

INDIGENOUS ESSENTIAL SERVICES PTY LTD

# ANNUAL REPORT 2006

indigenous  
essential services  Pty Ltd





Providing services to remote communities presents a number of challenges that service providers in other areas do not experience: the tyranny of distance between communities and urban centres, the availability and retention of staff and contractors, increasing fuel prices, and extreme weather conditions.

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## Chairman's and Managing Director's Report

Power and Water is proud to provide essential power, water and sewerage services to people living in the Northern Territory's major remote communities.

To maintain transparency, remote operations in remote communities are separated from the commercial operations of Power and Water's business by accounting for them in the wholly owned subsidiary company Indigenous Essential Services Pty Ltd (IES).

Power and Water provide these services on behalf of the Department of Planning and Infrastructure (DPI), often in tough conditions not normally seen in urban and rural centres.

In 2005-2006 staff faced additional challenges caused by Cyclone Monica, the second category five cyclone in 12 months, and continuing cost pressures primarily driven by rising world oil prices.

The Corporation continued to develop its relationship with DPI throughout the year, culminating in the signing of a new service agreement outlining roles, responsibilities and levels of service, and providing for improved governance and reporting.

IES was required to adopt the Australian equivalent to the International Reporting Standards (AIFRS) from 1 July 2005. Prior year figures have been restated in accordance with AIFRS to aid comparability. The impact of AIFRS is explained in note 16 to the financial statements.

This is the third annual report highlighting the achievements of IES over the financial year. Power and Water commend this report to you, and congratulate all staff involved in another successful year.

Yours sincerely



A handwritten signature in black ink, appearing to read 'Neil Philip'.

Neil Philip  
Chairman



A handwritten signature in black ink, appearing to read 'Kim Wood'.

Kim Wood  
Managing Director

## About Indigenous Essential Services

The Northern Territory Government funds the provision of essential services to remote communities through the Department of Planning and Infrastructure (DPI). DPI coordinate the delivery of utility services through the Power and Water wholly owned subsidiary Indigenous Essential Services (IES) Pty Ltd.

Power and Water's Remote Operations Unit assumes the role of service provider while DPI undertakes the planning, coordinating and purchasing role. DPI is invoiced monthly on a fee-for-service basis as work is completed.

### Service Agreement

On 30 June 2006 an Agreement for Provision of Essential Services to Nominated Indigenous Communities was signed between DPI and Power and Water. The agreement sets out the requirements and obligations for both parties in delivering essential services to 72 communities and 33 outstations.

The agreement's objectives are to provide:

- Reliable and equitable services to Territory funded Indigenous towns and communities;
- Effective management of the assets including optimal repair and maintenance programs;
- Efficient financial management, providing low cost services, works programming and repair and maintenance programs; and
- Support of regional development and Indigenous employment and training.

The agreement is based on the following principles:

- Purchase of services by DPI on a fee-for-service basis;
- Provision of services by IES on an at-cost basis;
- All revenue collected to be used to off-set the cost of providing services;
- Managing and maximising outcomes within the financial constraints;
- Ownership of water supply, sewerage and electricity assets is vested in IES;
- IES is not financially disadvantaged by unintended or unforeseen consequences of the agreement, such as taxation implications and other accounting treatments resulting in liabilities; and
- Commitment by DPI and IES to work closely and cooperatively in a partnership type arrangement.

The agreement establishes the types of services to be provided as well as providing service level guidelines. The agreement also improves governance by specifying a range of reports and communication that must occur.

### Funding Arrangements

In 2005-2006 IES received \$72.1 million in total revenue. This included a \$43.7 million (2005: \$42.1 million) recurrent grant and a \$12.1 million (2005: \$12.7 million) capital grant received from DPI. The recurrent grant revenue together with electricity, water and sewerage revenue of \$14.9 million (2005: \$12.5 million) is used to fund the operations of IES. The capital grant is used to build and improve infrastructure in the communities.

Major cost drivers over the 2005-2006 financial year resulted from:

- A growth in electricity consumption of 9.6%;
- A decrease in water consumption of 4.7%;
- Increases in fuel cost;
- Cyclone Monica; and
- Katherine floods.

The IES asset portfolio consists of:

- Power station buildings that accommodate mostly diesel engines, including fuel facilities and electrical distribution systems, up to and including the customers' meters;
- Water infrastructure including bores, bore-pumps, tanks, transfer pumping stations, disinfection equipment and distribution and reticulation systems, up to the customers' property boundaries; and
- Sewerage infrastructure, starting at the customers' boundaries, including collection mains, wet well pumping stations and wastewater treatment ponds.



## Working in Remote Indigenous Communities

Providing services to remote communities presents a number of challenges that service providers in other areas do not experience: the tyranny of distance between communities and urban centres, the availability and retention of staff and contractors, increasing fuel prices, and extreme weather conditions.

Power and Water's Remote Operations Unit has dedicated and highly trained staff that work tirelessly to ensure the continued delivery of services through IES to remote communities.

### Cyclone Monica

For the second year in a row, the Top End was subjected to a category five cyclone. Monica is the strongest cyclone ever recorded to cross the Territory coast.

Cyclone Monica affected northern Australia from 17 to 26 April 2006 and passed between the remote communities of Oenpelli and Maningrida, causing significant damage, before striking the township of Jabiru. It then moved towards Western Australia, passing south of Darwin.

Effects ranged from relatively minor damage in some communities, such as power lines brought down by trees, to extensive damage of infrastructure and power poles.

Communities that suffered minor damage included Yirrkala, Marn Garr, Galiwinku, Ramingining, Ngangalala, Yathalamarra, Milingimbi, and Waruwi. More extensive damage occurred in Oenpelli where some power poles were twisted and power lines brought down. Power and water to these communities was fully restored within a matter of days.

The most severe damage occurred at Maningrida. The very destructive gusts brought power poles and lines down, caused extensive defoliation and felled trees in a 30km to 40km wide area west of Maningrida.

The communities experienced no deaths from the cyclone, despite winds of up to 350km/h, which is a testament to their preparedness.



DAMAGE CAUSED BY CYCLONE MONICA.

### Flooding in Katherine/Daly River Region

On 6 April 2006 Katherine flooded for the second time in eight years, resulting in hundreds of people being evacuated from homes and businesses. The town was completely cut off due to road flooding.

The IES communities of Daly River, Beswick, Barunga and Eva Valley were also affected by flood waters.

Power and Water's Remote Operations staff worked in difficult and trying conditions to ensure the safety of our customers, and to ensure that infrastructure and equipment was protected and remained operational.



FLOODING IN KATHERINE.

### Ali Curung Storm

Ali Curung suffered a severe storm on 20 October 2005. The power distribution system was rendered unserviceable as high voltage and low voltage conductors were brought to the ground. Some forecasters categorised the storm as a mini-tornado.

