



Indigenous 
Essential Services
Pty Ltd

Annual Report

2020-2021

PowerWater 



Welcome

The purpose of this Annual Report is to provide a record of operations and highlights for the 2020-21 financial year for Indigenous Essential Services Pty Ltd, a not-for-profit subsidiary company of Power and Water Corporation.

Indigenous Essential Services Pty Ltd provides electricity, water and wastewater to 72 remote communities and 79 outstations located outside of Northern Territory commercial centres.

We are contracted to deliver services on behalf of the Northern Territory Government through the Department of Territory Families, Housing and Communities.

Under our Service Level Agreement, we provide essential services to these communities as well as maintain and replace the assets while our parent company Power and Water Corporation provide retail services on our behalf.



Acknowledgement of Country

Indigenous Essential Services acknowledge the Traditional Owners of the countries on which we work and live. We recognise their continuing connection to land, waters and community. We pay our respects to their Elders past and present.



Contents

Our services	6
2020 - 21 highlights	
ESO authorisation framework improves contract management	8
Borefield augmentation drilling in Yuendumu and Hermannsburg	9
Ali Curung water quality improvement trial	10
Hermannsburg elevated tank replacement meets community needs	11
Finding and fixing leaks in Ngukurr	12
Titjikala battery reduces energy cost and builds capacity	15
Improving water quality in Bulla	16
Financial statements and explanatory statements	18





Our services

Over the financial year, we provided the following services:

DARWIN REGION (TOP END)

- Water, wastewater and electricity supply services to 23 remote communities with a population of around 21,000 residents
- Sourcing 6,727 megalitres of drinking water and treating 1,913 megalitres of wastewater
- Electricity generation through a combination of diesel and solar in 10 remote communities with a total installed capacity of 5,507kW.

KATHERINE REGION

- Water, wastewater and electricity supply services to 19 remote communities with a population of around 7,000 residents
- Sourcing 1,802 megalitres of drinking water and treating 663 megalitres of wastewater
- Electricity generation through a combination of diesel and solar in four remote communities with a total installed capacity of 1,197kW.

SOUTHERN REGION

- Water, wastewater and electricity supply services to 24 remote communities with a population of around 7,500 residents in the Alice Springs region and a further six remote communities with a population of around 1,600 residents in the Barkly region
- Sourcing 3,106 megalitres of drinking water and treating 1,122 megalitres of wastewater
- Electricity generation through a combination of diesel and solar in nine remote communities with a total installed capacity of 1,927kW, and at the Utopia outstation of the Arlparra community with an installed capacity of 454kW.

Remote communities' power, water supply and sewerage services





2020-21 highlights

IES deliver essential services every day to 72 remote communities and 79 outstations across the Northern Territory.

Through our large and small projects, innovations and programs, everything we do is aimed at improving the lives of our customers.

And while all this is part of our routine business, we strive to do better every day.

The following achievements and deliverables are some of our highlights from the year.

1 ESO authorisation framework improves contract management

During the year, we continued our work to empower our Essential Services Operator (ESO) contractors and streamline procedures for better safety and community outcomes.

Following consultation with stakeholders across the Northern Territory, we reviewed and developed recommendations to better manage ESO competencies and contracts.

This new framework introduces ESO authorisations, under which approval is required for a person to carry out specific activities on our behalf.

This framework helps us ensure contractors have shown evidence of their skills and competencies, and that they are up-to-date with requirements.

Authorisations are valid for a maximum period of three years. This will help us ensure our ESO's skills and performance are reviewed regularly and they are able to carry out their work safely and effectively.

This will also enable us to identify opportunities to upskill our ESOs and help them attain formal qualifications.

Following consultation with stakeholders across the Northern Territory, we reviewed and developed recommendations to better manage ESO competencies and contracts.



Our drilling programs support the delivery of safe and secure water to the community.

Water quality testing is underway in Yuendumu to confirm the sustainability of its future supply.

2 Borefield augmentation drilling in Yuendumu and Hermannsburg

Under the Northern Territory Government's Housing Program, our bore drilling programs for 2021-22 have sought to develop additional water source capacity for both the Yuendumu and Hermannsburg communities.

Yuendumu's water supply is sourced from two different aquifer systems. With a view to supporting the program and the community's growth aspirations, new bores have been drilled adjacent to existing investigation bores.

The bores are up to 330m deep and water quality testing is underway to confirm their suitability for future supply to Yuendumu.

At Hermannsburg, the new bores were drilled to the west of the existing borefield where access to artesian groundwater was found. The aquifer targeted was the same aquifer currently in use and these bores were drilled to a depth of about 250m.

The groundwater found here was considered of good quality for the Hermannsburg community and safe to drink with disinfection.



Providing safe drinking water to all our customers is our highest priority.

3 Ali Curung water quality improvement trial

In collaboration with the University of New South Wales, we are trialing an emerging water treatment technology called membrane Capacitive De-ionisation in the community of Ali Curung.

This leading-edge technology has made considerable advancements in recent years with promising results in the reduction of total dissolved solids, hardness, nitrate, fluoride and other naturally occurring metals present in the environment.

We are hopeful this water treatment technology will deliver a low cost, low energy, low waste stream alternative to contemporary treatment processes, which can be complex to operate, expensive to run and require frequent time-intensive maintenance.

Water Quality Specialist Jessica Huxley, who has a Degree in Science majoring in Natural Resource Management, said the aim of the trial is to improve water quality.

"By removing naturally occurring minerals and salts, we can greatly improve the taste of water. Water supplies may be safe to drink, but are not always palatable," she said.

"Early data is encouraging. We are hoping this trial technology will prove effective and we can then broaden the trial across other remote communities."

While providing safe drinking water to all our customers is our highest priority, providing aesthetically pleasing water is more challenging as most remote drinking water supplies are from groundwater sources at a range of depths and in a variety of geological environments.

We are constantly searching for new and innovative ways to improve drinking water quality. We do this through significant investment in research and development of appropriate technologies, with the aim of providing long-term sustainable solutions for the future.

4 Hermansburg elevated tank replacement meets community needs

During the year, we undertook the replacement of the 58kL elevated water tank at Ntaria, which is also known as Hermansburg, in a significant project for the community.

Ralph Hutchins, Senior Project Manager, Remote Program Delivery has been delivering projects, both major capital and operational, in Aboriginal communities in the Southern Region for the last 25 years.

Ralph said the community had outgrown its existing water storage infrastructure.

“The tank, on a 14m tank stand didn’t provide sufficient water pressure to the community and a booster pump system was used to increase pressure to sections of the community,” Ralph said.

“It was also insufficient to meet current and future water demands as the community grew.”

A new 160kL glass coated steel tank was constructed and placed on a new 21m high tank stand. An additional 800m of water mains were installed to assist with the distribution of the water supply to the community.

“The height of the new tank stand means a booster pump is no longer required. In the event of a power interruption, water supply

and pressure can now be maintained,” Ralph said.

The combination of these two upgrades now provides adequate storage, delivering water at a pressure to service the community’s needs into the future.

Infrastructure projects such as this will enable future housing development and community expansion. Replacing the water tank also provided multiple employment opportunities for Aboriginal people at various stages throughout construction.

Infrastructure projects such as this will enable future housing development and community expansion.



5 Finding and fixing leaks in Ngukurr

We delivered a successful program of finding and fixing water leaks in Ngukurr, reducing leaks by more than 50 per cent.

The program has substantially reduced the amount of water needed to service the Ngukurr community, saving 203ML a year, or 81 Olympic-sized swimming pools.

Teng Yik, Manager Remote Program Delivery, has been delivering projects in remote Aboriginal communities for the last 10 years.

"The Ngukurr Leak Detection project was a fully integrated program comprising of demand management, leak detection and repair, community engagement and infrastructure augmentation," he said.

"Through this combined effort, we identified significant leakage from our water reticulation system and infrastructure located on the customers' side of the meter."

It was estimated that 12 to 13 litres per second per day of potable water was being lost through leaks.

