

# Indigenous Essential Services

Annual Report

**2014-2015**

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## Purpose

This Annual Report provides a record of operations and achievements for the 2014-2015 financial year for Indigenous Essential Services Pty Ltd, a not-for-profit subsidiary company of Power and Water Corporation.

## Our Values

### 01

**Safety and Environment**  
Protecting the health and well-being of staff, contractors, general public and environment.

### 02

**Accountability**  
Transparent and accountable for all our actions.

### 03

**Commitment to Service**  
Leading by example, continually improving and working as a team to deliver our services with passion and purpose.

### 04

**Communication**  
Open, positive, constructive interactions to achieve optimal individual and business outcomes.

### 05

**Respect**  
Respect and treat all people with courtesy, working cohesively to achieve our goals in a supportive, engaged and enthusiastic manner.



## About us

Indigenous Essential Services Pty Ltd (IES) provides electricity, water and wastewater services to 72 remote communities and 66 outstations under an Agreement with the Department of Local Government and Community Services.

Each centre is geographically isolated and dispersed across tropical and arid environments, requiring services that are resilient to the extremes of the harsh Northern Territory climate. Rapid development in these regions requires a commitment to working with communities toward sustainable electricity and water use to meet future needs and aspirations. Power and Water contracts and trains Essential Services Operators through local councils, Indigenous enterprises and private contractors to run facilities day-to-day.

Ninety per cent of potable water is groundwater, from some 227 production bores through 181 water storage tanks and 650km of reticulation. A multi-barrier approach is taken to providing drinking water consistent with Australian Drinking Water Guidelines. Chlorination and ultraviolet systems are used as appropriate.

Infrastructure includes electrical submersible water pumps, highly efficient diesel and low emission gas and renewable power stations. Remote power stations are controlled by automated systems, requiring a high degree of expertise by the staff involved in operation and maintenance.

Fifty-six remote towns and communities have full water-borne sewage disposal systems with waste stabilisation ponds. The remainder have individual on-site systems maintained by the community.



## Message from the Chair



Programs like the Manymak Energy Efficiency Project and the Solar Energy Transformation Program (Solar SETuP) will continue to revolutionise the way we engage with remote communities and deliver essential services in challenging locations.

Indigenous Essential Services (IES) is a not for profit subsidiary, owned by Power and Water, providing services to remote communities under an agreement with the Department of Local Government and Community Services (DLGCS). The current agreement commenced in 2013.

Over the course of this period, Power and Water and DLGCS have developed a constructive relationship and work closely together to make the best use of available funds. There are many IES achievements throughout the year highlighted in this annual report, which is something Power and Water's staff and management can be proud of.

The core task is to provide power, water and sewerage services in remote communities and we do that well. Safety, environment, training and stakeholder engagement improvements and initiatives continue to form a core part of IES business operations.

Following tropical Cyclones Lam and Nathan, Power and Water was the first responder, with our Remote Operations' team restoring essential services to Territory homes and businesses within 48 hours, despite extensive damage to electricity networks and significant hazards.

Water and energy demand management education continues to be an essential part of community engagement in remote communities. Further to this, programs like the Manymak Energy Efficiency Project and the Solar Energy Transformation Program (Solar SETuP) will continue to revolutionise the way we engage with remote communities and deliver essential services in challenging locations.

Despite recent operational achievements, the robustness of the IES financial system and its financial reporting framework fell short of requirements as the Power and Water and IES accounts were not complete and auditable within the expected timeframe. The IES business systems and accounting processes are managed by and integrated

with Power and Water. Structural separation of Power and Water Corporation into three Government Owned Corporations, resulted in unexpectedly complex consequential system and process changes to enable these new corporations to have separate and transparent financial accounts. This materially affected the Power and Water and IES accounts with audit concerns related to transactions between Power and Water and IES rather than with external parties.

Whilst the interfaces between our various financial systems remain in need of continued development they will be able to support our ongoing requirements.

The audit report also raised significant concerns in relation to property, plant and equipment. The change in the measurement basis from the historical cost method to the fair value method identified a number of accounting issues with the underlying asset records which could not be rectified within the audit timeframe. Whilst IES knows what assets are held and maintains appropriate management records on asset condition and expenditure, the systems and processes used for data collection and verification did not meet the full criteria required for the financial audit. In particular, the detailed historical cost data could not be reconciled to the detailed asset data used by operational staff to manage the assets. Meeting the audit requirements will remain a priority focus, with full rectification of the fixed asset reporting by June 2017.

The board of directors recognises that structural separation brought into focus a number of areas of financial, governance and operating under-performance, the correction of which will be the focus of improvement programs within IES and Power and Water more broadly.

**Ken Clarke**  
Board Chair



## Message from the Chief Executive



Reflecting on our achievements in 2014-2015, I am reminded over and over again of the dedication, commitment and professionalism of the Power and Water staff and contractors.

Having joined Power and Water Corporation towards the end of 2015, I have gained a great insight into delivering essential electricity and water services in the Northern Territory and its unique and challenging environments. It differs greatly from other jurisdictions due to the vast distances, smaller population and remote service delivery. I commend our staff that work tirelessly and battle the elements each and every day.

The period in the lead up to my appointment was one of immense change following the significant structural and operational changes introduced across Power and Water Corporation in the last few years.

The changes required to enable three separate corporations the ability to have separate, transparent accounts were not accomplished within the expected timeframe, and the accounts were not audited in time. Ongoing work is being carried out in this area, with a full rectification of these systems and processes to be delivered in June 2017.

Despite the challenges presented over this time, Power and Water Corporation has continued to deliver for the people of the Northern Territory. Whether it is in our key performance indicators, our investment in service delivery and support, events that have demonstrated our commitment to customers (our response to two cyclones) and our dedication to operating an infrastructure network in one of the harshest environmental regions of Australia, the corporation has accomplished much and can be proud of its achievements.

An example of this approach is the response to Severe Tropical Cyclone Lam as it swept through north Arnhem Land communities of Galiwin'ku (Elcho Island), Milingimbi, Ramingining, Gapuwiyak (Lake Evella) and surrounding outstations and Homelands in February 2015. Winds exceeding 230km/hr caused significant damage to the essential service infrastructure in those communities.

Our crews were the first responders in each of the affected communities, arriving just hours after the 'all clear' was issued, undertaking repairs and restoring the backbone of the power, water and sewerage systems within 24-48 hours. This ensured a basic level of essential services to each community and reduced public health risks.

IES has also been very busy on the proactive front with projects such as the Manymak Energy Efficiency Project. Launched in May 2013, the project also known as Dharray Manymakkung Pawaw Ga Gapuw is being run in six communities in East Arnhemland. The project identifies barriers to energy efficiency in low-income Indigenous households and aims to help over 500 households to use energy more efficiently and employment of over 80 local Indigenous ambassadors.

More broadly we are building on Power and Water's 20 years of experience in utilising solar technologies in regional and remote communities through the Solar Energy Transformation Program (SETuP). SETuP will deliver an additional 10MW of solar power to communities across the Northern Territory that currently rely predominantly on diesel generators. The result will be cleaner, quieter and more reliable generation, with increased capacity and flexibility for future growth. Anticipated fuel savings of 15 per cent from the integrated solar panels will also mean a reduced reliance on expensive and problematic diesel deliveries.

**Michael Thomson**  
Chief Executive

## Our Performance

### Safety

Safety underpins all of our activities. Our risk register is a core component of the Governance, Risk, Audit, Compliance and Event Management (GRACE) system.

### People

The latest intake of Essential Services Operators (ESOs) has commenced the Certificate II in Remote Area Essential Services. The Registered Training Organisation contract is in place and is delivering training in all regions. More than 71 Indigenous employees were recruited and commenced training, with many actively supporting the Manymak Energy Efficiency project.

### Customer service and stakeholder engagement

A commercial relationship with Territory Generation to purchase power for remote communities connected to regulated networks is in progress.

### Environment

Eight waste discharge licences (WDL) have been received from the Environmental Protection Authority (EPA). Applications for 10 more WDLs will be submitted July 2015.

A review of the Remote Operations environmental risk register was completed and a gap analysis performed. Corporate Environmental Management System (EMS) guidelines have been drafted to include specific remote content.

### Operational performance

A range of operational activities are underway including the rollout of satellite communications across the 30 Solar SETuP program communities to enable the installation of Supervisory Control and Data Acquisition (SCADA).

The installation of SCADA will help us manage remote outages across a wide range of communities in a responsive, coordinated way.