Remote Operations staff and contractors from Alice Springs were on site within hours to repair the damage to the network infrastructure. The cost of remedial works was in the order of \$50,000.

### World Fuel Prices

The high world fuel price added considerable pressure to the cost of providing power in remote communities.

A number of strategies were employed to minimise the impact of fuel prices. These included measuring the efficiency of engines to ensure that fuel consumption is optimised, and ensuring that engine maintenance and replacement is carried out when required.

## Power and Water's Remote Operations

Power and Water's Remote Operations Unit, provides its services to IES to support the day-to-day operation and maintenance of essential services – power, water and sewerage – to remote communities throughout the Northern Territory. Most work is performed through community Essential Service Operators (ESOs).

Electricity is generated via reciprocating diesel engines, however alternate energy sources are being trialled. Water is serviced from bores, and sewerage treatment is by conventional treatment ponds.



### Retail Services to Remote Customers

Remote Operation's officers perform retail activities in remote communities. The officers process applications for connection, disconnection and reconnection of electricity, supply meter changes and changes of address. The quarterly meter readings are undertaken by the community's ESO.

Pre-payment meters, where a pre-paid token is inserted into the electricity meter, are popular with residents, so the sale and dispatch of power tokens to community agents must be managed carefully by the Corporation. Pensioner concessions are administered on behalf of the Department of Health and Community Services.

Remote Operations staff negotiate contracts with the community councils, who undertake the day-to-day operational activities required to run the plant and equipment. The contracts clearly set out the works required and operational manuals detail step-by-step instructions. These manuals assist the ESO's, especially in the event of an emergency.

## Capacity Building in Communities

ESO's employed by the communities are responsible for the day-to-day operation of the power, water and sewerage services. ESO's are generally Indigenous staff from the community in which they work.

Remote Operations facilitates ESO training at all Northern Territory Government funded communities. Service coordinators travelling to communities provide mechanical, electrical, water and sewerage training.

One-on-one training extends the ESO's skills, and proves invaluable as it focuses work on specific community assets that the ESO's monitor every day.

Training opportunities for ESO's include Northern Territory and Australian Government funded training via the apprenticeships system. Power and Water Corporation and Charles Darwin University have a partnership arrangement, facilitated by Group Training Northern Territory, that aims to provide remote communities with real opportunities.

ESO's can work towards a nationally recognised qualification under the Electrotechnology Training Package, being the Certificate 2 Electrotechnology Remote Area Essential Services Operator. It is expected that this qualification will be the benchmark prerequisite for the recruitment of ESO's by remote Indigenous communities.

Communities and participants have received this training program positively. It is delivered using community infrastructure and positive interaction with Remote Operations staff.

This program has been highly successful in the northern region, with 40 participants completing their qualification. The program is also operating in the southern region, with 44 participants enrolled.



ESSENTIAL SERVICES OPERATORS TRAINING DAY.

The Essential Services Operator training program has been highly successful in the northern region, with 40 participants completing their qualification. The program is also operating in the southern region, with 44 participants enrolled.



## Electricity Supply

Electricity is generated throughout the Northern Territory employing a combination of fossil fuels and renewable energy. The main fuel type for the major centres is natural gas, however remote communities generally rely on diesel for power generation. Alternative sources of energy such as solar and wind power are gradually being developed.

Many of the remote power stations are controlled by fully automated computerised systems from the nearest regional centre. These systems monitor the community power requirements and automatically run the most appropriate engine to meet that requirement. They were developed to provide electricity more efficiently and with the least possible interruption to supply.

The power stations have diesel-powered generators. The total installed capacity is more than 48MW across the Territory, with over 529km of high voltage powerlines and 260km of low voltage powerlines.

In 2005-2006, major electricity, water and sewerage projects valued at \$13 million were undertaken. Projects relating to electricity infrastructure were valued at \$10 million and included new generating capacity at Nguiu and Peppimenarti, upgrades to fuel storage facilities at Numbulwar, Peppimenarti and Palumpa; power station upgrades at Palumpa and Harts Range and a major replacement of corroded cross arms at Nguiu and Goulburn Island.

### Atitjere (Harts Range) Power Station

Harts Range is a community of 135 people about 145km north-east of Alice Springs. The power station supplying the power needs of the community consisted of two engines that shared the duty on a rotating basis. The demand in the community had grown beyond the capacity of the two 150kW engines and switchboard.

In November 2005 a project commenced to upgrade the station switchboard and include an additional 270kW engine. The existing powerhouse building was extended to accommodate the third engine and remote radiators were installed on all the engines.

The station now represents the typical configuration for remote generation sites and will meet the requirements of the Harts Range Community well into the future.

### Maryvale (Titjikala) Power Station

Titjikala is a community of 270 people about 120km south of Alice Springs. In 2003 the Gunya Titjikala tourism joint venture established a resort near the power station.

Remote Operations invested resources to locate mufflers away from the tourism venture and installed sound attenuation devices on all three engines to address the noise being experienced by the tourism venture.

The feedback received from Titjikala community and the tourism joint venture partners has been positive. Noise from the diesel power station is no longer an issue for all stakeholders.

### Replacement of Corroded Crossarms at Nguiu (Bathurst Island) and Warruwi (Goulburn Island)

Existing steel crossarms at the communities of Nguiu (Bathurst Island) and Warruwi (Goulburn Island) were upgraded in 2005-2006. The crossarms were badly corroded because of salt spray and were a hazard to operators and the public. They were replaced with galvanised crossarms, ensuring long life and increased reliability of power supply.

### Bulk Fuel Storage Upgrade Program

Remote Operations mechanical section undertook a Bulk Fuel Storage Risk Assessment to determine the level of risk and compliance with current standards in relation to the bulk fuel storage facilities in remote communities.

The assessment showed that, while all the facilities were constructed to the Australian Standard of the day (30 years ago), some facilities did not comply with the current standard AS1940-2004.

Remote Operations undertook the challenge to upgrade all the bulk fuel facilities in the 63 sites across the Northern Territory. Over the past five years many sites have been upgraded to the current Australian Standard.

Upgrading of the sites has been in accordance with the risk assessment and the progress of the program depends on the level of funding received each year.



DALY RIVER FUEL TANK WALKWAY.

## Water Quality

Surface water and groundwater supplies vary in their quantity and quality throughout the Northern Territory. Groundwater is the major source of drinking water in remote communities.

There are approximately 200 production bores, 150 water storage tanks and 677km of reticulation across remote Indigenous communities. Remote Operations operates and maintains water pumping, storage and reticulation systems, including disinfection equipment, and is responsible for the entire system up to the metering point or the point of entry into the consumers' properties.