"The resultant savings in the short and long-term are significant, particularly through the saving of water which allows us to defer investment in unnecessary infrastructure." Teng said.

We were able to defer significant major water infrastructure investment in Ngukurr while improving and extending the life of the groundwater resource. In particular this project has contributed to the deferment of:

- an extensive bore drilling and equipping
- an additional ground level tank
- an additional elevated tank.



Our team was successful in delivering a program of finding and fixing leaks in Ngukurr

We enjoy working on projects that greatly improve lives in remote communities.



The Northern Territory Government is addressing overcrowding in remote Aboriginal communities through its \$1.1 billion Remote Housing Investment Package.

Improved social outcomes for the Ngukurr community has resulted from the Ngukurr leak detection project.

With on average 10 to 15 occupants in each house, the significant reduction in leaks that was achieved through this program has meant that an additional 130 three-bedroom houses can now be constructed, drastically reducing overcrowding.

The Northern Territory Government will now invest \$70 million in housing upgrades in Ngukurr.

As a result of the project, we will implement our newly-developed leak reduction strategy across all 72 remote Aboriginal communities.

This project also has strong relevance to the broader Australian water industry.

The significant success of the Ngukurr leak detection and reduction project was recognised nationally and was a finalist at the Australian Water Association (AWA) awards in 2020.

In thanking the Australian Water Association for nominating this project, Teng said "We enjoy working on projects that greatly improve lives in remote communities."



The Battery Energy Storage System (BESS) in Titjikala is saving the community 55 per cent of its pre-installation diesel consumption.



6 Titjikala battery reduces energy cost and builds capacity

We continued to enable energy transformation in remote Northern Territory communities with the installation of a 970kWh battery energy storage system (BESS) in Titjikala.

The BESS is projected to increase fuel savings from the 18 per cent already achieved due to solar alone to 66 per cent, saving approximately 156,000 litres of diesel annually.

The system will also increase community amenity with a reduction in noise and air pollution from the existing diesel powered generators.

We're building internal expertise and capacity by including operational staff from the Alice Springs region to give them first-hand project experience, technology familiarisation and job training opportunities.

BESS technology allows storage of excess solar energy and allows the diesel engines to be turned off during the daytime.

The diesel engines start up again overnight once the BESS is depleted. This provides a seamless transition between diesel on and off states without interrupting customer electricity supply.

Tjitikala is the second remote community where energy generation costs have been significantly reduced because of the use of solar and battery technology. In the last 12 months, the Nauiyu BESS system is saving the community 55 per cent of its pre-installation diesel consumption.

"We've built on our learnings from the flagship diesel/solar/battery site at the community of Nauiyu under our Solar Energy Transformation Program (SETuP)," Executive General Manager Power Services Ross Musgrove said.

"We're also continuing to build internal expertise and capacity by including operational teams from the Alice Springs region to give them first-hand project experience, technology familiarisation and job training opportunities."

The existing generation assets in the community include a three-engine diesel power station and a 400kW PV array previously installed as part of SETuP.



7 Improving water quality in Bulla

We have implemented a holistic program in the community of Bulla to address water quality and water security risks and meet the forecasted population growth.

Bulla's drinking water is sourced from a combination of groundwater and surface water sources, both of which present significant inherent water source and quality challenges.

The surface water, which is extracted from the East Baines River, has elevated manganese and iron levels, which at times affects the colour of the water while the groundwater has elevated levels of naturally-occurring barium which is above the health value of the Australian Drinking Water Guidelines.

We delivered an upgrade to the Bulla disinfection (chlorination) unit in October 2020 through our Disinfection Upgrade program which delivered improvements to the reliability and increased real-time visibility of the operating system.

A filtration system was also installed as part of the program to reduce iron and manganese.

The upgraded treatment and disinfection system has allowed us to reduce our reliance on the groundwater source through increased use of the surface water. This has contributed to the reduction of barium levels to below the Australian Drinking Water Guidelines.

In continuing to ensure the confidence in the water source, a bathymetric survey of the natural pool has been completed which has confirmed that there is additional capacity to meet future demand.



Upgrades to the chlorination unit and filtration system in Bulla resulted in improved water quality for the community.



The upgraded treatment and disinfection system will reduce reliance on the groundwater source through increased use of the surface water.



Financial statements and explanatory statements

For the Year Ended 30 June 2021

Index

Description	Page
Directors' report	20
Lead auditor's declaration of independence	23
Independent audit report to the members	24
Directors' declaration	27
Statement of profit or loss and other comprehensive income	28
Statement of financial position	29
Statement of changes in equity	30
Statement of cash flows	31
Notes to the financial statements	
1. General information	32
2. Significant accounting policies	32
3. Application of new and revised Accounting Standards	46
4. Critical accounting judgements and key sources of estimation uncertainty	47
5. Revenue	49
6. Expenses	51
7. Cash and cash equivalents	52
8. Trade and other receivables	53
9. Inventories	53
10. Property, plant and equipment	53
11. Right-of-use assets	57
12. Trade and other payables	58
13. Unearned revenue	58
14. Leases	60
15. Borrowings	61
16. Contributed equity	61
17. Retained earnings	61
18. Asset revaluation reserve	61
19. Commitments	62
20. Financial instruments	62
21. Related party transactions	64
22. Economic dependency	65
23. Auditor's remuneration	65
24. Events after the reporting period	65
25. Contingent liabilities and contingent assets	65



Indigenous Essential Services Pty Limited

Directors' report for the year ended 30 June 2021

The Directors present their report together with the financial report of the Indigenous Essential Services Pty Ltd (Company) for the year ended 30 June 2021 and the auditor's report thereon.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

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

Mr John Langoulant	Director since 26 June 2018 Appointed Chairman 31 August 2018
--------------------	--

Ms Rowena McNally	Director since 26 June 2018
-------------------	-----------------------------

Ms Gaye McMath	Director since 1 September 2018
----------------	---------------------------------

Company Secretary

Ms Lucia Ku	Appointed 30 November 2017, resigned 11 September 2020
Mr John Pease	Appointed 11 September 2020

Company particulars

The Company 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
---	---

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

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 provides all of the Company's services, including management and accounting services.

Principal activities

The Company's principal activities in the ordinary course of the financial year as a not-for-profit entity were the provision of electricity, water and sewerage services to 72 remote communities and 79 outstations in the Northern Territory.

The Company's services are provided by Power and Water Corporation staff and contractors under a service agreement with the Department of Territory Families, Housing and Communities.

Indigenous Essential Services Pty Limited**Directors' report
for the year ended 30 June 2021****Review of operations**

During the year the Company reported a deficit of \$23.5 million compared to a deficit of \$27.8 million for the prior year. This movement is due to decrease in Revenue of \$13.7 million, which has been offset by decrease in expenses of \$18.0 million, in 2020-21 compared to 2019-20.

Revenue of \$126.2 million recognised in the current year was lower than the amount recognised in the prior year of \$139.9 million, mainly due to lower government grants received. Included in the current year was \$83.0 million in grant funding (2020: \$96.3 million). Just over half of the reduction in Government Grants revenue is attributable to lower diesel grant received, compared to prior year, as the average price of diesel was lower in the current year (average diesel price/ltr: \$0.62 (2020-21), \$0.81 (2019-20)). The balance of the reduction (\$5.9 million) relates to release of Capital Grant funding. See Notes 5(b) and 13 for more details.

Distillate consumption in the current year decreased by \$6.9 million compared to the prior year, primarily due to the average fuel price in the current year being lower when compared to the prior year.

Depreciation in the current year decreased by \$5.8 million compared to the prior year, primarily due lower capitalisation of new assets in 2020-21 compared to 2019-20.

Other expenses in the current year were \$9.1 million compared to \$11.9 million in the prior year. The decrease of \$2.8 million was primarily due to the write-off of a capital project in 2019-20 that has not re-occurred in the current year. This has been offset by reduced operational labour recoveries of \$1.5 million in 2020-21.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has had a range of effects on the business. Most noticeably, travel restrictions to remote communities have led to delays in capital expenditure. The wellbeing and safety of employees, customers and contractors continues to be the highest priority.

