PowerWater

INDIGENOUS ESSENTIAL SERVICES ANNUAL REPORT

2016-17

POWER AND WATER CORPORATION

Power and Water is responsible for providing essential services to the people of the Northern Territory. Every day brings new challenges that demand our best efforts and every day, we have the opportunity to add value, adapt and improve our services.

2016–17 Indigenous Essential Services Annual Report

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THIS REPORT

The purpose of this Annual Report is to provide a record of operations and achievements for the 2016-17 financial year for Indigenous Essential Services Pty Ltd, a not-for-profit subsidiary company of Power and Water Corporation.

ABOUT US

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

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

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

Chlorination and ultraviolet systems are used as appropriate.

Infrastructure includes electrical submersible water pumps, highly efficient diesel and low emission gas and renewable energy power stations. Remote power stations are controlled by automated systems, with local site monitoring and servicing.

Fifty-seven remote towns and communities have full waterborne sewage disposal systems with waste stabilisation ponds. The remainder have individual on site systems maintained by the landowner.

CHAIR'S MESSAGE

2016-17 has been yet another exciting and productive year for IES as we continue to make significant progress on a number of fronts.

With the support of the Commonwealth's ARENA program, together with Power and Water, we have installed hybrid solar-diesel power generation systems in 10 remote communities through the Solar SETuP program, saving over a million litres of diesel each year. This is in addition to the installation of the first large scale battery system here in the Territory, at Daly River that will save half of all the diesel consumption in that community.

Work is underway across the Territory to support the Government's Remote Housing Initiative by looking at ways we can provide the necessary electricity and water infrastructure to support continued growth and development across a number of remote Aboriginal communities. This includes progressively improving the information about the condition and augmentation pressures on the assets we manage and the access to that information.

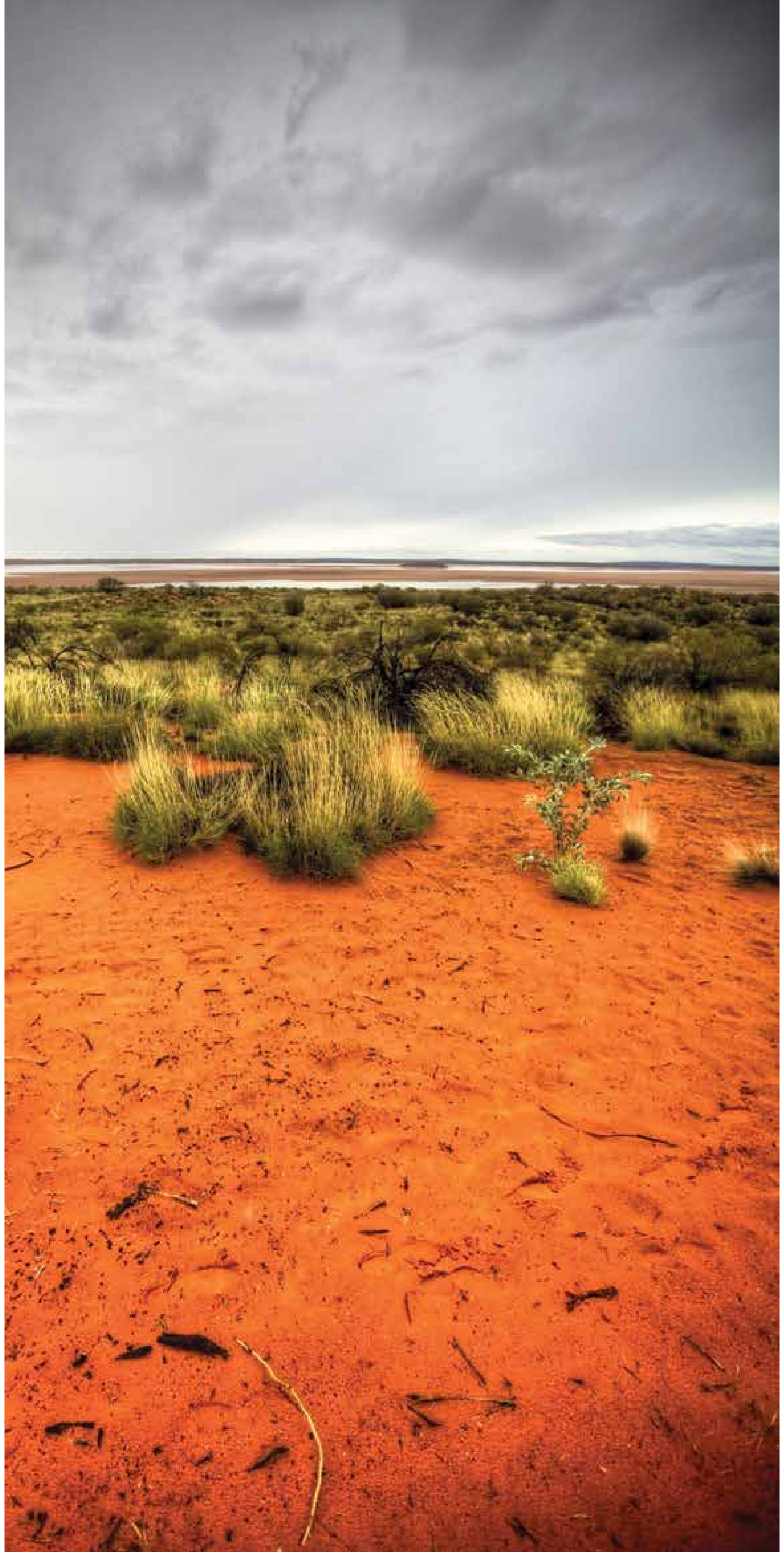
Much work has also gone into improving the fixed asset accounting of IES. I am delighted that following a successful fixed asset register rebuild, all stakeholders can again have confidence in our financial accounts stated in the 2016-17 Annual Report.

We have continued to work closely and cooperatively with the Department of Housing and Community Development in the delivery of our essential services in the remote Aboriginal communities. We are in the process of developing a new IES agreement with the Northern Territory Government and once finalised, this new agreement will facilitate improved infrastructure planning and asset management, which will underpin the continued delivery of safe, reliable essential services to our 72 remote communities and 66 outstations.

As a part of Power and Water Corporation, IES is able to benefit from a number of corporate-led initiatives. One of the most exciting for 2016-17 has to be the launch of the Reconciliation Action Plan, which paves the way for us to play an even greater and more valuable role in the lives of Aboriginals right across the Territory, both as an employer and also as a responsible member of the community, playing our part in the continued economic development of the Territory.

Finally, thank you to our employees and contractors of IES right across this great Territory, who have dedicated so much to delivering our services and supporting the remote Aboriginal communities we continue to proudly serve.

Ken Clarke
Chair, Indigenous Essential Services Pty Ltd



CHIEF EXECUTIVE'S REPORT

I am proud to note there have been a great number of achievements across the IES business this year, from the completion of the first tranche of the solar SETuP project together with the Commonwealth ARENA program, the completion of the fixed asset rectification project, which has helped facilitate an unqualified audit opinion from the Auditor General for the Northern Territory, continued development of our IES Agreement with the Government and a continued roll out of our new smart pre-paid electricity meters.

And all the while these important achievements are being met, our crews on the ground together with our Essential Services Operators, are hard at work every day making sure our customers can access safe, clean drinking water and a reliable electricity service. I don't think many of us truly appreciate what it takes to operate and maintain essential services infrastructure in these remote locations and on behalf of the entire organisation, I thank you for your continued effort and dedication.

I also want to say thank you to David Coucill who stepped up to take carriage of the IES business, following the departure of Len Griffiths, who returned to Alice Springs earlier in the year after contributing so much to the business over his years with us. Thank you David and Len.

I am looking forward to working with the Board through 2017-18 as we continue to deliver essential services to our 72 remote communities and 66 outstations, spread across the entire 1.3 million square kilometres of the Territory.

Michael Thomson
Chief Executive

OUR TEAM

INDIGENOUS ESSENTIAL SERVICES BOARD

KEN CLARKE CHAIR

MARY-ANNE BIN SALIK

DJUNA POLLARD

DAVID COUCILL
A/GENERAL MANAGER

KAAREN SMETHURST	**VACANT**	**NIGEL DEACON**	**RUDI STROBEL**	**NATHAN MUISYO**	**GRAEME MARSHALL**
SOUTHERN REGION AND STAKEHOLDER MANAGEMENT	BUSINESS MANAGEMENT	WATER AND SEWER SERVICES	ELECTRICITY SERVICES	REMOTE DEVELOPMENT	SOLAR SETUP

WHERE WE OPERATE

ABORIGINAL COMMUNITIES' POWER, WATER SUPPLY AND SEWERAGE SERVICES

SAFETY

Safety remains the number one priority for IES, both for our workers, our Essential Services Operators (ESOs), other contractors and the community we service. In 2016-17, we proudly recorded no lost time injuries.

To ensure we can continue that success into the future, a detailed review of the Corporate Work Health and Safety Management System standards was undertaken along with the integrated Health, Safety and Environmental Event Management Standard and recommended improvements were made to both.

We are particularly aware of the high risk activities our people face every day and with a number of young contractors and ESOs, we have worked hard to prepare a strict supervision model for that high risk work to make sure our people go home to their families every day.

In this critical area, Power and Water's focus this year was to review its current practices and subsequently develop the Workplace Health and Safety Strategy 2017-2020.

As part of the broader Power and Water, IES is also benefitting from the new Workplace Health and Safety Strategy that will drive a strategic approach to managing operational health and safety across the entire Power and Water spectrum of operations, to achieve the following outcomes:

- A sustained reduction in injury rates, events (incidents) and harm to people and assets as a result of better systems, capability and awareness.
- A simplified and user friendly Corporate Safety Management System, which services the operational needs of Power and Water and provides improved value and employee usability to all business units.
- A measurable improvement in our safety culture from the present 'reactive' state up to 'proactive' using an internationally agreed maturity benchmark by 2020.
- Improved safety capability, leadership and support targeted at the operational (field based) layers of the organisation where many events are able to be prevented.
- A balanced employee wellbeing framework based on mental health, improved management of pre-existing medical issues and better employee health.
- Ongoing achievement of our SCI targets for health and safety.
- Improved compliance with all legislative workplace health and safety obligations.

This new Workplace Health and Safety Strategy for 2017-2020 will take Power and Water to where it needs to be to achieve our safety goals in all areas of our business, including our remote communities and outstations serviced by IES.

