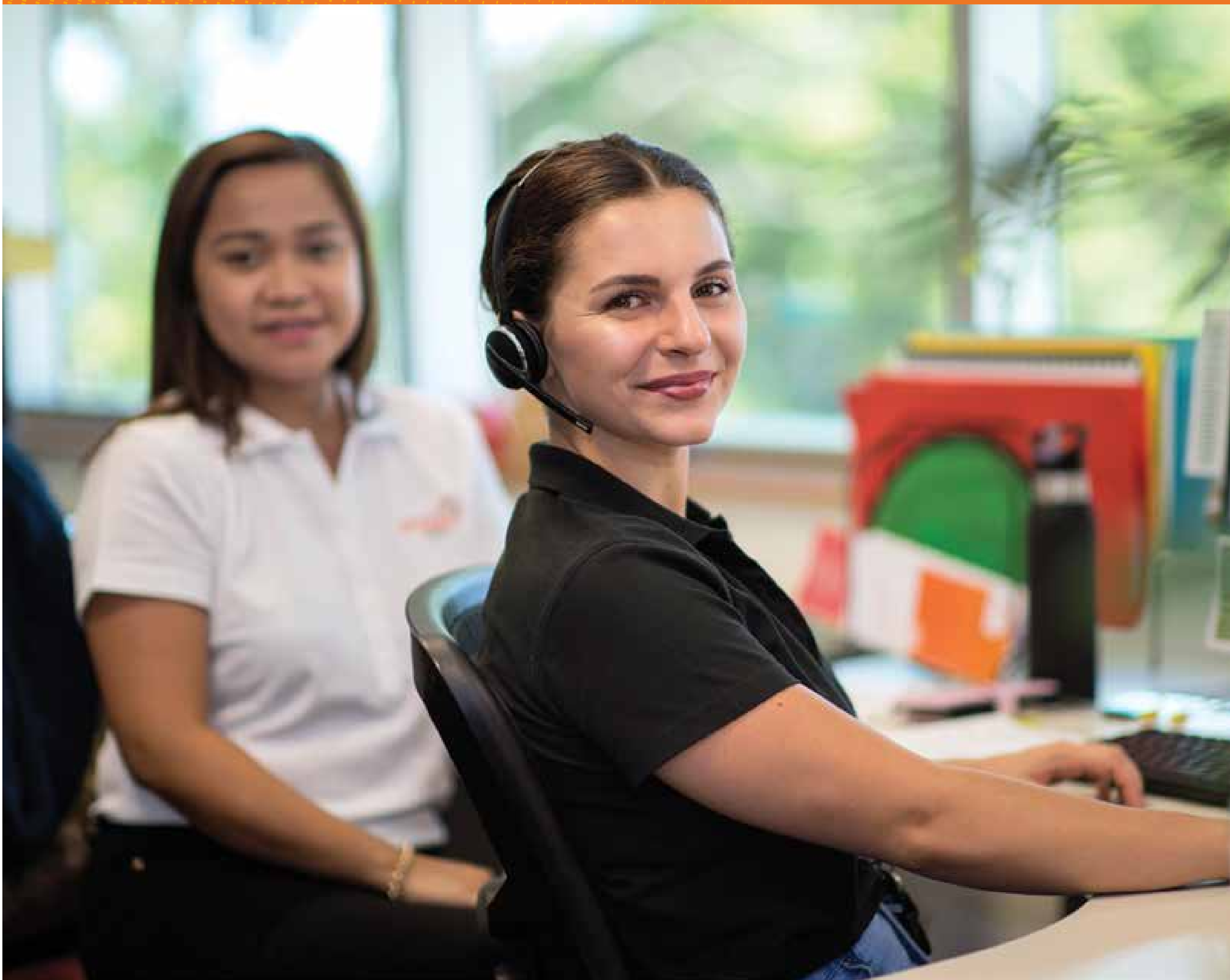

Annual Report 2016-17

Jacana ENERGY

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PURPOSE OF THIS REPORT

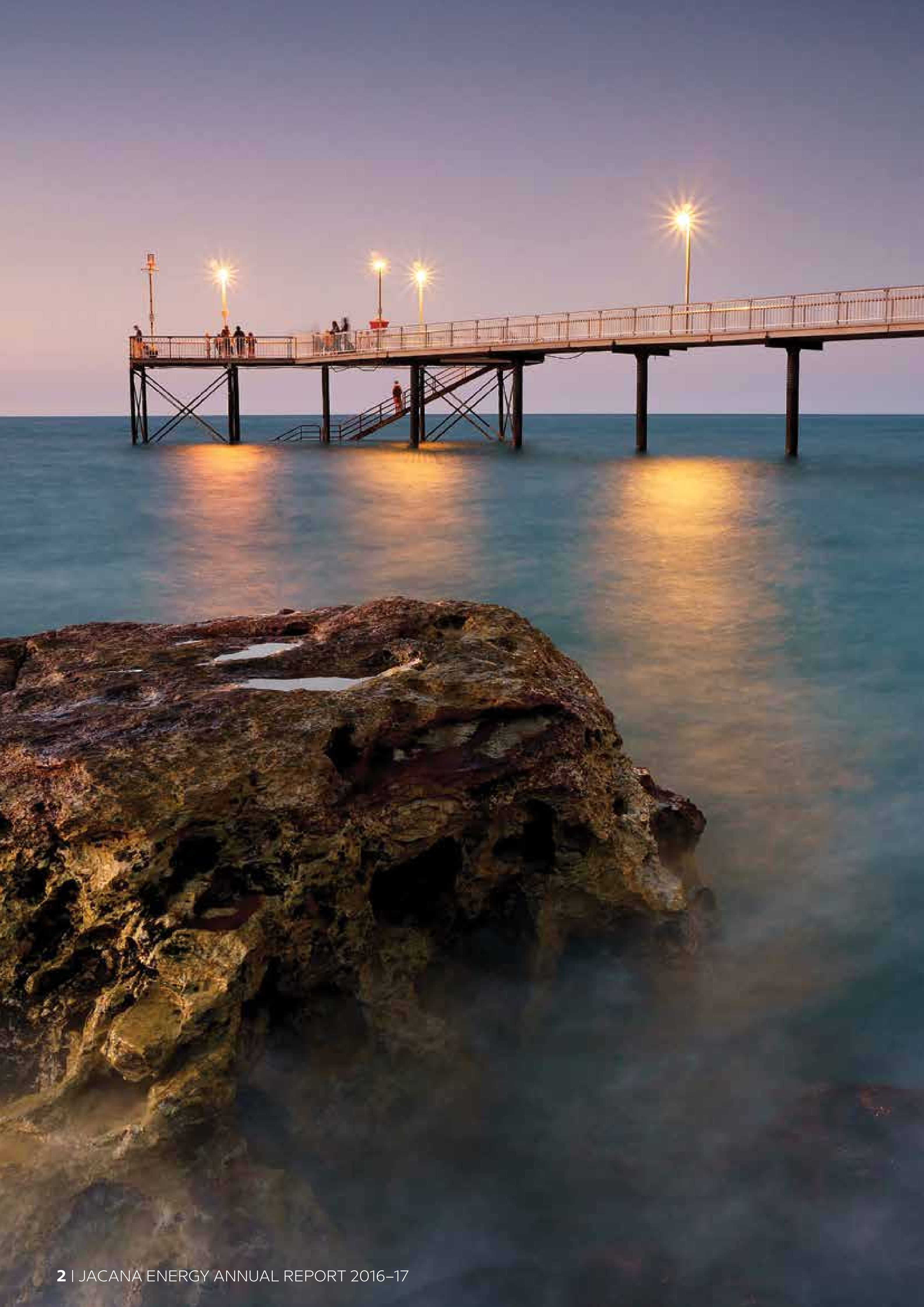
Jacana Energy's Annual Report outlines the Corporation's operations and achievements for the 2016–2017 financial year.

