



2017-18 Annual Report

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Purpose of this report

Jacana Energy's Annual Report outlines the Corporation's operations and achievements for the 2017–2018 financial year.

Pursuant to sections 41 and 44 of the *Government Owned Corporations Act*, the report informs the Northern Territory Parliament, Territorians and other stakeholders of:

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

The Annual Report is tabled in the Northern Territory Legislative Assembly as a reporting mechanism for Jacana Energy's shareholding Minister and Northern Territory Parliament. It provides a statement of income and expenditure for the 2017–2018 financial year.

The Annual Report also includes information for others, including the wider public, who have an interest in the provision of electricity services in the Northern Territory.



Letter to Shareholder

The Hon Nicole Manison MLA
Deputy Chief Minister and Treasurer
Northern Territory Government
Darwin 0800

11 October 2018

Dear Treasurer,

On behalf of Jacana Energy, it gives us great pleasure to present the Corporation's Annual Report for the year ended 30 June 2018 in accordance with the provisions of sections 41 and 44 of the *Government Owned Corporations Act*.

This report details the non-financial and financial performance of Jacana Energy for the year ended 30 June 2018. We are pleased to report that during this year our key achievements have included:

- a record profit before tax of \$14.4 million;
- a declared post year-end dividend of \$5.0 million;
- an additional special dividend of \$20 million declared and paid;
- successful implementation of our Retail Operating System for all Mass Market customers;
- further improvements in customer service capability including the introduction of eBilling;
- supporting vulnerable Territorians through financial hardship funding programs.

We look forward to continuing our support for Territorians in 2018-2019.

Yours sincerely,



Noel Faulkner
Chairman



David Brown
Chief Executive Officer

About us

Jacana Energy is 100% Northern Territory owned and operated, established in July 2014 through a reform of the electricity industry. Our clear focus is on customer outcomes and maximising value for our shareholder.

We are the Territory's largest electricity retailer; providing electricity retail services for residential, small and large business customers throughout urban, rural and remote areas.

Purpose and values

Our purpose is to create value now and in the future by delivering seamless energy related solutions to achieve the needs of our customers, stakeholders and shareholder.

We make energy easy for Territorians. We do this by:

- delivering a superior customer experience;
- becoming a known and trusted brand;
- building an engaged, motivated team with opportunities for growth; and
- maximising value.

Our business

Jacana Energy purchases wholesale electricity in bulk from generators; turning it into a range of retail products and services, designed to meet our customer's energy needs.

We provide electricity services to over 84,000 customers throughout the Northern Territory (see map):

As an electricity retailer, we are the principal interface between the electricity industry and customers. We create value for our customers by:

- offering competitive retail products and tariffs;
- providing helpful customer support;
- delivering timely and accurate billing;
- providing a variety of payment options across a range of convenient payment channels;
- supporting larger customers with personalised local account management services; and
- promoting competition between electricity generators to drive down wholesale energy costs.

OUR CORE VALUES

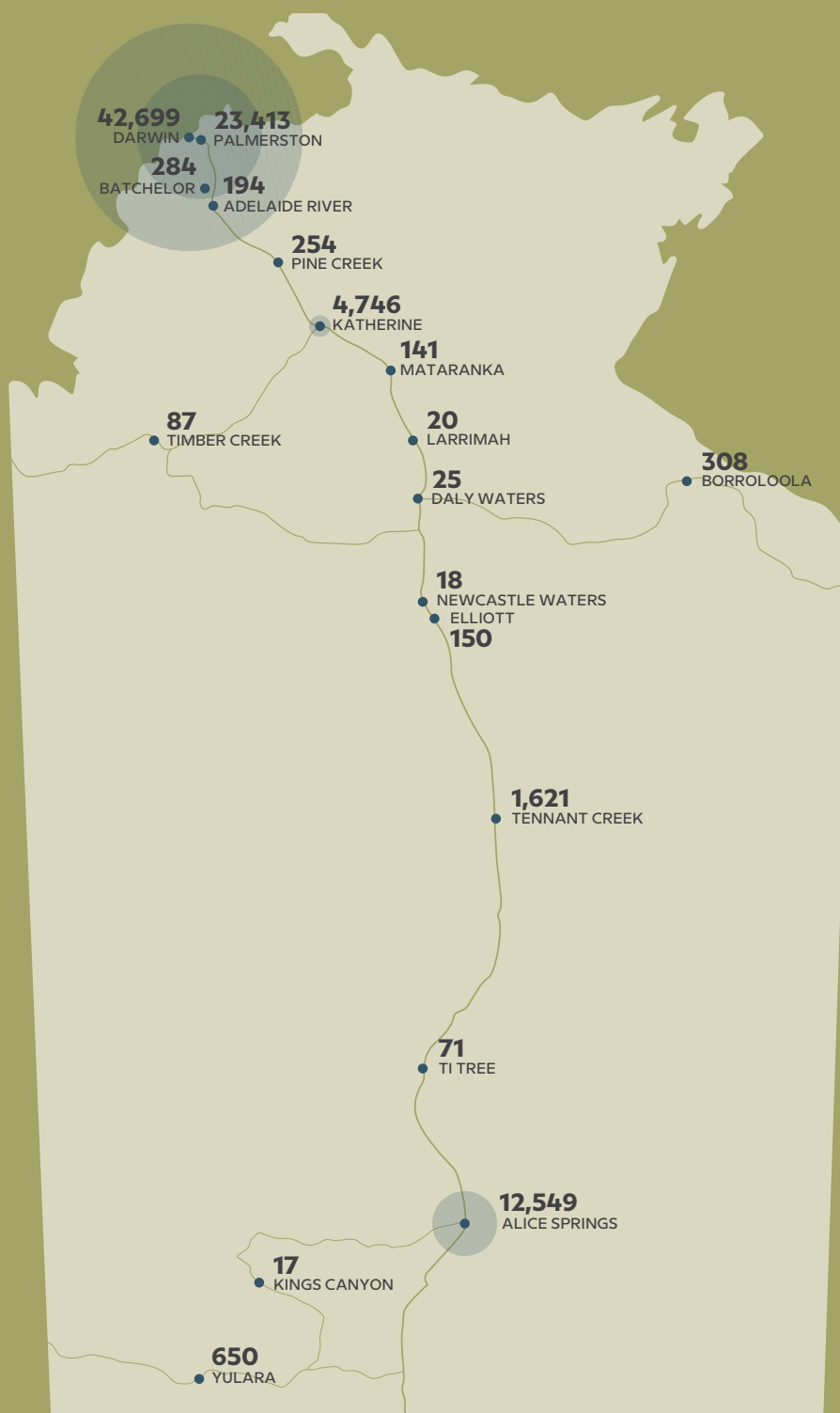
- We operate with integrity
- We drive innovation for our business
- We embrace diversity
- We deliver as a team
- We are passionate about our employees' wellbeing

Shareholders

Jacana Energy (Power Retail Corporation) was established under the *Power Retail Corporation Act 2014* and is licensed to trade in electricity under the Electricity Reform Act.