Further to these outcomes, IES has developed an enhanced Essential Services Operator Contractor Framework and associated contracts, which revisits a number of operational concerns including safety.

IES has also partnered with Water Services to improve the approach and application of our Drinking Water Quality Management System aligned with the Australian Drinking Water Guidelines. The three year Drinking Water Quality Management System Project is developing and embedding appropriate systems and culture to assure safe and reliable drinking water for all of our customers.

"Safety remains the number one priority for IES, both for our workers, our ESOs, other contractors and the community we service.

NO LOST TIME INJURIES IN 2016-17

RECONCILIATION ACTION PLAN (RAP)

In recognition of our responsibility to the Aboriginal and Torres Strait Islanders of the Territory, not only as a provider of essential services but as an employer and a socially responsible member of the community, Power and Water has committed to its first Reconciliation Action Plan (RAP).

Power and Water s vision for reconciliation is that Aboriginal people have the same opportunities in health, employment and education as all other Territorians.

Power and Water believes corporate and government bodies can play a contributing role in building a secure future for all Territorians.

By developing our inaugural RAP, our vision is to be a corporate leader promoting reconciliation across the Territory and to be a preferred employer for Aboriginal people.

We will achieve this by enhancing healthy lifestyles and essential services to Aboriginal people in urban, rural, remote communities and outstations.

The corporation is investing in developing effective employment and training programs and strategies to increase Aboriginal participation in a diverse culturally competent workforce.

PEOPLE

By virtue of the conditions in which we supply essential services throughout the year to remote communities, emergency and outage management play a key role in our planning and operations each year.

Our people work tirelessly day and night, weekdays and weekends and sometimes away from their families for days at a time, to ensure our community members are safe and have access to electricity and safe drinking water before, during and after an emergency or outage event.

ESO EMPLOYMENT AND TRAINING STATUS	TOTAL ESO	NUMBER ATSI	% ATSI
Essential Service Technician (EST) - Cert III	15	2	13.3%
Essential Service Operator (ESO) - Cert II	90	40	44.4%
Essential Service Operator (ESO)	55	38	69.1%
Relief (ESO)	25	8	32.0%
Subtotal	196	88	44.9%
Trainee ESO	0	0	0.00%
TOTAL	**196**	**88**	**44.9%**

Developing new Aboriginal leaders

Power and Water's Indigenous Employment and Career Development Strategy (IECDS) 2015-2020 is an integral part of the corporation's commitment to increasing Aboriginal employment and career development opportunities.

A key component of the IECDS is working towards developing a workforce that is more representative of the community we service. To assist in increasing Aboriginal employee representation, we have implemented a Special Measures Plan to encourage and promote the engagement of Aboriginal personnel into the corporation. The strategy has aided in the recruitment of Aboriginal personnel into positions across the workforce and is making a strong contribution towards our targets.

The IECDS outlines actions aimed at increasing Aboriginal participation in our workforce in the next five years. Key priority areas for IECDS are:

- Targets for Aboriginal employment and participation: Ensuring a commitment to Aboriginal career pathways is built, maintained and followed by the corporation.
- Engagement and support: Providing a mentoring and support system to Aboriginal employees, trainees and apprentices to assist their career growth.
- Attraction and retention of Aboriginal people: Providing recognition and support for all Aboriginal employees throughout the corporation to provide equal opportunities and career growth.
- Whole of corporation development to build capability and careers: Supporting the career development of Aboriginal employees and commitment to increasing capability through development opportunities across the corporation.

Essential Service Operators (ESOs)

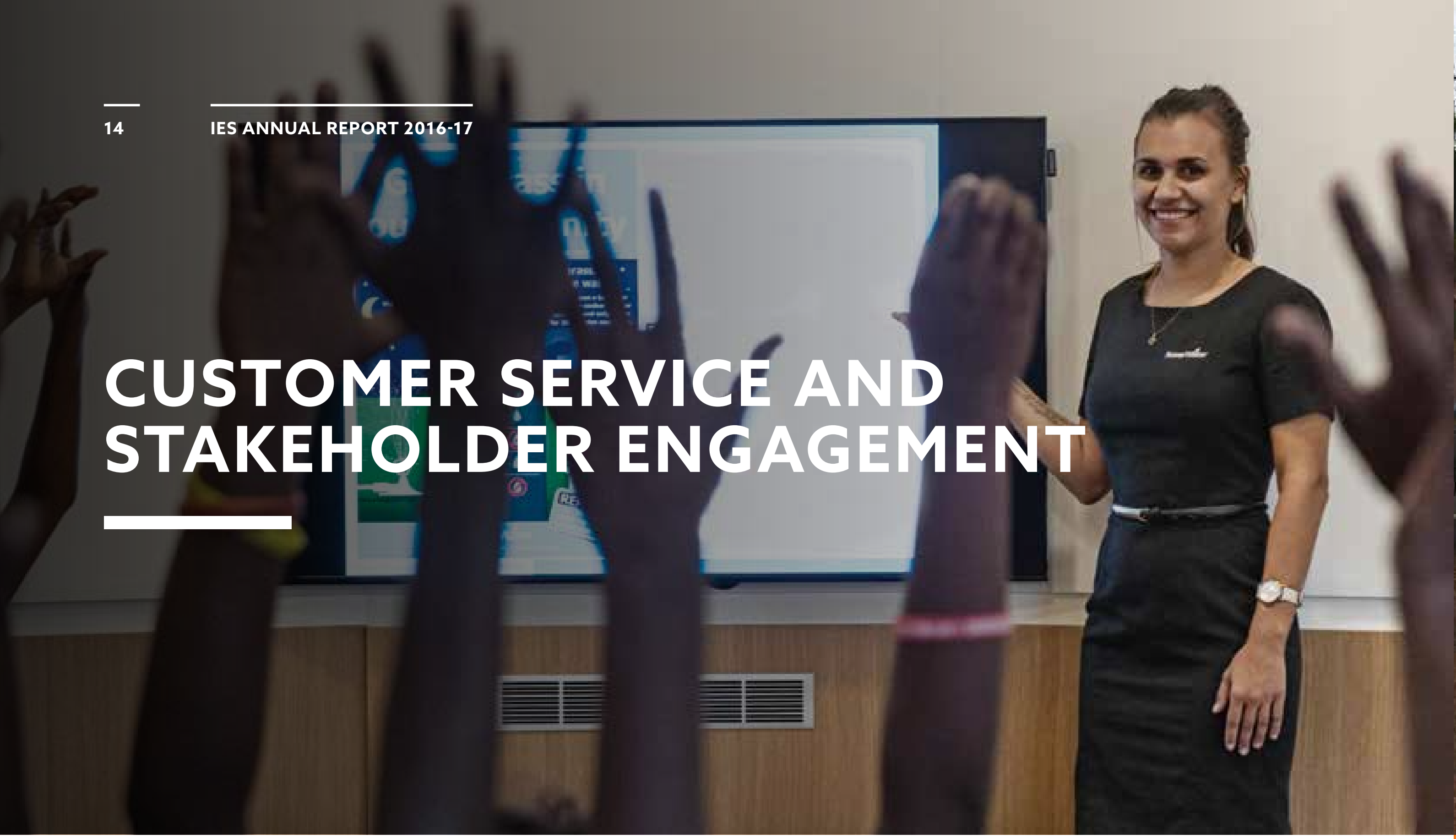
ESOs are employed by regional councils and private contractors and operate remote and isolated Power and Water assets under direction and oversight by Power and Water employees. Power and Water provides ongoing support for their training and development by advocating, advising and consulting nationally on suitable qualifications and mandatory training requirements and delivering induction and specific training.

Power and Water supports the training of ESOs as part of its work in the delivery of essential services to remote communities.

With the new ESO contracts out for tender in our southern region in July 2017, Power and Water is assessing all aspects of the ESO requirement to operate Power and Water infrastructure.

The number of available ESOs has increased from 175 in December 2015 to 196 at 30 June 2017.

There are four ESO familiarisation courses planned for 2017 across Alice Springs, Darwin and Katherine. It is estimated approximately 90 ESOs will attend from all regions.



CUSTOMER SERVICE AND STAKEHOLDER ENGAGEMENT

Solar SETuP projects in Yuendumu and Kintore

Power and Water is delivering a wide-scale roll out of 10 MW of solar systems across 29 remote Indigenous communities. The $55 million program is co-funded by the Australian Government through the Australian Renewable Energy Agency (ARENA) and includes $27.5 million financed through the NT Government.

The Solar SETuP project engaged Long Halliwell and the Centre for Appropriate Technology (CAT) to undertake community consultation in approximately 30 communities where the solar systems are to be installed. Both organisations are Aboriginal owned businesses and have a high percentage of Aboriginal employees.

In Yuendumu Power and Water held a community barbecue on the veranda of the Nguru-Walalja Community Store, which gave local residents the opportunity to get more information on the project and to have their questions answered.

As the SETuP site is a men's site, two of Power and Water's Aboriginal officers took the senior men on the community to the site and they were pleased to have the tour and see the solar panels being installed.

We also gave interviews on the local radio station Pintubi Anmatjere Warlpiri (PAW Media), which brings the message right into people's homes.

Power and Water also had the great opportunity to engage with five Yuendumu school classes: Year 1, Year 5, Year 6, Senior Boys Year 7+ and Senior Girls 7+. A solar demonstration kit was a great success and many of the children and young people were very engaged, watching the numbers change on the solar light while the solar panel was shadowed.

The end result was residents commenting that it was good that the project was really happening and people were on site making it happen, rather than talking about a project that will happen sometime in the future.

In Kintore, Power and Water engaged local residents who acted as community liaison officers to assist in informing the people of Kintore about the SETuP project and rollout timeline.

Another community barbeque event was held and the project was explained to the residents in language. We also had the opportunity to speak to the children of the Walungurru School, which was translated in language by local teacher assistants.

Michael Long Learning and Leadership Centre

Power and Water has worked in partnership with remote schools and the Michael Long Learning and Leadership Centre (MLLLC), engaging students to start thinking about a career pathway and understanding what Power and Water and ESOs do in their remote community.

Power and Water has presented to 20 schools, about 110 students - boys and girls - ages 10 to 13 years. The MLLLC encourages Aboriginal youths to learn and lead through sport. Power and Water is engaged with the MLLLC program as our work has direct relevance to youth in remote communities.