As in urban areas, the Australian Drinking Water Guidelines are the standards by which water is assessed in remote communities for safety and quality. Water is supplied to over 7,000 households in remote indigenous communities throughout the Territory.

During 2005-2006 major water services projects valued at \$2.7 million were completed. These included bores, tanks, pipelines and pumps at Peppimenarti Belyuen, Oenpelli and Canteen Creek.

### Mt Liebig Chlorination Unit Provides a Safer Water Operation

Mt Liebig is a community of 270 people about 260km west of Alice Springs. The community's water is supplied directly from bores to the 15 metre elevated tank.

Before the chlorine-dosing unit was installed, the only available access point to chlorinate the water supply was via the elevated tank. The operator had to climb the tank, pulling up a bucket of chlorine to mix with water from the tank, before pouring the contents into the tank.

With the installation of the chlorine dosing unit liquid sodium hypochlorite is mixed with water and injected into the rising main. The injection unit is mounted on a spill tank and has a specially fabricated loading shelf to hold the 20 litre drums of liquid hypochlorite used to refill the unit.

All the work is done at ground level in a specially constructed shed at the borefield.



MT LIEBIG CHLORINATION UNIT.

### Croker Island (Minjilang)

Croker Island is a community of 270 people about 230km north-east of Darwin. Until recently the community's water storage capacity comprised of a single tank with a capacity of 195kL.

A new tank with a gross capacity of 486kL was constructed on the foundation of the decommissioned tank and sized to include the population growth for the next ten years and beyond.



NEW TANK AT CROKER ISLAND.

### Water in the Bush Conference

As part of National Water Week, the Northern Territory Branch of the Australian Water Association (AWA) held its annual conference on 20 October 2005. The conference, sponsored by Power and Water, helps to promote the importance of sustainable water management and water use in the Territory as well as bringing water professionals from across the Territory to present their research, and discuss current and emerging issues.

Remote Operations provided an overview of the challenges of supplying water to the Northern Region Communities and Power and Water provided an overview of the investigation into the pathogen *Naegleria fowleri*.

Other presentations covered topical issues including groundwater allocations in the Darwin Rural Area, challenges and solutions to delivery of water in Central Australia, climate change and the impact of rainfall variability in the Northern Territory.

### Canteen Creek (Owaitilla) Borefield Electrical Cubicles

Canteen Creek is a community of 130 people about 190km south-east of Tennant Creek.

Until recently the community's three production bores were controlled from one electrical switchboard. This had implications for the supply of water to the community in times of switchboard failure.

To improve the supply service and reliability, a new switchboard with an independent power service was installed at each production bore site. In addition the low voltage power supply was extended and upgraded to allow for the production bores to be supplied from an alternative transformer if the borefield transformer was to fail.



CANTEEN CREEK BOREFIELD SWITCHBOARD.

### Imanpa Aeration

Imanpa is a community of 195 people about 200km south-west of Alice Springs. Remote Operations learned that the community water supply iron levels were close to exceeding National Health and Medical Research Council (NH&MRC) water guideline levels.

Tests show that the iron levels in the water could easily be reduced with the installation of an aeration unit.

Since the installation the results have shown that iron and turbidity levels have been reduced to well below NH&MRC guideline levels.



IMANPA AERATION UNIT.

Surface water and groundwater supplies vary in their quantity and quality throughout the Northern Territory. Groundwater is the major source of drinking water in remote communities.

## Sewerage Systems

Of the 72 remote communities, 52 have full water-borne sewerage disposal systems. The remainder have individual on-site systems such as septic tanks that are maintained by the community.

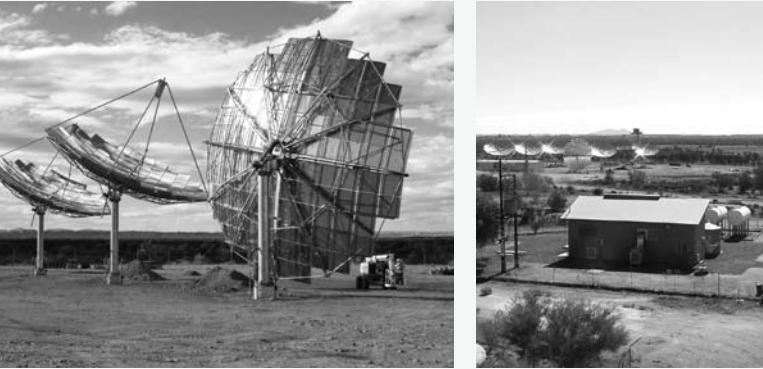
Responsibility for the sewerage systems begins at the consumer's property. Sewerage is transported through a

network of mains and manholes to pumping stations. From the pumping stations the waste is pumped to collection ponds for retention and treatment. Much of the treatment in these isolated locations is organic, allowing the waste to settle and decompose naturally.

## Helping the Environment

Minimising the impact on the environment is an important priority for Remote Operations. There is a constant drive to use more appropriate and sustainable ways to provide electricity, water and sewerage services in remote communities.

The high price of fossil fuel has aided the search for renewable and more environmentally friendly energy sources. There are many ways in which the services provided in remote communities can minimise impact on the environment: for example, using solar and wind power to partially substitute for diesel, constructing bunding and embankments around fuel storages to minimise the risk of groundwater and soil contamination, and converting borefields from diesel to electric and recharging aquifers.



SOLAR DISHES AT HERMANSBURG.

### Solar Systems

The solar power stations at Hermansburg and Yuendumu use concentrated solar dish technology. The Hermansburg site began operating in November 2005, and the Yuendumu site in April 2006.

In May 2006 the stations generated 28MWh at Hermansburg using eight dishes, and 34.4MWh at Yuendumu, using ten dishes. This has saved around 15,000 litres of diesel fuel.

The next site, Lajamanu, is scheduled to be commissioned in August 2006 using 12 dishes.

All stations are registered with the Office of Renewable Energy Regulator and are producing Renewable Energy Certificates. These projects are jointly funded by Solar Systems Pty Ltd and the Australian Greenhouse Office. Power and Water has power purchase agreements in place to buy the generated electricity for use by surrounding communities.

### Extension of Initial LNG Trial at Ntaria (Hermansburg)

In March 2004 a Participation Agreement with Elgas was established to trial the use of propane gas (LPG) as a fuel substitute at our Hermansburg Power Station. The initial trial showed potential, so in August 2005 it was decided to extend the trial for a further 12 months to include all of the engines installed at Hermansburg. Increased capacity for on-site LPG fuel storage and additional control systems to manage the blending of LPG and diesel into the engines have been installed.

In addition to economic benefits the project offers environmental benefits: LPG is considered a cleaner fuel than diesel with regard to greenhouse gas emissions.