As at 30 June 2018, our shareholding Minister is The Hon Nicole Susan Manison MLA, the Deputy Chief Minister and Treasurer, and our portfolio Minister is The Hon Dale Suzanne Wakefield MLA, Minister for Renewables and Essential Services and Minister for Territory Families.

Our customers



Overview from the Chairman and CEO



Now in our fourth year of operations, Jacana Energy has continued to develop as a standalone electricity retailer. We have delivered improved services for our customers; providing strong financial returns to the government and people of the Northern Territory. The highlight of the year was the successful implementation of our new Retail Operating System for residential and small business customers. The system is a major milestone in our evolution, delivering significant benefits for customers.

Strong financial performance

Jacana Energy's Earnings Before Interest and Tax (EBIT) for 2017–2018 is \$14.4 million which is well above our Statement of Corporate Intent (SCI) target of \$12.8 million. We achieved this result despite increasing competition in the marketplace. The outcome will enable us to return \$9.3 million to the government in the form of annual dividend and tax equivalent payments. Continued strong financial performance, from inception, has allowed us to return an additional \$20 million to the government through a Special Dividend payment in June 2018. These payments result in a total return to government of almost \$30 million for the 2017–2018 financial year.



Customer service

Jacana Energy promises excellent customer service; this is at the centre of everything we do. A key milestone in delivering on this promise was the successful implementation of a modern Retail Operating System, which provides enhanced service to customers. This system was previously only serving our Commercial and Industrial Customers, but now serves our entire customer base. The development is a significant achievement that will improve the customer experience; enabling customers to interact with us in new ways with digital systems including email billing and online self-service.

Renewable energy opportunities

Generation supply is the most significant cost for Jacana Energy; representing approximately 57 per cent of total expenditure. Consequently, sourcing alternative generation supply, to achieve lower generation prices and a greater diversity of supply, is a crucial goal for us. Consistent with the NT Government's 50% renewable target, we sought expressions of interest from developers, in the Northern Territory, for renewable energy projects. The program received many favourable proposals. Discussions have progressed with the short-listed proponents and are expected to result in greater diversification of our supply portfolio, further reducing electricity costs.

Investing in our people

Jacana Energy has continued the Culture and Leadership program which commenced in December 2016.

This program establishes a constructive, achievement-focused culture. A new feature this year was the launch of multiple initiatives, led by the broader leadership group, which target improved employee performance and engagement.

Improving operational capability and delivering efficiencies

Jacana Energy has limited direct control over our major costs which is a key challenge. Generation and network costs represent 90 per cent of all expenditure. We continue to identify and pursue opportunities to reduce these costs, such as the renewable energy opportunities.

We only have a direct impact on our operational expenditure, which represents just 3 per cent of total costs. Notwithstanding this, it is critical that we operate as efficiently as possible. We will continue to leverage our new Retail Operating System, which enables us to drive higher efficiency and improve the quality of customer service.

Part of the community

As a local business, we are very proud to be part of the Territory community and provide financial assistance to Territorians. We also support and participate in iconic Territory community events.

In 2017–2018, we provided \$175,000 in funding to organisations such as Anglicare, St Vincent De Paul, Somerville Community Services, the Salvation Army and Catholic Care. These funds were used to assist more than 1,000 Territorians with their electricity bills.

Looking forward

We are confident the strategic projects now implemented, and the continued development of our digital capability, will continue to improve our customers' experience. As we look forward to the coming year, our goal is to deliver a level of service that Territorians are proud of. Thanks to our Shareholding Minister and Portfolio Minister, and other key stakeholders, especially our people, for their support throughout what has been a transitional year for Jacana Energy.

Yours sincerely,



Noel Faulkner
Chairman



David Brown
Chief Executive Officer

Performance targets

Key performance indicator	Unit	2017-18 Actual	2017-18 SCI	Status
Gross Margin	% Revenue	6.8	6.0	●
Cost to Serve	A\$/customer	199	171	●
EBIT	A\$ million	14.4	12.8	●
Return on Equity	%	16.6	13.3	●
Grade of Service	%	64.0	70.0	●
Abandonment Rate	%	4.2	<5.0	●

Jacana Energy delivered an EBIT of \$14.4 million compared to a target of \$12.8 million. This result was primarily due to a better than forecast Gross Margin. Our actual Gross Margin percentage across all customer segments was 6.8 per cent of revenue compared to the target of 6.0 per cent. A key driver of this performance was our ability to retain and win-back important commercial and industrial customers while managing our supply costs.

The Cost to Serve of \$199 compared to the target of \$171 was largely due to the delayed implementation of our Retail Operating System project. The system was successfully implemented in April and the delay resulted in one-off higher than anticipated costs for the year.

The better-than-expected earnings performance enabled us to deliver a Return on Equity of 16.6 per cent compared to a target of 13.3 per cent. Continued strong financial performance since inception also enabled us to return \$20 million to our shareholder through a special dividend payment.

Jacana Energy's Grade of Service and Abandonment Rate for 2017-2018 averaged 64.0 per cent and 4.2 per cent respectively. Grade of Service was above the 70% target level prior to implementation of the Retail Operating System, however, increased call traffic associated with the transition has seen a dip in performance. A recovery plan is in place in line with our strategic objective to deliver a superior customer experience.

DEFINITIONS

GROSS MARGIN: Gross Margin (percentage) is calculated by dividing the gross margin by the total revenue.

EBIT: EBIT is Earnings (Revenue less Expenses) Before Interest and Tax.

RETURN ON EQUITY: Return on Equity is calculated by dividing the Net Profit After Tax by the average equity balance for the year.

GRADE OF SERVICE: Grade of Service measures the percentage of customer calls to the Contact Centre answered within 30 seconds.

ABANDONMENT RATE: Abandonment Rate measures the percentage of calls to the Contact Centre ended before any conversation occurs.





Our people

Jacana Energy acknowledges that our people are the most important part of our business. This year we focused on initiatives to foster engagement and build the capability of our team. This focus ensures we are well equipped to actively drive and respond to changes in our operational and market environment.

As a key 'People Initiative' in 2017-2018, we continued our 'Culture and Leadership' program, launched in December 2016. The primary objective of the program is to make Jacana Energy a place where we bring out the best in each other and be the best for our customers. By establishing a constructive, achievement-focused, culture we also ensure our success as a commercial business.

Acknowledging the critical role leadership plays in driving culture, the program also focuses on building the

capability of our Leaders. We continually empower our leadership team to play an active role in the development of our thriving team environment.

We intend to continue the 'Cultural and Leadership' program over the coming years to ensure sustainable customer, employee and commercial outcomes.

The primary focus for 'Training and Development' initiatives during 2017-2018 was on building system capability in preparation of the implementation of our updated Retail Operating System.

Our people, who champion our values and desired behaviours, are recognised through our reward and recognition program, which plays a crucial role in driving a positive workplace culture.

We are committed to delivering exceptional service to our customers and are fortunate enough to have a workforce that is highly engaged to ensure we achieve our targets.