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 2016–2017 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 our Shareholder

Hon Nicole Manison MLA
Treasurer
Northern Territory Government
DARWIN 0800

29 September 2017

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 2017 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 2017. We are pleased to report that during this year our key achievements have included:

- a profit before tax of $9.5 million
- a declared post year-end dividend of $3.3 million
- further improvements in customer service capability
- diversifying generation supply
- improved operational capability and independence:
  - implemented a new Financial Management System
  - implemented a Retail Operating System for large Commercial and Industrial Customers
  - full transition of Credit Management Services from Power and Water Corporation to the Jacana Energy Team in Alice Springs.
- supporting vulnerable Territorians through financial hardship funding programs.

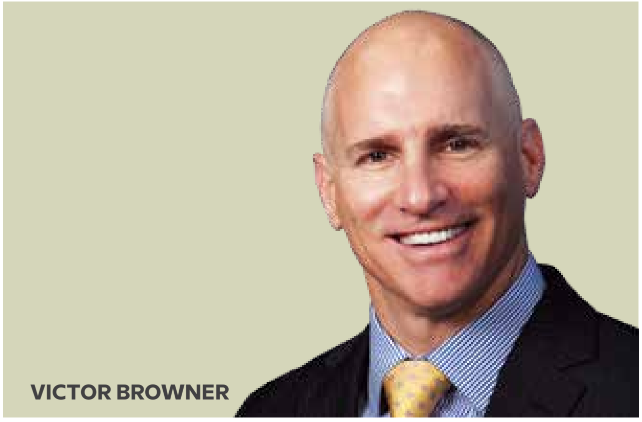
We look forward to continuing our support for Territorians in 2017-2018.

Yours sincerely,

Noel Faulkner
Chairman

Victor Browner
Chief Executive Officer

Overview from the Chairman and CEO



In just our third year of operations, Jacana Energy has delivered strong financial results, transitioned key customer service and operational functions in-house, continued our effort to improve efficiency and reduce costs and strengthened our position as an integral part of the Territory community. Jacana Energy has also appointed a new Chief Executive Officer, Victor Browner, who has replaced inaugural Chief Executive, Stuart Pearce.

Sound financial results

Our Earnings Before Interest and Tax (EBIT) for 2016–2017 is $9.5 million which was well above our Statement of Corporate Intent (SCI) target of $0.2 million. Jacana Energy achieved this result despite a challenging market environment and the result will enable Jacana Energy to return $6.2 million to the government in the form of dividend and tax equivalent payments.

Customer service

Jacana Energy is serious about customer service and delivering on this promise is at the centre of everything we do.

The implementation of a modern Retail Operating System to provide enhanced service to customers remains a priority for 2017-2018. This system is currently serving our Commercial and Industrial Customers and will be extended to Mass Market Customers during the 2018 financial year.

The successful transition of the Customer Contact and Credit Management functions from Power and Water Corporation to Jacana Energy allows us to better manage our standard of service and the quality of interactions with our customers. Jacana Energy's people are now delivering our customer services, and we are embedding a customer and people focus in our culture and in everything we do.

Jacana Energy measures one aspect of customer service by the Grade of Service and Abandonment Rate of our Contact Centre. In 2016-2017 this was 69.3 per cent and 4.2 per cent respectively; an improvement in service level compared to the previous year where the Grade of Service and Abandonment Rate averaged 58.6 per cent and 5.3 per cent respectively.

Diversifying generation supply

Generation supply is the biggest cost for Jacana Energy and represents approximately 57 per cent of total costs. Consequently, sourcing alternative generation supply to achieve lower generation prices and greater diversity of supply is a key goal for our business.

During the financial year, Jacana Energy successfully negotiated a Power Purchase Agreement with Energy Developments Limited (EDL). Jacana Energy started receiving electricity under this agreement in June. This agreement will result in EDL producing electricity for Jacana Energy's customers from its Pine Creek plant providing enough electricity to power up to 30,000 homes.

The commencement of this agreement heralds the start of competition in the wholesale electricity market, which Jacana Energy believes will help constrain electricity costs.

Jacana Energy also sought expressions of interest from Northern Territory renewable generation developers. The program received many favourable proposals. Discussions are progressing well with the short-listed proponents and are expected to result in further diversification of Jacana Energy's supply portfolio, and further constrain electricity costs.

Investing in our people

During the financial year, Jacana Energy has invested in our people with culture-focused initiatives and additional training. All employees have participated in a program to establish our preferred organisational culture. This is aimed at improving organisational performance and employee engagement.