New pre-payment meters, community engagement

As part of the deployment of new pre-pay meters into a variety of communities, extensive community engagement was carried out. This was community by community engagement.

Contractors are required to use local interpreters to explain how the new meters work, how to purchase credit and answer customer questions.

Community engagement was carried out prior to, during and post installation. It is recognised that it is very important to work with the community and explain about the technology in language and therefore, use the correct interpreters for each community.

Demand management initiatives for water efficiency

In 2016-17 the Demand Management team delivered customer and stakeholder engagement projects in the prioritised communities of Ngukurr, Minyerri, Amanbidji, Yuendumu and Imanpa to reduce water demand by improving water efficiency.

Power and Water involved community engagement experts to spend time in remote communities to engage effectively with our customers and community based government and non-government stakeholders.

Community engagement objectives were centred on communicating key messages through a well informed and respectful approach to inform, consult and inspire participation in helping the community as a whole reduce water loss caused by leaks or appliances being left on. An important aspect to the engagement was to raise customer and stakeholder awareness of the water supply services (where the water comes from) and fragility (limitations of the natural resource or storage) in relation to provision of services and to address any water quality concerns.

A range of engagement activities were delivered including presenting to local authority members, house to house discussions, inspections and reporting of leaks, hosting information stalls, and meeting with key community residents, maintenance staff and high water users.

The Demand Management team also ran a media and marketing campaign to communicate water and energy efficiency messages indirectly to a wide remote community audience through TV and radio advertisements, posters, banners, LED signs and Youtube.

Power and Water is supporting a research project with Griffith University in Ali Curung looking at household water and energy use with the objective to assist Aboriginal communities and service providers sustainably manage water and energy supply.

> **“It is recognised that it is very important to work with the community and explain about the technology in language and therefore, use the correct interpreters for each community.**

ENVIRONMENT

Power and Water together with IES remains committed to providing essential services at the highest standards of environmental management, with a strong program of continual improvement and commitment to mature into a solid performer in environmental management over the next five years.

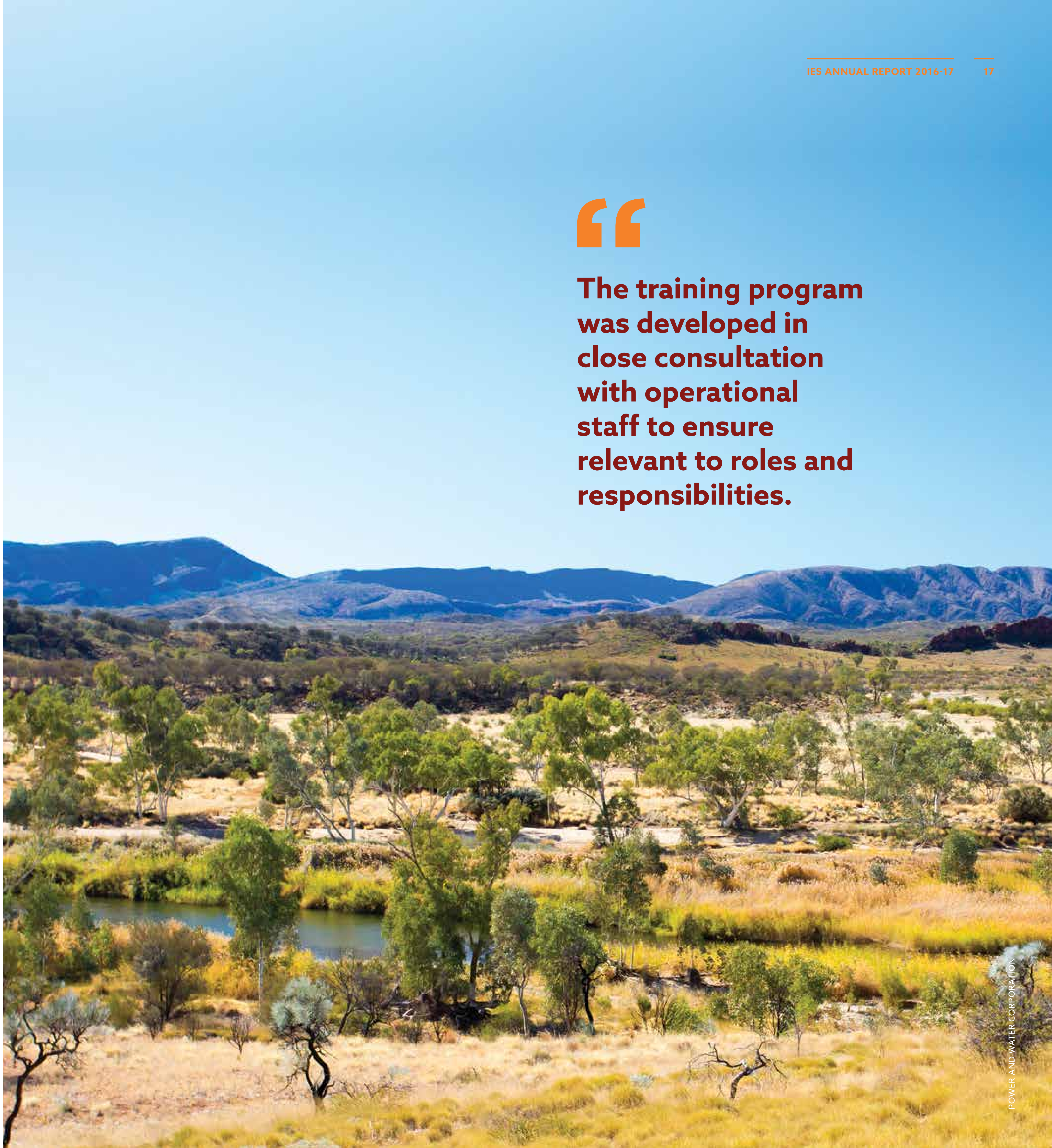
An Environment Strategy is being implemented to achieve the goal of solid performer and is applying key actions including:

- enhancing risk based business planning to confirm environmental footprint and development and implementation of standardised tools, processes and environmental improvement plans where required
- benchmarking and communicating environmental performance to business leaders to inform continual improvement programs, and to external stakeholders for transparency of the organisations environmental footprint
- implementing a structured approach to sustaining positive strategic partnerships with internal and external stakeholders, including communicating our commitment to reducing our environmental impact
- integrating environmental management into core business operations through integrated processes (including asset management, compliance and audit), robust systems (including a mature environmental management system) and defined accountabilities
- embedment of robust governance structures to enhance executive management's ability to exercise active oversight and continual improvement including in the areas of risk management, strategic direction and organisational culture.

An Environmental Training and Awareness program is underway and will continue throughout 2017-18. The training program was developed in close consultation with operational staff to ensure relevant to roles and responsibilities. An ongoing refresher training program will also be implemented to maintain staff capability.

Embedment of the Environmental Management System (EMS) continues within the organisation. An initial EMS Health Check confirmed that EMS integration and embedment continues within the organisation with a range of activities underway to deliver system improvements including:

- exploration of opportunities to embed the EMS into operational management
- development of a suite of measurable performance indicators at the strategic, executive management and operational levels
- event reporting and investigation improvement plan
- implementation of the Environment Training and Awareness program.



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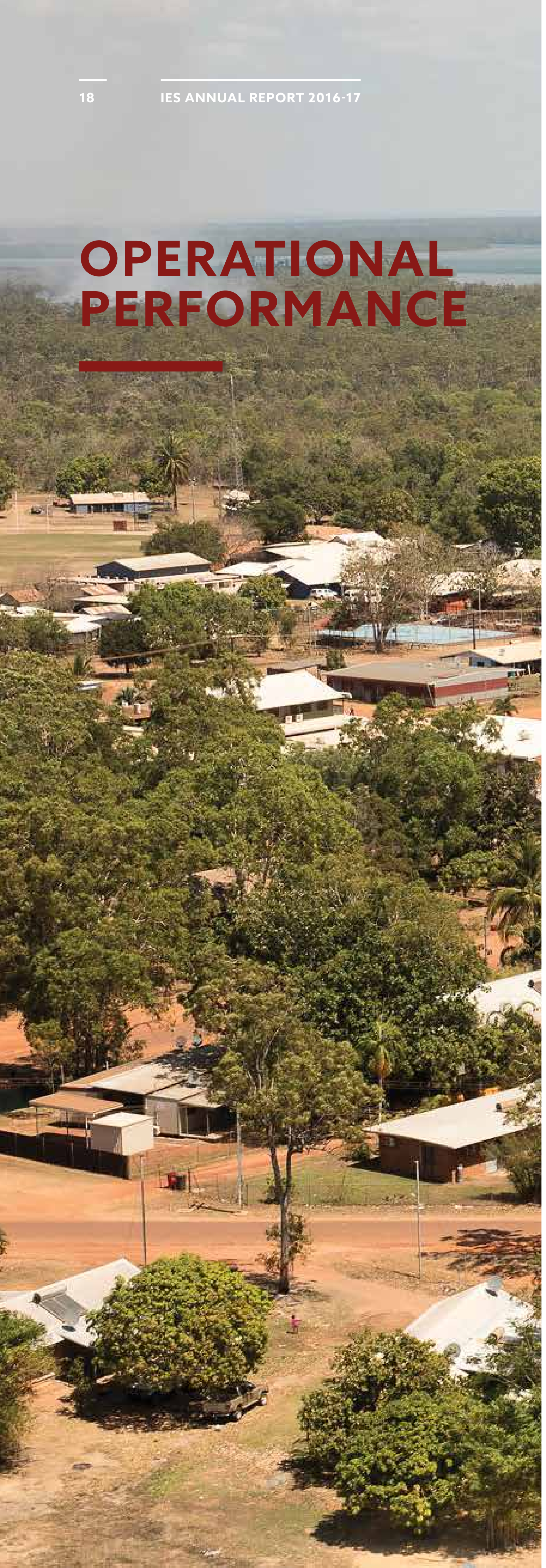

OPERATIONAL PERFORMANCE

Emergency response

Tiwi Islands infrastructure withstood multiple weather systems last wet season remarkably well due to network refurbishment programs.

The southern region suffered extensive flooding as a result of the severe weather systems. The communities of Kintore, Haasts Bluff, Imanpa, Canteen Creek, Lake Nash and Finke were all cut off from diesel supply routes, which threatened community fuel and electricity supply.