Employee Numbers

	2016-17	2017-18	Variation
FTE	54.4	59.6	5.2
Headcount	61	68	7

Frontline Employees (% by headcount)

	2016-17	2017-18	FY Variation
Total Frontline	40	52	12
Total Headcount	61	68	7
Percentage (%)	65.6	76.5	10.9

Diversity (% by headcount)

	2016-17		2016-17 Total	2017-18		2017-18 Total
	Female	Male		Female	Male	
All Employees	42	19	61	49	19	68
Percentage (%)	68.9	31.1	100.0	72.1	27.9	100.0
Leadership roles	6	9	15	6	5	11
Leadership Percentage (%)	40.0	60.0	100.0	54.5	45.5	100.0



Outlook

The following section provides an overview of the strategies and initiatives to address each of these objectives and ultimately improve financial performance while providing excellent customer service.

OUR STRATEGIC OBJECTIVES ARE TO:

- Deliver a superior customer experience
- Become a valued and trusted brand
- Develop an engaged, motivated team with opportunities to grow
- Maximise value

Strategic objectives	Strategies
Deliver a superior customer experience	<ul style="list-style-type: none">• Deliver a consistent and positive customer experience• Understand our customers' needs• Develop and provide alternative solutions• Provide transparency in key processes
Become a valued and trusted brand	<ul style="list-style-type: none">• Ensure our vulnerable customers are looked after• Embed a customer centric culture in our business• Align sponsorship & donations strategy with brand
Develop an engaged, motivated team with opportunities for growth	<ul style="list-style-type: none">• Attract and retain the best people• Ensure professional development is aligned with strategy• Right culture: customer-centric, innovative, flexible• Align structure with strategy
Maximise value	<ul style="list-style-type: none">• Develop an efficient operational interface with PWC as the network provider• Promote wholesale market reform• Develop a long-term wholesale procurement plan inclusive of renewables• Find low cost, alternate generation sources• Work with DTF to refine the Community Service Obligation funding model to ensure competitive neutrality• Build capability to manage and quantify a more complicated generation supply portfolio• Develop programs and products to educate and entice customers to reduce supply costs



Governance

Governance structure

Jacana Energy is a Government Owned Corporation (GOC) established under its own legislation, the *Power Retail Corporation Act 2014*; governed by the *Government Owned Corporations Act*.

The Corporation has a shareholder model of corporate governance, characterised by:

- A shareholding Minister, currently the Treasurer, who sets annual performance targets for Jacana Energy and monitors performance against them.
- A portfolio Minister, currently the Minister for Renewables and Essential Services and Minister for Territory Families, who monitors Jacana Energy's service performance. The Minister also has broad responsibility for industry-wide policy matters relating to Jacana Energy.
- A Board of Directors who are fully accountable for the performance of Jacana Energy.

Jacana Energy is managed by a Board of three independent Non-Executive Directors and an Executive Leadership Team (ELT) led by the Chief Executive Officer (CEO).

While the Board has overall accountability to the Shareholding Minister for the performance of Jacana Energy, the CEO and ELT manage the business on a day to day basis.

The Board

The Jacana Energy Board sets the organisation's strategic direction. It also ensures appropriate corporate governance arrangements and shareholder performance reporting are in place.

The members of the Board are:

- Noel Faulkner – Chair
- Clare Milikins – Deputy Chair
- Caryle Demarte – Non-Executive Director

The Board delegates certain of its powers and functions to the Chief Executive Officer (CEO), management and employees.

Biographies of the Board are set out in the Directors Profiles section of the Annual Report.

The Audit and Risk Committee

The members of the Audit and Risk Committee are:

- Clare Milikins – Chair
- Noel Faulkner
- Caryle Demarte

The Audit and Risk Committee (ARC) assists the Board in the organisation's governance by providing advice and specific oversight relating to financial reporting; application of accounting policies; legal and regulatory compliance and internal control; and risk management systems.





Executive Leadership Team

The Executive Leadership Team (ELT) comprises the CEO and five executives. The CEO is responsible for the day to day management of Jacana Energy and takes direction from the Board.

The Board sets annual performance targets for the CEO based on the key performance indicators and other targets in the SCI. These targets are cascaded down through the organisation. The CEO's and Jacana Energy's performance are monitored regularly against these targets which are formally reviewed on an annual basis.

Biographies of the ELT are set out in the Executive Leadership Team Profiles section of the Annual Report.

Corporate governance

In accordance with the Northern Territory Government's Governance and Reporting Framework for Government Owned Corporations, Jacana Energy has implemented policies to apply the following ASX governance principles:

1. To lay solid foundations for management and oversight: Jacana Energy has established and disclosed in its Board Charter the respective roles and responsibilities of its Board and management and how their performance is monitored and evaluated.
2. To structure the Board to add value: Jacana Energy's Board of three independent non-executive directors is an appropriate size, composition and skill range to enable it to discharge its duties effectively.

3. To act ethically and responsibly: The Jacana Energy Code of Conduct reflects our commitment to a culture of honesty, integrity, fairness and accountability, and to act in a manner that is consistent with the expectations of our shareholder and the wider community.
4. Safeguard integrity in corporate reporting: The ARC serves to independently verify the integrity of Jacana Energy's corporate reporting.
5. Respect the rights of security holders: Jacana Energy respects the rights of its shareholding Minister and portfolio Minister by communicating openly and honestly with them and by providing the Ministers appropriate information and facilities to allow them to exercise those rights effectively.
6. Recognise and manage risk: Jacana Energy has established a risk management framework, the appropriateness and effectiveness of which is subject to review by the ARC and Board.
7. The Jacana Energy Board sets the remuneration policy and succession plans for key management personnel, balancing the need to attract, retain and motivate high-quality executives with the Corporation's commercial interest.

Records management

Jacana Energy complies with Part 9 of the Information Act relating to Records and Archives Management.

Directors profiles



NOEL FAULKNER

Non-Executive, Chair

Noel has more than 36 years' experience in utilities; predominantly in electricity entities, combined with eight years in government.

He has directed the integration of several large businesses in Queensland and Victoria, including the establishment of competitive retail undertakings in Victoria.

Noel was also involved in South East Queensland's regional water reforms, including leading the establishment of the distributor/retailer, Queensland Urban Utilities.

Noel is the Chairman of the Mackay Water Advisory Board and Chairman of the Redland City Council Advisory Board. Noel has held the positions of Chief Executive Officer of Queensland Urban Utilities, Powercor Australia Ltd, United Energy Ltd and Capricornia Electricity, as well as holding senior executive roles with Brisbane City Council.

Noel has also held Chairman and Director roles at South East Queensland Bulk Water Supply Authority and Unitywater.

Noel has a Bachelor of Engineering, a Graduate Diploma in Management and is also a Graduate of the Australian Institute of Company Directors.



CLARE MILIKINS

Non-Executive, Deputy Chair

Clare is a Northern Territory-based senior finance and governance professional who was born and raised in Darwin. She has held executive positions in the public sector, establishing effective organisational systems and leading reform agendas. Clare also owns a successful retail business and provides advisory services to SMEs on governance and financial management. Clare has widely diversified skills both in the public sector and private enterprise and has a sound track record of success in the roles undertaken and outcomes achieved.