Improving operational capability and delivering efficiencies

Jacana Energy has limited control over the Corporation's major costs and this is a key challenge. Major costs, such as generation and network costs, represent 90 per cent of all costs. The Corporation only has a direct impact on our own operational expenditure, which represents just 3 per cent of our costs.

Notwithstanding this, it is critical that we operate as efficiently as possible and during the financial year, Jacana Energy completed several priority projects to enable us to drive greater efficiency and improve the quality of customer service.

These included: transition of key customer and credit functions from Power and Water Corporation to Jacana Energy, and implementing a new Financial System and Retail Operating System.

Part of the community

Jacana Energy is very proud to be part of the Territory community and provides financial assistance to Territorians. The Corporation also supports and participates in iconic Territory community events.

In 2016–2017, 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

Jacana Energy is confident that the strategic projects implemented and underway 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 can be proud of. Jacana Energy thanks our Shareholding Minister and Portfolio Minister and other key stakeholders, especially our staff, for their support throughout the year.

Yours sincerely,

Noel Faulkner
Chairman

Victor Browner
Chief Executive Officer

Performance targets

Key performance indicator	Unit	2016-17 Actual	2016-17 SCI	Status
Gross Margin	% Revenue	5.3	4.0	
Cost to Serve	A$/customer	184	165	
EBIT	A$ million	9.5	0.2	
Return on Equity	%	10.2	4.0	
Grade of Service	%	69.3	70.0	
Abandonment Rate	%	4.2	<5.0	

Jacana Energy delivered an EBIT of $9.5 million compared to a target of $0.2 million. This result was largely due to a better than forecast Gross Margin. Jacana Energy's actual Gross Margin percentage across all customer segments was 5.3 per cent of revenue compared to its target of 4 per cent. A key driver of this performance was our ability to retain and win-back important commercial and industrial customers, and manage our supply costs.

The better than anticipated earnings performance enabled Jacana Energy to deliver a Return on Equity of 10.2 per cent compared to a target of 4 per cent.

The Cost to Serve of $184 compared to the target of $165 is largely due to the delayed implementation of our Finance System and Retail Operating System projects. The delays resulted in one-off higher than anticipated costs.

Jacana Energy's Grade of Service and Abandonment Rate for 2016-2017 averaged 69.3 per cent and 4.2 per cent respectively. This followed the transition of the Contact Centre and Credit Management functions from Power and Water Corporation to Jacana Energy.

This is a significant improvement in service level compared to the previous year where the Grade of Service and Abandonment Rate averaged 58.6 per cent and 5.3 per cent respectively. This is a result of our continued focus on the way we meet our customers' expectations in our day to day interactions, 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.

COST TO SERVE: Cost to Serve is calculated by dividing Operating Costs (less bad and doubtful debts) by average account numbers.

EBIT: EBIT is Earnings 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.

Who we are

At Jacana Energy, we are committed to delivering a superior experience to our customers. We're a young business, and we are excited about our journey to deliver customer-focused and forward-thinking energy solutions for more than 80,000 customers across the Northern Territory.

Jacana Energy is owned by the NT Government and was created on 1 July 2014 through reform of the electricity industry.

Because we are local we know the Territory, bringing local knowledge and outlook to our operations with our teams physically based in Darwin and Alice Springs.

Our purpose

To create value now and into the future by delivering seamless energy-related solutions to achieve the needs of our customers, stakeholders and shareholder.

What we do

Creating value

We create value for our customers by:

- providing electricity services to more than 80,000 business and residential customers
- facilitating competition between generators to drive down wholesale energy costs
- purchasing wholesale energy and renewable energy certificates, managing the risks associated with this and passing the benefit on to customers
- acting as the consumer advocate to make it easier to deal with other industry participants
- using customer insight to develop a range of retail energy products and services to meet different customer needs
- supporting larger customers with personalised local account management services
- providing customers with timely and accurate billing with a variety of payment options across a range of convenient channels
- delivering high quality, efficient customer service.

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

Our customers

We look after 80,000 customers in urban, regional and remote centres across the Northern Territory, including:

- Adelaide River
- Alice Springs
- Batchelor
- Borroloola
- Daly Waters
- Darwin
- Elliott
- Katherine
- Kings Canyon
- Larrimah
- Mataranka
- Newcastle Waters
- Palmerston
- Pine Creek
- Tennant Creek
- Ti Tree
- Timber Creek
- Yulara
- Rural areas, surrounding cities and towns.