Southern region staff and our fuel scheduler worked hand in hand to ensure fuel stocks were understood and a coordinated approach to supplying fuel occurred when roads were reopened. Our people were professional at all times, with response and remediation activities completed successfully with minimal fuss.

In the north, additional fuel was barged into Ngukurr to ensure generation was maintained in spite of continued road closure following the long wet season.

Yuelamu dual reticulation water system

The Territory's first remote community dual water reticulation system was completed at Yuelamu in the Central Desert Region. This followed the main community water supply dam being rendered unsafe by a toxic blue green algae bloom in November 2015. The community drinking water supply source is now supplied from two bores, which yield water with high salinity levels that are managed by the on-site through the Advanced Water Treatment Plant (AWT).

Drinking water is now available in every building at a dedicated tap over the kitchen sink, which is supplied from the AWT. A separate non-potable supply is also available at all other taps. Longer term solution options for this community are under consideration.

Solar SETuP

2016-17 marked the practical completion of the first tranche of the Solar Energy Transformation Program (SETuP), a $55 million joint project between Power and Water, the Northern Territory Government and the Federal Government's Australian Renewable Energy Agency (ARENA).

The first tranche saw the installation of 3,325 kilowatts, or over 9,000 individual solar panels in large solar-farm configurations, installed in 10 remote communities, capable of servicing almost 600 households and saving over one million litres of diesel each year.

These large solar farms are designed supplement power to the communities during daylight hours, in conjunction with the existing diesel generators providing hybrid energy solutions.

The flagship component of the Solar SETuP project is the Daly River 1MW solar panel and battery installation, which was installed and tested on-site and once operational will save over 400,000 litres of diesel per annum.

The Daly River battery is designed to work when the solar panels aren't capable of meeting the power demands of the community by storing electricity during the daylight hours and discharging later in the day and during times of cloud cover. This solar-battery arrangement is a unique project for Australia and is hoped will be the base case configuration for future generation projects in remote communities. This hybrid site is targeted to provide 100 per cent solar in the day with diesel on overnight only.

Manymak Energy Efficiency Project

The Manymak Energy Efficiency Project was a three year $12 million consortium project that employed over 80 local people across six East Arnhem Land communities from 2013 to 2015 to trial education and technology approaches to supporting households with their energy use. The project completed its evaluation phase in October 2016 with the publication of its detailed evaluation findings.

The project was recognised for its innovative combination of Aboriginal community engagement and appropriate technology, winning a number of awards nationally and locally in the second half of 2016. These included the NAIDOC Caring for Country award, Clean Energy Council Business Community Engagement Award, Banksia Sustainable and Resilient Communities Award and Australian Engineering Excellence Northern Award.

Pre-payment electricity metering

Approximately 7,000 customers across the Northern Territory use pre-payment electricity meters, with 5,000 used in remote IES communities.

The current pre-payment electricity meters are no longer produced and a new pre-payment metering solution is being progressively installed in remote communities to ensure ongoing revenue assurance.

The new meters can be read and tariffs can be updated remotely, which greatly reduces labour and travel costs. They also have the ability to integrate with the smart water metering system and use the same communication infrastructure.

The new electrical pre-payment meters are currently installed at Daly River, Wadeye, Yurrawi, Wurrumiyanga, Pirlangimpi, Milikapiti, Oenpelli, Maningrida, Warruwi, Ramingining, Galiwin'ku and Gapuwiyak.

Community and stakeholder engagement is an important part of the deployment process and customers and communities are engaged in advance of the installation and post installation including house to house engagement with interpreters.

Expected completion date for deployment of meters to all 3G connected communities is October 2018. In the meantime, existing token meters will continue to be used in communities without 3G until another solution is found. Token meters removed from communities that adopt the smart meters are tested and used to service the non-3G communities.

National Partnership on Remote Housing

The delivery of the current National Partnership on Remote Housing (NPRH) program (2016-18) is nearing completion. The Department of Housing and Community Development (DHCD) and IES are working on achieving the identified lot developments.

IES uses the Land Development Tracking System (LDATS) to track and monitor developments within communities and a monthly report is provided to the relevant stakeholders for updates on developments.

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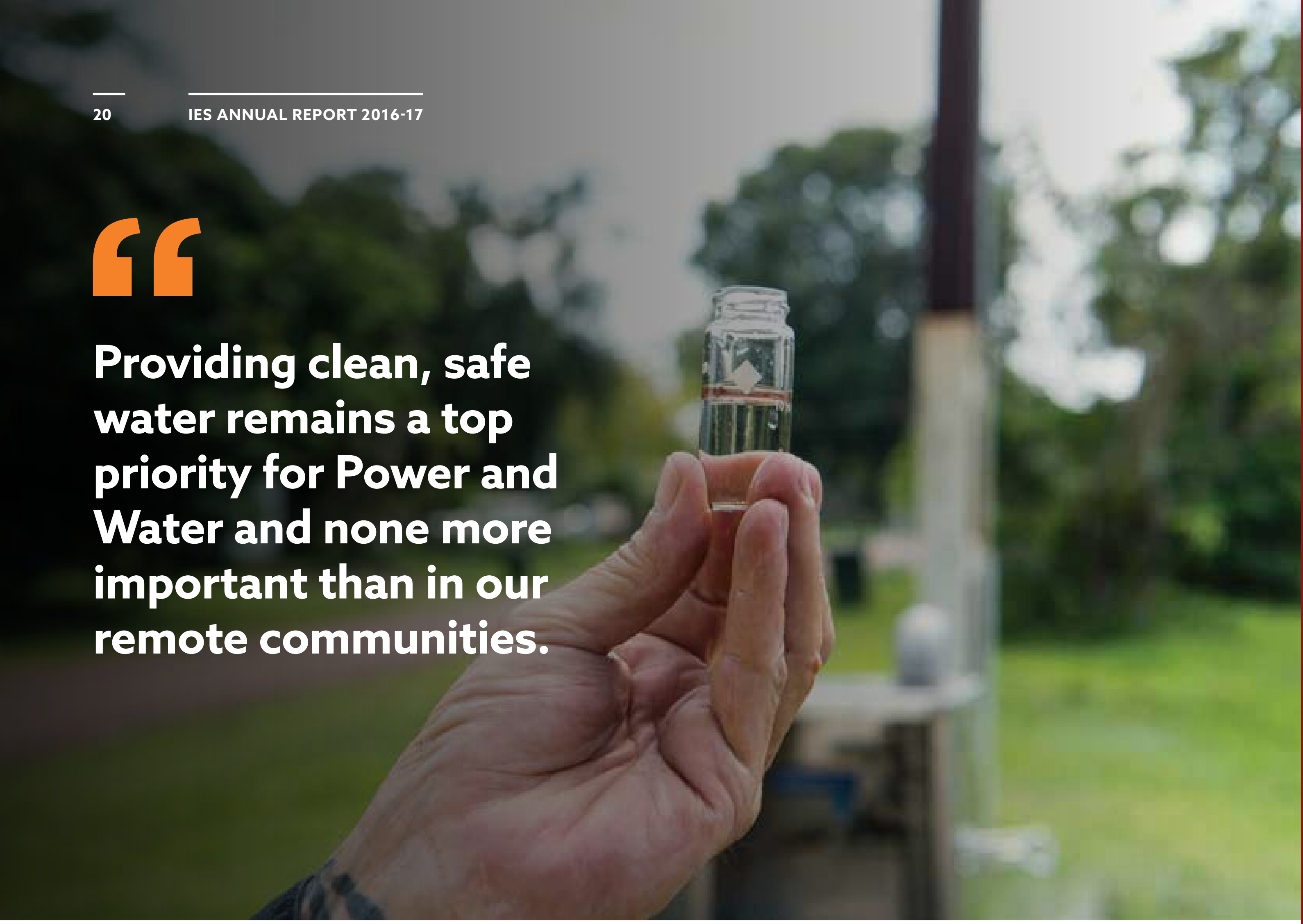


"Providing clean, safe water remains a top priority for Power and Water and none more important than in our remote communities.

One such example of work on the ground to support this initiative is the Angurugu Sewer Replacement program. The project is expected to be complete in November 2017 when new houses and refurbishments along the replaced sewer main sections will be connected.

IES has also received approval to install a water main through the billabong at Robinson River where the additional water will support additional developments within the community under NPRH.

Remote smart water metering

Smart water meters were installed in nine remote communities: Santa Teresa, Gunbalanya, Yurrawi, Ali Curung, Epenarra, Galiwin'ku, Yuelamu, Yuendumu and Kybrook Farm.

The smart water meters in Yurrawi were also used as part of a collaborative water charging agreement with Department of Housing and Community Development (DHCD) to further reduce water losses in Yurrawi.

The smart water meters in Yurrawi (Milingimbi) are also being used as part of a collaborative water charging agreement with the Department of Housing and Community Development (DHCD) to further reduce water losses in Yurrawi (Milingimbi).

Smart water metering has achieved up to 20-30 per cent reduction in water use due to the prompt identification and resultant fixing of leaks in partnership with customers.

Other water conservation programs without smart water metering have typically achieved savings of only 5-10 per cent, with savings being harder to sustain without ongoing monitoring via smart meters.

Further investment and implementation of smart water metering across priority water constrained communities is proposed as a key tool for cost effectively reducing water loss and improving the sustainability of water.

Water quality treatment project

Providing clean, safe water remains a top priority for Power and Water and none more important than in our remote communities.

We have worked hard to improve our reporting of lead indicators to pre-empt water quality issues and using SCADA monitoring systems to enhance the capture and provide early warning of issues.

We also worked with our Essential Service Operators and provided additional training and contract management to improve procedures to mitigate water quality events.

Other specific works carried out to improve water quality outcomes include:

- an upgraded chlorine disinfection system at Robinson River as part of a major water storage upgrade
- installation of a UV disinfection system with SCADA connection and upgrade of chlorine disinfection system at Bulla
- completion of the chlorine disinfection reliability assessment across all 92 Power and Water schemes
- an installed online chlorine analyser and recirculation system at Barunga.

THE FUTURE FOR IES

Remote housing initiative

The Northern Territory Government s Remote Housing Program is a $1.1 billion, 10 year program commencing July 2017, aimed at delivering new public housing, housing for local recruits (government employee housing), additional repairs and maintenance as well as more living spaces.