In May 2014 Clare was appointed Deputy Chair of the Corporation and is also the Chair of the Audit and Risk Committee. Clare has also held several voluntary Directorships. She has held senior executive positions within the NT Government, including Executive Director of Finance and Governance at the Department of Natural Resources, Environment and the Arts as well as roles in Treasury and the Department of Transport and Works.

Clare is a Certified Practising Accountant, with a Bachelor of Commerce (Accounting) and a Post-Graduate Certificate in Public Sector Management. She is also a Graduate of the Australian Institute of Company Directors and is nearing completion of a Master's in Business Administration majoring in Entrepreneurship.



CARYLE DEMARTE

Director

Caryle has an extensive background as a senior executive in both the public and private sectors in the energy industry, including General Manager of the Victorian Government owned retailer, Kinetik Energy; and General Manager of Retail, Corporate Relations, Public and Government Affairs with TXU Energy. Caryle is a member of the Audit and Risk Committee.

Caryle is presently the Chair of Tasmanian electricity retailer Aurora Energy, and has held Directorships at Yarra Valley Water, Synergy, Australian Customer Relations, Victorian Energy and Water Industry Ombudsman, VENCORP, several not-for-profit sector boards, the Energy Retailers Association and Chair of the Victorian Government Local Government Infrastructure Assistance Fund. Caryle has a Bachelor of Business and in 2000 was awarded a Public Service Medal for services to the Victorian community. She is a Fellow of the Australian Institute of Company Directors.

Executive leadership team profiles



DAVID BROWN

Chief Executive Officer

David has over 38 years' experience in the energy industry across energy retailing, electricity generation, market design and energy trading.

David's key strengths include; strategy development and execution; business transformation, development and innovation; and leadership and cultural change.

David has worked in the UK and Australia in operational management, management consultancy, Senior Management and Chief Executive Officer roles, in both the public and the private sector. In addition, David has held a number of Board Director and Chairman positions.

David is a Chartered Engineer with a Bachelor of Science First Class Honours Degree in Natural Gas Engineering, and a Diploma of Financial Services (Electricity Derivatives).



ROD WILLIAMS

Chief Financial Officer Executive Manager Corporate Services

Rod has over 35 years' experience in both the public and private sector covering a range of industries including energy, manufacturing, mining and construction. With 17 years' experience in the Energy sector covering both Retail and Distribution, he focuses on driving business performance to deliver greater customer value and strong commercial outcomes.

Rod has held a number of senior finance and strategic roles. Prior to joining Jacana Energy, he was acting Chief Financial Officer/Executive General Manager Corporate Services with Ergon Energy in Queensland.

Rod is a Fellow Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors and holds master degrees in Business Administration and Economics and a Bachelor of Business (Accounting) degree.



KELVIN STRANGE

General Counsel and Company Secretary

Kelvin was admitted to practice in 1987 and has extensive legal and secretarial experience, including 13 years as General Counsel and Company Secretary at Power and Water Corporation. Prior to this, Kelvin worked in private legal practice for over 15 years.

Kelvin joined Jacana Energy in April 2018 to lead the Legal and Governance team.

Kelvin holds a Bachelor of Laws from the University of Adelaide and is a Graduate of the Australian Institute of Company Directors.



DAVID WALKER

**Executive Manager Operations/
Executive Manager Sales &
Strategy**

David has 37 years' experience in the electricity and gas industry having worked for TXU, TRUenergy, Energy Australia, as well as in consultant roles for various energy companies. Specifically, David has managed TXU's Call Centre operations and TRUenergy's Billing, Customer Transfers, and Credit functions. He spent four years in India managing these functions through an outsourced arrangement. Recently, David was involved in four major customer data migration projects, leading teams responsible for Customer Experience and Customer Operations.

Ten years' of working in electricity distribution roles has also provided him with deep insights into the operational mechanisms of Electricity Networks.

David's formal qualifications include a Masters of Applied Science (Innovation and Service Management) and an Associate Diploma, Electrical.



ALEXANDRA VEREKER

**Executive Manager
People & Culture**

Alexandra has over 15 years' experience in senior operational and executive HR positions across different industries; including IT, retail, agriculture, food processing and electricity. Before joining Jacana Energy, Alexandra held different roles with Australia's largest integrated cattle and beef producer, Australian Agricultural Company, most recently, leading the HR function for a \$100 million Greenfield project.

Prior to this Alexandra gained HR experience with IKEA Germany, focussing on succession planning initiatives for the company's national store expansion program and training facilitation. She is experienced in developing organisational capability through the delivery of targeted people initiatives and has a passion for building leadership capability; driving cultural change in different environments to achieve strategic objectives.

Alexandra joined Jacana Energy in March 2016 as the Manager of People & Culture and has been leading the People & Culture team since July 2017.

Alexandra has a Masters Degree in Business Administration from the Free University of Berlin and is a certified Workplace and Business Coach.







Financial Statements 30 June 2018

Directors' report

The Directors present their report together with the financial report of Power Retail Corporation, trading as Jacana Energy, for the year ended 30 June 2018 and the Auditors report thereon. This report is to be read in conjunction with the financial statements of the Corporation.

Directors

The Directors of the Corporation during or since the end of the financial year are:

- Mr Noel Faulkner – Chair
- Ms Clare Milikins – Deputy Chair
- Ms Caryle Demarte – Director

All three Directors' original appointments expired on 27 May 2018 and all three Directors were reappointed on 31 May 2018.

Details of Directors, their directorships/experience are set out in the Governance section of the Annual Report.

Principal activities

The principal business activities of the Corporation are the buying and selling of electricity and the provision of energy retail services to the people of the Northern Territory. There were no significant changes in the nature of activities conducted by the Corporation during the year.

Review of operations

The Corporation recorded a net profit before tax for the year of \$14.4 million. The annual results are discussed in detail below.

Total revenue for the year was \$494.2 million. This included Community Service Obligation funding of \$79.5 million.

Overall expenses excluding tax were \$479.8 million for the year. The majority of these expenses related to cost of goods sold expenditure, being network and system control charges and generation costs, of \$157.7 million and \$271.7 million respectively. Cost of goods sold also included energy purchased for resale of \$7.4 million from customers' usage of solar panels and \$22.4 million in renewable energy certificates to meet the Clean Energy Regulator requirements. Alternative control charges and prepaid token expenses totalled \$1.2 million.

Operating expenditure totalled \$19.4 million for the year. Included in operating expenditure were external service agreements of \$4.4 million which related to contracts held by third parties. Included in the external service agreements is the \$3.6 million Transitional Services Agreement with Power and Water Corporation which covers operational and systems services.

The Corporation's cash balance at the end of June was \$45.3 million.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year and before the date of this report that has significantly affected, or may significantly affect, the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

Future developments

It is anticipated that by the end of the next financial year, the services performed under the current Transitional Services Agreement will be performed or managed internally.

Environmental regulations

The Corporation's operations are subject to statutory responsibilities under Commonwealth and Northern Territory legislation. The Corporation met its responsibilities in this area.

Dividends

Since the end of the financial year, the Directors have declared a dividend of \$5.0 million. During the year, a special dividend of \$20.0 million was paid reflecting the Corporation's favourable increase in cash position over the past few years.