### Biodiesel Fuel Trial at Daly Waters

In February 2006, 60,000 litres of biodiesel was purchased to test the viability of biodiesel fuel for power generation in remote communities.

The Daly Waters Power Station was chosen as a trial site because of its location and accessibility. One of the generators was selected and transferred over to the biodiesel fuel and re-rated as the duty engine.

While there were no adverse effects on the performance of the generator, filter blockages occurred with increasing frequency over running time.

The generator was scheduled to undergo maintenance to examine the internal workings and the rubber seals in the fuel system. This will confirm the expected result of this fuel type on the rubber components.



DALY WATERS BIODIESEL FUEL TRIAL.

## Working with the Community

Power and Water's Remote Operations considers that the communities are pivotal to developing and implementing projects. By engaging the communities, Remote Operations has been successful in engendering a higher level of community ownership of power, water and sewerage infrastructure.

In the past 12 months, Remote Operations staff have participated in a number of events in remote communities to deliver the water and electricity conservation message. Sponsorship of more than \$22,000 was provided to regional and remote communities in 2005-2006.

Remote Operations staff attend regular promotional displays at community open days, setting up demonstrations, especially for children, and providing give-aways to reinforce the key messages and themes.

### Barunga Festival

The Barunga Festival, held annually in June, has been running for the past 20 years. This is the third year Power and Water has sponsored this event, which attracts around 4,000 people.

The festival is a unique opportunity for visitors to experience local aboriginal culture, sport and community life.

Power and Water is proud to support events that allow Territorians from remote communities to come together to promote their traditional and cultural way of life, as well as have fun participating in sporting challenges.

### Barkly May Day Muster

Power and Water again sponsored the Youth Rodeo Training and Barrel Race Challenge at the Barkly May Day Muster. This event helps young riders improve their skills and creates an opportunity for them to compete against other riders who have travelled from communities across the Territory.

### Borrooloola Show and Oenpelli Open Day

The Borrooloola Show and Oenpelli Open Day gave Remote Operations staff the opportunity to engage with many of the community members.

The theme this year was water conservation. About 150 people went through the display, many enquiring about the power consumed by the appliances displayed.



POWER AND WATER DISPLAY HIGHLIGHTING WATER CONSERVATION.



YOUTH RODEO TRAINING SPONSORED BY POWER AND WATER.

## 2005-2006 Major Projects

### Northern Region

- **Belyuen** – Replace water storage tank to 450kL (Minimum) – \$228,060.
- **Minjilang (Croker Island)** – Upgrade water storage to 486kL tank – \$319,499.
- **Oenpelli** – Construct trunk rising main – \$462,254.
- **Numbulwar** – Replace corroded bulk fuel tanks, walkways, pipe work and upgrade bunding and interceptor pits – \$422,911.
- **Nguiu (Bathurst Island)** Upgrade generating set 3 to 1.5MW – \$565,713.
- **Nguiu** – Replace corroded distribution infrastructure – \$193,049.
- **Peppimenarti** – Upgrade water storage (new 1.0mL ground tank) – \$523,828.
- **Waruwi (Goulburn Island)** – Replace corroded distribution infrastructure – \$175,668.
- **Peppimenarti** – Replace generating unit 2 – 270kW with remote radiator – \$221,850.
- **Peppimenarti and Palumpa** – Upgrade fuel storage and fuel bunding – \$516,642.
- **Palumpa** – Extend power station building and install interceptor pits, pipework and erect compound fencing – \$288,981.

### Katherine Region

- **Daly River (Naiyu)** - Woolianna power line and power station distribution upgrade – \$2,108,000.
- **Daly River** – Upgrade generating unit 1 to 800kW – \$322,488.

### Barkly Region

- **Owaitilla (Canteen Creek)** – Construct new rising main – \$158,516.
- **Epenarra (Wutunugurra)** – Upgrade power station control system and connect additional generator – \$133,136.

### Southern Region

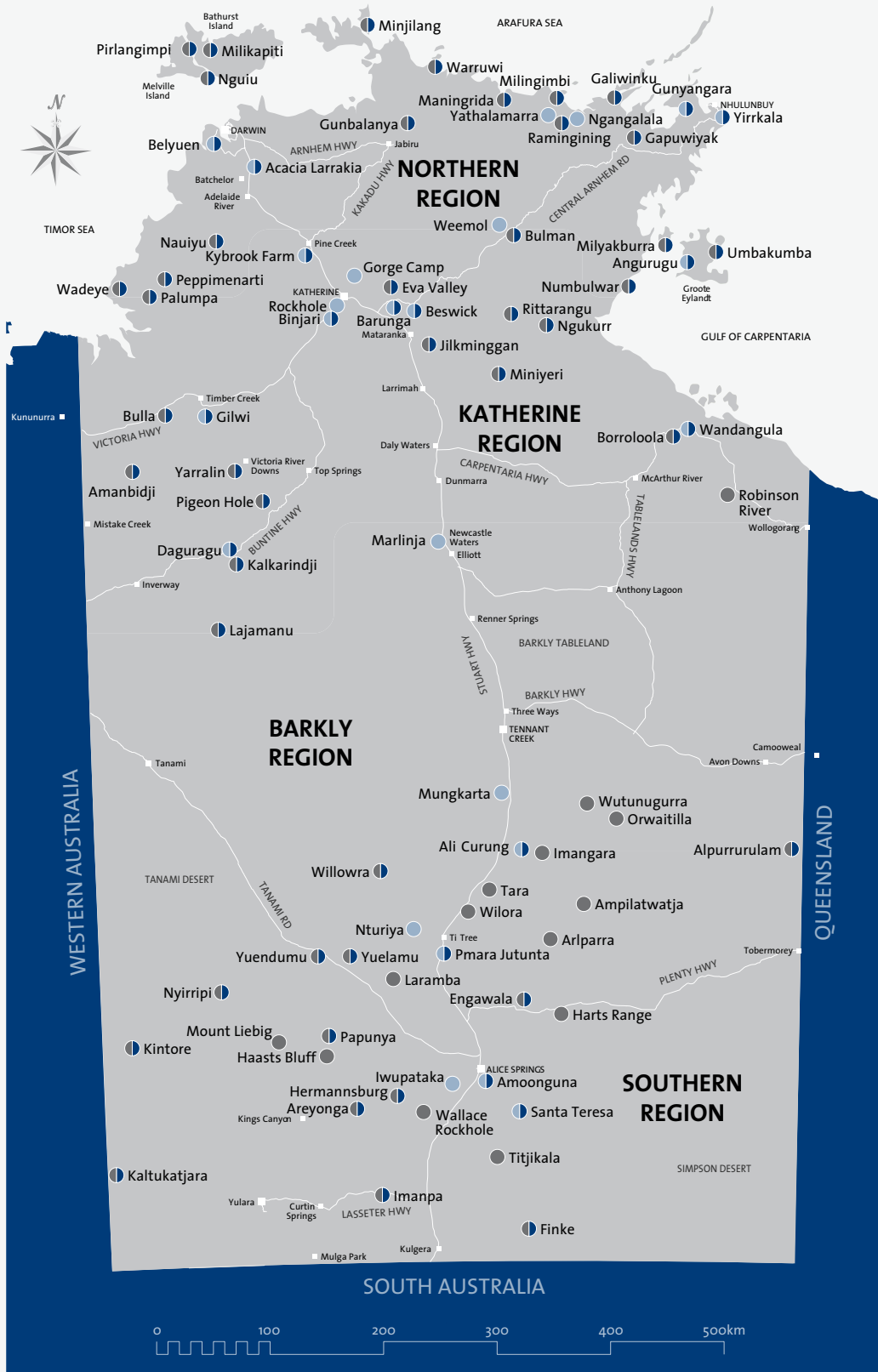
- **Harts Range (Atitjere)** – Extend power station and install two remote radiators and stand – \$222,778.