The delivery of additional houses in these remote communities requires the provision of additional serviced land. However in many communities, the existing essential infrastructure does not have the required spare capacity to meet the demand of the additional housing to be delivered under the Remote Housing Program.

IES is working closely with the DHCD through its Remote Infrastructure Steering Committee and Remote Community Infrastructure team. These have been established and tasked with identifying options for securing serviced land, including through sub divisions and ensuring that essential service infrastructure has adequate capacity to support the additional housing to be delivered through this important initiative.

Improved water quality management

As part of our ongoing commitment to providing safe, clean drinking water, Power and Water is launching a Sodium Hypochlorite Disinfection Barrier Project to standardise sodium hypochlorite installations throughout the Northern Territory.

This project will focus on reducing multiple risks to 33 chlorine dosing sites across the Top End (Darwin and Katherine regions). We are jointly working with DHCD and the Department of Health to consider prioritisation of capital investment funding accordingly.

Improving the performance of remote electricity systems

IES is working hard to capitalise on the solar SETuP project by using the delivery of PV infrastructure and interconnection of key remote power stations to improve electrical service reliability and realise the economies of scale for larger power stations.

Transitioning from diesel reliance to renewable and low emission energy sources is challenging, however if successfully achieved in an economically responsible manner, the rewards will be lower cost of energy production, lower risk exposure (diesel), enhanced reliability and reduced greenhouse emissions.

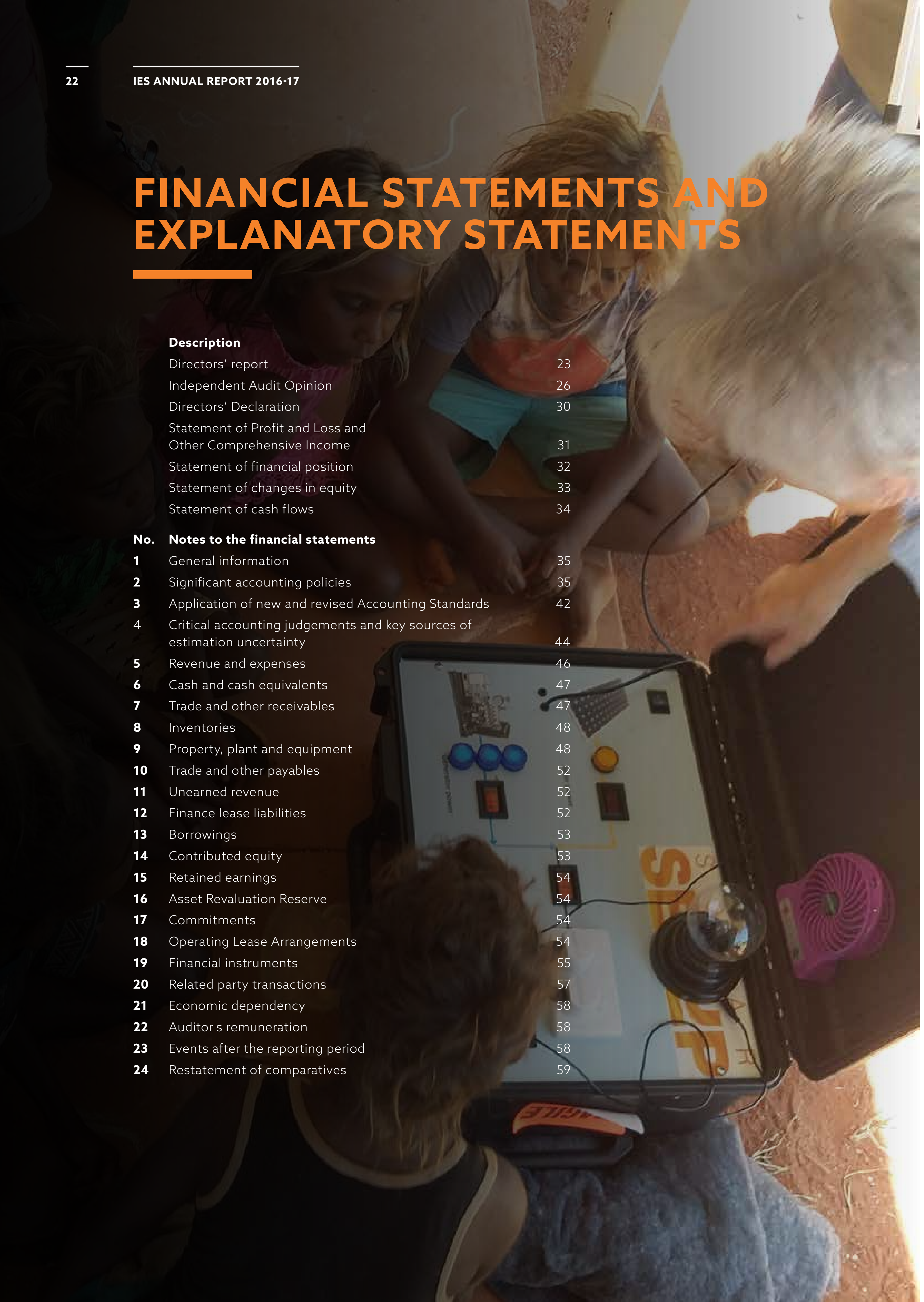
The rate of diesel reliance is expected to slow through Solar SETuP and ongoing targeted solar medium penetration installs however gross electricity demand in remote communities and minor centres is projected to increase from 144GWh to approximately 185GWh in 2036.

A large shift away from diesel is expected within five years where cost effective when compared with other energy options. The proposed approach is to pursue a diversified energy source mix in the short term to allow a range of renewable and low emission energy source options to be assessed and embedded into ongoing strategy and operations.

With fuel prices expected to increase and improvements to battery technology anticipated within five years, under current modelling battery storage becomes commercially viable. IES will continue to investigate energy storage (batteries) to optimise PV in remote communities.

Once the Daly River project has demonstrated its viability, the intention is to employ similar (cost effective) diesel off solutions in other communities.

POWER AND WATER CORPORATION



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Indigenous Essential Services Pty Limited

Directors' report
for the year ended 30 June 2017

The Directors present their report together with the financial report of the Indigenous Essential Services Pty Limited (Company) for the year ended 30 June 2017 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 Ken Clarke	Director since 1 December 2013 Appointed Chairman 28 July 2015
Ms MaryAnn Bin-Sallik	Director since 16 July 2015
Ms Djuna Pollard	Director since 16 July 2015

Company Secretary

Mr Antoni Murphy - appointed 25 July 2014

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 2014. 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 66 outstations.

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

Restatement of prior year balances

The Company has successfully carried out a fixed asset rectification project to ensure the accuracy and reliability of the Company's fixed assets register and that the information from the fixed asset register is recorded in accordance with the Australian Accounting Standards. The rectification work was applied to the books as at the last valuation; 1 July 2014 and to each subsequent year through to 30 June 2016. The process involved correcting the structure of the asset register into appropriate components, conducting verification and completeness testing and other relevant adjustments to reflect the actual value of the Company's fixed assets. These adjustments have resulted in a change in the 2014 asset base, with variances flowing through and requiring restatement of the 30 June 2016 and 2015 asset values.

The change in measurement and accuracy of the 2015 and 2016 fixed asset registers applies to all classes of property, plant and equipment except for intangible assets, which is amortised at cost and capital work in progress. The effects of the rectification project have reduced (compared to the previously published financial statements) the value of property, plant and equipment held by the Company by $87.8 million since 30 June 2014 of which $36.5 million relates to 2014-15 and $51.3 million relates to 2015-16.

Indigenous Essential Services Pty Limited

Directors' report
for the year ended 30 June 2017

Restatement of prior year balances (Cont'd)

In addition to the fixed asset register rebuild, a review of the useful life of infrastructure assets located on leased Aboriginal land was also performed to ensure that current practices comply with the requirements of AASB 117 Leases. AASB 117 requires the useful life of assets located on leased land to be allocated based on the term of the lease applicable to the asset or the actual useful life of the asset, whichever is the shorter. This has resulted in the useful life of a number of assets being adjusted downwards with an additional annual depreciation charge of $12.9 million impacting the statement of profit or loss for both the years ended 30 June 2015 and 2016.

The combined effects of the rectification project and the adjustments to the useful life of infrastructure assets located on leased Aboriginal land has decreased the value of property, plant and equipment held by the Company by $113.6 million in total since 30 June 2015. Of this, $49.4 million relates to 2014-15 of which $36.5 million relates to the rectification project and $12.9 million relates to the adjustments to the useful life of assets located on Aboriginal land. Similarly for 2015-16, the value of the Company has further decreased by $64.2 million of which is made up of $51.3 million in relation to the rectification project and $12.9 million in relation to the adjustments to the useful life of infrastructure assets located on leased

Refer to note 24 for further details in relation to the restatement of the 2015 and 2016 comparatives.

Review of operations

During the year the Company made a net loss of $47.2 million compared to a restated net loss of $55.2 million for the year ended 30 June 2016.

These large shortfalls are primarily the result of the Company being mostly funded on a cash basis whereas these accounts are prepared on an accruals basis consistent with the Accounting Standards. This means that depreciation, as a non cash cost, is not funded by the purchaser of the Comapny's services. As the Company has substantial assets (which are valued on a depreciated replacement cost basis) with a replacement cost of approximately $1.8 billion, depreciation is by far the largest single cost item recorded in the accounts. This unfunded depreciation charge, $64.5 million, is partly offset by the Accounting Standards requiring the funding grant received and cash spent on capital, $24.8 million, to be recognised as operating revenue.

The improvement in the net loss of $8 million compared to the prior year restated net loss is primarily due to a decrease in the total expenses incurred of $14.1 million partially offset by a decrease in total revenue by $6 million. The variance in the restated net loss was driven by the following factors:

- Corporate allocation costs paid to Power and Water Corporation decreased by $8.3 million compared to the prior year due to a return to the pre 2014 avoided cost methodology consistent with how these costs are funded under the agreement with the NT Government; and

- Depreciation charge decreased by $5.3 million compared to the prior year as a result of the value of property, plant and equipment reported in the statement of financial position decreasing by $38.4 million compared to the prior year.

Partially offsetting the decrease in the total expenses is a $6 million decrease in total revenue which is primarily due to a decrease in the sales of electricity and grant revenue

The Company had a cash balance as at 30 June 2017 of $49.6 million, an increase of $22.8 million compared to the prior year. The increase is due to the Company receiving two large government capital funding grants during June 2017 which remained unspent at year end.