Indemnification of Officers and Directors

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 made by the shareholding Minister to the Corporation or the Board of the Corporation pursuant to the Deed of Indemnity executed by the Northern Territory Government.

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.

During the financial year a premium was paid to purchase the following insurance policies to cover the Directors and Officers of the Corporation:

- Personal Accident Insurance
- Directors and Officers Liability

Directors meetings

The following table sets out the number of Directors meetings (including meetings of committees of Directors) held during the year ended 30 June 2018 and the number of meetings attended by each Director (while they were a Director or Committee Member).

	Board of Directors		Audit and Risk Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended
Noel Faulkner	12	12	6	6
Clare Milikins	12	12	6	6
Caryle Demarte	12	11	6	6

Directors' declaration

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements; and;
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Government Owned Corporations Act*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Corporation.

On behalf of the Directors



Noel Faulkner
Chairman

Darwin, 11 October 2018

Auditor's report



Auditor-General

Independent Auditor's Report to the Board of Directors

Power Retail Corporation

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Opinion

I have audited the financial report of Power Retail Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2018, 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, and 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 Retail Corporation, is in accordance with Australian Accounting Standards and the *Government Owned Corporations Act*, including:

- Giving a true and fair view of the Corporation's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- Complying with International Financial Reporting Standards as disclosed in Note 2(a).

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* 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
<i>Accuracy of Revenue and Receivables</i>	
During the year ended 30 June 2018, the Corporation migrated mass market customer data to the newly implemented Retail Operating System from the Revenue Management System controlled by a third party. There is a significant risk associated with the migration of data including ensuring that the migrated data is complete and accurate.	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none">▪ Identifying the processes by which management governs information technology operations, including vendor management, contract management and service performance monitoring.▪ Confirming the existence of an adequate information technology governance framework, including determining if relevant policies and procedures were defined, appropriately approved and communicated throughout the Corporation.▪ Examining documentation related to testing procedures conducted by management.



Auditor-General

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Key Audit Matter	Audit scope response to the Key Audit Matter
	<ul style="list-style-type: none"> Confirming with management and relevant third parties the security measures implemented for the transfer of data between the Retail Operating System and the Revenue Management System. Obtaining evidence of integrity controls over interfaced datasets. Making enquiries of the project manager regarding: access to data conversion tools and related documentation; data cleansing; logical separation of test and production environments and the strategy and approach to conversion. Obtaining and examining documentation related to functional specifications, data mapping, cutover, post go live approval and confirming appropriate approvals were provided by those charged with governance. Obtaining and examining management's conversion strategy and comparing the strategy to better practice guidelines. Obtaining and examining management's assessment of risks and contingencies. Examining documentation related to testing procedures. Obtaining evidence of testing performed for selected datasets and acceptance of migration by those charged with governance.

Accuracy of Unbilled Consumption

Revenue from sale of goods, as disclosed in Note 4 to the financial statements, includes estimated values for unbilled revenue from electricity totalling \$38.762 million, as disclosed in Note 8 to the financial report. The estimated values are based upon unbilled kilowatt hours supplied to customers between the date of the last meter reading and the year end. There is a significant risk around the measurement and recognition of revenue related to unbilled revenue due to the complexity and estimates required in determining actual consumption levels relating to unbilled revenue.

My procedures included but were not limited to:

- Assessing the methodology and assumptions used by management to calculate the unbilled revenue.
- Assessing the completeness and accuracy of inputs used to determine the unbilled revenue.
- Developing an independent estimate of the unbilled revenue based on customer numbers and billings from the prior month.
- Comparing the expectation to the value recorded as unbilled revenue.
- Investigating differences that do not fall within an acceptable audit threshold.
- Obtaining the computation of unbilled revenue and testing the reconciliation to the general ledger balance.
- Inspecting a sample of monthly reconciliations to determine if variances existed and had been satisfactorily resolved and reconciliations had been reviewed and approved.

Auditor's report



Auditor-General

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Key Audit Matter	Audit scope response to the Key Audit Matter
	<ul style="list-style-type: none">▪ Testing revenue from sale of goods and rendering of services for the current period by selecting a sample of transactions from the billing system and recalculating the consumption and fixed daily charges and agreeing the total to the invoice raised and the general ledger.▪ Comparing expected revenue, based on kilowatt hours billed and tariffs, to actual revenue and investigating any variances outside the audit threshold.▪ Testing management's estimate of the allowance for doubtful debts and bad debt expense, and the data upon which the estimate is based.▪ Comparing the value and nature of write-offs of receivable to management's estimate of the allowance for doubtful debts.

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 2018, 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* 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 2(a), 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 has no realistic alternative but to do so.



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, designs and performs 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 Director's 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 October 2018

Statement of profit or loss and other comprehensive income

For year ended 30 June 2018

	Note	2018	2017
		\$'000	\$'000
Revenue	4(a)	413,732	426,273
Community Service Obligation	4(b)	79,542	77,809
Interest revenue	4(c)	918	802
Energy cost of sales	5(a)	(460,375)	(477,727)
Employee benefits expense	5(b)	(7,792)	(7,150)
External service agreements	5(c)	(4,430)	(4,241)
Depreciation and amortisation expense	5(d)	(649)	(55)
Other expenses	5(e)	(6,548)	(6,172)
Profit before tax		14,398	9,539
Income tax expense	6(a)	4,320	2,862
Profit for the year		10,078	6,677
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		10,078	6,677

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Statement of financial position

As at 30 June 2018

	Note	2018	2017
		\$'000	\$'000
Current assets			
Cash and cash equivalents	7	45,323	60,812
Trade and other receivables	8	70,828	66,698
Other current assets	9	8,538	17,186
Total current assets		124,689	144,696
Non - current assets			
Property, plant and equipment	10	481	4,299
Intangible assets	11	5,826	-
Deferred tax assets	6(d)	4,192	4,134
Total non - current assets		10,499	8,433
Total assets		135,188	153,129
Current liabilities			
Trade and other payables	12	56,266	61,344
Current tax liabilities	6(c)	2,036	2,645
Provisions	14(a)	10,982	11,003
Other current liabilities	13	11,730	10,680
Total current liabilities		81,014	85,672
Non - current liabilities			
Provisions	14(b)	103	126
Total non - current liabilities		103	126
Total liabilities		81,117	85,798
Net assets		54,071	67,331
Equity			
Contributed equity	15	47,666	47,666
Retained earnings	16	6,405	19,665
Total equity		54,071	67,331

The above Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

For year ended 30 June 2018

	Note	Contributed equity	Retained earnings	Total
		\$'000	\$'000	\$'000
Balance at 1 July 2017		47,666	15,499	63,165
Profit for FY2017		-	6,677	6,677
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive income for the year		-	6,677	6,677
Dividends paid or provided for	14	-	(2,511)	(2,511)
Contributed equity		-	-	-
Balance at 30 June 2017	16	47,666	19,665	67,331
Balance at 1 July 2018		47,666	19,665	67,331
Profit for the year		-	10,078	10,078
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive income for the year		-	10,078	10,078
Dividends paid or provided for	14	-	(23,339)	(23,339)
Contributed equity	16	-	-	-
Balance at 30 June 2018		47,666	6,405	54,071