In order to identify and manage financial risks arising from the pandemic, the Company has:

- Conducted financial scenario modelling and developed options to defer costs and minimise revenue loss
- Captured costs and sought cost recovery and grant opportunities
- Monitored, analysed and reported to the Board and Shareholder the financial position and financial forecasts to enable proactive financial management of the event.

Change in state of affairs

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

Subsequent events

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 current financial year.



Indigenous Essential Services Pty Limited

Directors' report for the year ended 30 June 2021

Environmental regulation

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

Dividends

As a not-for-profit entity the Company did not declare or pay any dividends during the financial year (2020: nil).

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company is economically dependent on the Northern Territory Government to fund its future expenditure and the continued support from its parent entity, Power and Water Corporation. Refer to Note 2(b) for further details.

Independence declaration under Section 307C of the *Corporations Act 2001*

The Auditor-General for the Northern Territory's declaration of independence is set out on page 23 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 Corporation, 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*.

John Langoulant AO
Chairman

Dated at Darwin this 30th day of September 2021



Auditor-General

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 2021, 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 blue ink, appearing to read 'Julie Crisp'.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

30 September 2021



Auditor-General

Independent Auditor's Report to the Board of Directors of Indigenous Essential Services Pty Limited

Page 1 of 3

Opinion

I have audited the financial report of Indigenous Essential Services Pty Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In my opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

I draw attention to Note 2(b) in the financial report, which indicates that the Company incurred a net deficit of \$23.5 million during the year ended 30 June 2021 and, as at that date, the Company's current liabilities exceeded its current assets by \$1.4 million. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Company's financial report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.

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



Auditor-General

Page 2 of 3

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report 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 and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



Auditor-General

Page 3 of 3

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
30 September 2021

Indigenous Essential Services Pty Limited

**Directors' declaration
for the year ended 30 June 2021**

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto 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 2021 and its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards.

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

On behalf of the Directors



John Langoulant AO
Chairman

Dated at Darwin this 30th day of September 2021



Indigenous Essential Services Pty Limited

Statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	Note	June 2021 \$	June 2020 \$
Revenue from contracts with customers	5 (a)	43,145,596	43,198,962
Government grants	5 (b)	82,973,899	96,336,195
Interest revenue	5 (c)	78,102	373,392
Total revenue and income		126,197,597	139,908,549
Raw materials and consumables used	6 (a)	4,975,802	6,196,856
Electricity purchased		6,253,303	6,199,584
Distillate consumption		15,689,040	22,610,210
Contracted labour expenses	6 (b)	15,029,034	16,783,658
Repairs and maintenance		15,701,845	15,572,063
Corporate services costs	6 (c)	5,850,196	5,707,508
Agents - community contract fees		12,839,116	12,669,513
Other expenses	6 (d)	9,125,035	11,909,669
Depreciation and amortisation expenses	6 (e), 10, 11	61,714,649	67,464,704
Finance costs	6 (f)	2,510,715	2,548,087
Total expenses		149,688,735	167,661,852
Deficit for the year		(23,491,138)	(27,753,303)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net surplus on revaluation of assets	18	-	-
Other comprehensive surplus for the year		-	-
Total comprehensive (deficit)/surplus for the year		(23,491,138)	(27,753,303)

The Statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes to the financial statements.

Indigenous Essential Services Pty Limited

**Statement of financial position
as at 30 June 2021**

	Note	June 2021 \$	June 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	7 (a)	66,720,281	56,325,313
Trade and other receivables	8	10,436,020	276,183
Inventories	9	4,318,333	3,838,382
Intangible assets		250,506	28,269
Other assets		162,607	83,508
Total current assets		81,887,747	60,551,655
Non-current assets			
Property, plant and equipment	10	672,757,205	702,367,587
Right-of-use assets	11	38,695,161	40,540,805
Total non-current assets		711,452,366	742,908,392
Total assets		793,340,113	803,460,047
LIABILITIES			
Current liabilities			
Trade and other payables	12	19,896,972	12,545,674
Unearned revenue	13	61,013,901	54,024,988
Lease liabilities	14	2,367,769	2,019,326
Total current liabilities		83,278,642	68,589,988
Non-current liabilities			
Lease liabilities	14	39,317,913	40,635,363
Borrowings	15	25,000,000	25,000,000
Total non-current liabilities		64,317,913	65,635,363
Total liabilities		147,596,555	134,225,351
Net assets		645,743,558	669,234,696
EQUITY			
Contributed equity	16	10	10
Retained earnings	17	166,824,002	188,048,063
Asset revaluation reserve	18	478,919,546	481,186,623
Total equity		645,743,558	669,234,696

The Statement of financial position is to be read in conjunction with the Notes to the financial statements.



Indigenous Essential Services Pty Limited

Statement of changes in equity as at 30 June 2021

	Asset revaluation reserve	Retained earnings	Contributed equity	Total
	\$	\$	\$	\$
30 June 2020				
Balance at 1 July 2019	483,953,558	213,034,431	10	696,987,999
Deficit for the year	-	(27,753,303)	-	(27,753,303)
Assets retired	(2,766,935)	2,766,935	-	-
Balance at 30 June 2020	481,186,623	188,048,063	10	669,234,696
30 June 2021				
Balance at 1 July 2020	481,186,623	188,048,063	10	669,234,696
Deficit for the year	-	(23,491,138)	-	(23,491,138)
Assets retired	(2,267,077)	2,267,077	-	-
Balance at 30 June 2021	478,919,546	166,824,002	10	645,743,558

The Statement of changes in equity is to be read in conjunction with the Notes to the financial statements.

Indigenous Essential Services Pty Limited

**Statement of cash flows
for the year ended 30 June 2021**

	Note	June 2021 \$	June 2020 \$
Cash flows from operating activities			
Receipts from customers		34,438,274	41,556,178
Receipt of government grants - operational		60,165,842	58,665,000
Payments to suppliers		(79,695,468)	(105,524,126)
Interest received		84,118	409,495
Interest paid		(2,249,520)	(2,548,087)
Net cash provided by/(used in) operating activities	7 (b)	<u>12,743,246</u>	<u>(7,441,540)</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	26
Receipt from government grants - capital		29,483,625	22,114,172
Purchase of property, plant and equipment		(30,150,692)	(40,001,390)
Net cash generated by/(used in) investing activities		<u>(667,067)</u>	<u>(17,887,192)</u>
Cash flows used in financing activities			
Repayment of lease liabilities	14	(1,681,211)	(1,886,630)
Net cash used in financing activities		<u>(1,681,211)</u>	<u>(1,886,630)</u>
Net increase/(decrease) in cash and cash equivalents		<u>10,394,968</u>	<u>(27,215,362)</u>
Cash and cash equivalents at beginning of year		<u>56,325,313</u>	<u>83,540,675</u>
Cash and cash equivalents at end of year	7 (a)	<u>66,720,281</u>	<u>56,325,313</u>

The Statement of cash flows is to be read in conjunction with the Notes to the financial statements.



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

1 General information

Indigenous Essential Services Pty Ltd (the Company) is a not-for-profit proprietary company operating and domiciled in Australia.

2 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 Australian Accounting Standards and Interpretations, the *Corporations Act 2001* and comply with any other requirements of the law.

The Company is a not-for-profit entity for the purpose of financial reporting.

The financial statements were authorised for issue by the Directors on 30 September 2021.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain classes of property, plant and equipment and financial instruments, that are measured at revalued amounts or fair value at the end of each reporting date as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

The fair value of the infrastructure assets was determined using the current replacement cost approach. This reflects the cost to a market participant that would be required to replace the current service capacity of an asset. It represents the current cost of the asset less depreciation and any adjustments that allow a lower cost solution for achieving the current service standard. The fair value of non-specialised plant and equipment was determined using historical cost as these are minor asset items such as office equipment with short lives (3-5 years.)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

2 Significant accounting policies (Cont'd)

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has achieved a net deficit for the year ended 30 June 2021 of \$23.5 million compared to a net deficit of \$27.8 million for the year ended 30 June 2020. The Company's net working capital at 30 June 2021 and 2020 were deficits of \$1.4 million and \$8.1 million respectively.