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.

Indigenous Essential Services Pty Limited

Directors' report
for the year ended 30 June 2017

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 2018 financial year.

Environmental regulation

The Company's operations are subject to various environmental regulations under both Commonwealth and Territory legislation. The Company regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this report.

Dividends

As a not-for-profit entity the Company did not declare or pay any dividends during the financial year (2016: 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 6 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 as well as the Directors of Power and Water Corporation's wholly controlled entity, being the Company, for all liabilities that may arise from their position, except where the liability is incurred or arises out of actual dishonesty on the part of the Director. The indemnity covers the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The following insurance policies were purchased by Power and Water Corporation to cover its Directors and Officers, and those of its subsidiaries. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums are confidential.

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

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

Mr Ken Clarke
Chairman

Dated at Darwin this 29th day of September 2017

Auditor-General

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

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2017 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.

Julie Crisp
Auditor-General for the Northern Territory

Darwin

28 September 2017

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 2017, 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 2017 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* the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I 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.

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

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information 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.

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

Auditor-General

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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 management either intends to liquidate the Company or to cease operations, or has 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.
- 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.

Auditor-General

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- 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

29 September 2017

Indigenous Essential Services Pty Limited

Directors' declaration
for the year ended 30 June 2017

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 2017 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

Mr Ken Clarke
Chairman

Dated at Darwin this 29th day of September 2017

Indigenous Essential Services Pty Limited

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

	Note	2017 $	Restated 2016 $
Revenue from sale of electricity		31,151,090	33,415,878
Revenue from sale of water		5,314,705	5,986,499
Revenue from rendering of services		3,095,783	3,061,164
Government grant - recurrent		49,437,408	59,219,813
Government grant - capital		24,778,862	21,794,023
Government grant - other		3,851,000	-
Interest revenue		332,682	158,868
Gifted assets		-	148,927
Other income	5 (a)	1,957,348	2,207,542
Total revenue and income		119,918,878	125,992,714
Raw materials and consumables used	5 (f)	6,720,518	5,904,809
Electricity		6,076,500	6,344,699
Distillate consumption		18,056,309	20,051,347
Direct personnel costs	5 (b)	18,528,389	18,404,630
Repairs and maintenance		16,335,695	16,637,242
Corporate allocation costs	5 (c)	5,969,511	14,258,247
Agents - community contract fees		10,199,111	9,748,158
Other expenses	5 (d)	20,433,205	19,937,687
Depreciation and amortisation expenses	9	64,471,907	69,756,840
Finance costs	5 (e)	289,680	173,211
Total expenses		167,080,825	181,216,870
Deficit for the year		**(47,161,947)**	**(55,224,156)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of assets	15	-	-
Other comprehensive deficit for the year		-	-
Total comprehensive deficit for the year		**(47,161,947)**	**(55,224,156)**

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 2017

	Note	2017 $	Restated 2016 $	Restated 2015 $
Assets				
Current assets				
Cash and cash equivalents	6 (a)	49,650,694	26,833,002	13,630,246
Trade and other receivables	7	471,227	5,704,651	636,722
Inventories	8	5,025,828	4,855,817	6,308,513
Other assets		238,489	379,033	485,795
Total current assets		55,386,238	37,772,503	21,061,276
Non-current assets				
Property, plant and equipment	9	737,984,327	776,440,568	824,935,232
Total non-current assets		737,984,327	776,440,568	824,935,232
Total assets		793,370,565	814,213,071	845,996,508
Liabilities				
Current liabilities				
Trade and other payables	10	22,966,681	24,624,976	25,305,552
Unearned revenue - operational	11	10,132,969	1,551,857	-
Unearned revenue - capital	11	32,354,100	25,550,000	261,023
Unearned revenue - other	11	1,366,009	1,945,147	5,261,468
Finance lease liability	12	929,950	769,035	369,499
Borrowings	13	966,651	-	-
Total current liabilities		68,716,360	54,441,015	31,197,542
Non-current liabilities				
Finance lease liability	12	7,566,601	6,522,505	6,325,259
Borrowings	13	11,000,000	-	-
Total non-current liabilities		18,566,601	6,522,505	6,325,259
Total liabilities		87,282,961	60,963,520	37,522,801
Net assets		706,087,604	753,249,551	808,473,707
Equity				
Contributed equity	14	10	10	10
Retained earnings	15	221,460,140	254,115,681	303,215,651
Asset revaluation reserve	16	484,627,454	499,133,860	505,258,046
Total equity		706,087,604	753,249,551	808,473,707

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 2017

	Asset revaluation reserve $	Retained earnings $	Contributed equity $	Total $
30 June 2016 Restated				
Balance at 1 July 2015 Restated	505,258,046	303,215,651	10	808,473,707
Assets retired transferred from the Asset Revaluation Reserve	-	6,124,186	-	6,124,186
Deficit for the year	-	(55,224,156)	-	(55,224,156)
Assets retired transferred to Retained Earnings	(6,124,186)	-	-	(6,124,186)
Balance at 30 June 2016	**499,133,860**	**254,115,681**	**10**	**753,249,551**
30 June 2017				
Balance at 1 July 2016 Restated	499,133,860	254,115,681	10	753,249,551
Assets retired transferred from the Asset Revaluation Reserve	-	14,506,406	-	14,506,406
Deficit for the year	-	(47,161,947)	-	(47,161,947)
Assets retired transferred to Retained Earnings	(14,506,406)	-	-	(14,506,406)
Balance at 30 June 2017	**484,627,454**	**221,460,140**	**10**	**706,087,604**

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 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		50,209,494	46,767,515
Receipt of government grants - operational		58,018,520	60,771,669
Receipt of government grants - other		9,219,420	-
Payments to suppliers		(99,520,551)	(112,573,973)
Interest received		322,384	146,544
Interest paid		(287,810)	(173,211)
Net cash provided by operating activities	6 (b)	17,961,457	(5,061,456)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		302,299	317,655
Receipt of government grants - capital		31,582,959	47,083,000
Purchase of property, plant and equipment		(37,974,638)	(28,640,503)
Net cash used in investing activities		(6,089,380)	18,760,152
Cash flows used in financing activities			
Proceeds from loan advance from parent entity		966,651	-
Proceeds from loan from parent entity		11,000,000	-
Repayment of finance leases		(1,021,036)	(495,940)
Net cash generated by/(used in) financing activities		10,945,615	(495,940)
Net increase/(decrease) in cash and cash equivalents		22,817,692	13,202,756
Cash and cash equivalents at beginning of year		26,833,002	13,630,246
Cash and cash equivalents at end of year	6 (a)	49,650,694	26,833,002

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 2017

1 General information

Indigenous Essential Services Pty Limited (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 29 September 2017.

(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 depreciated 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.

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 incurred a net loss for the year ended 30 June 2017 of $47.2 million and compared to a restated net loss of $55.2 million for the year ended 30 June 2016. The Company's net working capital at 30 June 2017, 2016 and 2015 were deficits of $13.3 million, $16.7 million and $10.1 million respectively. Current liabilities, excluding unearned revenue and finance lease liabilities at 30 June 2017, 2016 and 2015 include $23.0 million, $24.6 million and $25.3 million of trade and other payables respectively.

Indigenous Essential Services Pty Limited

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

2 Significant accounting policies (Cont'd)

Notwithstanding the indicators noted above, the Company's performance has been significantly impacted by the change in value of its fixed assets from historical cost to fair value from 1 July 2014. This has significantly increased the annual depreciation charge (non-cash) from $14.7 million in 2013-14 to $64.5 million, $69.8 million and $79.7 million for the years ended 30 June 2017, 2016 and 2015 respectively. Assets are fundamental to the essential services provided by the Company. Accordingly, the Company is economically dependent on the Northern Territory Government to fund its future capital expenditure as well as a significant portion of its operating expenses. The Company's cash balances as at 30 June 2017 increased by $22.8 million to $49.7 million due to cash inflows from operating activities exceeding outflows by $18.0 million, purchase of property, plant and equipment exceeding receipt of capital government grants by $6.1 million and the Company receiving $11.97 million in loan proceeds from Power and Water Corporation durng the year which were partially offset by payments for purchases of property, plant and equipment of $38.0 million.

To ensure that the Company is able to pay its debts as and when they fall due, a letter of financial support dated 28 October 2015 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 28 October 2015 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

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

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised (net of discounts and allowances) when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer. Sale of goods includes estimates for unbilled consumption of electricity and water as at reporting date. For further information on unbilled consumption, refer to note 4 (b).

Rendering of services

Rendering of services includes the provision of sewerage services and government grant revenue. The revenue from the rendering of services in relation to sewerage services is recognised when the service is provided, having regard for the costs incurred in providing those services. For further information on government grant revenue, refer to note 2 (d) below.

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.

(d) Government grants

Revenue in the form of government grants is received from the Northern Territory and Commonwealth Governments. Revenue arising from the contribution of an asset to the entity shall be recognised when, and only when, all the following conditions have been satisfied:

(i) the Company obtains control of the contribution or the right to receive the contribution;

(ii) it is probable that the economic benefits comprising the contribution will flow to the entity; and

(iii) the amount of the contribution can be measured reliably.

Revenue in the form of government grants is received from the Northern Territory and Commonwealth Governments. Government grants are assistance by the government in the form of transfers of funds to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company.

Indigenous Essential Services Pty Limited

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

2 Significant accounting policies (Cont'd)

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

Grants received on the condition that specified services are delivered, or conditions are fulfilled, are conisdered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when received.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority (through Power and Water Corporation) is included as a current asset or liability in the Statement of Financial Position. From 1 July 2003, the Company has been grouped with Power and Water Corporation for GST purposes. Power and Water Corporation is the representative member and lodges the Business Activity Statement on behalf of the Group.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority (through Power and Water Corporation) are classified as operating cash flows.

(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 include cash on hand and at bank.

(i) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition 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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All purchases or sales of financial assets are recognised and derecognised on a trade date basis.

<u>Loans and receivables</u>

Receivables that have fixed or determinate payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost less any impairment.

Indigenous Essential Services Pty Limited

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

2 Significant accounting policies (Cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows.

The carrying amount of the receivables are reduced by the impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset 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 party. 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Indigenous Essential Services Pty Limited

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

2 Significant accounting policies (Cont'd)

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.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are assigned to inventory based on the weighted-average purchase cost of bringing each item to its present location and condition. Net realisable value represents the amounts expected to be realised from the use of the inventory.