HARTS RANGE POWER STATION.

# Map

## Remote Communities Map



- Power Stations
- Transmitted Power Supply
- Sewerage Services

(These centres receive their electricity by line from adjacent centres.

Water (All the above communities have reticulated supply.

## Indigenous Essential Services Statistics

Statistical Summary as at 30 June 2006		2002	2003	2004	2005	2006
<b>ELECTRICITY</b>						
<b>Generation</b>						
Power and Water Installed Capacity	MW	36	43	42	51	48
Contracted Capacity	MW	0	0	0	0	0
Generated	GWh	69	79	84	85	94
Sent Out (inc purchases from private suppliers)	GWh	68	83	78	79	86
Purchases from Private Suppliers	GWh	6	7	7	4	4
<b>Networks</b>						
<b>Distribution (22/11kV &amp; below)</b>						
HV Overhead	km	255	470	506	526	529
HV Underground	km	0	0	0	1	1
LV Overhead	km	267	251	260	265	270
LV Underground	km	0	1	1	1	1
SWER All Voltages	km	0	81	81	81	81
<b>Customers (ie Services)</b>		6,905	6,710	6,717	6,818	7,213
<b>WATER</b>						
Production	ML	8,134	7,977	9,970	10,104	9,733
Length of Mains	km	719	719	667	675	677
<b>Customers (ie Services)</b>		783	522	522	530	524
<b>WASTEWATER</b>						
Volume of Sewage Treated	ML	U/A	U/A	U/A	U/A	3,508
Length of Sewer Mains	km	309	309	340	346	346
Volume of Effluent Reused	ML	0	0	0	0	0
<b>Customers (ie Services)</b>		396	396	401	407	420

Notes: U/A = Data unavailable.



# Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

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## Directors' Report

The directors present their report together with the financial report of the Indigenous Essential Services Pty Limited (the Company) for the year ended 30 June 2006 and the auditor's report thereon.

### Directors

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

Mr Neil Philip	Director and Chairman since 26 June 2003
Ms Judith King	Director since 26 June 2003
Mr Kim Wood	Director since 26 June 2003
Mr Bob Neil	Director since 10 October 2005
Mr Peter Vines	Director since 10 October 2005
Dr Michael Sargent	Director since 26 June 2003 (resigned 23 July 2005)
Dr Michael Vertigan	Director since 26 June 2003 (resigned 31 July 2005)

Dr Michael Sargent and Dr Michael Vertigan tendered their resignations and these became effective on 23 July 2005 and 31 July 2005 respectively.

### Company Particulars

Indigenous Essential Services Pty Limited is an Australian proprietary company, incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business:

2nd Floor, Mitchell Centre  
55 Mitchell Street  
Darwin NT 0800

Company Secretary: Mr Andrew Macrides

### Principal Activities

The Company was formed on 26 June 2003 and commenced operations on 1 July 2003.

The principal activities of the Company during the course of the financial year were to provide electricity, water and sewerage services to remote communities in the Northern Territory.

There were no significant changes in the nature of the activities of the Company during the year.

### Controlling Entity

The Company's controlling entity is the Power and Water Corporation, a government owned corporation pursuant to the *Government Owned Corporation Act 2001*.

### Review and Results of Operations

The profit from ordinary activities after income tax amounted to \$4,551,476 (2005: \$5,820,760).

### Significant Changes in the State of Affairs

The following key items impacted the results and operations during the year:

- On 30 November 2005 the Company received confirmation that it was granted exclusion from the list of participating National Tax Equivalent Regime (NTER) entities from 1 July 2003. As a result of this decision, the Company is not subject to income tax under the NTER and will be excluded from the tax consolidated group of its parent entity, Power and Water Corporation.
- Changes in the accounting for assets in a not-for-profit entity under Australian equivalents to International Financial Reporting Standards (AIFRS) has meant that the Company is required to include property, plant and equipment at depreciated replacement cost and inventories at the lower of cost and net realisable value in the financial statements. The impact of adopting AIFRS is detailed in Note 16 to the financial statements.
- There were some minor changes to the constitution to ensure the Company's objects and other constitutional clauses reflected that the Company was set up with the sole purpose of being a not-for-profit entity.

### Dividends

Per changes made to the constitution of the Company this financial year, the Company is not permitted to pay a dividend.

## Likely Developments

The Company will continue to pursue its policy of providing cost effective electricity, water and sewerage service to remote communities in the Northern Territory.

At the date of this report, there are no developments in the operations of the Company that, in the opinion of the directors, are likely to significantly impact the Company during the 2007 financial year.

## Environmental Regulation

The Company's operations are subject to various environmental regulations under both Commonwealth and Territory Legislation.

The Company regularly monitors compliance with environmental regulations. The directors are not aware of any significant breaches during the period covered by this report.

## Events Subsequent to Reporting Date

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

## Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

The lead auditor's declaration of independence is set out on page 20 of the financial report.

## Indemnification and Insurance of Directors and Officers

### Indemnification

The Northern Territory Government has indemnified the directors of the Company from and against all liabilities incurred or arising out of conduct of a director of the Company, acting in good faith in compliance with any direction or request made by the shareholding Minister or the portfolio Minister to the Company or the board of the Company pursuant to the *Government Owned Corporations Act 2001*.

The Northern Territory Government has also indemnified the directors of its controlled entities for all liabilities that may arise from their position, except where the liability is incurred or arises out of actual dishonesty on the part of the director. The indemnity covers the full amount of any such liabilities, including costs and expenses.