The above Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Statement of cash flows

For year ended 30 June 2018

	Note	2018	2017
		\$'000	\$'000
Cash Flow from Operating Activities			
Receipts from customers		410,652	432,422
Payments to suppliers and employees		(461,017)	(474,033)
Payment of income tax		(4,987)	(3,501)
Payments for Renewable Energy Certificates		(14,602)	(21,876)
Community Service Obligation received		79,542	77,809
Interest received		918	802
Interest paid		-	-
Net Cash Provided by Operating Activities	21	10,506	11,623
Cash Flow from Investing Activities			
Proceeds from sale of property, plant and equipment		-	-
Payments for property, plant and equipment		(2,657)	(3,378)
Net Cash Used in Investing Activities		(2,657)	(3,378)
Cash Flow from Financing Activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Contributed equity		-	-
Dividends paid		(23,339)	(2,511)
Net Cash Used in Financing Activities	16	(23,339)	(2,511)
Net decrease in cash and cash equivalents		(15,489)	5,734
Cash and cash equivalents at the beginning of the period		60,812	55,078
Cash and cash equivalents at the end of the period	7	45,323	60,812

The above Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1 Corporate information

Power Retail Corporation trading as Jacana Energy (the Corporation) is a Government Owned Corporation under the *Power Retail Corporation Act 2014*.

The addresses of its registered office and principal place of business are as follows:

Registered office

Level 3, 24 Mitchell Street

Darwin NT 0800

Principal place of business

Level 3, 24 Mitchell Street

Darwin NT 0800

The principal business activities of the Corporation are the buying and selling of electricity and the provision of energy retail services to the people of the Northern Territory.

The Corporation was incorporated on 29 May 2014.

2 Significant accounting policies

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Government Owned Corporations Act*, Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

For the purposes of preparing the financial statements, the Corporation is a for-profit entity.

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements were authorised for issue by the Directors on 11 October 2018.

(b) Basis of preparation

The financial statements have been prepared on the basis of historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, which is the Corporation's functional and presentation currency.

The Corporation is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The Corporation has adopted all new and revised accounting Standards issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

Any new, revised or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

Application of new and revised Accounting Standards

The Corporation has not applied any new and revised accounting standards during the year.

Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standard AASB 2014-7	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and the relevant amending standard AASB 2014-5 and AASB 2016-3	1 January 2018	30 June 2019
AASB 16 'Leases', and the relevant amending standards	1 January 2019	30 June 2020

The Corporation is yet to undertake a detailed assessment of the impact of these standards and interpretations. However, based on the Corporation's preliminary assessment, the application of these standards is not expected to have a material impact on the disclosures in the financial statements.

(c) Revenue recognition

Electricity sales and unbilled electricity sales

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

Revenue from the sale of electricity to retail customers is recognised at the time of the provision of the electricity to the customer. Income from the sale of retail electricity is the value of electricity units supplied to customers during the year. Included in this income is unbilled electricity. Unbilled electricity sales is an estimate of the value of electricity units supplied to customers between the date of the last meter reading and the year end, and is included in electricity sales.

Community Service Obligation

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

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Income tax

The Corporation is required to make income tax equivalent payments to the Northern Territory Government based on taxable income.

Income tax equivalent payments are made pursuant to section 33 of the *Government Owned Corporations Act* and are based on rulings set out in the National Tax Equivalent Regime's manual. The manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the Income Tax Assessment Acts 1936 and 1997.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, deposits held at call with financial institutions and other short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash.

(f) Receivables

Trade receivables, which generally have 21 day terms for mass market customers and 14 day terms for contracted customers, are recognised and carried at original invoice amount less an allowance for any impaired receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

(g) Renewable Energy Certificates

Under the *Renewable Energy (Electricity) Act 2000*, parties on grids of more than 100 MW making wholesale acquisitions of electricity (relevant acquisitions) are required to demonstrate that they are supporting the generation of renewable electricity by purchasing Renewable Energy Certificates (RECs). The Act imposes an annual liability, on a calendar year basis, by applying the

specified renewable power percentage and small-scale technology percentage to relevant volume sales of electricity. These parties demonstrate compliance by surrendering RECs to the Clean Energy Regulator (CER). Large-scale generation certificates are surrendered annually between 1 January and 14 February for the previous calendar year (compliance year). Small-scale technology certificates are surrendered on a quarterly basis. RECs purchased are recognised as an asset at their purchase price until they are surrendered.

The RECs liability is extinguished by surrendering an equivalent number of RECs with a penalty applying for any shortfall. The Corporation's liability is based on actual volume sales of electricity for the last calendar year multiplied by the CER specified renewable power percentage for that year.

The REC liability per certificate is reflective of the average cost of REC purchases.

(h) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

- Office equipment 2-10 years
- Fixtures and fittings 2-10 years

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

Any item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Corporation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(i) Intangibles

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis

over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

Software

Significant costs associated with software are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of software is 2.5 years. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(j) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

(k) Employee benefits

Short-term employee benefits

Liabilities in respect of wages and salaries, 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 and measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments, 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.

(l) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

(m) Financial instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

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

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(n) Dividends

The Northern Territory Government's dividend policy requires the Corporation to declare a dividend, generally at a rate of 50% of net profit after tax.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Unbilled electricity sales and cost of sales

Unbilled electricity sales is an estimate of the value of electricity units supplied to customers between the date of the last meter reading and the year end, and is included in electricity sales. Therefore, the Corporation estimates the amount of electricity consumed at reporting date that is yet to be billed.

Unbilled cost of sales, specifically, generation, networks and system control is also estimated as these charges are billed monthly in arrears. Therefore, the Corporation estimates the charges at reporting date that are yet to be invoiced.

Provision for doubtful debts

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

4 Revenue

		2018	2017
		\$'000	\$'000
(a)	Revenue		
	Sale of goods	410,399	424,777
	Other revenue	3,333	1,496
		413,732	426,273
(b)	Community Service Obligation	79,542	77,809
(c)	Interest revenue	918	802
	Total revenue	494,192	504,884

5 Expenses

		2018	2017
		\$'000	\$'000
(a)	Energy costs of sales		
	Generation	(271,676)	(282,037)
	Networks and system control	(157,726)	(166,695)
	Renewable energy certificates	(22,425)	(22,769)
	Energy purchased for resale	(7,378)	(5,347)
	Alternative control charges	(516)	(229)
	Prepaid token expenses	(729)	(650)
		(460,375)	(477,727)
(b)	Employee benefits expense		
	Salary and wages	(5,857)	(5,634)
	Superannuation expense	(565)	(592)
	Fringe benefits expense tax	(26)	(6)
	Payroll tax	(401)	(364)
	Contract labour	(943)	(554)
		(7,792)	(7,150)
(c)	External service agreements	(4,430)	(4,241)
(d)	Depreciation and amortisation expense	(649)	(55)
(e)	Other expenses		
	Grants and subsidies	(206)	(219)
	Bad and doubtful debts expense	(2,056)	(2,235)
	Auditors' remuneration	(97)	(89)
	Rental expenses	(610)	(582)
	Other expenses	(3,579)	(3,047)
		(6,548)	(6,172)
	Total expenses	479,794	495,345

