividend was not paid for the previous financial year.

KATHERINE POWER STATION

POWER GENERATION CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

YULARA POWER STATION

DIRECTORS' REPORT

POWER GENERATION CORPORATION DIRECTORS' REPORT

The directors present their report together with the financial report of Power Generation Corporation (the Corporation) for the year ended 30 June 2019 and the Auditor's report thereon. This report is to be read in conjunction with the financial statements of the Corporation.

DIRECTORS

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

Mr Richard Galton	Non-Executive Director	Appointed	22 December 2017
Ms Christine Charles	Non-Executive Director	Appointed	22 December 2017
Mr Dennis Bree (Chair)	Non-Executive Director	Appointed	22 December 2017

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

	BOARD		AUDIT & RISK COMMITTEE		PEOPLE & SAFETY COMMITTEE	
MEETING ATTENDANCE	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
R Galton	12	12	5	5	2	2
C Charles	12	12	5	5	2	2
D Bree	12	12	5	5	2	2

PRINCIPAL ACTIVITIES

The principal activities of the Corporation are to safely, efficiently and reliably generate electricity and to provide system stability and associated services including generation of last resort through a period of transition to 50 per cent renewable energy.

REVIEW OF OPERATIONS

The Corporation recorded a Net Profit After Tax of $8.5 million (2018: Net Loss After Tax $121.3 million). During the financial year, the Corporation invested $20.0 million (2018: $28.5 million) in its capital investment program.

Overall profit increased compared with previous years due to finalising long term projects and the benefits materialised from increased efficiencies from investments and the continuation of tightly managing costs.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

GOING CONCERN

The policy environment supports and possibly accelerates the expected increase in penetration of solar power through the government's target of 50 per cent renewable by 2030.

Territory Generation's role through this transition will be to play a key role in ensuring the reliability of the power systems while keeping the costs of transition as low as possible. It will also look for business opportunities in thermal generation that spread our fixed costs over higher revenue thus increasing the return for government.

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

(i) Forward cash flow projections

(ii) Funding sources

(iii) Compliance with debt covenants

(iv) The continuity of key customers and suppliers

(v) The impact of current economic conditions

(vi) Forward forecasts and budgets.

For the year ended 30 June 2019, the Corporation recorded a Net Profit After Tax of $8.5 million compared to a Net Loss After Tax of $121.3 million for the 2017–18 financial year. The Corporation is forecast to continue to make profits over the next four years as reported in the Statement of Corporate Intent 2019–20 (SCI).

All debt maturing in 2019–20 and in subsequent years of the SCI period is anticipated, to the extent required, to be replaced by new long term debt.

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

WUNNA ZAW AND PRASHANNA KAUSHIK, BERRIMAH HEADQUARTERS

Accordingly, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

DIVIDENDS

The Corporation did not pay any dividends during the financial year.

Since the end of the financial year, the Directors have declared a dividend of $4.25 million (2018: Nil) to be paid by 16 November 2019.

FUTURE DEVELOPMENTS

The Corporation continues to contribute to the development of the Northern Territory Electricity Market (NTEM) arrangements. Despite the efforts of many, the consultations on the structure of the electricity market, as well as reliability standards and ancillary charges continue. It is hoped that a decision will be reached in the 2019–20 financial year as it is difficult to predict financial outcomes for the Corporation in the absence of market rules.

The growth in solar penetration continues to impact our business as solar reduces market share and the Corporation continues to supply the majority of stability services to the system, leading to increased costs per megawatt hour as overheads are absorbed over a smaller market. The Corporation is continuing to develop a proposal for a large battery in the Darwin/Katherine system to support system stability at lower economic and environmental costs.

During the financial year the Corporation completed the two major capital projects to replace aged generation assets in Alice Springs and Tennant Creek. This has resulted in improved efficiency and reliability. In addition, it will enable the Corporation to close the Ron Goodin Power Station reducing noise and emissions.

The Corporation has commenced the development of replacement assets for the Yulara Power Station in consultation with the stakeholder working group.

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

SUBSEQUENT EVENTS

The directors declared a final dividend of $4.25 million on 27 August 2019 (2018: Nil) payable by 16 November 2019.

Aside from the dividend declaration, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2019 that is likely to significantly affect the operations, the results of those operations or the state of affairs of the Corporation in future financial years.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

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

Insurance premiums

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

- Personal Accident Insurance
- Directors' and Officers' Liability

ROUNDING OFF

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

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

Dated at Darwin this 19th day of September 2019.