IES has been reviewing the Energy Supply Strategy which will examine and provide costings for updated grid connection options. A revised strategy for safe water outlines future actions to manage bacteriological catchment risks. Consultants will be engaged to carry out water safety assessments on the three most at risk water sources.

The Manymak Energy Efficiency project is being evaluated, with the results being used to inform the development of a new Water and Energy Demand Management Strategy across all remote communities.

### Finance

The robustness of the IES financial system and its financial reporting framework fell short of requirements as the Power and Water and IES accounts were not complete and auditable within the expected timeframe. The IES business systems and accounting processes are managed by and integrated with Power and Water. Structural separation of Power and Water Corporation into three Government Owned Corporations, resulted in unexpectedly complex consequential system and process changes to enable these new corporations to have separate and transparent financial accounts. This materially affected the Power and Water and IES accounts with audit concerns related to transactions between Power and Water and IES rather than with external parties.

Whilst the interfaces between our various financial systems remain in need of continued development they will be able to support our ongoing requirements.

The audit report also raised significant concerns in relation to property, plant and equipment. The change in the measurement basis from the historical cost method to the fair value method identified a number of accounting issues with the underlying asset records which could not be rectified within the audit timeframe.

### Future

Business cases are being refined for grid interconnection projects, with stage 1 (Wadeye- Nganmariyanga (Palumpa)) and stage 2 (Nganmariyanga (Palumpa) – Peppimenarti) proposed.

## Indigenous Essential Services

### Statistical Summary

As at 30 June 15

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

#### ELECTRICITY

Generation													
Installed Capacity (including solar & wind)	MW	42	45	48	51	56	59.61	69.46	71.25	74.00	76.54	77.57	74.38
- Installed Capacity - solar & wind	MW	-	-	0.5	0.7	0.7	0.8	0.8	0.8	0.8	1.5	1.6	1.3
Electricity Generated (including solar & wind)	GWh	79	85	94	95	97	106	112	103	108	115	113	108
- Electricity Generated - Solar & wind	GWh			1.0	1.6	1.0	0.8	0.7	0.3	0.2	0.6	0.2	0.2
Electricity Sent Out (incl renewable and purchases from PWC & Private Suppliers) - estimated	GWh			93	93	97	123.12	129.10	118.80	125.00	133.77	129.59	128.91
- Purchases from PWC (for IES connected to PWC networks) - estimated	GWh			n/a	n/a	n/a	11.03	11.95	9.42	10.15	11.71	11.16	14.87
- Purchases from Private Suppliers	GWh	7.0	7.5	7	8	8	7.98	7.57	8.23	9.00	8.94	8.16	8.45
Distribution (22/11 kV & Below)													
HV Overhead	km	321	341	344	373	349	473	513	579	579	876	909	917
HV Underground	km	1	1	1	1	5	5	5	7	7	8	8	7
LV Overhead	km	243	248	253	278	278	278	278	325	325	319	322	326
LV Underground	km	1	1	1	1	4	3	3	3	3	2	3	4
SWER All Voltages	km	87	87	87	87	87	87	87	87	87	121	121	121
<b>Sales</b>	MWh	58,023	58,893	60,019	60,574	63,665	104,501	112,030	112,726	119,540	119,250	121,759	120,132
<b>Customers #</b>	No. of	6,717	6,818	7,213	7,373	7,421	7,540	8,116	8,478	8,507	9,179	9,026	8,859

#### WATER

System Capability	ML/day	-	-	-	-	35	75	44	44	67	67	66	66
Total Sourced Water	ML	9,970	10,104	9,733	9,250	9,846	9,848	9,792	9,002	9,680	10,306	10,433	11,321
Length of Mains	km	639	647	649	649	649	652	654	654	654	623	650	655
<b>Sales</b>	MWh	-	-	-	-	-	1,666	1,855	1,491	1,916	2,180	2,068	2,325
<b>Customers</b>	No. of	522	530	542	567	783	1,341	2,175	2,213	2,549	2,563	2,565	2,808

#### WASTEWATER

Volume of Sewage Treated	ML/day	2,636	2,732	3,508	3,552	3,835	3,940	3,917	3,601	2,897	3,337	3,429	3,936
Length of Sewer Mains	ML	340	346	346	320	303	305	307	303	303	334	335	340
Volume of Effluent Reused	km	-	-	-	-	-	-	-	-	-	-	-	-
<b>Customers (ie. Installations)</b>	No. of	401	407	420	847	899	1,122	1,467	1,793	1,834	2,292	2,398	2,527

#### NOTES

# - 2014 electricity numbers restated.



## Manymak Energy Efficiency Project

Indigenous Essential Services Pty Ltd is a proud partner in the Manymak Energy Efficiency Project.

Launched in May 2013, the project also known as Dharray Manymakkung Pawaw Ga Gapuw\* is being run in six communities in East Arnhemland:

- Galiwin'ku (Elcho Island)
- Gapuwiyak (Lake Evella)
- Gunyangara (Ski Beach)
- Milingimbi
- Ramingining
- Yirrkala.

The project identifies barriers to energy efficiency in low-income Indigenous households and aims to help over 620 households to use energy more efficiently.

The Manymak project is led by IES Pty Ltd and being delivered in partnership with consortium members Centre for Appropriate Technology, Charles Darwin University, the Northern Territory Department of Housing and the East Arnhem Regional Council. The project is receiving funding through the Australian Government's Low Income Energy Efficiency Program.

Some of the initiatives include:

- employment of local people in each community to engage with households and deliver a tailored education package

- retrofit of up to 440 homes with measures such as energy efficient light bulbs and solar hot water systems
- fitting data loggers to meter boxes to capture energy usage statistics
- installation of an in-home interactive usage display to around 250 households.

Local Yolŋu people will be at the centre of the design and delivery of the project, relaying messages and sharing ideas for using less power in the communities.

Currently 71 Indigenous Employees have been recruited and commenced training with 52 actively supporting the project. Over 379 houses have been surveyed and are participating in the program, with 632 data loggers installed. 252 houses have received an energy efficiency retrofit; and 150 have in-house displays installed.

The project is set to run until April 2016. It will be rigorously evaluated and developed as a framework for improved energy efficiency for application in other remote Indigenous communities.

\*This name is in Djambarrpuyngu, a major indigenous language in East Arnhemland, and translates to "looking after our power and our water".

This activity received funding from the Department of Industry as part of the Low Income Energy Efficiency Program.

The views expressed herein are not necessarily the views of the Commonwealth of Australia, and the Commonwealth does not accept responsibility for any information or advice contained herein.





## Disaster Response

On Friday 20 February 2015, Severe Tropical Cyclone Lam, swept through the north Arnhemland communities of Galiwin'ku (Elcho Island), Milingimbi, Ramingining, Gapuwiyak (Lake Evella) and surrounding outstations and homelands.

At a category 4 level, Cyclone Lam caused varying degrees of damage to the communities in its path. Galiwin'ku took the brunt of the cyclone with dozens of houses and buildings destroyed or damaged beyond repair. IES infrastructure was also damaged. While the power station sustained minor external damage, the overhead transmission and distribution network sustained considerable damage. Two water tanks were damaged along with sections of the water and sewerage reticulation systems.

In Milingimbi, Ramingining and Gapuwiyak, a significant number of trees fell, causing damage to infrastructure, preventing repairs to services and restricting movement around the communities. The overhead transmission and distribution power networks also sustained considerable damage in these communities.

IES crews were the first responders to arrive in each of the affected communities – which occurred just hours after the 'all clear' was issued. Within 24-48 hours, these crews restored power, water and sewerage systems to each of the four affected communities. This alleviated public health risks and the potential need to evacuate residents. IES's response to the disaster received significant recognition from the Chief Minister, Members of Parliament, local residents, social media and other Government agencies.

Given the scale of the disaster, a State of Emergency was declared for the affected areas.

IES worked with the recovery coordinators and other Government agencies to plan for the reconstruction and repair of infrastructure. This included:

- Conduct reconnections to properties as repaired and Certificates of Compliance (COC) issued.
- Disconnection of services to houses that are condemned or deemed uninhabitable.
- Provide support to the establishment of the emergency accommodation facility.
- Provide support through provision of service connections for new temporary accommodation camps.
- In collaboration with the recovery coordinators and other stakeholders, support the prioritisation and coordination of ongoing works.
- Develop and implement a forward capital works program to replace damaged IES infrastructure.