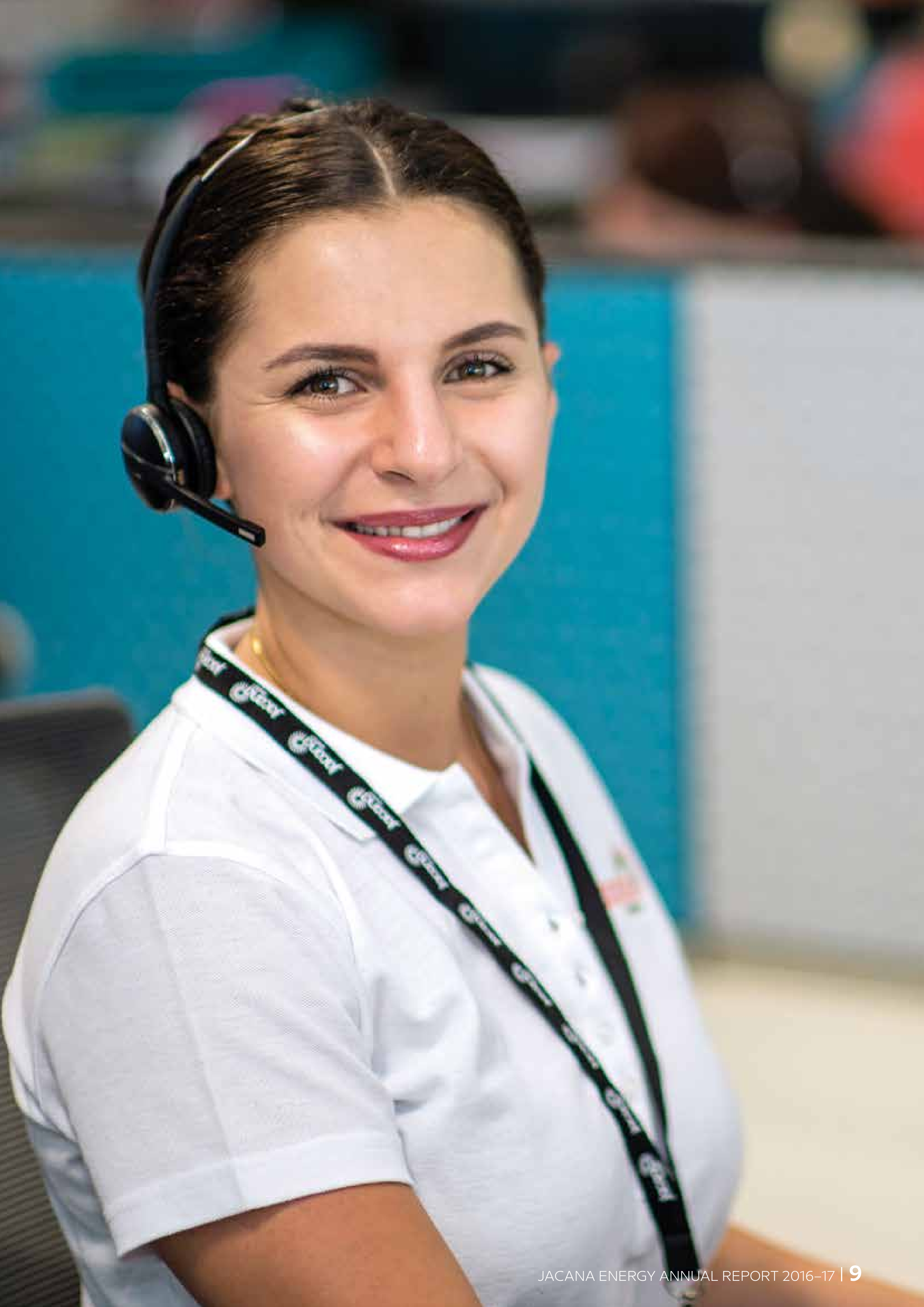
Outlook

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.

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.

Strategic objectives	Strategies
Deliver a superior customer experience	• Deliver a consistent and positive customer experience • Understand our customers' needs • Automate processes, provide alternative solutions • Provide transparency in key processes • Focus on the basics
Become a valued and trusted brand	• Establish a Customer and Community Reference Council to obtain feedback and assist in understanding customer needs • Ensure our vulnerable customers are looked after • Embed a customer-centric culture in our business • Build strong relationships with key stakeholders • Ensure sponsorship strategy is aligned to brand
Develop an engaged, motivated team with opportunities for growth	• Benchmark key business processes and Key Performance Indicators against best practice • Attract and retain the right people • Ensure professional development is aligned with strategy • Right culture: customer-centric, innovative, flexible • Align structure with strategy
Maximise value	• Identify and assess non-grid energy solutions • Flexibility in how we deal across the supply chain • Minimise Cost to Serve • Establish a robust risk & compliance framework • Reduce other operating costs • Grow the profitable revenue base • Enhance financial reporting & processes
Result	• Provide greater self-service capability and leverage social media to improve the customer experience • Operate at least as efficiently as any comparable business • Maximise the sustainable return to the Territory on its investment in the Corporation



Governance

Jacana Energy is a Government Owned Corporation. As at the date of this publication Jacana Energy's Shareholding Minister is the Hon Nicole Manison MLA, the Treasurer, and the Portfolio Minister is the Hon Gerry McCarthy MLA, Minister for Essential Services.

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 authorities to the Chief Executive Officer (CEO), management and employees through the Instruments of Delegation policy and other policies.

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 assists the Board in the organisation's governance by providing advice and specific oversight in relation 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 of the CEO and four 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 regularly monitored against these targets, and are formally reviewed on an annual basis.

Biographies of the ELT during or since the end of financial year are set out in the Executive Leadership Team Profiles section of the Annual Report.

Risk management

Risk management is fundamental to our success and sustainability. We aim to have risk management practices embedded and integrated into our business processes, with engagement at all levels to minimise risks. Some specific risks are covered by insurance.

Our Risk Management Framework is designed to proactively and systematically identify, assess, monitor and manage material risks. The Board has ultimate

responsibility to regularly and effectively review and manage the Risk Management Framework with the support of the Audit and Risk Committee.

Key components of the Risk Management Framework are our Risk Appetite Statements, which define the nature and level of risk that the business is willing to accept in relation to the key components of service delivery and enabling activities in the pursuit of its strategic objectives. These statements provide a means of ensuring the Board, ELT and other employees understand the level of risk considered acceptable in undertaking business operations and risk-assessed judgements.

The Risk Appetite Statements define the risk parameters associated with conducting our business in a commercial manner and acting with financial prudence and efficiency. The statements reflect our focus on customer and stakeholder services and define our aspiration to implement a long-term financial strategy that provides a sustainable return to the government and is averse to actions that may impact on projected targets and outcomes.

Our Risk Management Framework identifies internal controls for known risks. Controls exist at the Board, executive and management levels and are designed to safeguard our business interests which include compliance with authority limits, work health and safety, employment, competition and consumer law and internal policies and procedures.

Control systems continue to be developed to ensure that material risks including strategic, operational, legal, commercial, technological, financial and regulatory risks are identified, assessed, addressed and monitored.

The Risk Management Framework covers our employees, management and contractors to ensure they perform their duties and provide services in a manner that complies both with the law and delegated limits of authority.

The Audit and Risk Committee has oversight of the risk management process and oversees risk management policies and procedures. The Audit and Risk Committee regularly reviews the effectiveness of the Risk Management Framework and key mitigation strategies. Executives and senior management are responsible for identifying risks and implementing strategies to mitigate them. Management reports to the Committee on how the risks are being managed.

In 2015, we appointed an audit firm as our independent internal auditor. The internal auditor provides an objective assessment to the Committee and Board regarding the adequacy, effectiveness and efficiency of Jacana Energy's risk management, control and governance processes. The internal auditor and internal audit function have direct access to the Committee Chair.

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 Panel. 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. She has held executive positions in the public sector, establishing effective organisational systems and leading reform agendas. Clare also owns a successful retail business. 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 held several voluntary directorships and is currently Treasurer for Victims of Crime NT.