Mr Dennis Bree
Director and Chairperson

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 2001*, including:

  (i) giving a true and fair view of the financial position of the Corporation as at 30 June 2019 and of its performance for the year ended on that date; and

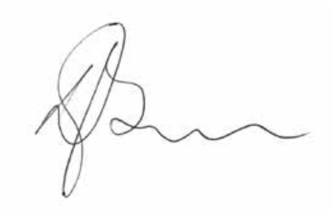
  (ii) complying with Australian Accounting Standards.

(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 compliance 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 19th day of September 2019.



Mr Dennis Bree
Director and Chairperson

INDEPENDENT AUDIT OPINION

POWER GENERATION CORPORATION
INDEPENDENT AUDIT OPINION

Auditor-General
Independent Auditor's Report to the Board of Directors
Power Generation Corporation
Page 1 of 4

Opinion

I have audited the financial report of Power Generation Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial report including a summary of significant accounting policies, and the Directors' declaration.

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

- Giving a true and fair view of the Corporation's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- Complying with *International Financial Reporting Standards* as disclosed in Note 1(b).

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report.

I am independent of the Corporation in accordance with the *Government Owned Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Key Audit Matter	Audit scope response to the Key Audit Matter
Carrying value of property, plant and equipment and calculation of impairment	
Property, plant and equipment totalling $306.667 million, as disclosed in Note 10 to the financial statements, represents a significant balance. A net asset impairment reversal of $21.144 million disclosed in the statement of profit or loss and other comprehensive income represents a significant balance. Significant management judgement is applied in determining the value in use of property, plant and equipment and any related impairment adjustment attributable to each cash generating unit.	My audit procedures included but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the assets within each cash generating unit; ▪ assessing the consistency of the forecast cash flow to the Board approved five year financial plan documented within the latest Statement of Corporate Intent; ▪ checking, on a sample basis, the mathematical accuracy of the cash flow forecast and impairment model and the appropriateness of the inclusion of the specific cash flows in accordance with the Accounting Standards;

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INDEPENDENT AUDIT OPINION

POWER GENERATION CORPORATION
INDEPENDENT AUDIT OPINION

Auditor-General

Key Audit Matter	Audit scope response to the Key Audit Matter
The valuation of property, plant and equipment is a key audit matter due to the complexity in the evaluation of the recoverable amount of the assets which requires significant judgement in determining the key assumptions supporting the expected future cash flows of the Corporation, the utilisation of the relevant assets and the useful lives of property, plant and equipment. The utilisation and useful life of each asset can change significantly as a result of technical innovations or other events.	▪ performing sensitivity analyses to stress test the key assumptions used in the valuation model around key drivers such as growth rates and discount rates and considering the impact on the recoverable amount from changes in these key assumptions; ▪ reviewing the useful lives of assets as determined by management; ▪ reviewing the qualifications and independence of the specialists appointed by the Corporation to undertake the Weighted Average Cost of Capital calculation; and ▪ reviewing the Corporation's framework for determining the recoverable amount relevant to each cash generating unit.
Estimation and valuation of Decommissioning Provision	
The provision associated with the Ron Goodin Power Station decommissioning of \$5.306 million, as disclosed in Note 15 to the financial statements, represents a significant balance. The estimation of future decommissioning costs requires significant judgement as decommissioning is an evolving activity and there is limited historical precedent against which to benchmark estimated future costs.	My audit procedures included but were not limited to: ▪ assessing the annual review and confirmation of the estimated costs of decommissioning determined by the Corporation's contractor engaged for the project; ▪ reviewing the consistency in the application of the current year's principles and assumptions to the prior year and to the Corporation's accounting policy, as described in Note 1(q) to the financial statements; ▪ reviewing the calculation of the present value of expected future payments of the provision using a pre-tax discount rate that reflect current market assessment of time value of money and the risks specific to the liability; and ▪ checking the mathematical accuracy of the provision calculation and the correct treatment of the movement in the Corporation's books.
Recoverability of deferred tax asset	
The deferred tax asset of \$26.346 million, as disclosed at Note 11 to the financial statements, represents a significant balance in the Corporation's financial statements. Recognition of the deferred tax asset is influenced by management's assessment of the ability of the Corporation to realise the asset.	My audit procedures included but were not limited to: ▪ assessing the accounting and taxation advice received and provided by the Corporation; and ▪ re-performing the testing on the recoverability of the deferred tax assets and ascertaining that the Corporation's recognition of deferred tax asset attributable to impairment losses is reasonable.