## Solar Energy Transformation Project (SETuP)



additional 10MW of solar power to  
**30 Communities**



anticipated fuel savings of  
**15%**

The Solar SETuP program builds significantly on Power and Water's 20 years' experience in incorporating solar technologies into regional and remote communities. It will transform the way energy is supplied to remote communities with the aim that hybrid solar/diesel power generation becomes 'business-as-usual'.

SETuP will deliver an additional 10 MW of solar power to over 30 communities across the Northern Territory that currently rely entirely on diesel generators. The result will be cleaner generation with increased capacity and flexibility for future growth. Anticipated fuel savings of 15% from the integrated solar panels will also mean a reduced reliance on expensive and problematic diesel deliveries.

The \$55 million four-year project is jointly funded, with \$27.5 million financed through the Northern Territory Government and \$27.5 million from the Australian Government through the Australian Renewable Energy Agency (ARENA). See [www.powerwater.com.au/setup](http://www.powerwater.com.au/setup) for more details.



## Electrical Projects

### Wadeye Power Station Gas Conversion

Wadeye Power Station is a \$12.8 million project that utilises gas as a low emissions, low cost source of power. The construction of the new power station means the surrounding communities of Peppimenarti and Nganmarriyanga (Palumpa) can be connected by high voltage transmission feeders and gain the environmental and economic benefits of this project. The project is scheduled for completion in late 2015. The old diesel power station will be decommissioned when works are complete and the new power station is fully commissioned.

## Water Projects

### Robinson River Water Projects

Power and Water has established productive relationships with many branches of Government which has enabled it to work proactively to deliver essential infrastructure and support NT Government development goals in remote Indigenous communities.

At Robinson River, new ground and elevated water storage tanks will improve the reliability of water supplies to the community and the new health clinic. Both the health and essential services infrastructure will be complete by the end of September 2016.

Thanks to this arrangement the new health centre is able to proceed and both projects are targeted for completion by the end of September 2016. This will lead to improved health care as well as more reliable water supplies. Power and Water will also be conducting drilling investigations during the year in an attempt to increase the quantity of water resources accessible to the Robinson River Community.

### Yirrkala Water Tanks

This project was undertaken to replace the water storage tanks that had reached the end of their useful asset life. The benefits of replacing the water tanks include increased water storage capacity to support future growth, increased water pressure to the community, improved reliability and efficiencies and savings on maintenance costs.

### Galiwin'ku Sewerage Upgrade

Upgrading the sewerage system in Galiwin'ku enables approximately \$14 million worth of community infrastructure works to proceed, most importantly the health clinic. This project improves the reliability of the sewerage system and the Sewerage Pumping Station (SPS) 1 and provides sewerage reticulation capacity for development within its catchment over the next 20 years. The improved system offers less sewerage overflow, improved public health, a safer asset to operate and improved operational efficiency.

### Maningrida Sewerage Ponds and discharge upgrade

This project was undertaken to improve the existing sewerage pond capacity to handle future growth demand and reduce environmental problems with treated effluent discharging on rock shelf in the sea. Benefits of this project include improved public health, improved environmental outcomes, reduced safety issues, less maintenance requirements and improved operational efficiency.

### Water savings

The Water and Energy Demand Management (WEDM) team manages projects in remote communities identified as having high water or energy use and/or a water source risk. Projects are aimed at reducing energy and water demand with a focus on community driven change. The WEDM team engages with each community about the need to manage water resources and promote how to reduce their demand for water. They actively work with the largest water users to reduce water demand.

Water savings achieved by WEDM projects in communities during 2014-15 include:

- Yuendumu – 20 ML (11 per cent reduction)
- Ali Curung – 18 ML (12 per cent reduction)
- Wutunugurra (Epenarra) – 6 ML (32 per cent reduction)
- Milingimbi – 14 ML (6 per cent reduction)

There are currently seven communities with automated water meter reading technology - 'smart meters', which are monitored remotely: Santa Teresa, Gunbalanya, Milingimbi, Galiwin'ku, Yuelamu, Ali Curung and Epenarra.

Smart meter data is used to calculate community water balances, identify high users and excessive use that can be reduced through behaviour change. The team can identify and address -leaks at individual properties in a timely manner.

When possible, IES works with external academic and technical organisations to leverage additional value to its water resource management activities.



## Meter trials & projects

### Pre-payment metering

The current pre-payment meters are no longer manufactured and a replacement meter had to be found to service pre-payment customers. In October 2014, a smart pre-payment meter trial was carried out at Nauiyu (Daly River).

The system was successfully trialled for three months ending in January 2015. The system uses an EDMI meter combined with a back-end component, which allows the customer to purchase credit from the store and have it virtually transferred directly to the meter. The system does not require a paper token, data is easier to analyse and interrogate than the existing meters and greater customer usage data can be retrieved.

### Future Smart Prepaid Electrical Meter Projects

Following the successful trial of the smart electrical pre-pay meters at Daly River, it was agreed to roll out this system to all communities with 3G reception. The purpose is to ensure that customers can still access pre-pay metering for their power consumption.



**October 2014**

smart prepayment meter trial  
carried out at Daly River



rollout of new system to  
communities commences

**June 2015**

### Partnership with Michael Long Learning and Leadership Centre

The Michael Long Learning and Leadership Centre (MLLLC) encourages Indigenous youths to learn and lead through sport. Power and Water has partnered with the MLLLC to engage with participants and provide education modules focusing on energy and water efficiency and career pathway. Partnering with the MLLLC is an integral part of Power and Water's Indigenous Employment and Career Development Strategy. This is an exciting partnership that will continue into the 2015-16 financial year.

### Environmental Waste Discharge Licences

Under the *Water Act* administered by the Environmental Protection Authority (EPA), a Waste Discharge Licence is required for wastewater treatment plants that discharge treated wastewater to the environment. Remote Operations has identified relevant sites and is currently working with the EPA to obtain these licences.

Yirrkala water tank opening with the Minister for Essential Services, Willem Westra van Holthe



## Organisational structure

### Remote Operations

Scott Robertson,  
General Manager

#### REMOTE OPERATIONS CORE AREAS

##### Water and Sewer Services

Nigel Deacon

##### Electricity Services

Duncan Griffin

##### Health and Safety

Lindsay Craker

##### Stakeholder and Contract Management

Lindsay Smith

##### Business Management

David Coucill

##### Solar SETuP Program

Graeme Marshall



## Outlook for 2015-16

### **Grid connection of Wadeye to Nganmariyanga (Palumpa) and Peppimenarti**

The proposed project involves decommissioning two old diesel power stations through future grid connection of the new Wadeye gas-fired powered station to Nganmariyanga (Palumpa) and Peppimenarti. This will increase operating efficiencies, freeing up land in the communities for construction and create options to connect outstations to mains supply and regional development. This will reduce whole-of-government costs of power supply and economic development of Indigenous communities and regions.

### **Cloud forecasting**

Power and Water is investigating state of-the-art technology to forecast output of solar PV generators. When clouds pass over large PV arrays, the output can drop from full output to 10 per cent of output in a matter of seconds. This could potentially lead to generator and power system instability. If the system operator has advance warning of such an event, appropriate measures can be taken in good time to deal with the power fluctuations. This would lead to much greater efficiency in the use of systems with complementary solar and traditional fuel sources.





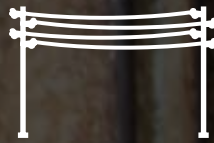
# Statistical summary

## INPUTS



95

ESSENTIAL SERVICES OPERATORS



1375km

POWERLINES



655km

WATERPIPES

## OUTPUT



8,859

ELECTRICITY CUSTOMERS



2,808

WATER CUSTOMERS



2,527

SEWERAGE CUSTOMERS

# Financial Statements

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# Director's 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 2015 and the auditor's report thereon.

## Directors

The Directors of the Company at any time during or since the end of the financial year were:

Mr Ken Clarke	Director since 1 December 2013 Appointed Chairman 28 July 2015
Mr John Baskerville	Chairman since 28 March 2013 Resigned 27 July 2015
Ms MaryAnn Bin-Sallik	Director since 16 July 2015
Ms Djuna Pollard	Director since 16 July 2015
Mr George Roussos	Director since 1 December 2013 Resigned 14 April 2015

## 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:

Level 2 Mitchell Centre 55 Mitchell Street  
Darwin NT 0800

### Company Secretary:

Mr Antoni Murphy - appointed 25 July 2014  
Mr Kelvin Strange - from 1 July 2014 to 25 July 2014

## Controlling Entity

The Company's controlling entity is Power and Water Corporation, a government owned corporation pursuant to the *Government Owned Corporations Act 2001*. Power and Water Corporation guarantees the solvency of the Company and provides all the Company's services, including management and accounting.