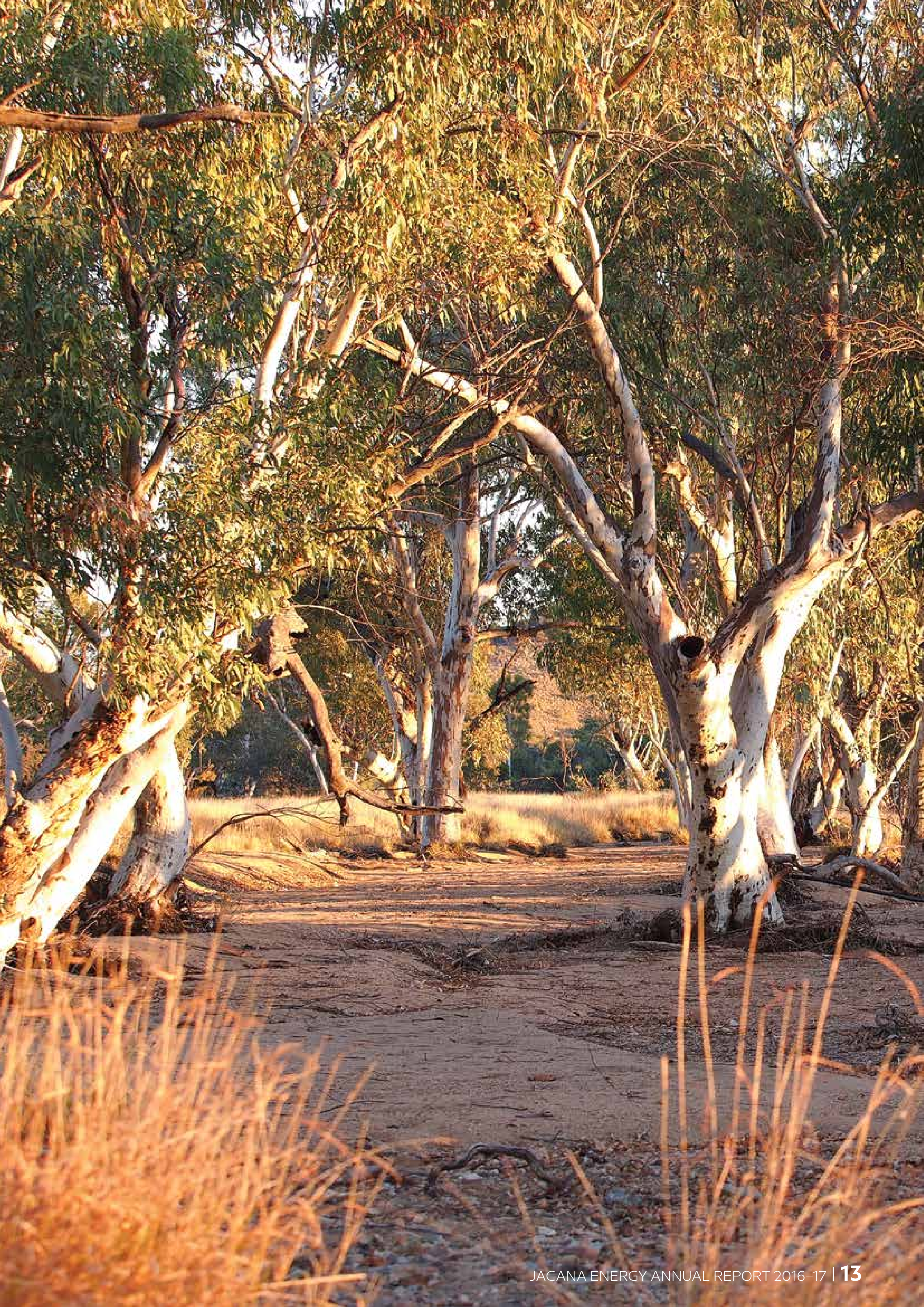
Clare is a Certified Practicing Accountant, with a Bachelor of Commerce (Accounting) and a Post-graduate Certificate in Public Sector Management. She is also a Graduate of the Australian Institute of Company Directors. She has held senior executive positions within the NT Government, including Executive Director 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 was born and raised in Darwin.

Caryle Demarte

Director

Caryle has an extensive background as a senior executive in both the public and private sectors of the energy industry including General Manager of the Victorian Government-owned retailer, Kinetik Energy, and General Manager 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

Victor Browner

Chief Executive Officer

Victor has more than 25 years' leadership and commercial experience gained from senior executive roles in the government and private energy sectors in Australia and internationally.

Victor joined Jacana Energy from the Public Utilities Commission in Western Australia where he was responsible for providing commercial advice to Government on the strategies, activities and performance of government enterprises in the energy sector.

Other relevant roles include General Manager of Alinta in Western Australia, developing power generation in the United States with Enron, and business development and mergers and acquisitions roles within BHP Billiton.

Mr Browner has a Master of Business Administration from the Australian Graduate School of Management at the University of New South Wales, and a Bachelor of Commerce from the University of Queensland. He is also a Certified Practicing Accountant and a member of the Australian Institute of Company Directors.

Stuart Pearce

Chief Executive Officer (Outgoing)

Stuart is a senior energy industry executive with more than 20 years' experience within the electricity supply chain across Australia, New Zealand and South East Asia.

Stuart's key strengths include strategy, leadership, innovation and building business capability. Stuart has led the development and introduction of a range of new energy pricing structures, the management of the retail component of the federal government-funded Smart Grid, Smart City Project, the introduction of value-adding energy and home services, the management of mass market and commercial solar PV, and the introduction of broad based energy usage programs.

Stuart's formal qualifications include a Master of Business (Marketing), Bachelor of Economics and Diploma of Education. He is a Graduate of the Australian Institute of Company Directors, A Fellow of the Australian Marketing Institute and a Certified Practicing Marketer.

Sean Leong

Acting Chief Financial Officer

Sean has held a number of senior executive positions across a broad range of industries and has led some of Australia's most innovative workforces. More recently, as the CEO of Cure Brain Cancer Foundation (*The Australian Financial Review*'s 25th Most Innovative Company, Most Innovative Not-For-Profit two years running 2016 and 2017 on the GiveEasy Innovation Index) and the Head of Trading and Risk Operations in Westpac's Treasury area.