INDEPENDENT AUDIT OPINION

POWER GENERATION CORPORATION
INDEPENDENT AUDIT OPINION

Auditor-General

Key Audit Matter	Audit scope response to the Key Audit Matter
Unbilled Revenue Estimate at year end	
Unbilled revenue of $17.821 million, as disclosed in Note 7 to the financial statements, represents an estimate of the value of electricity generated and sent out however not billed as at 30 June 2019. Management's estimate is based upon information provided by the market operator.	My audit procedures included but were not limited to: ▪ recalculating the unbilled revenue based on the preliminary settlement statements obtained from the market operator; ▪ reviewing the final settlement obtained from the market operator against the preliminary settlement at year end; ▪ reviewing the reconciliation between the information provided by the market operator and the Supervisory control and data acquisition (SCADA) readings; and ▪ performing a trend analysis of the unbilled revenue.

Other information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Corporation's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Government Owned Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In 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.

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

INDEPENDENT AUDIT OPINION

POWER GENERATION CORPORATION
INDEPENDENT AUDIT OPINION

Auditor-General

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
19 September 2019

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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 2019

	Note	2019 $'000	2018 $'000
Revenue	3	267,883	272,554
Cost of energy		221,954	231,379
Gross profit		**45,929**	**41,175**
Other income	3	650	327
Administrative expenses	4	28,097	31,932
Other expenses		955	5,559
Impairment (reversal)/expense	4	(21,144)	143,920
Finance costs	4	8,817	8,870
Profit/(loss) before income tax		**29,854**	**(148,779)**
Income tax expense/(benefit)	5	21,364	(27,502)
Profit/(loss) for the year		**8,490**	**(121,277)**
Other comprehensive income			
Other comprehensive income		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income/(loss) for the year		**8,490**	**(121,277)**

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 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	33,245	10,440
Trade and other receivables	7	24,263	27,211
Inventories	8	26,805	26,193
Current tax receivable	13	148	1,238
Other current assets	9	858	882
Total current assets		**85,319**	**65,964**
Non-current assets			
Property, plant and equipment	10	306,667	285,378
Intangible assets	10	1,068	690
Deferred tax asset	11	26,346	47,704
Total non-current assets		**334,081**	**333,772**
Total assets		**419,400**	**399,736**
LIABILITIES			
Current liabilities			
Trade and other payables	12	27,484	27,803
Deferred income	18	3,333	3,333
Employee provisions	14	9,373	10,582
Total current liabilities		**40,190**	**41,718**
Non-current liabilities			
Other payables	12	310	-
Employee provisions	14	1,482	1,462
Other provisions	15	5,306	6,663
Deferred tax liability	16	13	6
Deferred income	18	45,389	46,667
Borrowings	17	200,000	200,000
Total non-current liabilities		**252,500**	**254,798**
Total liabilities		**292,690**	**296,516**
Net assets		**126,710**	**103,220**
EQUITY			
Contributed equity	20	213,593	198,593
Reserves	21	107	107
Retained earnings/(deficit)	22	(86,990)	(95,480)
Total equity		**126,710**	**103,220**

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 2019

	Note	Contributed Equity $'000	Revaluation reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2018	20, 21, 22	198,593	107	(95,480)	103,220
Profit for the year		-	-	8,490	8,490
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income for the year		-	-	8,490	8,490
Transactions with owners in their capacity as owners:					
Contributions of equity		15,000	-	-	15,000
Balance at 30 June 2019	**20, 21, 22**	**213,593**	**107**	**(86,990)**	**126,710**
Balance at 30 June 2017	20, 21, 22	198,593	107	25,797	224,497
Loss for the year		-	-	(121,277)	(121,277)
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income for the year		-	-	(121,277)	(121,277)
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Balance at 30 June 2018	**20, 21, 22**	**198,593**	**107**	**(95,480)**	**103,220**

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 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		269,960	276,774
Interest received		331	235
Payments to suppliers and employees		(234,073)	(246,530)
Interest paid		(8,858)	(8,870)
Income taxes received/(paid)		1,091	2,651
Net cash flows from operating activities	**23**	**28,451**	**24,260**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		33	-
Payments for property, plant and equipment		(20,663)	(37,560)
Payments for intangibles		(16)	-
Net cash flows used in investing activities		**(20,646)**	**(37,560)**
Cash flows from financing activities			
Equity received	20	15,000	-
Net cash flows from financing activities		**15,000**	**-**
Net increase/(decrease) in cash and cash equivalents		**22,805**	**(13,300)**
Cash and cash equivalents at the beginning of the period		10,440	23,740
Cash and cash equivalents at the end of the period	**6**	**33,245**	**10,440**

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 2019

CORPORATE INFORMATION

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

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

The Board of Directors is responsible to the shareholding Minister for the financial performance of the Corporation. The financial report was authorised for issue by the directors on 17 September 2019.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

AASB 15 Revenue from Contracts with Customers

During the current reporting period the Corporation has applied AASB 15 for the first time. 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.

The application had no material impact on the Corporation's financial report. The accounting policies for the Corporation's main types of revenue are disclosed in Note 1 (d).