## Delay in completion of financial statements

Due to the structural separation of Power Generation Corporation (Territory Generation) and Power Retail Corporation (Jacana Energy) from Power and Water Corporation and the required system changes to enable these new corporations to have discrete financial statements, the accounts of Power and Water Corporation could not be audited in the time required for the Treasurer's Annual Financial Report to be completed.

Under the *Government Owned Corporations Act 2001*, Power and Water Corporation was able to seek and was granted an extension of time from the Shareholding Minister to enable it to complete its financial statements.

Given the integrated accounting system that is used to prepare the Company accounts is controlled and managed by its holding parent, Power and Water Corporation, it was outside of the control of the Company to lodge financial statements by the date due under the *Government Owned Corporations Act 2001*.

## Audit Opinion

The Auditor's Report raises concerns in relation to the: property, plant and equipment; intercompany payable to the parent, Power and Water Corporation; and as a result of the intercompany payable, revenue.

## Property, plant & equipment

The change in the measurement basis for property, plant and equipment from the historical cost method to the fair value method identified a number of issues with the Company's asset records and an improvement program has been initiated to address these issues. This improvement program is not yet complete. Therefore, whilst the Directors are confident that the value of property, plant and equipment reflected in these financial statements is materially correct, as the improvement program has not as yet been completed, there is a level of uncertainty as to the completeness and accuracy of asset records including depreciation charges for the year ended 30 June 2015.

## Intercompany payable to Power and Water Corporation

The majority of the Company's transactions are processed through the intercompany payable account to the parent entity. A number of issues have been identified with the intercompany payable account and work is continuing to investigate a number of transactions in the account. Whilst the Directors are confident that the financial statements are materially correct, there is a level of uncertainty as to the accuracy of the intercompany payable account and associated profit and loss transactions as at and for the year ended 30 June 2015.

## Principal Activities

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

During the course of the financial year ending 30 June 2015, the principal activities of the Company as a not-for-profit entity were to provide electricity, water and sewerage services to remote Indigenous communities in the Northern Territory.

The Company's services are provided by Power and Water Corporation staff under a purchaser / provider type agreement with the Department of Local Government and Community Services.

## Change in the Basis of Measurement

The company changed the measurement basis for property, plant and equipment from the historical cost method to the fair value method (see note 7) using the depreciated replacement cost method, effective for the financial year ended 30 June 2015. This change applies to all property, plant and equipment classes with the exception of capital work in progress which is measured at cost. The movement to fair value increased the value of the consolidated entity's property, plant and equipment by \$411.6 million. This has been reflected in the movement in the Asset Revaluation Reserve (see note 12).

A number of circumstances have affected the value of property, plant and equipment in the financial statements for the Company. Firstly, the Company's parent, Power and Water Corporation, underwent structural separation and the asset books were re-loaded as part of this process. Secondly, as part of the change in valuation methodology, significant verification work was performed, identifying new assets for the Company.

These numerous changes resulted in the Company being unable to provide the level of detailed evidence required by external audit, resulting in an audit qualification. However, the Indigenous Essential Services Pty Limited directors are confident that the value of property, plant and equipment as per these statements is as true and fair view of the value as can be achieved at this time. Directors note that while the value of property, plant and equipment has increased from \$332 million

to \$722 million due mainly to the change in valuation methodology, the asset values reported this year are still conservative, theoretically by as much as \$242 million. A physical inspection of assets in 2013-14 identified \$242 million of assets that did not receive audit sign off in 2014-15 because these assets could not be verified from the financial data in the time available for the audit. Directors have taken a conservative approach to valuing the assets because it is possible that a material proportion of the so called "found assets" have already been written off.

The Company has an improvement project underway that will improve the level of detailed evidence behind the fixed assets values to the level required by external audit.

#### Operating and Financial Review

The Company's net loss for 2014-15 is \$33.9 million, compared to a \$1.4 million net profit in 2013-14. This variance is primarily due to an increase in depreciation (from \$14.7 million in 2013-14 to \$49.1 million in 2014-15), resulting from a change in the asset valuation methodology from historical cost to fair value, using the depreciated replacement cost method.

The profit/loss variance is driven by:

- Reduction in revenue from the sale of goods by \$2.4 million mainly, as a result of decreased electricity sales of \$3.0 million, counteracted by increased water sales of \$0.6 million;
- Reduction in revenue from the rendering of services by \$7.5 million. This negative variance is mainly attributable to decreased capital grant revenue of \$11.1 million, counteracted by increased recurrent grant revenue of \$3.5 million. Additionally, other income increased by \$0.7 million;
- Decreased loss on disposal of assets in 2014-15 (\$1.8 million in 2014-15 vs. \$16.3 million in 2013-14) as disposal of assets in the prior year was higher than usual due to the asset verification project to reorganise the asset register (see note 3 (d));
- Increase in depreciation from \$14.7 million in 2013-14 to \$49.1 million in 2014-15, resulting from a change in the asset valuation methodology from historical cost to fair value, using the depreciated replacement cost method; and
- Reduced raw material and consumables costs (down \$6.9 million on 2013-14) which was assisted by lower diesel prices.

The Company's cash balance of \$13.6 million at the end of June 2015 was significantly lower than the \$27.9 million at 30 June 2014. This is largely due to the reduction in capital grant revenue from the Northern Territory Government.

#### Dividends

As a not-for-profit entity the Company paid no dividends during the financial year (2014: nil).

#### 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, in the opinion of the Directors of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

#### Future Developments

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 2016 financial year.

#### Independence Declaration Under Section 307C of the Corporations Act 2001

The Auditor General's declaration of independence is set out on page 7 of the financial report.

#### Indemnification and Insurance of Directors and Officers

##### Indemnification

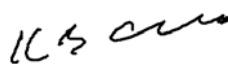
The Northern Territory Government has indemnified the Directors of the Company's controlling entity Power and Water as well as the Directors of Power and Water's wholly controlled entities for all liabilities that may arise from their position, except where the liability is incurred or arises out of 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 by Power and Water Corporation to cover its Directors and Officers, and those of its subsidiaries. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums are confidential.

- **Group Personal Accident Insurance**
- **Professional Indemnity Insurance**
- **Directors' and Officers' Liability**

This report is made in accordance with a resolution of Directors pursuant to s.298(2) of the *Corporations Act 2001*.



**Mr Ken Clarke**

Chairman

Dated at Darwin this 24th day of June 2016

## Director's Declaration

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

- (a) the financial statements and notes presented are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the Company as at 30 June 2015 and its 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.

Signed in accordance with a resolution of Directors made pursuant to s.295(5) of the Corporations Act 2001 .



**Mr Ken Clarke**

Chairman

Dated at Darwin this 24th day of June 2016



**Northern Territory Auditor-General's Office**  
Auditing for Parliament

160120 - Auditors Independence Declaration.docx

The Board of Directors  
Indigenous Essential Services Pty Limited  
Level 2, Mitchell Centre  
55 – 59 Mitchell Street  
Darwin NT 0800

24 June 2016

Dear Board Members,

**Auditor's Independence Declaration to the Directors of Indigenous  
Essential Services Pty Limited**

As auditor for the audit of the financial statements of Indigenous Essential Services Pty Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Julie Crisp'.

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



## Auditor-General

### Independent Auditor's Report to the Board of Directors of Indigenous Essential Services Pty Limited Year ended 30 June 2015

#### Page 1 of 2

I was engaged to audit the accompanying financial report of Indigenous Essential Services Pty Limited ("the Company"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 11 to 30.

#### **Directors' Responsibility for the Financial Report**

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

#### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs below, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### **Auditor's Independence Declaration**

In conducting the audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Indigenous Essential Services Pty Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### **Basis for Disclaimer of Opinion**

##### Property, plant and equipment

As at 1 July 2014 the Company changed its accounting policy in relation to the measurement of its property, plant and equipment from historical cost to fair value. The Company commissioned independent valuations to provide a fair value which has resulted in the value of property, plant and equipment reported in the statement of financial position increasing by \$411,602,985 million from a written down value of \$332,117,911 as at 30 June 2014. The valuations were performed using depreciated optimised replacement cost. A number of material issues were identified in relation to the valuation processes that were not resolved and accordingly I have not been able to obtain sufficient appropriate audit evidence in relation to the valuation of property, plant and equipment.