Sean is a Certified Practising Accountant (CPA) and holds a Bachelor of Laws and Bachelor of Commerce degrees from the University of Queensland.

Danny Moore

Executive Manager Sales and Strategy

Danny has more than 10 years' experience in energy retailing having worked in a variety of project, commercial, marketing and operational leadership roles for the top three retailers within the National Electricity Market. With direct experience in transformation programs, regulatory change, flagship smart technology trials, marketing, pricing and operational management, Danny leads Jacana Energy's strategic, commercial and program management functions. Danny holds a Bachelor of Arts degree in IT & Marketing, Postgraduate Diploma in Marketing and is a Graduate of the Australian Institute of Company Directors.

Michael Hoare

Chief Financial Officer (Outgoing)

Michael is an experienced executive and has held executive positions in insurance, banking and most recently the energy industry. He has more than 20 years' experience in financial, executive operational and Board Member roles. Michael holds a Bachelor of Arts degree in Accounting, is a Fellow of the Australian Society of Certified Practising Accountants and Australian Institute of Company Directors. Michael leads Jacana Energy's Finance and Corporate Services functions.

William Oliver

General Counsel and Company Secretary

Will was admitted to practice law in 1998 and is an experienced general counsel and company secretary. He has broad corporate governance experience in the Australian insurance and finance sector. Prior to joining Jacana Energy Will served on the TIO executive team for seven years as general counsel and company secretary, and he held other general management roles. Prior to this Will was a partner in a national law firm. Will is experienced in providing strategic legal and commercial advice to boards and executive management. He is passionate about developing sound risk and compliance frameworks and embedding a strong enterprise-wide risk culture. Will leads the Jacana Energy Legal and Governance team. Will has a Diploma of Law from the NSW Legal Practitioners Admission Board and a Bachelor of Arts from the University of Sydney.

Elise Vervetjes

Executive Manager Operations and Transitional Services

Elise has more than 25 years' senior leadership experience in the private and public sector in Europe and Australia. Elise has more than 12 years' experience in the utility industry and joined Jacana Energy from Power and Water Corporation where she held several senior roles across the Information and Communication Technology, Power Networks, Retail and Remote Operations divisions. Elise's formal qualifications include a Masters in General Management, a Bachelor of Business Economics and Graduate Certificate in Public Sector Management. Elise is also a graduate of the Australian Institute of Company Directors. Elise is passionate about leadership development and leads the operational services teams with responsibility for the delivery of our service to our valued customers.

Financial Statements 30 June 2017

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 2017 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

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

Principal activities

The principal business activity of the Corporation is 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 $9.5 million. The annual results are discussed in detail below.

Total revenue for the year was $504.9 million. This included Community Service Obligation funding of $77.8 million.

Overall expenses excluding tax were $495.4 million for the year. The majority of these expenses related to cost of goods sold expenditure, being predominantly network and system control charges and generation costs of $166.7 million and $282.1 million respectively. Cost of goods sold also included energy purchased for resale of $5.3 million from customers' usage of solar panels and $22.8 million in renewable energy certificates to meet the Clean Energy Regulator requirements. Alternative Control Charges and prepaid token expenses totalled $0.9 million.

Operating expenditure totalled $17.6 million for the year. Included in operating expenditure were external service agreements of $4.2 million which related to contracts held by third parties. Included in the external service agreements is a $3.9 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 $60.8 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

Due to the delay in the implementation of the Retail Operating System, it is now anticipated that most services performed under the current Transitional Services Agreement will transfer by the end of December 2018.

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 $3.3 million.

Indemnification of officers and auditors

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 2017 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	11	11	7	7
Clare Milikins	11	11	7	7
Caryle Demarte	11	11	7	7

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.

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, 29 September 2017

Auditor-General

Independent Auditor's Report to the Board of Directors

Power Retail Corporation

Page 1 of 2

Opinion

I have audited the financial report of Power Retail Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2017, 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 2017 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.

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 2017, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and 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 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.

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155 Fax: 08 8999 7144

Auditor-General

Page 2 of 2

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'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

10 October 2017

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155 Fax: 08 8999 7144

Statement of profit or loss and other comprehensive income
For year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	4(a)	426,273	454,989
Community Service Obligation	4(b)	77,809	59,365
Interest revenue	4(c)	802	1,750
Energy cost of sales	5(a)	(477,727)	(491,202)
Employee benefits expense	5(b)	(7,149)	(5,740)
External service agreements	5(c)	(4,241)	(5,623)
Structural separation expenses	5(d)	-	-
Depreciation expense	5(e)	(55)	(6)
Other expenses	5(f)	(6,173)	(6,359)
Profit Before Tax		**9,539**	**7,174**
Income tax expense	6(a)	2,862	2,153
Profit for the Year		**6,677**	**5,021**
Other comprehensive income, net of income tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,677**	**5,021**

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 2017

	Note	2017 $'000	2016 $'000
Current Assets			
Cash and cash equivalents	7	60,812	55,078
Trade and other receivables	8	66,698	69,899
Other current assets	9	17,186	14,406
Total Current Assets		**144,696**	**139,383**
Non-Current Assets			
Property, plant and equipment	10	4,299	1,025
Deferred tax assets	6(d)	4,134	3,020
Total Non-Current Assets		**8,433**	**4,045**
Total Assets		**153,129**	**143,428**
Current Liabilities			
Trade and other payables	11	61,344	62,995
Current tax liabilities	6(c)	2,645	2,151
Provisions	13(a)	11,003	8,056
Other current liabilities	12	10,680	6,966
Total Current Liabilities		**85,672**	**80,168**
Non-Current Liabilities			
Provisions	13(b)	126	95
Total Non-Current Liabilities		**126**	**95**
Total Liabilities		**85,798**	**80,263**
Net Assets		**67,331**	**63,165**
Equity			
Contributed equity	14	47,666	47,666
Reserves	15	19,665	15,499
Total Equity		**67,331**	**63,165**

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

Statement of changes in equity
For the year ended 30 June 2017

	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2015			**10,478**	**10,478**
Profit for FY2016		-	5,021	5,021
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive income for the year		**-**	**5,021**	**5,021**
Dividends paid or provided for		-	-	-
Contributed equity		47,666		47,666
Balance at 30 June 2016		**47,666**	**15,499**	**63,165**
Balance at 1 July 2016		**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	13(c)	-	(2,511)	(2,511)
Contributed equity		-	-	-
Balance at 30 June 2017		**47,666**	**19,665**	**67,331**