AASB 9 Financial Instruments

Effective for 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 AASB 139 *'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).

There has been no material impact upon adoption of this standard as the classification and recognition of the Corporation's financial assets and liabilities has not changed.

New impairment requirements 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.

There has been no changes to impairment losses following the adoption of AASB 9.

Other than the new disclosure requirements, the application had no material impact on the Group's financial report.

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below. The Corporation is assessing the full impact of these standards at the time of their ultimate application.

AASB 16 Leases

Effective for annual reporting periods beginning on or after 1 January 2019. Expected to be initially applied in the financial year ending 30 June 2020.

This standard will result in almost all leases being recognised on the balance sheet, and the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The standard will affect primarily the accounting for the Corporation's operating leases. Some of the lease commitments may be covered by the exception for short-term and low value leases and some may relate to arrangements that will not qualify as leases under AASB 16.

For arrangements that qualify as leases under AASB 16, the Corporation will recognise new lease assets and lease liabilities and the nature of expenses related to those leases will change to recognise depreciation charges and interest expense. Previously the Corporation recognised operating lease expenses on a straight line basis.

Based on the information currently available, the Corporation estimates that it will recognise additional lease assets and liabilities of $2.7 million upon adoption of this standard. There is not expected to be a material impact on the Corporation's profit or loss for the year as a result of a change in the nature of expenses.

(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.

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

Historical Cost Convention

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

Critical accounting estimates

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

(c) Foreign currency translation

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

Foreign currency transactions

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

(d) Revenue

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

Electricity sales

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

Unbilled revenue

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

Interest

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

Government grants

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

Other revenue

Other revenue is recognised when it is received or when control of a good or service transfers to the customer.

(e) Income tax equivalents

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

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

Current tax

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

Deferred tax

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

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

(f) Current and non-current classification

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

An asset is current when:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

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

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

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

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

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

(i) Inventories

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

(j) Property, plant and equipment

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 (PWC) 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.

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 the cost of the asset. On a periodic basis a fair value assessment will be performed under the value in use approach.

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

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 40 years
Intangibles	2 to 10 years

Assets depreciated using the output/service basis are:

Asset Class	Effective Life
Prime Movers	22,000 to 60,000 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 expenditure on 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 on the fixed asset register has been replaced; or
- it represents an item of major periodic maintenance where the cyclical inspections are greater than one year and the new asset will be recognised as a component of the parent asset.

An item of property, plant and equipment is derecognised upon disposal or where there is no future economic benefit to the Corporation. Gains and losses 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 transfer 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.

(l) Intangible assets

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

Software

Significant costs associated with software are amortised on a straight-line basis over their estimated useful lives. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Software has a useful life of 2 – 10 years.

(m) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate specific to the asset or CGU to which the asset belongs.

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

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

(n) Trade and other payables

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

(o) Borrowings

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

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

(p) Finance costs

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

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

(q) Provisions

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

Decommissioning

A decommissioning provision is raised when there is the existence of a present obligation that can be reliably measured. Reliable measurement is taken at the point a reasonable expectation of the remaining useful life of the asset can be determined.

The provision is measured as the present value of expected future payments. The expected future payments are discounted to present value.

(r) Employee benefits

Short term employee benefits

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

Other long-term employee benefits

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

(s) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market; or in the absence of a principal market, in the most advantageous market.

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

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

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

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

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

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

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

(v) Dividends

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

(w) Cost of energy

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

(x) Rounding of amounts

The Corporation is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relation to “rounding off”. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases the nearest dollar.

(y) Going concern

The policy environment supports and possibly accelerates the expected increase in penetration of solar power through the government’s target of 50 per cent renewable by 2030.

Territory Generation’s role through this transition will be to play a key role in ensuring the reliability of the power systems while keeping the costs of transition as low as possible. It will also look for business opportunities in thermal generation that spread our fixed costs over higher revenue thus increasing the return for government.

Accordingly, the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Unbilled Revenue

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

Provision for expected credit losses of trade and other receivables

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

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

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

Provision for obsolescence of inventories

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

Estimation of useful lives of assets

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The Corporation derecognised a portion of its Deferred Tax Asset balance during the financial year based on its assessment of future taxable profit. This assessment may change in response to future unexpected events and other factors. Refer to Note 11 for more information.

Employee benefits provision

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

Decommissioning provision

The Corporation has recognised a decommissioning provision based on 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. The provision is measured at the present value of the estimated future payment using a discount rate. Refer to Note 15 for more information.

Impairment loss and Impairment reversal

The Corporation has recognised an impairment loss and a reversal of the prior year impairment based on an assessment of the recoverable amount of its assets.