Current assets have increased by \$21.3 million for 30 June 2021 compared to prior year, which is mainly attributed to increase in cash balance of \$10.4 million and trade and other receivables of \$10.2 million. Increase in Trade and other receivables is due to outstanding invoices amounting to \$6.2 million for Department of Infrastructure, Planning and Logistics and \$4.0 million for Power and Water Corporation, which are expected to be received in 2021-22.

Current liabilities have increased by \$14.7 million, mainly attributable to increase in Trade and other payables of \$7.3 million and Unearned revenue of \$7.0 million. The increase in Unearned revenue is due to net increase in funding received in 2020-21, compared to 2019-20. Higher diesel price savings was achieved as average price per litre was lower in 2020-21 compared to 2019-20. This lead to a decrease in grant funding released in 2020-21 compared to 2019-20.

	June 2021 \$	June 2020 \$
Current Assets	81,887,747	60,551,655
Current Liabilities	83,278,642	68,589,988
Current Ratio	0.98	0.88

Assets are fundamental to the essential services provided by the Company and as such the Company's performance is significantly impacted by its capital delivery program and the associated depreciation on assets. Accordingly, the Company is economically dependent on the Northern Territory Government to fund its future capital expenditure as well as a significant portion of its operating expenses. The Company's cash balance as at 30 June 2021 increased by \$10.4 million to \$66.7 million due primarily to lower payments made to suppliers, as a result of less activity due to Covid 19.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to realise its assets and discharge its liabilities in the normal course of business. To ensure that the Company is able to pay its debts as and when they fall due, a letter of financial support dated 27 September 2021 was received from the parent entity, Power and Water Corporation, which guarantees support should the Company not be able to pay its debts as and when they fall due and is valid for the period from date of signing to such time as the Company ceases to be a wholly owned subsidiary of Power and Water Corporation.

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

(c) Revenue recognition

The Company recognises revenue from three major sources being the provision of electricity, water and sewerage services to 72 remote communities and 79 outstations. The Company also receives operational recurrent grant funding from the Northern Territory Government to supplement the revenue that the Company generates through the sales of electricity, water and sewerage services to remote communities.

In addition to the major sources of revenue discussed above, the Company also recognises revenue from a number of other minor sources including capital contributions received from customers towards the construction or acquisition of new, or upgrades to existing, infrastructure assets owned by the Company.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Sale of water, electricity and sewerage services

The Company sells water and sewerage services either as an individual service offering or as a bundled package to a large number of customers. Each contract entered into may consist of one, two or three separate performance obligations because the promises to transfer water, sewerage services and/or electricity are distinct and separately identifiable goods and services that are not dependent on each other for complete satisfaction of the Company's performance obligations under the contract.



2 Significant accounting policies (Cont'd)

Each contract entered with a customer is a variable contract because the volume of water and/or electricity to be transferred to the customer over the duration of the contract is not specified; however for the provision of sewerage services the transaction price is fixed based on the number of installed sanitary fittings. The transaction price for water, sewerage services and electricity is subject to an annual price adjustment or escalation as determined by the regulators.

Revenue from the sale of water and electricity is recognised over time as the Company transfers the electricity and water to the customer who simultaneously receives and consumes the benefits provided by the Company. The amount of revenue recognised is determined using an input method to measure progress towards complete satisfaction of each of the performance obligations. A receivable is recognised (in the form of an unbilled revenue estimate) as the Company transfers the water and/or electricity to the customer. Customers are generally billed on a quarterly basis with consideration payable when invoiced, except customers who have pre-paid meters installed. These customers access electricity through the purchase of tokens, which are sold by contractors.

Revenue from the provision of sewerage services is recognised over time based on the stage of completion of the contract, being the total number of days that have lapsed at the end of the reporting period. Customers are billed quarterly in advance based on the number of sanitary fittings and recognised as a contract liability until the service is rendered. Consideration is payable when invoiced.

Operational grant funding (Recurrent grants)

The Company receives operational grant funding from the Northern Territory Government to supplement the revenue generated through sales of electricity, water and sewerage services to the remote communities. The amount of funding provided is essentially the shortfall of the total costs incurred (excluding depreciation, lease costs and generation costs incurred from purchasing energy from Territory Generation) less any revenue received from the sale of water supply, electricity and sewerage services.

The contract is a variable contract because the volume of water and/or electricity to be transferred to the beneficiaries of the contract is unknown at the date of the initial contract; however for sewerage services the transaction price is fixed based on the number of installed sanitary fittings. The transaction price for water, sewerage services and electricity is subject to an annual price adjustment or escalation as determined by the regulators and agreed by the Company and the customer.

Consideration is received in advance by the customer and is recognised as a contract liability with revenue recognised over time as the Company satisfies its performance obligations and transfers the electricity, water and sewerage services to the beneficiaries of the contract who simultaneously received and use/consume the benefits of the goods and services provided.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

(d) Interest revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognised as it accrues.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

2 Significant accounting policies (Cont'd)

(e) Government grants - capital

The Company receives capital grant funding from both the Northern Territory and Commonwealth Governments. The Company receives consideration (usually in the form of cash) to construct or acquire non-financial assets (usually infrastructure assets) for its own use for the principal purpose of furthering the Company's objectives. The contract does not establish rights and obligations for the transfer of the underlying asset to the transferor or other parties (i.e. beneficiaries).

Capital grant accounting only applies when the non-financial asset to be constructed or acquired by the entity is permitted to be recognised by another Standard. This means that for capital grants relating to a recognisable asset, a liability would need to be recognised and income would be subsequently recognised either at a point in time (commonly for acquisition grants) or over time (commonly for construction grants).

The Company has adopted a single method of measuring progress, i.e. input based method for each obligation satisfied over time which it has applied to all similar obligations and in similar circumstances. At the end of each reporting period, the Company remeasures its progress towards complete satisfaction of each obligation that is satisfied over time, and recognises income over time on that basis.

(f) 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.

(f) Borrowing costs

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

(g) Income tax

The Company is exempt from income tax as it was removed from the National Tax Equivalents Regime due to it being a not-for-profit entity effective from 1 July 2003.

Additionally, the Company is not subject to taxation as it is a not-for-profit entity and therefore exempt under section 24 of the *Income Tax Assessment Act 1936*.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions.

(i) Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.



2 Significant accounting policies (Cont'd)

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

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- (i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- (i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For the years ended 30 June 2020 and 2021, the Company did not have any financial assets at FVTPL or FVTOCI.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected useful life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2021

2 Significant accounting policies (Cont'd)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Interest revenue" line item (note 5(c)).

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For year ended 30 June 2021, no ECL has been recognised for Trade and other receivables, even though the balance has increased significantly, as it relates to invoices unpaid by Northern Territory Government entities and are expected to be fully received in 2021-22.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.



2 Significant accounting policies (Cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- (i) An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- (ii) Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- (iii) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (iv) An actual or expected significant deterioration in the operating results of the debtor;
- (v) Significant increases in credit risk on other financial instruments of the same debtor;
- (vi) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- (i) When there is a breach of financial covenants by the debtor; or
- (ii) Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2 Significant accounting policies (Cont'd)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.



2 Significant accounting policies (Cont'd)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are measured in accordance with the specific accounting policies set out below.

(i) Financial liabilities measured subsequently to amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(ii) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

2 Significant accounting policies (Cont'd)

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such an exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

(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) Infrastructure, plant and equipment

Freehold land, buildings, plant and infrastructure assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Buildings, plant and infrastructure are originally stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the entity. Ongoing costs of repairs and maintenance are expensed as incurred.