In addition, the fixed asset register contained numerous errors, both individually and cumulatively material, with some of these errors remaining unresolved as at the date of this audit report.

As a result of the above, I am unable to obtain sufficient appropriate audit evidence to support the validity, completeness, existence, accuracy, valuation and classification of property, plant and equipment and the asset revaluation reserve in the statement of financial position as at 30 June 2015, and depreciation, asset impairment and net loss on disposal of property, plant and equipment (included in Other Expenses) in the statement of profit or loss and other comprehensive income for the year ended 30 June 2015.



## Auditor-General

### Page 2 of 2

#### Intercompany payable to Power and Water Corporation

The books and records for the Company are maintained by its parent entity (the Power and Water Corporation, hereafter referred to as "the Corporation") using the Corporation's financial systems and applications. The Corporation was restructured and as result of the restructure, the core financial applications and underlying infrastructure were reconfigured and re-implemented on 27 April 2015. This has resulted in numerous errors and unresolved issues in relation to the intercompany payable of \$12,144,198 from the Company to the Corporation as at 30 June 2015.

As the intercompany payable balance includes all transactions processed on behalf of the Company by the Corporation, I am unable to obtain sufficient appropriate audit evidence to support the transactions and balances reported in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements for the year ended and as at 30 June 2015 for the Company. I have been unable to confirm or verify this balance by alternative means. As a result, I am unable to determine whether any adjustments might have been found necessary in respect of this balance within the statement of profit or loss and other comprehensive income; the statement of financial position; the statement of changes in equity and/or; the statement of cash flows.

#### Revenue

As a result of the issues identified in the intercompany payable to the Corporation, I have not been able to obtain sufficient appropriate audit evidence in relation to Revenue from the sales of goods of \$32,149,567 in the statement of profit or loss and other comprehensive income.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs above, I do not express an opinion as to whether the financial report of Indigenous Essential Services Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### **Report on Other Legal and Regulatory Requirements**

Due to the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been given all information, explanation and assistance necessary for the conduct of the audit; and I am unable to determine whether the company has kept:

- a) financial records sufficient to enable the financial report to be prepared and audited; and
- b) other records and registers as required by the *Corporations Act 2001*.

Julie Crisp  
Auditor-General for the Northern Territory  
Darwin, Northern Territory  
24 June 2016

**Statement of Profit and Loss and Other Comprehensive Income**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue from sale of goods	3 (a)	32,149,567	34,499,780
Revenue from rendering of services	3 (b)	89,758,130	97,288,950
Interest revenue		379,653	709,150
Other Income	3 (c)	1,777,588	1,101,926
<b>Total revenue and income</b>		124,064,938	133,599,806
Raw materials and consumables used		35,242,773	42,109,047
Depreciation and amortisation expenses		49,105,203	14,696,903
Finance costs		150,036	51,903
Other expenses	3 (d)	73,443,886	75,311,880
Surplus / (Loss) for the year from continuing operations		(33,876,960)	1,430,073
<b>Surplus / (Loss) for the year</b>		(33,876,960)	1,430,073
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Revaluation surplus	12	411,602,985	-
Other comprehensive income for the year		411,602,985	-
<b>Total comprehensive income for the year</b>		<b>377,726,025</b>	<b>1,430,073</b>

**Statement of Changes in Equity**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Contributed Equity</b>			
Balance at the beginning of the year		10	10
<b>Balance at the end of the year</b>	10	10	10
<b>Retained Earnings</b>			
Balance at the beginning of the year		328,244,109	326,814,036
Surplus / (Deficit) for the year		(33,876,960)	1,430,073
Balance at the end of the year	11	294,367,149	328,244,109
<b>Asset Revaluation Reserves</b>			
Increase in asset valuation	12	411,602,985	-
<b>Total equity</b>		<b>705,970,144</b>	<b>328,244,119</b>

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

**Statement of Financial Position**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Current Assets</b>			
Cash and cash equivalents	4 (a)	13,630,246	27,907,986
Trade and other receivables	5	636,722	385,401
Inventories	6	6,308,513	7,369,065
Other assets		485,795	98,373
<b>Total current assets</b>		<b>21,061,276</b>	<b>35,760,825</b>
<b>Non-current Assets</b>			
Property, plant and equipment	7	722,431,668	332,117,911
<b>Total non-current assets</b>		<b>722,431,668</b>	<b>332,117,911</b>
<b>Total assets</b>		<b>743,492,944</b>	<b>367,878,736</b>
<b>Current Liabilities</b>			
Trade and other payables	8	30,828,042	32,100,872
Finance lease liability	9	369,499	792,531
<b>Total current liabilities</b>		<b>31,197,541</b>	<b>32,893,403</b>
<b>Non-current Liabilities</b>			
Finance lease liability	9	6,325,259	6,741,213
<b>Total non-current liabilities</b>		<b>6,325,259</b>	<b>6,741,213</b>
<b>Total liabilities</b>		<b>37,522,800</b>	<b>39,634,616</b>
<b>Net assets</b>		<b>705,970,144</b>	<b>328,244,119</b>
Contributed equity	10	10	10
Retained earnings	11	294,367,149	328,244,109
Asset revaluation reserve	12	411,602,985	-
<b>Total equity</b>		<b>705,970,144</b>	<b>328,244,119</b>

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



**Statement of Cash Flows**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		50,576,727	38,768,098
Payments to suppliers		(110,082,758)	(105,236,469)
Receipt of Government Grants		75,238,924	78,431,438
Interest received		412,780	740,025
<b>Net cash provided by operating activities</b>	4 (b)	<u>16,145,673</u>	<u>12,703,092</u>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of property, plant and equipment		-	1,340
Purchase of property, plant and equipment		(29,249,796)	(35,099,025)
<b>Net cash used in investing activities</b>		<u>(29,249,796)</u>	<u>(35,097,685)</u>
<b>Cash flows used in financing activities</b>			
Repayment of finance leases		(1,173,617)	(632,248)
<b>Net cash used in investing activities</b>		<u>(1,173,617)</u>	<u>(632,248)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(14,277,740)</u>	<u>(23,026,841)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>27,907,986</u>	<u>50,934,827</u>
<b>Cash and cash equivalents at end of year</b>	4 (a)	<u>13,630,246</u>	<u>27,907,986</u>

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

## Notes to the Financial Statements

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

### 1 Company Information

Indigenous Essential Services Pty Limited (the Company) is a not-for-profit proprietary company operating and domiciled in Australia. On 24 June 2016, the Directors authorised the issue of the Company's financial report for the year ended 30 June 2015.

### 2 Statement of significant accounting policies

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

#### (a) Statement of compliance

These financial statements are general purpose financial statements, which have been prepared in accordance with Accounting Standards and Interpretations and the Corporations Act 2001. The Company is a not-for-profit entity for purpose of financial reporting.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company's net loss for 2014-15 was \$33.9 million, compared to a \$1.4 million net profit in 2013-14. The Company's net working capital is a deficit of \$10.1 million (surplus of \$2.9 million at 30 June 2014). Current liabilities include \$30.8 million (2014: \$32.1 million) of trade and other payables.

Notwithstanding the indicators noted above, the Company's performance has been significantly impacted by the change in value of its fixed assets from historical cost to depreciated replacement cost. This has significantly increased depreciation expense (non-cash) from \$14.7 million in 2013-14 to \$49.1 million in 2014-15. Assets are fundamental to the essential services provided by the Company. Accordingly, the Company is economically dependent on the Northern Territory Government to fund its future capital expenditure. In addition, the Company's operating cash flows

improved by \$3.4 million to \$16.1 million in 2014-15 (\$12.7 million in 2013-14). Further, to ensure that the Company is able to pay its debts as and when they fall due, a letter was received from the Parent entity which guarantees support should the Company not be able to pay its debts as and when they fall due.

Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

#### Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in note 2 to all periods presented in these financial statements.

#### Measurement of property, plant and equipment

The Company has changed the measurement basis of property, plant and equipment from the historical cost model to the revaluation model, effective for the financial year ended 30 June 2015. This change applies to all property, plant and equipment classes with the exception of capital work in progress which is measured at cost.

#### Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Where applicable, details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes below.