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

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

- inflation was calculated using CPI rates as per the 2019–20 Statement of Corporate Intent (SCI)
- growth rates of between 0.0% and -0.95% beyond 2023 were used
- market share for each region is detailed in the 2019–20 SCI and has been assumed based on publicly available information.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
3. REVENUE		
Revenue – recognised over time		
Electricity sales	264,816	272,554
Deferred grant income	1,278	-
Other revenue	1,789	-
	267,883	**272,554**
Other income – recognised at a point in time		
Other income	319	92
Interest income	331	235
	650	**327**
4. EXPENSES		
Profit/(loss) before income tax includes the following specific expenses:		
(a) Administrative expenses		
Employee benefits expense	12,826	15,211
Depreciation and amortisation	2,706	820
Other administrative costs	12,565	15,901
Total administrative expenses	**28,097**	**31,932**
(b) Depreciation and amortisation		
Included in cost of energy:		
Property, plant and equipment	16,463	22,257
Intangible assets	106	263
	16,569	**22,520**
Not included in cost of energy:		
Property, plant and equipment	2,254	366
Intangible assets	453	454
	2,707	**820**
Total depreciation and amortisation	**19,276**	**23,340**
(c) Impairment of assets		
Impairment expense	45,105	143,920
Impairment reversal	(66,249)	-
Total net impairment of assets	**(21,144)**	**143,920**
(d) Finance costs		
Interest and finance charges	8,817	8,870
Total finance costs	**8,817**	**8,870**
(e) Employee benefits expense		
Employee benefits expense*	32,209	37,642
Total employee benefits expense	**32,209**	**37,642**

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

Restatement of comparatives

Comparatives for 4(a) and 4(b) above have been corrected to conform with the current year presentation.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
5. INCOME TAX EQUIVALENT EXPENSE		
(a) Income tax expense		
Current tax (benefit)/expense	(904)	172
Deferred income tax		
Movement in deferred tax assets	22,261	(27,044)
Movement in deferred tax liabilities	7	(630)
Total deferred tax expense/(benefit)	**22,268**	**(27,674)**
Income tax expense/(benefit)	**21,364**	**(27,502)**
(b) Reconciliation of income tax expense to prima facie tax payable		
Net profit/(loss) before tax	29,854	(148,779)
Tax benefit at the statutory income tax rate of 30%	8,956	(44,634)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	12,408	17,132
Current equivalent tax expense/(benefit)	**21,364**	**(27,502)**

6. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank	33,245	10,440
Cash and cash equivalents	**33,245**	**10,440**

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

7. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables	6,314	6,169
Less: impairment of receivables	-	-
	6,314	**6,169**
Other receivables		
Unbilled generation	17,821	19,269
Interest receivable	44	21
Other receivables	84	1,752
Total current receivables	**24,263**	**27,211**

Impairment of receivables

No trade receivables are past due or are considered to require impairment.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
8. INVENTORIES		
Stores and spares	26,591	26,198
Less: Provision for obsolescence	(2,635)	(2,598)
	23,956	**23,600**
Fuel stocks	2,849	2,593
Total inventories	**26,805**	**26,193**
Movement in the provision for obsolescence:		
Opening provision for obsolescence	2,598	2,123
Additional provisions recognised during the period	37	475
Closing provision for obsolescence	**2,635**	**2,598**
9. OTHER CURRENT ASSETS		
Prepayments	858	882
Total other current assets	**858**	**882**

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

	2019 $'000	2018 $'000
10. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES		
(a) Summary		
Property, plant and equipment		
Land at cost	1,219	1,219
less: Accumulated impairment	(476)	-
Land at fair value	107	107
	850	**1,326**
Buildings	68,109	47,456
less: Accumulated depreciation and impairment	(34,052)	(17,135)
	34,057	**30,321**
Plant and Equipment	448,942	346,389
less: Accumulated depreciation and impairment	(196,082)	(165,217)
	252,860	**181,172**
Assets under construction - net of accumulated impairment of $3,689 (2018:$55,956)	18,900	72,559
Total property, plant and equipment	**306,667**	**285,378**
Intangibles	5,000	3,363
less: Accumulated depreciation and impairment	(3,932)	(2,673)
Total intangibles	**1,068**	**690**
Total property, plant, equipment and intangibles	**307,735**	**286,068**