Any revaluation increase arising on the revaluation of such land, buildings, plant and infrastructure assets is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land, buildings, plant and infrastructure assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Non-specialised assets such as minor items of office equipment with short useful lives are measured at depreciated historical cost.

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

**2 Significant accounting policies (Cont'd)**

Infrastructure, 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 takes 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 infrastructure, plant and equipment is based on the cost approach (i.e. current replacement cost), reflecting 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 (such as minor office equipment) are measured at depreciated historical cost, as a surrogate for fair value. Work in progress is measured at cost.

Each class of infrastructure, 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.

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.

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

Infrastructure, plant and equipment	2021	2020
Infrastructure	3 to 100 years	3 to 100 years
Plant and equipment	3 to 30 years	3 to 30 years

Depreciation and amortisation of assets related to leases have been calculated based on the estimated useful lives used for each class of asset (being the shorter of the lease term and their useful lives) as follows:

Infrastructure, plant and equipment situated on leased land	2021	2020
Infrastructure	8 to 40 years	8 to 40 years
Plant and equipment	1 to 40 years	1 to 40 years

Depreciation on revalued infrastructure, plant and equipment assets is recognised in profit or loss. On the subsequent disposal, sale or retirement of a revalued infrastructure, plant and equipment asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and capital works in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2021

2 Significant accounting policies (Cont'd)

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

Depreciation and amortisation 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 are recognised in the profit or loss.

Assets held under lease are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(l) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Renewable Energy Certificates

The solar setup project has been undertaken by the Company as an initiative for cheaper electricity in remote communities and savings in distillate. The Renewable Energy Certificate Scheme operates under Federal Government legislation which requires energy retailers to source a target proportion of their electricity purchases from renewable sources. The Company is currently generating and selling Large-Scale Generation Certificates (LGC) to electricity retailers. LGC's held are of the nature of intangible assets and are disclosed in the statement of financial position as current assets.

Derecognition of intangible assets

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

The amortisation of useful lives used for each class of intangibles are as follows:

	2021	2020
Intangible assets	5 to 20 years	5 to 20 years

(m) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis can be identified.



2 Significant accounting policies (Cont'd)

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any initial direct costs incurred, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

2 Significant accounting policies (Cont'd)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The consolidated entity applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

3 Application of new and revised Accounting Standards

(a) Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

There have been no new or revised accounting standards or interpretations that are effective from the year beginning on or after 1 July 2020 which materially impact the financial results. Where applicable, comparative figures have been updated to reflect any changes in the current period.

(b) Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below. The Company does not intend to adopt any of these pronouncements before their effective dates.

<i>Standard or Interpretation</i>	<i>Effective annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
AASB 17 Insurance Contracts	1 January 2021	30 June 2022

The Company does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts 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.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Going concern

As discussed under Note 2, in conjunction with the Letter of Financial Support from parent entity, Power and Water Corporation, Management has deemed that the financial statements have been prepared on a going concern basis.

Impairment of financial assets

As discussed under Note 2, no ECL has been recognised as outstanding debtors are all NTG agencies, and there is deemed to be no risks relating to the recovery of the respective balances.

(b) 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of infrastructure, plant and equipment

As described in Note 2 (k), the Company reviews the estimated useful lives of infrastructure, plant and equipment at the end of each reporting period and estimated useful lives are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Fair value measurements and valuation processes

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); or
- 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.

Unbilled revenue

As per accounting standard AASB 15 'Revenue from Contracts with Customers', 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.



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial statements. The Company has developed various accounting estimates based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the fair value measurement of property, plant and equipment, impairment assessments of right-of-use assets, expected credit losses for trade and other receivables and the net realisable value of inventory.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

- *Fair value measurement of property, plant and equipment*

There is a wide range of possible outcomes from the COVID-19 pandemic, however this is not expected to result in a high degree of uncertainty in respect of future replacement costs.

All assets are located in remote locations providing essential services. Travel restrictions to remote communities as a result of the COVID-19 pandemic have limited the ability of contractors to complete site preparation and design works, which has led to delays in capital expenditure. These restrictions have not affected essential maintenance.

- *Impairment assessments of right-of-use assets*

The assumptions underpinning the value-in-use calculations used to evaluate the supportability of right-of-use assets were adjusted to reflect reasonable estimates of the impact of COVID-19. Contractual obligations in respect of these lease agreements have limited the risks associated with the estimated cash flows and no material impairment issues have been identified.

- *Expected credit losses*

The impact of COVID-19 on the recoverability of receivables have been considered. While the methodologies and assumptions applied in the base expected credit loss (ECL) calculations remained unchanged from those applied in the prior financial year, the Company has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. Whilst no material recoverability issues have been identified, there is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled under the base case. Refer to Note 8 for further details on ECL.

- *Net realisable value of inventory*

Inventory will continue to be used for power generation in remote communities and a provision for obsolescence is not expected under the current circumstances.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2021

	June 2021 \$	June 2020 \$
5 Revenue		
5 (a) Revenue from contracts with customers		
Revenue from contracts with customers	43,145,596	43,198,962
	43,145,596	43,198,962

(a) Disaggregation of revenue from contracts with customers

The entity derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Electricity \$	Water \$	Sewerage \$	Other revenue \$	Total \$
For the year ended 30 June 2021					
Revenue from external customers	33,882,633	5,391,473	3,105,957	765,533	43,145,596
Timing of revenue recognition					
- Over time	33,882,633	5,391,473	3,105,957	-	42,380,063
- At a point in time	-	-	-	765,533	765,533
	33,882,633	5,391,473	3,105,957	765,533	43,145,596
For the year ended 30 June 2020					
Revenue from external customers	33,431,812	5,482,457	3,100,330	1,184,363	43,198,962
Timing of revenue recognition					
- Over time	33,431,812	5,482,457	3,100,330	-	42,014,599
- At a point in time	-	-	-	1,184,363	1,184,363
	33,431,812	5,482,457	3,100,330	1,184,363	43,198,962



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

5 (a) Revenue from contracts with customers (Cont'd)

	June 2021	June 2020
	\$	\$
Receivables*	10,431,389	265,536
Contract liabilities (current)	61,013,901	54,024,988

* Receivables related to contracts with customers under AASB 15 which are included in 'Trade and other receivables'

The receivables primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on electricity and water contracts.

The contract liabilities relate primarily to the advance consideration received from customers for:

- (i) Waste removal (sewerage) contracts for which revenue is recognised over time as the Company satisfies its performance obligations
- (ii) Capital contributions for the purpose of constructing infrastructure assets that will be owned by the Company for which the revenue will be recognised at a point in time on completion of the construction of the infrastructure asset and connected to the network system
- (iii) Capital contributions (recoverable works) for the purpose of constructing infrastructure assets that will be owned by the customer, which revenue is recognised over time as the asset is being constructed (as the asset is constructed on the customers premises).

Significant changes in the contract assets and the contract liabilities balances during the period as follows:

Revenue recognised that was included in the contract liability balance at the beginning of the period	63,283	384,078
Increases due to cash received, excluding amounts recognised as revenue during the period	-	8,000

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

Capital contributions	191,751	255,034
-----------------------	---------	---------

For sales of electricity, water and sewerage services, the Company is unable to disclose information relating to unsatisfied (or partially unsatisfied) performance obligations as at the reporting date because all contracts are for an indefinite period and/or the volume of goods and/or services to be provided were unknown at the initial date of the contract and as at the end of the reporting period.