(k) Property, plant and equipment

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 consolidated 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.

Freehold land, buildings, plant and infrastructure are originally stated at cost less accumulated depreciation (apart from freehold land as this is not depreciated) and any accumulated impairment losses. Such cost includes, for qualifying assets, borrowing costs capitalised in accordance with the consolidated entity'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 consolidated entity. Ongoing cost 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.

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

Fair value of property, plant and equipment is based on the cost approach (i.e. depreciated 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.

Indigenous Essential Services Pty Limited

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

2 Significant accounting policies (Cont'd)

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

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:

Building and plant and equipment	2017	2016
Infrastructure	8 to 60 years	8 to 60 years
Plant and equipment	3 to 35 years	3 to 35 years

Depreciation and amortisation of assets related to finance 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 finance leased land	2017	2016
Infrastructure	8 to 40 years	8 to 40 years
Plant and equipment	1 to 40 years	1 to 40 years

Depreciation on revalued buildings, plant and infrastructure assets is recognised in profit or loss. On the subsequent disposal, sale or retirement of a revalued building, plant and infrastructure 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.

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 expensed.

Assets held under finance leases 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.

The Company does not have internally-generated intangible assets.

Indigenous Essential Services Pty Limited

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

2 Significant accounting policies (Cont'd)

Derecognition of intangible assets

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

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

	June 2017	2016
Intangible assets	2 to 4 years	2 to 4 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.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

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

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight line basis.

(o) Comparative amounts

The comparative amounts in the statement of financial position, Statement of changes in equity and the statement of profit or loss and other comprehensive income have been restated. Refer to note 24.

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2017

3 Application of new and revised Accounting Standards

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

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2016.

New and revised Standards and amendments thereof and Interpretations effective for the year ended 30 June 2017 that are relevant to the Company include:

Standard or Interpretation	*Nature of Change to Accounting Policy*
AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragrapghs	This Standard effectively moved Australian Accounting specific application paragraphs from each Standard into a combined Standard. The Standard has no impact on the application of individual standards. The application of these amendments has had no impact on the Company's financial statements.
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 11 Joint Arrangements has been amended to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business. IES did not have any interests in joint operations as at or at anytime during the 2016-17 financial year.
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets has been amended to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, the application of these amendments has had no impact on the Company’s financial statements.
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted. The application of these amendments has had no impact on the financial performance or financial position of the Company's financial statements.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	This Standard makes amendments to AASB 124 Related Party Disclosures to extend the scope of that Standard to include not-for-profit public sector entities. The amendments to these standards has not had a material effect on the financial performance or financial position of the Comapny.
AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]	This Standard makes amendments to AASB 13 Fair Value Measurement to exempt not-for-profit public sector entities from certain requirements of the Standard. The amendments to these standards has not had a material effect on the financial performance or financial position of the Comapny.

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2017

3 Application of new and revised Accounting Standards (Cont'd)

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

Standard or Interpretation	*Nature of Change to Accounting Policy*
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: - Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: - Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. - Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: - Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: - Disclosure of information ‘elsewhere in the interim financial report’ - amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. The Company does not have any servicing contracts, presently or likely, as at or during the 2016-17 financial year where there is a ‘continuing involvement’ in a transferred financial asset. A continuing involvement is where the entity retains any of the contractual rights or obligations inherent in a transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. In relation to AASB 119 Employee Benefits, the Company does not have any employees and therefore this amendment and AASB 119 are not applicable to the Company for the 2016-17 year.
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibits the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The Company does not include in the financial statements information that is immaterial that inhibit the usefulness of financial disclosures. Therefore the application of these amendments to the financial statements, has not resulted in any impact on the financial performance or financial position of the Company's financial statements.

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2017

3 Application of new and revised Accounting Standards (Cont'd)

(b) Standards and Interpretations in issue not yet adopted

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 theses pronouncements before their effective dates.

Standard or Interpretation	*Effective annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers'. AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'. AASB 2015-8 'Amendments to Australian Accounting Standards - Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2015-10 'Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2019	30 June 2020
AASB 2016-4 'Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities' (AASB 136)	1 January 2017	30 June 2018
AASB 2016-6 'Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	30 June 2019
AASB 2016-7 'Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	1 January 2019	30 June 2020
AASB 2016-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019	30 June 2020
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investment Property Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 June 2019
AASB 2017-3 'Amendments to Australian Accounting Standards – Clarification to AASB 4	1 January 2018	30 June 2019
AASB 1058 'Income of Not-for-Profit Entities	1 January 2019	30 June 2020

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

There were no critical judgements that the directors of the Company have made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2017

4 Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

(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 property, plant and equipment

As described in note 2 (k), the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period and 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.

During 2016-17, an extensive exercise to review the useful lives of property, plant and equipment commenced and was completed. The financial effect of any changes, if any, to the useful lives of property, plant and equipment has been reflected in the financial statements for the current year.

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 (ie as prices) or indirectly (ie 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.

Indigenous Essential Services Pty Limited

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

		2017 $	Restated 2016 $
5	**Revenue and expenses**		
(a)	**Other income**		
	Capital contributions and recoverable works	1,853,427	1,806,374
	Alternative control service charges	92,773	116,888
	Other income	11,148	284,280
		1,957,348	2,207,542
(b)	**Direct personnel costs**	18,528,389	18,404,630

The direct personnel costs relate to staff who are employed by the Company's parent entity, Power and Water Corporation. These costs are recharged to the Company.

		2017 $	Restated 2016 $
(c)	**Corporate allocation costs**	5,969,511	14,258,247

Corporate allocation costs represent costs incurred by the Company's parent entity on its behalf which are oncharged to the Company as approved by the Boards of both the parent entity and the Company. The lower charge in the current year compared to the prior year is due to a reversion to the avoided cost basis for allocation of overheads to be consistent with the way these costs are funded by the Northern Territory Government.

		2017 $	Restated 2016 $
(d)	**Other expenses**		
	External service level arrangements	2,088,419	3,099,078
	Net loss on disposal of property, plant and equipment	13,882,723	8,302,320
	Freight	872,211	1,160,865
	Motor vehicle expenses	928,354	1,081,919
	IT and communication	1,199,359	993,317
	Travel and accomodation	698,509	961,021
	Bad and doubtful debts expense	(9,603)	810,870
	Other	773,233	3,528,297
		20,433,205	19,937,687
(e)	**Finance costs**		
	Interest on loans from parent entity	202,731	173,211
	Interest on finance leases	86,949	-
		289,680	173,211
(f)	**Raw materials and consumables used**		
	Gas purchased from parent entity	2,355,646	1,422,880
	Network charges from parent entity	1,942,801	1,640,490
	Generation costs for Minor Centres	533,705	616,454
	Other materials and consumables	1,888,366	2,224,985
		6,720,518	5,904,809

Indigenous Essential Services Pty Limited

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

		2017 $	Restated 2016 $
6	**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:

	2017 $	Restated 2016 $
Cash assets	49,650,694	26,833,002

The weighted average interest rate on cash assets for 2017 is 2.52% (2016 :1.96%)

		2017 $	Restated 2016 $
(b)	**Reconciliation of the deficit for the year to net cash flows from operations**		
	Deficit for the year	(47,161,947)	(55,224,156)
	Adjustments for:		
	Depreciation and amortisation expenses	64,471,907	69,756,841
	Gifted assets	-	(148,927)
	Net loss on disposal of property, plant and equipment	13,882,723	8,302,320
	Government grant - capital	(24,778,862)	(21,794,023)
	Changes in assets and liabilities		
	(Increase)/decrease in inventories	(170,011)	1,452,696
	Decrease/(increase) in trade and other receivables	5,233,424	(5,067,929)
	Decrease in other assets	140,544	106,763
	(Decrease) in trade and other payables	(1,658,295)	(680,576)
	Increase in unearned revenue	8,001,974	(1,764,465)
	Net cash provided by operating activities	17,961,457	(5,061,456)
7	**Trade and other receivables**		
	Current		
	Receivables	1,123,049	6,491,470
	Less: provision for doubtful debts	(705,234)	(810,870)
		417,815	5,680,600
	Accrued Revenue Other	19,063	-
	Interest receivable	34,349	24,051
		471,227	5,704,651

Receivables at 30 June 2017 are non-interest bearing. The Company has undertaken a review of the collectibility of all receivables that are over 90 days outstanding and has recognised a provision for doubtful debts for all receivables that are considered not recoverable.

Indigenous Essential Services Pty Limited

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

	2017 $	Restated 2016 $

7 Trade and other receivables (Cont'd)

Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognised a provision for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2017 $	Restated 2016 $
Age of receivables that are not impaired:		
Current	417,815	5,622,715
1-30 days past due	-	7,135
30 - 60 days past due	-	74,800
	417,815	5,704,650
Movement in the provision for doubtful debts:		
Balance at beginning of the year	(810,870)	-
Impairment losses recognised on receivables	-	(810,870)
Amounts written off as uncollectible	105,636	-
Balance at end of year	(705,234)	(810,870)
Age of impaired receivables:		
90 + days	(705,234)	(810,870)
	(705,234)	(810,870)

8 Inventories

	2017 $	Restated 2016 $
Distillate stocks	5,025,828	4,855,817
	5,025,828	4,855,817

The cost of distillate recognised as an expense during the current year in respect of continuing operations was $18,056,309 (2016: $20,051,347).