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	Land and Buildings $'000	Plant and Equipment $'000	Intangibles $'000	Assets under Construction $'000	Total $'000
(b) Reconciliations					
Reconciliations of the movement in carrying amounts at the beginning and end of the financial year are set out below:					
Net carrying amounts					
Opening balance at 1 July 2017	41,270	261,897	1,430	120,282	424,879
Additions	-	-	-	28,542	28,542
Capitalisation	489	19,820	-	(20,309)	-
Disposals	-	(93)	-	-	(93)
Impairment of assets (Note 4c)	(7,828)	(80,113)	(23)	(55,956)	(143,920)
Depreciation expense (Note 4b)	(2,284)	(20,339)	(717)	-	(23,340)
Closing balance at 30 June 2018	**31,647**	**181,172**	**690**	**72,559**	**286,068**
Opening balance at 1 July 2018	31,647	181,172	690	72,559	286,068
Additions	12	98	16	19,921	20,047
Capitalisation	9,895	61,276	962	(72,133)	-
Disposals	-	(248)	-	-	(248)
Impairment of assets (Note 4c)	(6,208)	(35,706)	(41)	(3,150)	(45,105)
Reversal of previous impairment of assets (Note 4c)	1,677	62,869	-	1,703	66,249
Depreciation expense (Note 4b)	(2,116)	(16,601)	(559)	-	(19,276)
Closing balance at 30 June 2019	**34,907**	**252,860**	**1,068**	**18,900**	**307,735**

Impairment loss

Wholesale prices approved by the shareholding Minister and the continuing loss of market share triggered the impairment of assets. An additonal impairment loss of $45.1 million (2018: $143.9 million) was recognised as the carrying amounts of the assets exceeded their recoverable amounts.

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

	2019 $'000	2018 $'000
Darwin-Katherine Region	42,167	45,403
Alice Springs Region	-	78,913
Tennant Creek Region	-	18,735
Yulara Region	2,140	526
Kings Canyon Region	798	343
Total	**45,105**	**143,920**

In determining the value in use for each cash generating unit, pre tax cashflows were discounted using a rate of 8.80% (pre-tax).

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Impairment reversal

Due to a significant new customer contracted in the Alice Springs region and improvement in demand forecasts in the Tennant Creek region, reversal of the previous year impairment has been recognised. An impairment reversal of $66.2 million (2018: $0 million) was recognised as the recoverable amounts of the assets exceeded their carrying amounts.

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

	2019 $'000	2018 $'000
Alice Springs Region	47,514	0
Tennant Creek Region	18,735	0
Total	**66,249**	**0**

In determining the value in use for each cash generating unit, pre tax cashflows were discounted using a rate of 8.80% (pre-tax).

	2019 $'000	2018 $'000
11. DEFERRED TAX ASSET		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit and loss:		
Employee provisions	3,242	2,975
Other provisions	1,592	1,999
Obsolete stock provision	790	780
Deferred grant income	14,617	15,000
Property, plant and equipment	5,201	26,950
Tax losses carried forward	904	-
Deferred tax asset	**26,346**	**47,704**
Movements:		
Opening deferred tax asset	47,704	20,660
Movement from deferred tax liability	-	(630)
Credited/(charged) to profit or loss	(21,358)	27,674
Closing deferred tax asset	**26,346**	**47,704**
Deferred tax liability – refer Note 16	13	6
Net deferred tax assets	**26,333**	**47,698**

Unrecognised deferred tax assets

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

Impairment Losses	29,801	16,787
	29,801	**16,787**

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
12. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	9,980	10,651
Other creditors and accruals	7,419	6,290
Energy accruals	10,085	10,862
GST payable	-	-
	27,484	**27,803**
Non-current		
Other non-current payables	310	-
	310	**-**

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

	2019 $'000	2018 $'000
13. CURRENT TAX (RECEIVABLE)/PAYABLE		
Provision for income tax	(148)	(1,238)
Current tax (receivable)/payable	**(148)**	**(1,238)**
14. EMPLOYEE PROVISIONS		
Current		
Employee benefits	9,373	10,582
	9,373	**10,582**
Non-current		
Employee benefits	1,482	1,462
	1,482	**1,462**

Employee benefits include amounts for recreation leave, long service leave and related on costs. It is expected that recreation leave earned should be settled within 12 months.

	2019 $'000	2018 $'000
15. OTHER PROVISIONS		
Decommissioning		
Opening decommissioning provision	6,663	6,663
Provisions (reversals)/made during the year	(1,357)	-
Closing decommissioning provision	**5,306**	**6,663**

The decommissioning provision has been recognised due to the existence of a present obligation for the rectification of the operating site at Ron Goodin and Tennant Creek Power stations. The decommissioning provision has been adjusted for the time value of money based on its estimated future payments.