#### Standards and Interpretations effective for the first time in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported or the presentation/disclosure in these financial statements:

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

Standard or Interpretation	Nature of Change to Accounting Policy
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	<p>The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.</p> <p>The amendments have been applied retrospectively. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Company's consolidated financial statements.</p>
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	<p>This standard amends AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.</p>
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	<p>The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.</p> <p>The application of these amendments does not have any material impact on the disclosures in the Corporation's consolidated financial statements.</p>
AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)	<p>The Annual Improvements 2010-2012 has made a number of amendments to various AASBs, those that are applicable to the Company are summarised below:</p> <ul style="list-style-type: none"> <li>• The amendments to the basis for conclusion of AASB 13 clarify that the issues of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.</li> <li>• The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses.</li> <li>• The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. consequently, the reporting entity should disclose as related party transactions the amount incurred for the service paid or payable to the management entity for the provision of key management personnel services. however, disclosure of the components of such compensation is not required.</li> </ul> <p>The Annual Improvements 2011-2013 has made a number of amendments to various AASBs, those that are applicable to the Company are summarised below:</p> <ul style="list-style-type: none"> <li>• The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.</li> </ul> <p>The application of these amendments does not have any material impacts on the disclosure or on the amounts recognised in the Company's financial statements.</p>
AASB 2015-7 'Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities'	<p>The Company has applied reduced disclosure regarding the Fair Value Disclosures of Not-for-Profit Public Sector Entities.</p>

There are no new or revised Standards or Interpretations adopted in these financial statements affecting the reporting results or financial position.

## Notes to the Financial Statements

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

### Standards and Interpretations issued not yet effective

At the date of authorisation of the Financial Statements, the following Standards and Interpretations were issued but not yet effective. The Company does not intend to adopt any of these pronouncements before their effective dates.

Standard or Interpretation	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 January 2015	30 June 2016
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019

### (b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Measurement basis
Property, plant and equipment	Fair value

These accounting policies have been consistently applied unless otherwise stated, and are consistent with those for the previous year.

The financial report is presented in Australian dollars.

### (c) Use and revision of accounting estimates

In the application of the Company'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 estimates are 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 critical accounting judgments and key sources of estimation uncertainty.

### Critical accounting judgements

There are no critical judgements that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

## Notes to the Financial Statements

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

### Fair value measurements and valuation processes

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Ahead of the most recent revaluation process for property, plant and equipment, independent consultants were engaged to determine the process for the measurement of fair values. The Audit and Risk Committee have approved this process.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 - property, plant and equipment
- Note 15 - financial instruments

### Unbilled revenue

As per accounting standard AASB 118 - 'Revenue', 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. Therefore, the Company estimates the amount of electricity and water consumed at reporting date but that is yet to be billed. For further information on revenue recognition, refer to note (d) below.

### **(d) 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. Revenue is measured at the fair value of the consideration received or receivable.

The books and records of the Company are maintained by the parent entity. The majority of the Company's transactions are processed through the intercompany payable account to the parent entity. Since structural separation of the parent entity, and subsequent upgrades to the parent entity's financial management system, the Company has continued to review and validate all transactions processed through the intercompany payable account. As at the date of this declaration, work is continuing to investigate a number of transactions in the intercompany payable account. Whilst the Directors are confident that the financial statements are materially correct, there is a level of uncertainty as to the accuracy of the

intercompany payable account and associated revenue transactions as at and for the year ended 30 June 2015.

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 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. Sale of goods includes estimates for unbilled consumption of electricity and water as at reporting date. For further information on unbilled consumption, refer to note (c) above.

### **Rendering of services**

Rendering of services relates to the provision of sewerage services. The 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. Government grants are assistance by the government in the form of transfers of funds to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants also include government assistance where there are no conditions specifically relating to the operating activities of the Company other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Where the grant relates to an expense or capital item, it is recognised initially as deferred income in the statement of financial position and 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.

### **(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. The net amount of GST recoverable from, or payable to, the taxation authority (through Power and Water Corporation) is included as a current asset or liability in the statement of financial position. From 1 July 2003, the Company has been grouped with Power and Water Corporation for GST purposes. Power and Water Corporation is the representative member and lodges the Business Activity Statement on behalf of the group.

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 (through Power and Water Corporation) are classified as operating cash flows.

## Notes to the Financial Statements

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

### (f) Finance Costs

All finance costs are recognised as an expense in the period in which they are incurred.

### (g) Income tax consolidation

The Power and Water Corporation is the head entity in a tax-consolidated group comprising of its wholly-owned subsidiary, Indigenous Essential Services Pty Limited. Indigenous Essential Services Pty Limited was removed from the National Tax Equivalent Regime effective 1 July 2003 as a not-for-profit entity.

### (h) Cash and cash equivalents

Cash assets include cash on hand and at bank.

### (i) Trade and other receivables

Trade and other receivables are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts.

Trade receivables are on 14 day terms and other receivables are on 30 day terms.

### (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 represents the amounts expected to be realised from the use of the inventory.

### (k) Property, plant and equipment

The Company changed the measurement basis for property, plant and equipment from the historical cost method to the fair value method, effective for the financial year ended 30 June 2015.

This change applies to all property, plant and equipment classes with the exception of work in progress which is measured at cost. The movement to fair value increased the value of the consolidated entity's property, plant and equipment to \$722.4 million. This has been reflected in the movement in the Asset Revaluation Reserve (see note 12).

A number of circumstances have changed affecting the value of property, plant and equipment in the financial statements for the Company. Firstly, the Company's parent, Power and Water Corporation, underwent structural separation and the asset books were re-loaded as part of this process. Secondly, as part of the valuation, significant work on verification was performed identifying new assets for the Company.

Whilst the Company's Directors are confident that the value of property, plant and equipment as per these statements is materially correct and represents a true and fair view, the valuation process identified a number of assets which were not in the current asset register. These assets have been excluded from the value of assets recorded in these financial statements until the improvement project is complete. The improvement project will improve the level of detailed evidence behind the fixed assets values to the level required by external audit.

#### Acquisition of assets

Freehold land, buildings and plant, infrastructure and equipment are originally stated at cost less accumulated depreciation (apart from freehold land as this is not depreciated) and any accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

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

#### Subsequent measurement

Subsequent to initial recognition, all assets held at fair value are revalued in accordance with AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participant's perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

The market approach uses prices and other relevant information generated by market transactions involving identical or similar assets. The income approach is a technique that converts future cash flows amounts (or income and expenses) to a single current discounted amount.

The cost approach (i.e. depreciated replacement cost) reflects the amount that would be required currently to replace the service capacity of an asset, adjusted for obsolescence. The replacement cost is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of output and in operating costs.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Work in progress is measured at cost.

## Notes to the Financial Statements

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

The following valuation techniques are used:

Asset class		Valuation policy
Land and buildings	Specialised land	Market approach
	Non-specialised land	Market approach
	Office Buildings	Market approach
Infrastructure systems	Water and sewerage	Depreciated replacement cost approach
	Electricity generation	Depreciated replacement cost approach
	Electricity distribution and transmission	Depreciated replacement cost approach
Plant and equipment	Non-specialised plant and equipment	Depreciated replacement cost approach

For infrastructure assets the Board considered all valuation approaches. The Board determined that infrastructure assets should move from historical cost to fair value, due to its better reflection of the true value of the assets owned by the Company. The depreciated replacement cost approach was chosen due to its ability to demonstrate an amount reflective of replacement cost and to avoid impairment resulting from tariff caps.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

### Revaluation of property, plant and equipment

Each class of property, plant and equipment held at fair value is to be subject to revaluation at least every five years or with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

The last revaluation was completed at 1 July 2013, based on independent assessments. Assessment of fair value movements between 1 July 2013 and 30 June 2015 was conducted by the Company and it was concluded that there has been no material movement in values since revaluation date.

A further assessment was carried out by the independent valuers who conducted the original revaluation. The original assumptions applied in 2013 were reviewed and the impact of any changes to specific assets or relevant markets were calculated to ensure the movements were not material. Both assessments concluded the movement between 1 July 2013 and 30 June 2015 were not significant.

Where the Company revalues non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement for that class of asset previously recognised as a loss in the operating result, the increment is recognised as a gain.