The Company applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

5 (b) Government grants and other contributions

Capital grant	33,959,032	39,929,636
Recurrent grant	48,577,340	56,235,459
Other capital contributions	437,527	171,100
	<u>82,973,899</u>	<u>96,336,195</u>

5 (c) Interest revenue

Interest earned on bank deposits	78,102	373,392
	<u>78,102</u>	<u>373,392</u>

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

	June 2021 \$	June 2020 \$
6 Expenses		
6 (a) Raw materials and consumables used		
Gas purchased from parent entity	915,050	1,079,144
Network charges from parent entity	1,531,114	1,876,070
Generation costs for Minor Centres	391,204	404,066
Other materials and consumables	2,138,434	2,837,576
	<u>4,975,802</u>	<u>6,196,856</u>
<p>Other materials and consumables in the current year includes the transfer of goods relating to a capital project closed in 2019-20. This project was not finished and surplus materials were moved out of capital work in progress to Other materials and consumables.</p>		
6 (b) Contracted labour expenses		
	<u>15,029,034</u>	<u>16,783,658</u>
<p>Contracted labour expenses relate to staff and contractors who are employed or contracted by the Company's parent entity, Power and Water Corporation.</p>		
6 (c) Corporate services costs		
	<u>5,850,196</u>	<u>5,707,508</u>
<p>Corporate allocation costs represent costs incurred by the Company's parent entity on the Company's behalf which would have otherwise not been incurred by the Company's parent entity and which are oncharged to the Company as approved by the Boards of both the parent entity and the Company.</p> <p>The value of these costs reflects the underlying agreement between the Company and its funding body in relation to the allocation of revenue available to pay for these costs.</p>		
6 (d) Other expenses		
External service level arrangements	2,893,098	2,700,561
Net loss on disposal of property, plant and equipment	530,745	1,446,410
Freight	995,605	1,126,936
Motor vehicle expenses	823,878	818,051
IT and communication	1,410,177	1,449,284
Travel and accommodation	570,036	508,536
Other	1,901,496	3,859,891
	<u>9,125,035</u>	<u>11,909,669</u>
6 (e) Depreciation and amortisation expenses		
Depreciation	10 59,156,801	64,877,511
Amortisation	11 2,557,848	2,587,193
	<u>61,714,649</u>	<u>67,464,704</u>
6 (f) Finance costs		
Interest on loans from parent entity	1,041,826	1,046,558
Interest on leases	1,468,889	1,501,529
	<u>2,510,715</u>	<u>2,548,087</u>



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

	June 2021 \$	June 2020 \$
--	-----------------	-----------------

7 Cash and cash equivalents

(a) Reconciliation of cash

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 assets	66,720,281	56,325,313
-------------	------------	------------

The weighted average interest rate on cash assets for 2021 is 0.16% (2020: 0.70%)

(b) Reconciliation of the deficit for the year to net cash flows from operations

Deficit for the year	(23,491,138)	(27,753,303)
----------------------	--------------	--------------

Adjustments for:

Depreciation and amortisation expenses	61,714,649	67,464,704
Net loss on disposal of property, plant and equipment	1,067,167	1,446,410
Board approved write offs	(25,366)	4,140,402
Contributed Assets Provided Free of Charge	(437,527)	(171,100)
Government grant - capital	(33,959,032)	(39,929,636)

Changes in assets and liabilities

Decrease/(increase) in inventories	(479,951)	2,372,321
(Increase)/Decrease in trade and other receivables	(10,159,837)	(49,234)
(Increase)/decrease in other assets	(79,099)	152,191
(Increase)/decrease in intangible assets	(222,237)	49,599
Increase/(decrease) in trade and other payables	7,351,297	(14,826,706)
Increase/(decrease) in unearned revenue	11,464,320	(337,188)
Net cash provided/(used in) by operating activities	12,743,246	(7,441,540)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

Movement	Lease liabilities	Borrowings
Opening balance - 1 July 2020	42,654,689	25,000,000
Financing cash flows	(1,681,211)	-
<i>Non-cash changes</i>		
New finance leases and remeasurements	712,204	-
Closing balance - 30 June 2021	41,685,682	25,000,000

Financing cash flows make up the net amount of proceeds from borrowings and repayments of borrowings and lease liabilities in the statement of cash flows.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

	June 2021 \$	June 2020 \$
8 Trade and other receivables		
Current		
Receivables	10,377,730	67,357
Less: provision for doubtful debts	-	-
	<u>10,377,730</u>	<u>67,357</u>
Accrued revenue other	53,659	198,179
Interest receivable	4,631	10,647
	<u>10,436,020</u>	<u>276,183</u>

Receivables at 30 June 2021 are non-interest bearing. The Company measures the loss allowance for receivables at an amount equal to lifetime estimated credit losses (ECL). The ECL on receivables are estimates using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company has undertaken a review of all receivables at year end and concluded that a loss allowance will not be recognised. The majority of the balance of Trade and other receivables relates to two specific, related party balances - (a) \$6.2 million owed by Department of Infrastructure, Planning and Logistics on invoices related to Infill Project work and (b) \$4.0 million owed by Power and Water Corporation on inventory purchased from IES. Both these balances are expected to be receipted in 2021-22, and as such, no loss allowances have been recognised.

9 Inventories

Distillate stocks	4,318,333	3,838,382
	<u>4,318,333</u>	<u>3,838,382</u>

The cost of distillate recognised as an expense during the current year in respect of continuing operations was \$15,689,040 (2020: \$22,610,210). The cost of inventories recognised as an expense by the Company is \$nil (2020: \$nil) in respect of write-downs of inventory to net realisable value.

10 Property, plant and equipment

Carrying amounts of:

Infrastructure at fair value	599,925,123	635,957,890
Plant and Equipment at fair value	905,439	788,761
	<u>600,830,562</u>	<u>636,746,651</u>
Intangible Assets at cost	176,253	218,159
Capital Work in Progress at cost	71,750,390	65,402,777
	<u>672,757,205</u>	<u>702,367,587</u>



Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

10 Property, plant and equipment (Cont'd)

	Infrastructure at fair value	Plant and Equipment at fair value	Intangible Assets at cost	Capital Work in Progress at cost	Total Property, Plant and Equipment
	\$	\$	\$	\$	\$
June 2021					
Fair value	1,480,871,860	1,914,407	1,091,150	71,750,390	1,555,627,807
Accumulated depreciation	(880,946,737)	(1,008,968)	(914,897)	-	(882,870,602)
Written down value	599,925,123	905,439	176,253	71,750,390	672,757,205
June 2020					
Fair value	1,462,512,875	1,644,386	1,083,958	65,402,777	1,530,643,996
Accumulated depreciation	(826,554,985)	(855,625)	(865,799)	-	(828,276,409)
Written down value	635,957,890	788,761	218,159	65,402,777	702,367,587
Movement	Infrastructure at fair value	Plant and Equipment at fair value	Intangible Assets at cost	Capital Work in Progress at cost	Total Property, Plant and Equipment
	\$	\$	\$	\$	\$
June 2021					
Opening balance	635,957,890	788,761	218,159	65,402,777	702,367,587
Additions	437,527	-	-	33,959,032	34,396,559
Disposals	(1,067,165)	-	-	(3,504,411)	(4,571,576)
Depreciation	(58,954,360)	(153,343)	(49,098)	-	(59,156,801)
Transfer from WIP	23,551,233	270,020	7,191	(23,828,444)	-
Adjustments	-	-	-	(278,564)	(278,564)
Closing balance	599,925,125	905,438	176,252	71,750,390	672,757,205
June 2020					
Opening balance	663,657,016	1,446,683	161,173	67,394,574	732,659,446
Additions	-	-	-	39,929,636	39,929,636
Disposals	(1,446,435)	-	-	(4,140,402)	(5,586,837)
Depreciation	(64,711,703)	(119,287)	(46,521)	-	(64,877,511)
Transfer from WIP	37,853,953	85,844	84,087	(37,852,783)	171,101
Adjustments	605,059	(624,479)	19,420	71,752	71,752
Revaluation	-	-	-	-	-
Closing balance	635,957,890	788,761	218,159	65,402,777	702,367,587

Indigenous Essential Services Pty Limited

**Notes to the Financial Statements
for the year ended 30 June 2021**

10 Property, plant and equipment (Cont'd)

Fair value measurement of the Company's property, plant and equipment (excluding capital works in progress and right-of-use assets)

The following valuation techniques are used:

	Asset class	Valuation policy
Infrastructure systems	Water and sewerage	Current replacement cost approach
	Electricity generation	Current replacement cost approach
	Electricity distribution and transmission	Current replacement cost approach
Plant and equipment*	Non-specialised plant and equipment	Historical cost

*Note: Non-specialised assets such as minor items of office equipment are held at historic cost.