6(a) Income tax recognised in profit or loss

		2018	2017
		\$'000	\$'000
	Current tax		
	In respect of the current year	4,378	3,976
	In respect of the prior year	-	-
		4,378	3,976
	Deferred tax		
	In respect of the current year	(58)	(1,114)
	Other	-	-
		(58)	(1,114)
	Total income tax recognised in the current year	4,320	2,862

6(b) The income tax for the year can be reconciled to accounting profit

		2018	2017
		\$'000	\$'000
	Profit before tax	14,398	9,539
	Income tax expense calculated at 30%	4,320	2,862
	Effect of income that is exempt from taxation	-	-
	Effect of expenses that are not deductible in determining taxable profit	-	-
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	-
	Total income tax recognised in the current year	4,320	2,862

The tax rate used for the 2018 and 2017 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

6(c) Current tax assets and liabilities

		2018	2017
		\$'000	\$'000
	Current tax assets		
	Benefit of tax losses to be carried back to recover taxes paid in prior periods	-	-
	Tax refund receivable	-	-
	Current tax liabilities		
	Income tax payable	2,036	2,645
	Other	-	-
		2,036	2,645

6(d) Deferred tax balances

		2018	2017
		\$'000	\$'000
	Deferred tax balances are presented in the statement of financial position as follows:		
	Deferred tax assets	4,214	4,153
	Deferred tax liabilities	(22)	(19)
		4,192	4,134

2018	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Contribution from Owner	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Temporary differences					
Property, plant & equipment	-	-	-	-	-
Employee entitlements	265	(51)	-	-	214
Doubtful debts	785	3	-	-	787
Provisions	3,074	38	-	-	3,112
Accrued revenue	(19)	(3)	-	-	(22)
Accrued expenses	21	(72)	-	-	93
Other	8	-	-	-	8
	4,134	58	-	-	4,192

2017	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Contribution from Owner	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Temporary differences					
Property, plant & equipment	-	-	-	-	-
Employee entitlements	186	79	-	-	265
Doubtful debts	567	218	-	-	785
Provisions	2,259	815	-	-	3,074
Accrued revenue	(26)	7	-	-	(19)
Accrued expenses	29	(8)	-	-	21
Other	5	3	-	-	8
	3,020	1,114	-	-	4,134

7 Cash and cash equivalents

		2018	2017
		\$'000	\$'000
	Cash at bank	45,323	60,812
	Total cash and cash equivalents	45,323	60,812

8 Trade and other receivables

		2018	2017
		\$'000	\$'000
	Trade receivables	34,150	31,107
	Provision for doubtful debts	(2,626)	(2,617)
		31,524	28,490
	Unbilled consumption	38,762	37,782
	Goods and services tax	469	362
	Related party receivables	73	64
	Total trade and other receivables	70,828	66,698

8(a) Age of receivables that are past due but not impaired

		2018	2017
		\$'000	\$'000
	30 – 60 days	1,313	2,015
	60 – 90 days	1,505	757
	Over 90 days	85	136
		2,904	2,908

8(b) Movement in the provision for doubtful debts

		2018	2017
		\$'000	\$'000
	Balance at the beginning of the year	2,616	1,890
	Recognised at structural separation	-	-
	Impairment losses recognised on receivables	2,790	2,653
	Amounts written off during the year as uncollectible	(2,406)	(1,785)
	Amounts recovered during the year	(374)	(142)
	Balance at end of the year	2,626	2,616

In determining the recoverability of a trade receivable, the organisation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

9 Other current assets

		2018	2017
		\$'000	\$'000
	Renewable Energy Certificates	8,531	16,228
	Other current assets	7	3
	Loan – Power Water Corporation	-	955
	Total other current assets	8,538	17,186

10 Property, plant and equipment

2018	Plant and equipment	Capital WIP	Total
Cost	\$'000	\$'000	\$'000
Balance at the beginning of the year	640	3,714	4,354
Additions	-	-	-
Disposals	(316)	(3,468)	(3,784)
Impairment	-	-	-
	324	246	570
Accumulated depreciation			
Balance at the beginning of the year	(55)	-	(55)
Depreciation	(34)	-	(34)
Disposals	-	-	-
	(89)		(89)
Net book value	235	246	481

2017	Plant and equipment	Capital WIP	Total
Cost	\$'000	\$'000	\$'000
Balance at the beginning of the year	114	917	1,031
Additions	526	2,797	3,323
Disposals	-	-	-
Impairment	-	-	-
	640	3,714	4,354
Accumulated depreciation			
Balance at the beginning of the year	(6)	-	(6)
Depreciation	(49)	-	(49)
Disposals	-	-	-
	(55)	-	(55)
Net book value	585	3,714	4,299

11 Intangible assets

2018	Software	Total
Cost	\$'000	\$'000
Balance at the beginning of the year	-	-
Capitalisation	6,441	6,441
Accumulated amortisation	(615)	(615)
Accumulated impairment	-	-
Written down value	5,826	5,826

2017	Software	Total
Cost	\$'000	\$'000
Balance at the beginning of the year	-	-
Capitalisation	-	-
Accumulated amortisation	-	-
Accumulated impairment	-	-
Written down value	-	-

12 Trade and other payables

	2018	2017
	\$'000	\$'000
Trade payables	8,655	8,990
Goods and services tax	-	-
Accrued expenses	13,510	16,404
Unbilled consumption	34,101	35,950
Loan – Power Water Corporation	-	-
	56,266	61,344

13 Other current liabilities

		2018	2017
		\$'000	\$'000
	Payments received in advance	10,980	9,930
	Security deposit	750	750
		11,730	10,680

14 Provisions

		2018	2017
		\$'000	\$'000
(a)	Current		
	Employee benefits	611	757
	Dividend	-	-
	Renewable Energy Certificates	10,372	10,246
		10,982	11,003
(b)	Non-Current		
	Employee benefits	103	126
		103	126
		11,085	11,129

		2018	2017
		\$'000	\$'000
	Renewable Energy Certificates		
	Balance at the beginning of the year	10,246	7,530
	Provisions made during the year	23,508	20,084
	Provision utilised during the year	(23,382)	(17,368)
	Balance at end of the year	10,372	10,246

		2018	2017
		\$'000	\$'000
(c)	Dividends		
	Balance at the beginning of the year	-	-
	Dividend declared for the year	23,339	2,511
	Dividend paid during the year	(23,339)	(2,511)
	Balance at end of the year	-	-

15 Contributed equity

		2018	2017
		\$'000	\$'000
	1 Share	-	-
	Contributed equity	47,666	47,666
		47,666	47,666

The *Government Owned Corporations Act 2001* requires the Corporation to have share capital to be held by one shareholder only, being the Shareholding Minister, who holds the share on behalf of the Northern Territory Government. The Corporation's constitution specifies the share capital to be one share. No value is assigned to the share.