Revaluation decrements are recognised immediately as losses, except that they are debited directly to the revaluation surplus to the extent that a credit exists in the revaluation surplus in respect of the same class of asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

### 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/amortised using the straight-line method over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

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

Depreciation has been calculated based on the estimated useful lives used for each class of asset as follows:

Building, plant and equipment	June 2015	June 2014
Building and improvements	8 to 60 years	8 to 60 years
Plant and equipment	1 to 99 years	1 to 99 years
Intangibles	2 to 4 years	2 to 4 years

The depreciation useful lives used for each class of asset relating to finance leases are as follows:

Building, plant and Equipment situated on finance leased land	June 2015	June 2014
Building and improvements	8 to 40 years	8 to 40 years
Plant and equipment	1 to 40 years	1 to 40 years
Finance leases	12 to 40 years	12 to 40 years

## Notes to the Financial Statements

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

### Impairment of assets

The carrying values of plant and equipment are assessed for indicators of impairment at each reporting date, with recoverable amounts 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, less any accumulated impairment losses.

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 Statement of Profit and Loss and Other Comprehensive Income.

### 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 Statement of Profit and Loss and Other Comprehensive Income in the year in which the asset is derecognised.

### (l) Intangible assets

All intangible assets are acquired separately and are carried at cost less accumulated amortisation and accumulated impairment losses. Assets are amortised from the date of acquisition or from the time the asset is held ready for use. Amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The Company does not have internally-generated intangible assets.

#### Derecognition and disposal

An intangible asset 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 profit or loss in the year in which the asset is derecognised.

### (m) Payables

Trade payables and other payables are carried at amortised 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.

The books and records of the Company are maintained by the parent entity. The majority of the Company's transactions are processed through the intercompany payable account to the parent entity. Since structural separation of the parent entity, and subsequent upgrades to the parent entity's financial management system, the Company has continued to review and validate all transactions processed through the intercompany payable account. As at the date of this declaration, work is continuing to investigate a number of transactions in the intercompany payable account. Whilst the

Directors are confident that the financial statements are materially correct, there is a level of uncertainty as to the accuracy of the intercompany payable account as at 30 June 2015.

### (n) Financial Instruments

Financial instruments held by the Company consist of cash, trade and other receivables classified as 'loans and receivables' and payables classified as other financial liabilities measured and recognised in line with AASB 139 'Financial Instruments: Recognition and Measurement'. Interest revenue recognised is solely incurred by cash held.

### (o) Leased Assets

#### Finance leases

Leases under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Profit and Loss Statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

#### Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.



**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	2015 \$	2014 \$
<b>3 Revenue and expenses</b>		
<b>(a) Sale of goods</b>		
Electricity	27,335,549	30,286,129
Water	4,814,018	4,213,651
	32,149,567	34,499,780
<b>(b) Rendering of services</b>		
Recurrent grant	60,105,105	56,553,806
Capital grant	26,882,068	38,045,965
Services rendered	2,770,957	2,689,179
	89,758,130	97,288,950
<b>(c) Other income</b>		
Capital contributions and recoverable works	1,423,114	773,435
Other income	354,474	328,491
	1,777,588	1,101,926
<b>(d) Other expenses</b>		
Repairs and maintenance	21,886,991	17,644,600
Net loss on disposal of property, plant and equipment (1)	1,768,453	16,271,286
Direct personnel costs	15,957,945	14,705,462
Agents - community contract fees	10,863,423	8,133,241
Other (2)	22,967,074	18,557,291
	73,443,886	75,311,880

(1) In 2013-14, the Company in conjunction with independent valuers undertook a complete physical verification of fixed assets as per requirements outlined in AASB 116 Property, Plant and Equipment. As part of this process, the operational and financial asset registers were aligned. Accordingly, items not on the operational asset register or not verified as "in use" were disposed of with the balance of its written down value taken to the profit and loss statement. This verification process was last performed in 2007. The disposals were recorded in the 2013-14 financial year as it is impractical to allocate these disposals to any particular year since the previous verification process was performed.

(2) Amount comprises of various charges, including service fees, contract labour, and external service agreements.

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	2015 \$	2014 \$
<b>4 Cash and cash equivalents</b>		
<b>(a) Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	13,630,246	27,907,986
The weighted average interest rate on cash assets at 2015 is 2.01% (2014 : 1.89% )		
<b>(b) Reconciliation of net surplus / (loss) to net cash flows from operations</b>		
Net Surplus / (Deficit)	(33,876,960)	1,430,073
<i>Adjustments for:</i>		
Depreciation	49,105,203	14,696,903
Contributed assets provided free of charge	-	-
Net (profit)/loss on disposal of property, plant and equipment	1,768,452	16,271,286
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in inventories	1,060,551	(339,726)
(Increase)/decrease in trade and other receivables	(251,321)	(93,391)
(Increase)/decrease in other assets	(387,424)	(71,803)
(Decrease)/increase in trade and other payables	(1,272,828)	(19,190,250)
Net cash provided by operating activities	16,145,673	12,703,092
<b>5 Trade and other receivables Current</b>		
Interest receivable	11,728	44,855
Other Debtors	624,994	340,546
Total current receivables	636,722	385,401
<b>(a) Trade Receivables</b>		
Receivables at 30 June 2015 are non-interest bearing.		
<i>Ageing of trade and other receivables:</i>		
0 - 30 days	347,957	188,182
30 - 60 days	11,524	-
60 - 90 days	80,171	2,000
90 + days	197,070	195,219
<b>Total</b>	<b>636,722</b>	<b>385,401</b>
<b>6 Inventories</b>		
Materials and stores	-	72,871
Distillate stocks	6,308,513	7,296,194
	6,308,513	7,369,065

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$969,890 (2014: \$874,610).

The cost of distillate recognised as an expense during the year in respect of continuing operations was \$26,635,557 (2014: \$33,423,227).

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	Land \$	Buildings \$	Plant and Equipment \$	Finance Leases \$	Intangible Assets \$	Work in Progress \$	Total Property, Plant and Equipment \$
<b>7 Property, plant and equipment</b>							
<b>June 2015</b>							
Cost	70,428	144,114,729	1,199,006,298	9,774,370	113,050	30,608,975	1,383,687,850
Accumulated Depreciation	-	(75,190,614)	(583,881,225)	(2,073,255)	(111,088)	-	(661,256,182)
Written Down Value	70,428	68,924,114	615,125,073	7,701,115	1,962	30,608,975	722,431,668
<b>June 2014</b>							
Cost	70,428	52,965,991	411,844,894	9,439,736	113,050	93,042,390	567,476,489
Accumulated Depreciation	-	(28,350,086)	(205,456,598)	(1,466,249)	(85,645)	-	(235,358,578)
Written Down Value	70,428	24,615,905	206,388,296	7,973,487	27,405	93,042,390	332,117,911
<b>Movement</b>							
	Land \$	Buildings \$	Plant and Equipment \$	Finance Leases \$	Intangible Assets \$	Work in Progress \$	Total Property, Plant and Equipment \$
<b>June 2015</b>							
Opening Balance	70,428	24,615,905	206,388,296	7,973,487	27,405	93,042,390	332,117,911
Transfer/Restructure/Adjustments	-	5,022,742	(5,022,743)	(36,727)	-	-	(36,728)
Additions	-	-	980,625	334,634	-	28,269,171	29,584,430
Depreciation	-	(4,923,233)	(43,586,247)	(570,279)	(25,443)	-	(49,105,203)
Transfer From WIP	-	6,833,132	83,869,453	-	-	(90,702,585)	-
Disposals	-	(908,103)	(823,625)	-	-	-	(1,731,727)
Revaluation	-	38,283,671	373,319,314	-	-	-	411,602,985
Closing Balance	70,428	68,924,114	615,125,073	7,701,115	1,962	30,608,975	722,431,668
<b>June 2014</b>							
Opening Balance	11,332	22,505,712	231,014,656	8,388,210	45,253	65,892,129	327,857,292
Transfer/Restructure/Adjustments	20,955	637,594	(26,343,786)	131,123	(47)	26,547	(25,527,615)
Additions	-	-	-	-	-	60,754,383	60,754,383
Depreciation	-	(2,045,098)	(12,084,777)	(545,846)	(21,182)	-	(14,696,903)
Transfer From WIP	38,141	4,053,912	29,538,615	-	3,381	(33,630,669)	3,381
Disposals	-	(536,215)	(15,736,412)	-	-	-	(16,272,627)
Closing Balance	70,428	24,615,905	206,388,296	7,973,487	27,405	93,042,390	332,117,911

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	2015 \$	2014 \$
<b>8 Trade and other payables</b>		
Payable to controlling entity	12,144,198	9,366,034
Trade creditors, other creditors and accruals	13,161,353	7,961,065
Unearned revenue	5,522,491	14,773,773
	30,828,042	32,100,872

Trade and other payables are non-interest-bearing. The policy of the Company is to settle trade payables within 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Unearned revenue is funding received for recoverable works projects. The significant reduction from

\$14.8 million in 2013-14 to \$5.5 million in 2014-15 is due to the reduced grant funding received in the current financial year.