## Insurance Premiums

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

### Group Personal Accident Insurance

The insurer will indemnify the insured in relation to any injury, permanent disability or death which occurs whilst the injured persons are actually engaged on the insured's business.

### Professional Indemnity Insurance

The insurer will indemnify the insured against any claim that may be made against the insured for actual or alleged breach of professional duty by reason of act, error or omission committed or allegedly committed by or on behalf of the insured.

In addition, the insurer will pay the costs and expenses incurred in the defence, settlement or investigation of any such claim.

### Directors' and Officers' Liability

The insurer will indemnify the insured against claims for wrongful acts committed by a director or officer in connection with their duties and responsibilities as a director or officer. The policy will reimburse all expenses incurred in defending these actions.

### Indemnification and Insurance Premiums of Auditors

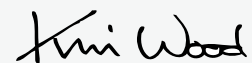
Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an auditor of the Company. No indemnities have been given or insurance premiums paid, since the end of the previous financial year, to any person who is or has been an auditor of the Company.

Dated at Darwin this 6th day of October 2006.

Signed in accordance with a resolution of the directors:



Neil Philip  
Chairman



Kim Wood  
Managing Director

## Directors' Declaration

In the opinion of the directors of Indigenous Essential Services Pty Limited (the Company):

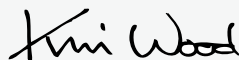
- (a) the financial statements and notes of the Company are in accordance with the *Government Owned Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Darwin this 6th day of October 2006.

Signed in accordance with a resolution of the directors:



**Neil Philip**  
Chairman



**Kim Wood**  
Managing Director

# Independant Audit Report to the Members



AUDITOR-GENERAL

**Auditor-General's report to the Members of  
Indigenous Essential Services Pty Limited  
Year ended 30 June 2006**

Page 1 of 2

## Scope

### *The financial report and directors' responsibility*

The financial report of Indigenous Essential Services Pty Limited comprises balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for the financial year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### *Audit approach*

I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the *Corporations Act 2001* and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

## Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



**AUDITOR-GENERAL**

**Page 2 of 2**

**Audit Opinion**

In my opinion, the financial report of Indigenous Essential Services Pty Ltd is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

Frank McGuinness  
Auditor-General for the Northern Territory  
Darwin, Northern Territory  
6 October 2006

## Income Statement

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

	Note	2006 \$	2005 \$
Continuing Operations			
Revenue from sale of goods	3 (a)	14,379,163	11,966,332
Revenue from rendering of services	3 (b)	56,810,256	55,342,015
Finance Revenue		425,599	459,795
Other Income	3 (c)	450,249	319,301
Revenue		72,065,267	68,087,443
Raw materials and consumables used		(43,943,013)	(37,129,775)
Depreciation and amortisation expenses		(8,054,179)	(8,085,475)
Other expenses	3 (d)	(15,516,599)	(17,051,433)
<b>Net profit for the period</b>		<b>4,551,476</b>	<b>5,820,760</b>
<b>Profit attributable to members of the parent</b>		<b>4,551,476</b>	<b>5,820,760</b>

The income statement is to be read in conjunction with the notes to the financial statements.

## Statement of Changes in Equity

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

	Note	2006 \$	2005 \$
Equity at the beginning of the year		169,246,484	163,425,724
Net profit for the period	3 (a)	4,551,476	5,820,760
		173,797,960	169,246,484

The income statement is to be read in conjunction with the notes to the financial statements.

## Balance Sheet

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	13,620,844	970,966
Trade and other receivables	5	1,145,995	2,919,064
Inventories	6	5,267,502	5,704,510
<b>Total current assets</b>		<b>20,034,341</b>	<b>9,594,540</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	168,500,808	163,541,964
<b>Total non-current assets</b>		<b>168,500,808</b>	<b>163,541,964</b>
<b>Total assets</b>		<b>188,535,149</b>	<b>173,136,504</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	14,737,189	3,890,020
<b>Total current liabilities</b>		<b>14,737,189</b>	<b>3,890,020</b>
<b>Total liabilities</b>		<b>14,737,189</b>	<b>3,890,020</b>
<b>Net assets</b>		<b>173,797,960</b>	<b>169,246,484</b>
<b>EQUITY</b>			
Contributed equity	9	10	10
Retained earnings	10	173,797,950	169,246,474
<b>Total equity</b>		<b>173,797,960</b>	<b>169,246,484</b>

The balance sheet is to be read in conjunction with the notes to the financial statements.



## Cash Flow Statement

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		18,188,725	7,510,366
Payments to suppliers		(50,893,220)	(64,765,485)
Receipt of Government Grants		57,936,003	55,825,064
Interest received		397,394	468,834
<b>Net cash provided by operating activities</b>	4 (b)	25,628,901	(961,222)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		34,000	70,000
Purchase of property, plant and equipment		(13,013,023)	(12,951,358)
<b>Net cash used in investing activities</b>		(12,979,023)	(12,881,358)
<b>Net increase/(decrease) in cash and cash equivalents</b>		12,649,878	(13,842,580)
<b>Cash and cash equivalents at the beginning period</b>		970,966	14,813,546
<b>Cash and cash equivalents at end of period</b>	4 (a)	13,620,844	970,966

The cash flow statement is to be read in conjunction with the notes to the financial statements.

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 1. Corporate information

The financial report of Indigenous Essential Services Pty Ltd (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of directors on 30 August 2006.

Indigenous Essential Services Pty Limited is a company limited by shares incorporated in Australia.

The nature of the operations and principal activities of the Company are described in the Directors' report.

### 2. Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this report are:

#### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Government Owned Corporations Act 2001*. The *Government Owned Corporations Act* requires the financial statements of the company to comply with the requirements of the *Corporations Act 2001*.

The financial report has been prepared on the basis of historical costs.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

#### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and the notes thereto, complies with the International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 18.

#### (c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer.

#### Rendering of services

Revenue from the rendering of services is recognised when the service is provided, having regard for the costs incurred in providing those services.

#### Government grants

Revenue in the form of government grants is received from the Northern Territory Government.

Where the grant relates to an expense or capital item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

#### Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

#### (d) Cost of sales

Cost of sales are those costs attributable to the integrated manufacturing process involved in the generation and transformation of electricity, and the transformation of water, into saleable goods.

#### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

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

**(f) Income tax consolidation**

The Power and Water Corporation is the head entity in a tax-consolidated group comprising all of its wholly-owned subsidiaries apart from Indigenous Essential Services Pty Limited. Indigenous Essential Services Pty Limited was removed from the National Tax Equivalent Regime effective 1 July 2003.

**(g) Use and revision of accounting estimates**

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

**(h) Cash assets**

Cash assets include cash on hand and at bank.

**(i) Receivables**

Service debtors are on 14 days terms and other debtors are on 30 day terms and are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts.