The fair value of the infrastructure assets was determined using the current replacement cost approach. This reflects the cost to a market participant that would be required to replace the current service capacity of an asset. It represents the current cost of the asset less depreciation and any adjustments that allow a lower cost solution for achieving the current service standard.

The fair value of non-specialised plant and equipment was determined using historical cost as these are minor asset items such as office equipment with short lives (3-5 years.)

There has been no change to the valuation technique during the year.

As at 30 June 2021

The Company's assets are stated at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. A desktop review of the factors that formed a material part of the asset valuation calculations for the financial year ending 30 June 2021 was undertaken. The result of this review was that none of these factors have materially changed and therefore there is no impact to the value of the asset base as at 30 June 2021. The significant factors include the transportation factor, CPI Index, Reserve Bank cash rates and the construction cost factor.

As at 30 June 2020

The Company's assets are stated at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. A desktop review of the factors that formed a material part of the asset valuation calculations for the financial year ending 30 June 2020 was undertaken. The result of this review was that none of these factors have materially changed and therefore there is no impact to the value of the asset base as at 30 June 2020. The significant factors include the transportation factor, CPI Index, Reserve Bank cash rates and the construction cost factor.



Indigenous Essential Services Pty Limited

Notes to the Financial Statements for the year ended 30 June 2021

10 Property, plant and equipment (Cont'd)

Details of the Company's infrastructure and plant and equipment and information about their fair value hierarchy as at the end of the reporting are as follows:

	Level 3	Fair value as at 30 June 2021
	\$	\$
Plant and equipment (including infrastructure assets)	600,830,562	600,830,562

	Level 3	Fair value as at 30 June 2020
	\$	\$
Plant and equipment (including infrastructure assets)	636,746,651	636,746,651

There were no transfers of assets between levels during the year.

Impairment losses recognised in the year

There were no impairment losses recognised in respect of the Company's assets as at 30 June 2021 or 30 June 2020.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

	June 2021 \$	June 2020 \$
11 Right-of-use assets		
Carrying amounts of:		
Land	16,239,471	16,794,844
Gas transport pipelines	16,860,693	17,673,760
Solar power	5,594,997	6,072,201
	38,695,161	40,540,805

Movement in carrying amounts	Land \$	Gas transport pipelines \$	Solar Power \$	Right-of-use assets \$
Year ended 30 June 2021				
Opening Balance	16,794,844	17,673,760	6,072,201	40,540,805
Additions	268,281	434,726	9,197	712,204
Amortisation	(823,654)	(1,247,793)	(486,401)	(2,557,848)
Closing balance	16,239,471	16,860,693	5,594,997	38,695,161
Year ended 30 June 2020				
Opening Balance	14,792,527	-	-	14,792,527
Additions	2,881,698	18,894,941	6,558,832	28,335,471
Amortisation	(879,381)	(1,221,181)	(486,631)	(2,587,193)
Closing balance	16,794,844	17,673,760	6,072,201	40,540,805

The Company leases several assets including land, a gas transport pipeline and the output of two solar power plants. The most common lease term is 40 years for land assets and 20 years for other assets.

The Company does not have the options to purchase any of these assets at the end of the lease term. The Company's obligations are secured by the lessors' title to the leased assets for such leases.



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

	June 2021 \$	June 2020 \$
12 Trade and other payables		
Payable to controlling entity	8,983,898	4,221,058
Trade payables	5,570,291	5,203,927
Other payables and accruals	5,342,783	3,120,689
	<u>19,896,972</u>	<u>12,545,674</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is less than 30 days. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. Thereafter, interest may be charged on the outstanding balances at the Northern Territory Government bank rate. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Trade and other payables has increased since the prior year. In 2019-20, activities were lower than usual levels as there were a greater remote travel restrictions to contain the COVID-19 pandemic. These restrictions have eased to a degree in 2020-21.

13 Unearned revenue

Government grants - capital	(1)	42,928,874	47,404,281
Other - capital contributions	(2)	189,774	250,673
Contract liabilities arising from contracts with customers:			
Recurrent grant funding	(3)	17,703,502	6,115,000
Capital contributions - no ongoing performance obligations	(4)	-	15,060
Capital contributions - ongoing performance obligations	(5)	191,751	239,974
		<u>61,013,901</u>	<u>54,024,988</u>
Represented by:			
Current		61,013,901	54,024,988
Non-current		-	-
		<u>61,013,901</u>	<u>54,024,988</u>

- (1) The portion of unearned revenue arises as a result of grant funding received from the Northern Territory and Commonwealth Governments to assist the Company in meeting its capital requirements. Revenue is released to the Statement of Profit or Loss and Other Comprehensive Income as the related capital expenditure is incurred.
- (2) The Company receives capital contributions from customers where the consideration to acquire the capital contributions is significantly less than fair value principally to enable it to further its objectives. Revenue is recognised over time as the asset to which the capital contribution was provided is constructed.
- (3) The Company receives operational grant funding (Government grants - recurrent) from the Northern Territory Government to supplement the shortfall in revenue that the Company generates through sales of electricity, water and sewerage services to remote communities across the Northern Territory. The Company receives operational grant funding in advance which is recognised as a contract liability. Revenue is recognised over time as the Company fulfils its performance obligations under the contract by transferring the electricity, water and/or sewerage services to the beneficiaries of grant funding who simultaneously receives and uses/consumes those goods and/or services.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2021

13 Unearned revenue (Cont'd)

- (4) Capital contributions with no ongoing performance obligations are contributions provided by customers towards the construction of new, or upgrades to, existing infrastructure assets for the purpose of enabling them to be connected to the network system. The Company retains control and ownership of these assets. Capital contributions are billed and paid for upfront prior to any work commencing and are recognised as a contract liability until construction of the asset is completed and the customer is connected to the network system, at which time the capital contribution is transferred from contract liabilities to revenue.
- (5) Capital contributions with ongoing performance obligations are provided by customers to be used towards the construction of new, or upgrades to, existing infrastructure assets for the purpose of receiving ongoing goods and/or services under the contract with the customer. A contract liability is recognised upon receipt of the capital contributions. Revenue is recognised over the life of the contract with the customer once the asset is constructed and the Company commences transferring electricity, water and/or sewerage services to the customer who simultaneously receives and uses/consumes the benefits.

Reconciliation of capital grants

	June 2021 \$	June 2020 \$
Opening balance as at 1 July 2020	47,404,281	65,219,745
Capital grants received	29,483,625	22,114,172
Transferred from recurrent grant funding	-	-
Less: Capital Grant income recognised during the year	(33,959,032)	(39,929,636)
Closing balance as at 30 June 2021	<u>42,928,874</u>	<u>47,404,281</u>

Reconciliation of unearned revenue arising from contracts with customers - assets to be acquired or constructed and controlled by the Company

	AASB 15		Total
	Capital contributions - developers	Capital contributions - network users	
Opening balance as at 1 July 2020	15,060	239,974	255,034
Capital contributions received	-	-	-
Less: capital contributions transferred to revenue	(15,060)	(48,223)	(63,283)
Closing balance as at 30 June 2021	<u>-</u>	<u>191,751</u>	<u>191,751</u>



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

14 Leases

Refer to note 6(f) for details of the interest expense on lease liabilities and note 11 for details of the associated right-of-use assets.

The Company leases several assets including land, a gas transport pipeline and the output of two solar power plants. The most common lease term is 40 years for land assets and 20 years for other assets.