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

Statement of cash flows
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash Flow from Operating Activities			
Receipts from customers		432,422	483,574
Payments to suppliers and employees		(474,033)	(515,197)
Payment of income tax		(3,501)	(6,876)
Payments for renewable energy certificates		(21,876)	(27,727)
Community Service Obligation received		77,809	59,365
Interest received		802	1,750
Net Cash Provided by Operating Activities	20	**11,623**	**(5,111)**
Cash Flow from Investing Activities			
Proceeds from sale of property, plant and equipment		-	-
Payments for property, plant and equipment		(3,378)	(1,031)
Net Cash Used in Investing Activities		**(3,378)**	**(1,031)**
Cash Flow from Financing Activities			
Dividends paid		(2,511)	-
Net Cash Used in Financing Activities		**(2,511)**	**-**
Net Increase / (decrease) in cash and cash equivalents		5,734	(6,142)
Cash and cash equivalents at the beginning of the period		55,078	61,220
Cash and Cash Equivalents at the End of the Period	7	**60,812**	**55,078**

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

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

1 Corporate information

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

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 activity of the Corporation is 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. The financial statements comprise Power Retail Corporation financial statements as an individual entity.

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 26 September 2017.

(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 Class Order 98/100, issued by the Australian Securities and Investment Commission, relating 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.

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 amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

Application of new and revised Accounting Standards

AASB 119 *'Employee Benefits'*

The revised standard requires all for-profit entities and not-for-profit private sector entities to discount employee benefits using the rate applicable to high quality corporate bonds.

AASB 1057 *'Application of Australian Standards'*

This standard lists the application paragraphs for each other standard (and interpretation), grouped where they are the same.

The application of these amendments does not have any material impact on the disclosures in the Corporation's financial statements.

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	1 January 2018	30 June 2019
AASB 16 'Leases', and the relevant amending standards	1 January 2019	30 June 2020

The application of these standards and impact is yet to be assessed by the Corporation.

(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 Obligations (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. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The estimated useful life of software is as follows:

- Software 4 years

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

Note 4 Revenue

		2017 $'000	2016 $'000
(a)	**Revenue**		
	Sale of goods	424,777	452,268
	Other revenue	1,496	2,722
		426,273	**454,989**
(b)	**Community Service Obligation**	77,809	59,365
(c)	**Interest revenue**	802	1,750
	Total revenue	**504,884**	**516,105**

Note 5 Expenses

		2017 $'000	2016 $'000
(a)	**Energy costs of sales**		
	Generation	(282,037)	(298,449)
	Networks and system control	(166,695)	(168,474)
	Renewable energy certificates	(22,769)	(18,847)
	Energy purchased for resale	(5,347)	(4,335)
	Alternative control charges	(229)	(1,097)
	Prepaid token expenses	(650)	-
		(477,727)	**(491,202)**
(b)	**Employee benefits expense**		
	Salary and wages	(5,634)	(4,854)
	Superannuation expense	(592)	(316)
	Fringe benefits expense tax	(6)	(23)
	Payroll tax	(364)	(238)
	Contract labour	(554)	(309)
		(7,150)	**(5,740)**
(c)	**External service agreements**	**(4,241)**	**(5,623)**
(d)	**Structural Separation expenses**	-	-
(e)	**Depreciation expense**	**(55)**	**(6)**

		2017 $'000	2016 $'000
(f)	**Other expenses**	-	-
	Grants and subsidies	(219)	(267)
	Bad and doubtful debts expense	(2,235)	(1,905)
	Auditors' remuneration	(89)	(74)
	Rental expenses	(582)	(163)
	Other expenses	(3,047)	(3,951)
		(6,172)	**(6,360)**

Note 6 (a) Income tax recognised in profit or loss

		2017 $'000	2016 $'000
	Current tax		
	In respect of the current year	3,976	2,151
	In respect of the prior year	-	-
		3,976	**2,151**
	Deferred tax		
	In respect of the current year	(1,114)	2
	Other	-	-
		(1,114)	**2**
	Total income tax recognised in the current year	**2,862**	**2,153**

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

		2017 $'000	2016 $'000
	Profit before tax	9,539	7,174
	Income tax expense calculated at 30%	2,862	2,153
	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	**2,862**	**2,153**

The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Note 6 (c) Current tax assets and liabilities

		2017 $'000	2016 $'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	2,645	2,151
	Other	-	-
		2,645	**2,151**

Note 6 (d) Deferred tax balances

		2017 $'000	2016 $'000
	Deferred tax balances are presented in the statement of financial position as follows:		
	Deferred tax assets	4,153	3,046
	Deferred tax liabilities	(19)	(26)
	Deferred tax assets	**4,134**	**3,020**

2017	Opening Balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Contribution from Owner $'000	Closing balance $'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**

2016	Opening Balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Contribution from Owner $'000	Closing balance $'000
Temporary differences					
Property, plant & equipment	-	-	-	-	-
Employee entitlements	123	63	-	-	186
Doubtful debts	835	(268)	-	-	567
Provisions	2,056	203	-	-	2,259
Accrued revenue	(31)	5	-	-	(26)
Accrued expenses	33	(4)	-	-	29
Other	6	(1)	-	-	5
	3,022	**(2)**	**-**	**-**	**3,020**

Note 7 Cash and cash equivalents

		2017 $'000	2016 $'000
	Cash at bank	60,812	55,078
	Total cash and cash equivalents	**60,812**	**55,078**

Note 8 Trade and other receivables

		2017 $'000	2016 $'000
	Trade receivables	31,107	29,059
	Provision for doubtful debts	(2,617)	(1,890)
		28,491	**27,169**
	Unbilled consumption	37,782	38,278
	Goods and services tax	362	1,074
	Related party receivables	64	3,377
	Total trade and other receivables	**66,698**	**69,898**

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

		2017 $'000	2016 $'000
	30 - 60 days	2,015	1,680
	60 - 90 days	757	614
	Over 90 days	136	176
		2,908	**2,470**

Note 8 (b) Movement in the provision for doubtful debts

		2017 $'000	2016 $'000
	Balance at the beginning of the year	1,890	2,065
	Recognised at structural separation	-	-
	Impairment losses recognised on receivables	2,653	2,688
	Amounts written off during the year as uncollectible	(1,785)	(2,496)
	Amounts recovered during the year	(142)	(367)
	Balance at end of the year	**2,616**	**1,890**

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.