**(j) Inventories**

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to inventory based on the weighted-average purchase cost of bringing each item to its present location and condition.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

**(k) Property, plant and equipment****Acquisition of assets**

Property, plant and equipment assets are originally stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

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

Property, plant and equipment assets are measured at deemed cost being the fair value of assets at the transition date to AIFRS on 1 July 2004, less accumulated depreciation and less any impairment losses recognised at that date.

**Depreciation and amortisation***Complex Assets*

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

*Useful Lives*

All assets, excluding freehold land, have limited useful lives and are depreciated using the straight-line method over their estimated useful lives.

Assets are depreciated from the date of acquisition.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

The depreciation useful lives used for each class of asset are as follows:

	2006	2005
<b>Building, plant and equipment</b>		
Building and improvements	10-50 years	10-50 years
Plant and equipment	3-99 years	3-99 years

**Impairment of assets**

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the depreciated replacement cost.

Depreciated replacement cost is defined as the current replacement cost of an asset, less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

#### **Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

#### **(l) Payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obligated to make future payments in respect of the purchase of these goods and services. Trade accounts payable are normally settled within 30 days.

#### **(m) Additional financial instrument disclosures**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company does not have significant credit risk exposure to any counterparty or group of counterparties.

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 3. Revenue and expenses

	Note	2006 \$	2005 \$
Revenue and expenses from continuing operations			
<b>(a) Sale of goods</b>			
Electricity		13,790,985	11,449,927
Water		588,177	516,405
		14,379,163	11,966,331
<b>(b) Rendering of Services</b>			
Recurrent grant		43,656,851	42,094,356
Capital grant		12,626,414	12,704,681
Sewerage services		526,991	542,978
		56,810,256	55,342,015
<b>(c) Other Income</b>			
Other recharges to controlling entity		416,249	246,677
Net gain on disposal of property, plant and equipment		34,000	70,000
Other		-	2,624
		450,249	319,301
<b>(d) Other Expenses</b>			
Repairs and Maintenance		10,246,069	10,475,302
Other		5,270,530	6,576,131
		15,516,599	17,051,433

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 4. Cash and cash equivalents

	Note	2006 \$	2005 \$
<b>(a) Reconciliation of cash</b>			
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheets as follows:			
Cash assets		13,620,844	970,966
		13,620,844	970,966
The weighted average interest rate on cash assets at 30 June 2006 is 6.01% (2005: 5.08%).			
<b>(b) Reconciliation of net profit after tax to net cash flows from operations</b>			
Net Profit		4,551,476	5,820,760
Adjustments for:			
Depreciation		8,054,179	8,085,475
Net (profit)/loss on disposal of property, plant and equipment		(34,000)	(70,000)
Changes in assets and liabilities			
(Increase)/decrease in inventories		437,008	(954,877)
(Increase)/decrease in trade and other receivables		1,773,069	(812,306)
(Decrease)/increase in trade and other payables		10,847,169	(13,030,274)
Net cash flows from operating activities		25,628,901	(961,222)

### 5. Trade and other receivables

	Note	2006 \$	2005 \$
<b>Current</b>			
Amounts due from controlling entity undertaking		1,074,589	2,878,172
Interest receivable		54,456	26,252
Other debtors		16,950	14,640
		1,145,995	2,919,064

Receivables at 30 June 2006 are non-interest bearing.

### 6. Inventories

	Note	2006 \$	2005 \$
Distillate - at cost		5,267,502	5,704,510
		5,267,502	5,704,510

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 7. Property, plant and equipment

Type	As at 30 June 2005			Movements During Year			As at 30 June 2006		
	At Cost \$	Accum Deprn \$	Written Down Value \$	Additions \$	Transfer from Capital WIP \$	Deprn \$	At Cost \$	Accum Deprn \$	Written Down Value \$
Land	21,332	-	21,332	-	-	-	21,332	-	21,332
Buildings	14,361,924	(5,301,290)	9,060,634	-	2,640,583	(472,633)	17,002,507	(5,773,923)	11,228,584
Plant and Equipment	248,045,286	(120,678,711)	127,366,575	-	10,478,469	(7,581,546)	258,523,755	(128,260,257)	130,263,498
Capital work in progress	27,093,422	-	27,093,422	13,013,024	(13,119,052)	-	26,987,394	-	26,987,394
	289,521,964	(125,980,001)	163,541,963	13,013,024	-	(8,054,179)	302,534,988	(134,034,180)	168,500,808

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 8. Payables

	Note	2006 \$	2005 \$
Payable to controlling entity		8,638,235	508,852
Other creditors and accruals		6,098,954	3,381,168
		14,737,189	3,890,020

### 9. Contributed equity

	Note	2006 \$	2005 \$
Issued and paid-up share capital			
10 (2005:10) ordinary shares fully paid		10	10
		10	10

### 10. Retained earnings

	Note	2006 \$	2005 \$
Retained earnings at beginning of year		169,246,474	163,425,714
Net profit for the year		4,551,476	5,820,760
Retained earnings at end of the year		173,797,950	169,246,474

### 11. Commitments

	Note	2006 \$	2005 \$
Capital expenditure commitments			
Contracted but not provided for and payable: within one year		378,685	3,139,379



## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 12. Related party information

#### Transactions within the wholly-owned group

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end refer to note 5 and note 8).

Related Party		Sales to related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Power and Water Corporation and	2006	14,906,154	72,474,026	1,074,588	8,638,235
Ultimate Controlling Entity	2005	12,509,309	68,035,529	2,878,162	508,852

(i) The controlling entity of the Company is Power and Water Corporation, a government owned corporation pursuant to the *Government Owned Corporations Act 2001*.

(ii) Under a service agreement, the Company sold electricity, water and sewerage to Power and Water Corporation totalling \$14,906,154 (2005:\$12,509,309). At reporting date, \$1,074,589 (2005:\$2,878,172) remains to be received.

(iii) The Company charged external entities \$416,249 (2005:\$246,677) for works undertaken in remote communities during the year.

(iv) During the year, the Company recognised the administration fee charged by Power and Water Corporation totalling \$3,739,086 (2005:\$5,498,166). The fee is based on the cost of administration of the Company incurred by the Power and Water Corporation.

(v) The Company incurred \$72,474,026 (2005:\$68,035,529) of operating expense charges from Power and Water Corporation during the year. As at reporting date, \$8,638,235 (2005:\$508,852) remains outstanding.