	June 2021 \$	June 2020 \$	June 2021 \$	June 2020 \$
	Minimum lease payments		Present value of the minimum lease payments	
Not later than one year	3,771,185	3,471,265	2,367,769	2,019,326
1 to 5 years	13,223,280	13,197,652	8,240,791	8,028,050
Later than 5 years	43,563,400	46,098,528	31,077,122	32,607,313
	60,557,865	62,767,445	41,685,682	42,654,689
Less: future finance charges	(18,872,183)	(20,112,756)	-	-
	41,685,682	42,654,689	41,685,682	42,654,689
Represented by:				
Current			2,367,769	2,019,326
Non-current			39,317,913	40,635,363
			41,685,682	42,654,689
Total cash outflows for leases				
Principal repayments on leases			1,681,211	1,886,630
Interest repayments on leases			1,468,889	1,501,529
			3,150,100	3,388,159

Future cash outflows to which the Company is potentially exposed may arise from variable lease payments that are linked to a consumer price index (CPI). Should CPI increase by 1.4%, lease payments would increase by \$0.8 million. This potential cash outflow is not reflected in the measurement of lease liabilities.

Fair value

The fair value of the lease liabilities is approximately equal to their carrying amount.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2021

15 Borrowings

Non-current

Loan from parent entity - unsecured

	June 2021 \$	June 2020 \$
	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>

On 18 March 2019, the Company received a loan for \$14.0 million from the Corporation, taking the total loans received since the 2017-18 year to \$25.0 million (\$7.5 million received on 29 March 2017 and \$3.5 million on 29 June 2017). The purpose for each of the three loans was to provide capital assistance towards the Arena Solar Project where the Company is building a number of solar farms which will enable it to reduce its cost of electricity production in the communities it services.

On 30 June 2021, the Company received a loan for \$11.0 million from the Corporation to refinance the existing loans provided in 2017-18. The loans received are interest only fixed term loans for five years ending 17 March 2024 and 29 June 2026. Interest is charged on the outstanding balances at 3.88% on the loan provided during 2018-19 and 2.88% for the loan provided in 2020-21.

The amount recorded in current liabilities represents the portion of the Company's borrowings that is due and payable within one year. The non-current liabilities represent the portion of the Company's borrowings not due and payable within the next 12 months.

16 Contributed equity

Issued and paid-up share capital

10 ordinary shares of \$1 fully paid (2020: 10)

	10	10
	<u>10</u>	<u>10</u>

17 Retained earnings

Retained earnings at beginning of year
Assets retired transferred from asset revaluation reserve
Net surplus/(deficit) for the year
Retained earnings at end of the year

	188,048,063	213,034,431
	2,267,077	2,766,935
	(23,491,138)	(27,753,303)
	<u>166,824,002</u>	<u>188,048,063</u>

18 Asset revaluation reserve

Balance at beginning of year
Assets retired transferred to retained earnings
Balance at end of year

	481,186,623	483,953,558
	(2,267,077)	(2,766,935)
	<u>478,919,546</u>	<u>481,186,623</u>

The asset revaluation reserve arises on the revaluation of property, plant and equipment (assets). When revalued assets are sold, the portion of the asset revaluation reserve that relates to those assets is transferred directly to retained earnings.



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

19 Commitments

Capital expenditure commitments

Contracted but not provided for and payable: within one year

	June 2021 \$	June 2020 \$
	22,649,745	13,611,682
	<u>22,649,745</u>	<u>13,611,682</u>

Capital works continue to be undertaken for various programs required in remote communities in respect of tank and water main replacements, drilling, reticulation and headworks. Lower than anticipated capital expenditure in 2019-20 due to Covid-19 and land tenure issues, which was carried forward into 2020-21, as restrictions ease and land tenure applications were processed.

20 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, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are market risk, credit risk, liquidity risk, commodity price 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 30 June 2020.

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.

(b) Market risk

The Company provides electricity, water and sewerage services to remote Aboriginal 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 Aboriginal 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 Aboriginal communities in the Northern Territory has been established for a period of two years from 18 March 2019 to 18 March 2021, which has now been extended to 30 June 2022.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

20 Financial instruments (Cont'd)

(b) Market risk (Cont'd)

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

Source of Income	June 2021		June 2020	
	\$	%	\$	%
Grant funding	82,973,899	65.7%	96,336,195	68.9%
Revenue from contracts with customers	43,145,596	34.2%	43,198,962	30.9%
Interest	78,102	0.0%	373,392	0.3%
Total revenue	126,197,597	100%	139,908,549	100%

(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 Aboriginal 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 a loan for a related party and lease liabilities.

(g) Fair values

The net fair values of all financial assets and liabilities approximate carrying values.



Indigenous Essential Services Pty Limited

Notes to the financial statements for the year ended 30 June 2021

21 Related party transactions

The immediate parent and controlling entity of the Company is Power and Water Corporation, a government owned corporation pursuant to the *Government Owned Corporations Act 2001*. Power and Water Corporation is wholly owned by the Northern Territory Government.

Trading transactions

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 8 and Note 12):

		Revenue from related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		\$	\$	\$	\$
Related party					
Power and Water Corporation	2021	536,422	24,473,311	4,040,834	34,998,473
	2020	-	28,980,622	-	29,911,845
Northern Territory Government*	2021	88,283,753	4,832,230	6,337,215	64,136,788
	2020	103,910,522	5,229,911	71,996	53,519,281

* Excludes Power and Water Corporation

The Company purchases gas, electricity, water and sewerage services from Power and Water Corporation's infrastructure for remote Aboriginal communities that are able to be connected to this infrastructure rather than requiring stand alone infrastructure.

The Company receives operational and capital grants from the Northern Territory Government enabling it to provide electricity, water and sewerage services to remote Aboriginal communities. Capital grants are recognised as revenue when the project is completed and the asset capitalised. The Company also receives recoverable works funds for specific projects undertaken on behalf of the Northern Territory Government and unrelated third parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Loans from related parties

The Company's parent entity, Power and Water Corporation, provided one interest-only fixed loan for \$14.0 million in 2018-19 and two interest-only loans totalling \$11.0 million in 2016-17. The \$11.0 million was refinanced in 2020-21 as an interest-only fixed loan. The annual interest rate is 3.88% in 2018-19 and 2.88% in 2020-21. Refer to Note 15 for further details.

Compensation of 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.

Indigenous Essential Services Pty Limited

**Notes to the financial statements
for the year ended 30 June 2021**

21 Related party transactions (Cont'd)

Compensation of key management personnel

The Company did not have any employees as at or during the years ended 30 June 2021 or 30 June 2020.

Other related party transactions

The Company purchased labour in the amount of \$15.0 million (2020: \$16.8 million) and accounting, computing, human resources, secretarial services and utility services for its operations from Power and Water Corporation for which a management fee of \$5.9 million (2020: \$5.7 million) was charged and paid.

22 Economic dependency

During the year the Company received grants from the Northern Territory and Commonwealth Government. The future operation of the Company is dependent upon continued government funding. The Company's revenue is derived from the following two main sources:

	June 2021 %	June 2020 %
Revenue derived from government funding	66%	69%
Revenue from provision of utility services	34%	31%
	100%	100%

23 Auditor's Remuneration

	June 2021 \$	June 2020 \$
Audit of the financial statements	61,827	60,000
	61,827	60,000

The auditor of the Company is the Auditor-General for the Northern Territory.

24 Events after the reporting period

In the interval between the end of the financial year and the date of this report, there have been no transactions or events 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.

25 Contingent liabilities and contingent assets

There was one event during the financial year for which the Company has begun investigative works, relating to potential corrosion of underground water pipelines in Yuendumu and Angurugu. Depending on the outcome of this investigation, the Company may be responsible for rectification and remediation works in relation to this event. The ultimate outcome and cost cannot be determined with an acceptable degree of reliability at this time.





Indigenous Essential Services Pty Ltd

Level 2, Mitchell Centre
55 Mitchell Street, Darwin
Phone 1800 245 092

powerwater.com.au

  @PowerWaterCorp

PowerWater