Note 9 Other current assets

		2017 $'000	2016 $'000
	Renewable energy certificates	16,228	14,406
	Other current assets	3	-
	Related Party Loan	955	-
	Total other current assets	**17,186**	**14,406**

Note 10 Property, plant and equipment

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**

2016	Plant and equipment	Capital WIP	Total
Cost	$'000	$'000	$'000
Balance at the beginning of the year	-	-	-
Additions	114	917	1,031
Disposals	-	-	-
Impairment	-	-	-
	114	**917**	**1,031**
Accumulated depreciation			
Balance at the beginning of the year	-	-	-
Depreciation	(6)	-	(6)
Disposals	-	-	-
	(6)	**-**	**(6)**
Net book value	**108**	**917**	**1,025**

Note 11 Trade and other payables

		2017 $'000	2016 $'000
	Trade payables	8,990	2,353
	Goods and services tax	-	-
	Accrued expenses	16,404	18,586
	Unbilled consumption	35,950	39,067
	Related party payables	-	2,989
		61,344	**62,995**

Note 12 Other current liabilities

		2017 $'000	2016 $'000
	Payments received in advance	9,930	6,966
	Security deposit	750	-
		10,680	**6,966**

Note 13 Provisions

		2017 $'000	2016 $'000
(a)	**Current**		
	Employee benefits	757	525
	Dividend	-	-
	Renewable energy certificates	10,246	7,530
		11,003	**8,055**
(b)	**Non-Current**		
	Employee benefits	126	95
		126	**95**
		11,129	**8,151**

		2017 $'000	2016 $'000
	Renewable energy certificates		
	Balance at the beginning of the year	7,530	6,852
	Recognised at structural separation	-	-
	Provisions made during the year	20,084	18,655
	Provisions utilised during the year	(17,368)	(17,977)
	Balance at end of the year	**10,246**	**7,530**

		2017 $'000	2016 $'000
(c)	**Dividends**		
	Balance at the beginning of the year	-	-
	Dividend declared for the year	2,511	-
	Dividend paid during the year	(2,511)	-
	Balance at end of the year	**-**	**-**

Note 14 Contributed equity

		2017 $'000	2016 $'000
	1 Share	-	-
		-	-

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.

Note 15 Retained earnings

		2017 $'000	2016 $'000
	Retained earnings		
	Balance at the beginning of the year	15,499	10,478
	Profit for the year	6,677	5,021
	Dividend declared for the year	(2,511)	-
	Balance at end of the year	**19,665**	**15,499**

Note 16 Commitments for expenditure

Capital expenditure commitments

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:

		2017 $'000	2016 $'000
	Within one year	2,813	6,913
	Later than one year but not later than five years	-	-
	Later than five years	-	-
		2,813	**6,913**

Operating lease commitments

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

		2017 $'000	2016 $'000
	Within one year	643	393
	Later than one year but not later than five years	1,701	2,344
	Later than five years	-	-
		2,344	**2,737**

Other non-cancellable commitments

		2017 $'000	2016 $'000
	Within one year	-	-
	Later than one year but not later than five years	-	-
	Later than five years	-	-
		-	**-**

Note 17 Auditors' remuneration

		2017 $'000	2016 $'000
	Services		
	Audit of the financial statements	89	74
	Other services	-	-
	Auditors' remuneration	**89**	**74**

The auditor of the Corporation is the Northern Territory Auditor-General.

Note 18 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
2017	3	185,026	22,866	19,750	227,642
2016	3	187,922	22,866	25,609	236,397

Director remuneration principles

Non-executive directors are appointed by the Treasurer and Portfolio Minister in accordance with the Corporation's constitution.

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

Executive remuneration

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

		2017	2016
	Short-term employee benefits	1,637,573	1,521,355
	Post-employment benefits	-	-
	Other long-term benefits	67,896	29,037
	Termination benefits	-	85,634
	Total compensation of key management personnel	**1,705,469**	**1,636,026**

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
- 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.

Note 19 Related party disclosures

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 18 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
2017 Government Owned Corporations	9,236	455,158	1,108	51,314
2016 Government Owned Corporations	9,812	471,717	4,203	60,088

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 (2016: Nil) in respect of the amounts owed by related parties.

Note 20 Notes to the statement of cash flows

		2017 $'000	2016 $'000
	Profit for the year	5,283	5,021
	Deferred tax expense recognised in profit and loss	(1,114)	2
	Income tax expense recognised in profit and loss	2,049	2,151
	Impairment reversal less impairment write-down	2,235	1,905
	Depreciation and amortisation of non-current assets	55	6
	Movements in working capital		
	Decrease in trade and other receivables	3,200	25,204
	Increase in other assets	(1,823)	(9,558)
	Decrease in trade and other payables	(1,497)	(32,192)
	Increase in provisions	283	887
	Increase in other liabilities	2,952	1,463
	Net cash generated by operating activities	**11,623**	**(5,111)**

Note 21 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

		2017 $'000	2016 $'000
	Financial Assets		
	Cash and cash equivalents balances	60,812	55,078
	Loans and receivables:		
	Trade and other receivables	66,698	69,899
		127,510	**124,977**

		2017 $'000	2016 $'000
	Financial Liabilities		
	Amortised cost:		
	Trade and other payables	61,344	62,995
	Provisions	11,129	8,151
	Other current liabilities	10,680	6,966
		83,153	**78,112**

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.

2017	Weighted average effective interest rate	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	Total $'000
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**

2016	Weighted average effective interest rate	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	Total $'000
Financial assets					
Non-interest bearing	0.0%	69,899	-	-	69,899
Variable interest rate	2.0%	55,078	-	-	55,078
		124,977	**-**	**-**	**124,977**
Financial liabilities					
Non-interest bearing	0.0%	78,112	-	-	78,112
Variable interest rate	0.0%	-	-	-	-
		78,112	**-**	**-**	**78,112**

Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Note 22 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.

Jacana ENERGY

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