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
16. DEFERRED TAX LIABILITY		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Interest	13	6
Deferred tax liability	**13**	**6**
Movements:		
Opening deferred tax liability	6	637
Charged/(credited) to profit or loss	7	-
Movement to deferred tax asset	-	(631)
Closing deferred tax liability	**13**	**6**

	2019 $'000	2018 $'000
17. BORROWINGS		
Non Current		
Northern Territory Government loans – unsecured	200,000	200,000
	200,000	**200,000**

The loans have been classified as Non Current as the Corporation has the discretion to roll over the maturing loans for at least twelve months after the reporting period. Refer to Note 1(o) Borrowings, Note 24(f) Interest rate risk and Note 24(h) Liquidity risk.

	2019 $'000	2018 $'000
18. DEFERRED INCOME		
Current	3,333	3,333
Non-current	45,389	46,667
	48,722	**50,000**

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

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
19. ISSUED CAPITAL		
Share capital		
1 Share	-	-
Total share capital	**-**	**-**
Refer to Note 1(t) issued capital.		
20. CONTRIBUTED EQUITY		
Contributed equity at beginning of the year	198,593	198,593
Contributed equity during the year	15,000	-
Contributed equity at end of the year	**213,593**	**198,593**

The original contributed equity of $183.593 million was the result of the capital structure of the Corporation approved by the shareholding Minister with regard to the fair value of its acquired asset base and an appropriate debt level. An additional $15 million was contributed during the 2016-17 financial year and a further $15 million during the 2018–19 financial year to assist with funding the Corporation's $101 million of major capital projects.

	2019 $'000	2018 $'000
21. RESERVES		
Balance at beginning of the year	107	107
Movement for the year	-	-
Balance at end of the year	**107**	**107**

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

	2019 $'000	2018 $'000
22. RETAINED EARNINGS		
Retained earnings /(deficit) at beginning of the year	(95,480)	25,797
Total comprehensive income (loss) for the year	8,490	(121,277)
Retained earnings/(deficit) at end of the year	**(86,990)**	**(95,480)**
23. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES		
Profit/(loss) after income tax expense for the year	8,490	(121,277)
Adjustments for:		
Depreciation and amortisation	19,276	23,340
Net loss on disposal of non-current assets	213	201
Net impairment of assets	(21,144)	143,920
Changes in assets and liabilities:		
Trade, other receivables and other current assets	2,868	8,826
Inventories	(611)	(2,472)
Trade and other payables	1,506	2,833
Energy accruals	(777)	(2,023)
Provisions	(2,547)	1,485
Deferred income	(1,278)	-
Taxation liabilities	22,455	(30,573)
Net cash flows from operating activities	**28,451**	**24,260**

POWER GENERATION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

24. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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

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

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

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

(b) Market risk

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

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

(c) Efficiency risk

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

(d) Foreign currency risk

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

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

The carrying amount of the Corporation's foreign currency denominated monetary liabilities at the reporting date was $0.0 million (2018: $0.1 million).

Foreign currency contracts – cash flow hedges

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

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

(e) Price risk

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

(f) Interest rate risk

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

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

	2019		2018	
	Fixed Rate Loans $'000	Average Interest Rate %	Fixed Rate Loans $'000	Average Interest Rate %
Remaining loan term*				
0 – 1 year	133,000	4.56	-	
1 to 2 years	10,000	4.11	29,000	5.20
2 to 5 years	57,000	4.35	171,000	4.28
Over 5 years	-		-	
	200,000	**4.41**	**200,000**	**4.41**

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

Cash flow sensitivity analysis

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

	Profit or Loss		Equity Net of Tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Effect in $'000				
30 Jun 2019	(2,000)	2,000	(1,400)	1,400
30 Jun 2018	(2,000)	2,000	(1,400)	1,400

(g) Credit risk

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

The Corporation has a credit risk exposure with Power Retail Corporation trading as Jacana Energy, which as at 30 June 2019 owed the Corporation $6.0 million (95% of trade receivables). This balance was within the terms of the wholesale electricity sales agreement and no impairment was made as at 30 June 2019 (2018: $Nil). There are no guarantees against this receivable but management closely monitors the receivable balance on a regular basis and is in regular contact with this customer to mitigate risk. This customer is a Government Owned Corporation.

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

(h) Liquidity risk

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

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

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

The Corporation's existing cash resources include an approval for a $20 million overdraft as from 1 July 2019, the discretion to roll over loans on maturity, and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

Liability maturity analysis

Non-derivatives 2018–19	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 and other payables	27,484	-	-	-
Taxes payable	-	-	-	-
Interest bearing – fixed rate				
Loans from				
Northern Territory Treasury Corporation*	133,000	10,000	57,000	-
Total	**160,484**	**10,000**	**57,000**	**-**

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

Non-derivatives 2017–18	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 and other payables	27,803	-	-	-
Taxes payable	-	-	-	-
Interest bearing – fixed rate				
Loans from				
Northern Territory Treasury Corporation	-	29,000	171,000	-
Total	**27,803**	**29,000**	**171,000**	**-**

(i) Capital risk management

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

The capital structure of the Corporation consists of debt, which includes borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to the equity holder of the Corporation, comprising of contributed capital and retained earnings as disclosed in Notes 20 and 22 respectively.