16 Retained earnings

		2018	2017
		\$'000	\$'000
	Retained Earnings		
	Balance at the beginning of the year	19,665	15,499
	Profit / (loss) for the year	10,078	6,677
	Dividend declared for the year	(23,339)	(2,511)
	Balance at end of the year	6,405	19,665

On 16 November 2017, an ordinary dividend of \$3.3 million was paid to the Corporation's shareholder representing 50% of net profit after tax for the 2017 year.

On 29 June 2018, a special dividend of \$20 million was paid to the Corporation's shareholder in accordance with section 31 of the *Government Owned Corporations Act*.

17 Commitments for expenditure

Capital expenditure commitments represent contracted capital expenditure with non-public sector entities additional to the amounts reported in the financial statements. These contracts are expected to require payment as follows:

Capital Expenditure commitments

	2018	2017
	\$'000	\$'000
Within one year	194	2,813
Later than one year but not later than five years	-	-
Later than five years	-	-
	194	2,813

Operating lease commitments

Future non-cancellable operating lease commitments are payable as follows:

	2018	2017
	\$'000	\$'000
Within one year	570	643
Later than one year but not later than five years	1,140	1,701
Later than five years	-	-
	1,710	2,344

Other non-cancellable commitments

	2018	2017
	\$'000	\$'000
Within one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-

18 Auditors' remuneration

	2018	2017
	\$	\$
Services		
Audit of the financial statements	97,167	89,146
Other services	-	-
Auditors' remuneration	97,167	89,146
The auditor of the Corporation is the Northern Territory Auditor-General.		

19 Key management personnel compensation

Director remuneration

The following table discloses the remuneration details for non-executive directors during the current and previous financial year:

	Number of Directors	Director Fees	Committee Fees	Superannuation	Total
		\$	\$	\$	\$
2018	3	185,026	22,866	19,750	227,642
2017	3	185,026	22,866	19,750	227,642

Director remuneration principles

Non-executive directors are appointed by the Administrator in accordance with the GOC Act.

Directors are entitled to reimbursement of reasonable expenses incurred while attending to Board business.

Executive remuneration

The following table disclose the remuneration details for senior executives during the current and previous financial years.

	2018	2017
	\$	\$
Short-term employee benefits	1,166,816	1,637,573
Post-employment benefits	-	-
Other long-term benefits	1,990	67,896
Termination benefits	227,910	-
Total compensation of key management personnel	1,396,716	1,705,469
Note: Vehicles are included in the base salaries as they are optional and form part of the total employment package.		

Executive remuneration principles

The Corporation's approach to executive remuneration is designed to attract, retain and motivate competent and experienced executive management personnel.

In determining the classification of each role and the appropriate salary band, a number of factors are considered. These are:

- Knowledge and expertise required to competently perform the role;
- The level and type of judgement required; and
- The type and level of accountability.

Market considerations, competence and performance are factors in determining salary positioning within the band.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave and salary sacrifice provisions.

20 Related party disclosures

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 19 to the financial statements.

Transactions with key management personnel

All transactions with key management personnel, including the supply of electricity for domestic purposes and to key management personnel related entities, were conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Controlling entity

The Northern Territory Government is the ultimate parent entity of Jacana Energy.

The Corporation retails electricity and undertakes certain other transactions with government entities on an arm's length basis in the normal course of business and on commercial terms and conditions.

The Corporation purchased electricity distribution services from Power and Water Corporation. The Corporation purchased electricity generated by Territory Generation.

All transactions with Power and Water Corporation and Territory Generation are on an arm's length basis in the normal course of business and on commercial terms and conditions.

During the year, the Corporation entered into the following trading transactions with related parties:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related Party	\$'000	\$'000	\$'000	\$'000
2018 Government Owned Corporations	10,733	433,439	908	45,409
2017 Government Owned Corporations	9,236	455,158	1,108	51,314

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current year for bad or doubtful debts (2017: Nil) in respect of the amounts owed by related parties.

21 Notes to the statement of cash flows

	2018	2017
	\$'000	\$'000
Profit for the year	10,078	6,677
Deferred tax expense recognised in profit or loss	(58)	(1,114)
Income tax expense recognised in profit and loss	(609)	2,646
Impairment reversal less impairment write-down	-	2,235
Depreciation and amortisation of non-current assets	649	55
Working capital acquired		
Movements in working capital		
Increase in trade and other receivables	(4,130)	3,198
Decrease in other assets	8,648	(1,823)
Decrease in trade and other payables	(5,078)	(3,486)
Decrease in provisions	(44)	283
Increase in other liabilities	1,050	2,952
Net cash generated by operating activities	10,506	11,623

22 Financial instruments

Capital risk management

The Corporation manages its capital to ensure that the Corporation will be able to continue as a going concern while maximising the return to its shareholder through the optimisation of the debt and equity balances. The capital structure of the Corporation consists of equity of the Corporation (comprising contributed equity and retained earnings); the Corporation does not currently have any borrowings.

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

Categories of financial instruments

	2018	2017
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents balances	45,323	60,812
Loans and receivables:	-	-
Trade and other receivables	70,828	66,698
	116,150	127,510

	2018	2017
	\$'000	\$'000
Financial Liabilities		
Amortised cost:		
Trade and other payables	56,266	61,344
Provisions	11,085	11,129
Other current liabilities	11,730	10,680
	79,082	83,153

Financial risk management

The Corporation's Finance department provides services to the Corporation, coordinates access to financial markets, and manages the financial risks relating to the operations of the Corporation.

The Corporation does not enter into or trade financial instruments, including derivative financial instruments.

Foreign currency risk management

The Corporation does not undertake transactions denominated in foreign currencies; consequently the Corporation is not exposed to exchange rate fluctuations.

Commodity price risk

The Corporation's exposure to commodity price risk is minimal.

Interest rate risk management

The Corporation does not borrow funds; consequently the Corporation is not exposed to interest rate risk. The variable interest rate received on assets is determined by the Department of Treasury and Finance.

Credit risk management

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. The credit risk on receivables has been recognised in the Statement of Financial Position and reflects the carrying amount net of any allowance for doubtful debts. The Corporation has a minimal concentration of credit risk as it undertakes transactions with a large number of customers and counterparties. The Corporation is not materially exposed to any individual customer.

Liquidity risk management

The following tables detail the Corporation's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the Corporation can be required to pay its financial liabilities and receive its financial assets. The tables include both principal and interest cash flows.

2018	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total
Financial assets					
Non-interest bearing	0.0%	70,828	-	-	70,828
Variable interest rate	1.5%	45,323	-	-	45,323
		116,150	-	-	116,150
Financial liabilities					
Non-interest bearing	0.0%	79,082	-	-	79,082
Variable interest rate	0.0%	-	-	-	-
		79,082	-	-	79,082

2017	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total
Financial assets					
Non-interest bearing	0.0%	66,698	-	-	66,698
Variable interest rate	1.5%	60,812	-	-	60,812
		127,510	-	-	127,510
Financial liabilities					
Non-interest bearing	0.0%	83,153	-	-	83,153
Variable interest rate	0.0%	-	-	-	-
		83,153	-	-	83,153

23 Subsequent events

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



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