	2015 \$	2014 \$	2015 \$	2014 \$
<b>9 Finance lease liability</b>				
	<b>Minimum lease payments</b>		<b>Present value of the minimum lease payments</b>	
Not later than one year	470,427	858,858	369,499	792,531
1 to 5 years	3,198,587	3,042,247	2,493,001	2,477,475
Later than 5 years	8,548,955	9,128,170	3,832,258	4,263,737
	12,217,968	13,029,275	6,694,758	7,533,743
Less future finance charges	(5,523,210)	(5,495,532)	-	-
	6,694,758	7,533,743	6,694,758	7,533,743

**Leasing arrangements**

The Company leased land for its existing infrastructure assets on Indigenous land in 40 communities throughout the Northern Territory. The lease terms vary between 12 and 40 years with most of them providing the Company with lease extension options.

The present value discount factor used for the minimum lease payments was 4.72% at the inception of the leases in 2013. Leases added in 2015 have been calculated using a present value discount factor of 5.07%.

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

	2015 \$	2014 \$
<b>10 Contributed equity</b>		
<b>Issued and paid-up share capital</b>		
10 (2014: 10) ordinary shares of \$1 fully paid	10	10
	<u>10</u>	<u>10</u>
Fully paid ordinary shares carry one vote per share and carry the right to dividends. The shares have no par value.		
<b>11 Retained Earnings</b>		
Retained earnings at beginning of year	328,244,109	326,814,036
Net surplus / (deficit) for the year	(33,876,960)	1,430,073
Retained earnings at end of the year	<u>294,367,149</u>	<u>328,244,109</u>
<b>12 Asset Revaluation Reserve</b>		
Balance at beginning of year	-	-
Asset revaluation	411,602,985	-
Asset revaluation reserve at end of the year	<u>411,602,985</u>	<u>-</u>
<b>13 Commitments</b>		
<b>Capital expenditure commitments</b>		
Contracted but not provided for and payable: within one year	6,083,342	5,842,584
	<u>6,083,342</u>	<u>5,842,584</u>
<b>14 Operating Lease Arrangements</b>		
<b>Payments recognised as an expense</b>		
Minimum lease payments	667,993	551,799
	<u>667,993</u>	<u>551,799</u>

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

**15 Financial instruments****(a) Financial risk management objectives and policies**

The Company has various financial instruments such as trade receivables and trade payables. It is, and has been throughout the period under audit, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

The Company's overall strategy remains unchanged from 2014.

The main risks arising from the Company's financial instruments are:

Market risk	the risk that changes in the market will adversely impact the operations and returns of the Company
Credit risk	the risk of financial loss if a counterparty to a transaction does not fulfil its financial obligations
Liquidity risk	the risk of insufficient funds to fulfil the cash flow obligations on a timely basis
Commodity price risk	the risk that contract prices will move as a result of adverse movements in the market
Interest rate risk	the risk that financing costs will increase and impact prices to customers and returns to the shareholder
Capital risk management	the risk of the group structuring its balance sheet inefficiently resulting in suboptimal returns to shareholders

**(b) Market Risk**

The Company provides electricity, water and sewerage services to remote Indigenous communities in the Northern Territory.

The Company receives grant funding from the Northern Territory Government to construct and maintain assets required to provide electricity, water and sewerage services to remote Indigenous communities in the Northern Territory.

A purchaser/provider agreement between the Company and the Northern Territory Government for the provision of water supply, sewerage and electrical services to remote Indigenous communities in the Northern Territory has been established for a period of three years from 1 July 2013 to 30 June 2016.

The following table sets out the source of the Company's income.

Source of Income	2015		2014	
	\$	%	\$	%
Grant funding	86,987,173	70%	94,599,771	71%
Electricity	27,335,549	22%	30,286,129	23%
Water	4,814,018	4%	4,213,651	3%
Services Rendered	2,770,957	2%	2,689,179	2%
Capital contributions and recoverable works	1,423,114	1%	773,435	1%
Interest	379,653	0%	709,150	1%
Other	354,474	0%	328,491	0%
<b>Total Revenue</b>	<b>124,064,938</b>	<b>100%</b>	<b>133,599,806</b>	<b>100%</b>

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

**(c) Credit risk management**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on receivables of the Company that has been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

The Company performs works on behalf of Northern Territory Government agencies and private companies on a recoverable works basis. Funding for general recoverable works is obtained upfront thereby reducing credit risk associated with these transactions.

**(d) Liquidity risk management**

The Company's objective is to provide continued and reliable services to remote Indigenous communities in the Northern Territory within the grant funding and sales revenue it receives. Each year the Company limits expenditure to the level of grant funding and sales revenue it receives for that year.

**(e) Commodity price risk**

The Company is exposed to changes in the price of distillate which is used to power electricity generators. Each year grant funding received from the Northern Territory Government is based on an operational budget that includes an estimated cost of distillate consumption. In the event the distillate price varies upwards and the Company does not have sufficient grant funds to continue operating, the Company can apply to the Northern Territory Government for additional grant funds.

**(f) Interest rate risk**

Interest revenue is incurred solely on the cash balance held by the Company throughout the year. Interest expenses are incurred by the Company in relation to Finance Lease Liability.

**(g) Capital risk management**

The Company's objectives when managing capital are to safeguard the principal business activities as a not-for-profit entity to provide electricity, water and sewerage services to remote Indigenous communities in the Northern Territory.

The capital structure of the Company consists of mainly cash and cash equivalents and equity attributable to the equity holder of the Company, comprising contributed capital and retained earnings as disclosed in notes 10 and 11 respectively.

Operating cash flows are used to maintain and expand the Company's assets.

The Company is not subject to any externally imposed capital requirements. The Company's overall strategy remains unchanged from prior years.

**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

**16 Related party information**

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).

	Sales to related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Related party				
Power and Water Corporation 2015	-	32,812,482	-	12,144,198
Power and Water Corporation 2014	-	30,003,787	-	9,366,034
Northern Territory Government 2015	93,223,465	1,125,565	15,360,939	7,679,108
Northern Territory Government 2014	95,373,206	2,122,652	28,147,912	10,241,696

(i) The controlling entity of the Company is Power and Water Corporation, a government owned corporation pursuant to the Government Owned Corporations Act 2014. Power and Water is wholly owned by the Northern Territory Government.

(ii) The Company purchases electricity, water and sewerage services from Power and Water Corporation's infrastructure for remote Indigenous communities that are able to be connected to this infrastructure rather than requiring stand alone infrastructure. In addition, the Company purchases labour, accounting, computing, human resources, secretarial services and utility services for its operations from Power and Water Corporation.

(iii) The Company receives operational and capital grants from the Northern Territory Government enabling it to provide electricity, water and sewerage services to remote Indigenous communities. The Company also receives recoverable works funds for specific projects undertaken on behalf of the Northern Territory Government and unrelated third parties.

**17 Economic dependency**

The Company's revenue is derived from two main sources as follows:

	2015 %	2014 %
Revenue derived from the Northern Territory Government	71%	72%
Revenue from provision of utility services	29%	28%
	100%	100%

**18 Auditor's remuneration**

	2015 \$	2014 \$
Audit Services:		
Auditors of the Company - NT Auditor-General	174,811	37,170



**Notes to the Financial Statements**

Indigenous Essential Services Pty Limited for the year ended 30 June 2015

**19 Director and executive disclosures*****Directors***

The names of each person holding the position of Director within the Company during the financial year are listed in the Directors' report.

Directors do not receive any compensation for their directorship. 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 Limited has no employees.

**20 Events after the reporting period**

The Company received a letter of support on 11 July 2015 from its Parent Company, Power and Water Corporation, which guarantees the support for payment of debts as and when they fall due by the Company should the need arise. This support is offered so as to enable the Company to discharge its liabilities for the period from 30 June 2015 to 12 months after the date of the audit opinion of these financial statements. This letter of support is key to the directors being satisfied that the Company and Consolidated entity are able to pay its debts as and when they fall due.

Other than these developments there has not arisen, in the interval between the end of the financial year and the date of this report, any other item, transactions 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.



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