### 13. Economic dependency

21% of the Company's total revenue is derived from its controlling entity, and 78% of the company's total revenue is derived from the Northern Territory Government

### 14. Auditors' remuneration

	Note	2006 \$	2005 \$
Audit services:			
Auditors of the Corporation - NT Auditor-General (paid to Consolidated Revenue)		25,000	24,482

### 15. Director and executive disclosures

#### Directors

The names of each person holding the position of director of Indigenous Essential Services Pty Limited during the financial year are Mr Neil Philip, Ms Judith King, Mr Kim Wood, Dr Michael Sargent, Dr Michael Vertigan, Mr Bob Neil and Mr Peter Vines.

Dr Michael Sargent resigned on 23 July 2005 and Dr Michael Vertigan resigned on 31 July 2005.

Directors do not receive any compensation for their directorships. No director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interest subsisting at year-end.

#### Compensation of key management personnel

Indigenous Essential Services Pty Ltd has no employees.

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 16. Explanation of transition to Australian Equivalents to International Financial Reporting Standards (AIFRS)

The Company changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards' with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to AIFRS has affected the Company's financial positions, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

#### (1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

	Note	AGAAP \$	AIFRS Impact \$	AIFRS \$
<b>(a) At the date of transition to AIFRS: 1 July 2004</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents		14,813,546	-	14,813,546
Trade and other receivables		2,106,758	-	2,106,758
Inventories	4(b)	-	4,749,633	4,749,633
<b>Total Current Assets</b>		<b>16,920,304</b>	<b>4,749,633</b>	<b>21,669,937</b>
<b>Non-current Assets</b>				
Property, plant and equipment	4(a)	-	158,676,081	158,676,081
<b>Total Non-current Assets</b>		<b>-</b>	<b>158,676,081</b>	<b>158,676,081</b>
<b>TOTAL ASSETS</b>		<b>16,920,304</b>	<b>163,425,714</b>	<b>180,346,018</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		16,920,294	-	16,920,294
<b>Total Current Liabilities</b>		<b>16,920,294</b>	<b>-</b>	<b>16,920,294</b>
<b>TOTAL LIABILITIES</b>		<b>16,920,294</b>	<b>-</b>	<b>16,920,294</b>
<b>NET ASSETS</b>		<b>10</b>	<b>163,425,714</b>	<b>163,425,724</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Corporation</b>				
Contributed equity		10	-	10
Retained earnings		-	163,425,714	163,425,714
<b>TOTAL EQUITY</b>		<b>10</b>	<b>163,425,714</b>	<b>163,425,724</b>
<i>Breakdown of impact on retained earnings</i>				
Opening balance				-
Bringing in opening balance of assets				158,676,081
Bringing in opening balance of inventory				4,749,633
<b>Total retained earnings</b>				<b>163,425,714</b>

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### 16. Explanation of Transition to Australian Equivalents to IFRS (AIFRS) continued

	Note	AGAAP \$	AIFRS Impact \$	AIFRS \$
<b>At the end of the last financial year: 30 June 2005</b>				
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents		970,966	-	970,966
Trade and other receivables		2,919,064	-	2,919,064
Inventories	4(b)	-	5,704,510	5,704,510
Total Current Assets		3,890,030	5,704,510	9,594,540
Non-current Assets				
Property, plant and equipment	4(a)	-	163,541,964	163,541,964
Total Non-current Assets		-	163,541,964	163,541,964
<b>TOTAL ASSETS</b>		<b>3,890,030</b>	<b>169,246,474</b>	<b>173,136,504</b>
<b>LIABILITIES</b>				
Current Liabilities				
Trade and other payables		3,890,020	-	3,890,020
Total Current Liabilities		3,890,020	-	3,890,020
<b>TOTAL LIABILITIES</b>		<b>3,890,020</b>	<b>-</b>	<b>3,890,020</b>
<b>NET ASSETS</b>		<b>10</b>	<b>169,246,474</b>	<b>169,246,484</b>
<b>EQUITY</b>				
Equity attributable to equity holders of the Corporation				
Contributed equity		10	-	10
Retained earnings		-	169,246,474	169,246,474
<b>TOTAL EQUITY</b>		<b>10</b>	<b>169,246,474</b>	<b>169,246,484</b>
<i>Breakdown of impact on retained earnings</i>				
Opening balance				-
Prior year PP&E adjustment				163,541,964
Prior years distillate stock				5,704,510
Total retained earnings				169,246,474

## Notes to the Financial Statements

Indigenous Essential Services Pty Ltd for the year ended 30 June 2006

### (2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS)

	Note	AGAAP \$	AIFRS Impact \$	AIFRS \$
<b>(a) Reconciliation of profit for the year ended 30 June 2005</b>				
<b>Continuing Operations</b>				
Revenue from sale of goods		11,966,332	-	11,966,332
Revenue from rendering of services		55,342,015	-	55,342,015
Finance Revenue		459,795	-	459,795
Other Income		319,301	-	319,301
<b>Revenue</b>		<b>68,087,443</b>	<b>-</b>	<b>68,087,443</b>
Change in inventories of finished goods and work in progress				-
Raw materials and consumables used	4(b)	(38,084,652)	954,877	(37,129,775)
Employee benefits expense		(1,026,051)	-	(1,026,051)
Depreciation and amortisation expenses	4(a)	-	(8,085,475)	(8,085,475)
Impairment of non-current assets	4(a)	(12,951,358)	12,951,358	-
Other expenses		(16,025,382)	-	(16,025,382)
Finance costs		-	-	-
<b>Net profit for the the period</b>		<b>-</b>	<b>5,820,760</b>	<b>5,820,760</b>
<b>Profit attributable to members of the parent</b>		<b>-</b>	<b>5,820,760</b>	<b>5,820,760</b>

### (3) Reconciliation of the Cash Flow Statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

### (4) Notes to the reconciliations

#### (a) Property, Plant and Equipment and Intangible Assets

Under previous AGAAP, the assets owned by the Company, were written down to nil in the income statement each year. Under AASB 116 Property, Plant and Equipment and AASB 136 Impairment of Assets, not-for-profit entities are required to measure the carrying value of assets based on depreciated replacement cost and recognise depreciation expense in the income statement.

The affect of this is:

- (i) Asset values have increased by \$158,676,081 as at 1 July 2004 and \$163,541,964 as at 30 June 2005 to recognise the depreciated replacement cost of the Company's assets.
- (ii) Depreciation for the year ended 30 June 2005 has increased by \$8,085,475 and impairment of non-current assets for the same period has decreased by \$12,951,358 to recognise the depreciation expense in the income statement.

The affect of this is:

- (i) Inventories have increased by \$4,749,633 as at 1 July 2004 and \$5,704,510 as at 30 June 2005 to recognise the cost of the Company's distillate stocks.
- (ii) Raw materials and consumables used for the year ended 30 June 2005 was decreased by \$954,877 to recognise the movement in the opening and closing balances of the Company's distillate stocks.

## Notes

## Notes



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**PowerWater**