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

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

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

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

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	2019 $'000	2018 $'000
25. COMMITMENTS		
Committed at the reporting date but not recognised as liabilities, payable:		
Capital commitments – payable:		
Within one year	4,646	16,872
	4,646	**16,872**
Operating lease commitments – payable:		
Within one year	1,462	1,473
One to five years	1,179	2,343
More than five years	34	55
	2,675	**3,871**
26. AUDITOR'S REMUNERATION		
Audit services:		
Auditors of the Corporation – NT Auditor-General	101	98
	101	**98**

Restatement of comparatives

Comparatives have been corrected for the prior year.

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27. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of non-executive directors

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

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

Non-executive directors		Fees $	Superannuation $	Total $
Mr Richard Galton[B]	2019	60,226	5,722	65,948
	2018	31,039	2,949	33,988
Ms Christine Charles[B]	2019	60,226	5,722	65,948
	2018	31,039	2,949	33,988
Mr Dennis Bree[B]	2019	95,407	8,785	104,192
	2018	49,171	4,671	53,842
Mr David De Silva[A]	2019	-	-	-
	2018	60,184	5,717	65,901
Ms Leeanne Bond[A]	2019	-	-	-
	2018	44,363	4,214	48,577
Mr Jon Hubbard[A]	2019	-	-	-
	2018	32,656	3,262	35,918
Mr John Tourish[A]	2019	-	-	-
	2018	34,335	3,262	37,597
Total non-executive directors	**2019**	**215,859**	**20,229**	**236,088**
	2018	**282,787**	**27,024**	**309,811**

[A] *Resigned 22 December 2017.*

[B] *Appointed 22 December 2017.*

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

Restatement of comparatives

Comparatives for Mr Richard Galton have been corrected for the prior year.

Remuneration of key management personnel

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

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

		2019 $	2018 $
(i)	Short-term employee benefits	1,395,135	1,745,248
(ii)	Post-employment benefits	107,086	114,465
(iii)	Long-term benefits	93,341	125,707
	Termination benefits	-	356,853
	Total compensation of key management personnel	**1,595,562**	**2,342,273**

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

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

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

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

Other transactions with key management personnel

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

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28. RELATED PARTY INFORMATION

The parent entity of the Corporation is the Northern Territory Government, which at 30 June 2019 owned 100% (2018: 100%) of the issued capital of Power Generation Corporation. This single share is held by the shareholding Minister on behalf of the Northern Territory.

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

Transactions

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

Related party		Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
The parent entity including all entities that are associated with the parent entity	**2018**	**270,847**	**167,456**	**23,946**	**210,395**
	2019	**255,843**	**167,095**	**22,135**	**209,949**

As at 30 June 2019 related party transactions of the Corporation included:

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

29. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent assets and liabilities

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

30. SUBSEQUENT EVENTS

Since the end of the financial year, the Directors have declared a dividend of $4.25 million (2018: Nil) to be paid by 16 November 2019.

Apart from the dividend noted in the Directors' report, there has been no item, transaction or event of a material and unusual nature which has arisen since 30 June 2019 that is likely to significantly affect the operations, the results of those operations or the state of affairs of the Corporation in future financial years.

GLOSSARY

AASB	Australian Accounting Standards Board
BESS	Battery Energy Storage System
CCTV	Closed Circuit Television
CGUS	Cash Generating Units
CO2	Carbon dioxide
CPI	Consumer Price Index
GOC	Government Owned Corporation
GST	Goods & Services Tax
GWh	Gigawatt-hour
ICAM	Incident Cause Analysis Method
KPI	Key Performance Indicator
KPS	Katherine Power Station
KRA	Key Result Area
LED	Light-emitting diode
LMS	LMS Landfill Management Services Pty Ltd (Shoal Bay)
LNG	Liquefied Natural Gas
M	Million
MW	Megawatt
MWh	Megawatt-hour
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
NT	Northern Territory
NTEM	Northern Territory Electricity Market
NTER	National Tax Equivalent Regime
OMT	Operator Maintainer Technician
PGC Act	Power Generation Corporation Act 2014
PPA	Power Purchase Agreement
PWC	Power and Water Corporation
ROC	Remote Operations Centre
SAMP	Strategic Asset Management Plan
SCI	Statement of Corporate Intent
TGen	Territory Generation
WHS	Workplace Health and Safety

BACK COVER IMAGE:

Ron Goodin Power Station and the battery energy storage system (BESS)

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