9 Property, plant and equipment

	2017 $	Restated 2016 $
Carrying amounts of:		
Infrastructure at fair value	679,938,487	735,928,957
Plant and Equipment at fair value	2,034,770	2,228,170
	681,973,258	738,157,126
Finance Leased Land at cost	9,392,911	8,088,317
Intangible Assets at cost	1,929	2,242
Capital Work in Progress at cost	46,616,230	30,192,882
	737,984,327	776,440,568

Indigenous Essential Services Pty Limited

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

9 Property, plant and equipment (Cont'd)

Movement	Land at fair value $	Buildings at fair value $	Infrastructure at fair value $	Plant and Equipment at fair value $	Finance Leased Land at cost $	Intangible Assets at cost $	Work in Progress at cost $	Total Property, Plant and Equipment $
June 2017								
Opening balance	-	-	735,928,956	2,228,170	8,088,317	2,242	30,192,882	776,440,567
Additions	-	-	-	-	2,226,048	-	37,974,639	40,200,687
Disposals	-	-	(14,185,021)	-	-	-	-	(14,185,021)
Depreciation	-	-	(63,335,734)	(214,405)	(921,454)	(313)	-	(64,471,906)
Transfer from WIP	-	-	21,530,286	21,005	-	-	(21,551,291)	-
Closing balance	-	-	679,938,487	2,034,770	9,392,911	1,929	46,616,230	737,984,327
June 2016 Restated								
Opening balance	-	-	725,388,627	1,106,832	7,701,115	9,772	90,728,887	824,935,233
Additions	-	-	148,928	-	1,158,633	-	28,640,501	29,948,061
Disposals	-	-	(8,619,974)	-	(65,912)	-	-	(8,685,886)
Depreciation	-	-	(68,837,824)	(205,968)	(705,519)	(7,530)	-	(69,756,841)
Transfer from WIP	-	-	87,849,200	1,327,306	-	-	(89,176,506)	-
Closing balance	-	-	735,928,957	2,228,170	8,088,317	2,242	30,192,882	776,440,568
June 2015 Restated								
Opening balance	70,428	-	229,952,163	1,052,027	7,973,487	27,405	93,042,390	332,117,900
Additions	-	-	-	-	334,634	-	29,249,797	29,584,431
Disposals	(70,428)	-	(19,721,510)	-	-	-	-	(19,791,938)
Depreciation	-	-	(78,977,764)	(139,336)	(607,006)	(17,634)	-	(79,741,740)
Transfer from WIP	-	-	31,369,159	194,141	-	-	(31,563,300)	-
Revaluation	-	-	562,766,578	-	-	-	-	562,766,578
Closing balance	-	-	725,388,626	1,106,832	7,701,115	9,771	90,728,887	824,935,231

Note: The opening balance as at 1 July 2014 differs compared to the published financial statements as at and for the year ended 30 June 2014. Refer to Note 24 for details.

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2017

9 Property, plant and equipment (Cont'd)

Restatement of plant and equipment as at 30 June 2016 and 2015

As noted in the Company's financial statements for the year ended 30 June 2016 and 2015, the Company changed the measurement basis for property, plant and equipment from historical cost to fair value effective from I July 2014. In addition to changing the measurement basis for property, plant and equipment, the Company also for certain classes of property, plant and equipment undertook an exercise of rebuilding the asset register at the same time. A number of errors were found within the asset register resulting in property, plant and equipment reported in the financial statements for the years ended 30 June 2016 and 2015 being materially misstated.

During the year ended 30 June 2017, the Company with the assistance of external expert consultants, carried out extensive work rebuilding the asset register for the Company for the years ended 30 June 2016 and 2015 for the purpose of certifying the accuracy, existence and completeness of the assets recorded, the allocated useful lives and to ensure that the recording and maintenance of the Company's assets are in accordance with the Australian Accounting Standards. This exercise was undertaken as a result of the material errors identified in the balances previously recognised and reported in the financial statements for the years ended 30 June 2016 and 30 June 2015.

The asset register was rebuilt from 1 July 2014 being the date the Company adopted the fair value measurement. Fair value measurements obtained from independent valuers, GHD, in the years ended 30 June 2014 and 2013 were utilised to establish opening balances transitioning from historical cost to fair value measurement. GHD has experience in the valuation of water, energy and resources, property and buildings to entities in both the private and public sector. During the detailed data work undertaken during the rebuild, it was noted that some asset useful lives provided by GHD were for larger assets for similar functions as used by Power Water Corporation's Networks and Water Services.

The Company uses much smaller units that have shorter useful lives due to the harsher operating and weather environments experienced in remote communities. The opening net book value of assets uploaded to the register on 1 July 2014 was $25 million lower than that provided by GHD as a result of the reduced lives applied to existing assets.

The rebuild of the Company's asset register has resulted in a restructure of the existing asset register, and the assignment of more suitable asset categories, and low value pools where fitting, to assist with the more efficient and accurate recording of current and future fixed assets of the Company.

The change in measurement and accuracy of the 2015 and 2016 fixed asset registers applies to all classes of property, plant and equipment except for plant and equipment and intangible assets which is amortised at cost and capital work in progress. The net effect of the rectification project and revaluation of assets has increased the value of the Company by $425 million since 30 June 2014.

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

The following valuation techniques are used:

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

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

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2017

9 Property, plant and equipment (Cont'd)

The fair value of the infrastructure assets was determined using the depreciated 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.

Fair value measurement of property, plant and equipment (excluding finance leased assets and capital works in progress)

As at 30 June 2017
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. Independent valuers, GHD, were engaged to undertake a desktop review of the factors that formed a material part of the asset valuation calculations for the financial year ending 30 June 2017. Following this review, GHD's opinion 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 2017. The significant factors include the transportation factor, foreign exchange rates, CPI Index, Reserve Bank cash rates and the construction cost factor.

As at 30 June 2016
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. Independent valuers, GHD, were engaged to undertake a desktop review of the asset base and factors that formed a material part of the asset valuation calculations for the financial year ending 30 June 2016. Following this review, it was determined that there was a material change in the foreign currency rate resulting in an increase in the value of the asset base by $1.7 million as at 30 June 2016. The significant factors include the transportation factor, foreign exchange rates, CPI Index, Reserve Bank cash rates and the construction cost factor.

There have been no changes to the valuation techniques during the year.

Details of the Company's land, buildings, 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 2017 $
Plant and equipment (including infrastructure assets)	681,973,258	681,973,258
Financed leased assets	9,392,912	9,392,912
	691,366,170	691,366,170

	Level 3 $	Fair value as at 30 June 2016 $
Plant and equipment (including infrastructure assets)	738,157,126	738,157,126
Financed leased assets	8,088,318	8,088,318
	746,245,444	746,245,444

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 2017 or 30 June 2016.

Indigenous Essential Services Pty Limited

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

		2017 $	Restated 2016 $
10 Trade and other payables			
Payable to controlling entity		13,164,732	14,299,592
Trade payables		5,976,754	3,520,169
Other payables and accruals		3,825,195	6,805,215
		22,966,681	24,624,976

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

		2017 $	Restated 2016 $
11 Unearned revenue			
Arising from government grants - operational	(1)	10,132,969	1,551,857
Arising from government grants - capital	(1)	32,354,100	25,550,000
Arising from contributions for recoverable works	(2)	1,366,009	1,945,147
		43,853,078	29,047,004

(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 operational and capital requirements. Revenue is released to the Statement of profit or loss and other comprehensive income as the related operational or capital expenditure is incurred.

(2) This unearned revenue arises as a result of funding received from the Northern Territory and Commonwealth Governments as well as from unrelated third parties for specific recoverable works projects undertaken on their behalf. Revenue is released to the Statement of profit or loss and other comprehensive income as the related expenditure is incurred.

12 Finance lease liabilities

Leasing arrangements
The Company leases land for its existing infrastructure assets on Aboriginal land in 72 Communities throughout the Northern Territory. The lease terms vary between 12 and 40 years with most lease agreements providing the Company with lease extension options.

The present value discount factor used for the minimum lease payments was 4.72% at the inception of the leases in 2013. Leases added in 2017 have been calculated using a present value factor of 3%.

Finance lease liabilities

	2017 $	Restated 2016 $	2017 $	Restated 2016 $
	Minimum lease payments		**Present value of the minimum lease payments**	
Not later than one year	1,105,439	905,358	929,950	769,035
1 to 5 years	4,451,675	3,589,592	3,398,724	2,729,113
Later than 5 years	8,813,059	8,392,346	4,167,877	3,793,392
	14,370,173	12,887,296	8,496,551	7,291,540
Less: future finance charges	(5,873,622)	(5,595,756)	-	-
	8,496,551	7,291,540	8,496,551	7,291,540

Indigenous Essential Services Pty Limited

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

	2017 $	Restated 2016 $
12 Finance lease liabilities (Cont'd)		
Represented by:		
Current	929,950	769,035
Non-current	7,566,601	6,522,505
	8,496,551	7,291,540

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

	2017 $	Restated 2016 $
13 Borrowings		
Current		
Loan from parent entity - unsecured	966,651	-
	966,651	-
Non-current		
Loan from parent entity - unsecured	11,000,000	-
	11,000,000	-

The Company received a loan in the amount of $7.5 million from its parent entity on 30 March 2017 for a period of five years to 29 March 2022. A second loan was received in the amount of $3.5 million from its parent entity on 30 June 2017 for a period of five years to 29 June 2022. Interest of 4.55% per annum is charged on the outstanding balance. The purpose of the loans was for the provision of capital assistance on the Arena solar project, where the company is building a solar farm to reduce the cost of electricity production in the communities it services.

In addition to the loan of $11 million, the Company also received a further $0.97 million as an advance which is due and payable within the next 12 months.

The loan 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.

14 Contributed equity

Issued and paid-up share capital

	2017 $	Restated 2016 $
10 ordinary shares of $1 fully paid (2016: 10)	10	10
	10	10

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Indigenous Essential Services Pty Limited

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

	2017 $	Restated 2016 $

15 Retained earnings

Retained earnings at beginning of year	254,115,681	303,215,651
Assets retired transferred from Asset Revaluation Reserve	14,506,406	6,124,186
Net deficit for the year	(47,161,947)	(55,224,156)
Retained earnings at end of the year	221,460,140	254,115,681

The opening retained earnings balance for 2015-2016 has been restated by $20.1 million due to property, plant and equipment and associated balances including depreciation expenses and the Asset Revaluation Reserve being restated. Refer to note 24 for further details.

16 Asset Revaluation Reserve

Balance at beginning of year	499,133,860	505,258,046
Assets retired transferred to Retained Earnings	(14,506,406)	(6,124,186)
Balance at end of year	484,627,454	499,133,860

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.

17 Commitments

Capital expenditure commitments

Contracted but not provided for and payable: within one year	9,429,181	13,090,394
	9,429,181	13,090,394

Operational expenditure commitments

Contracted but not provided for and payable: within one year	4,221,872	6,005,545
	4,221,872	6,005,545

18 Operating Lease Arrangements

The Company as lessee

Payments recognised as an expense

Minimum lease payments:		
- Motor vehicles	623,727	410,038
- Land	42,547	39,647
	666,274	449,685

Indigenous Essential Services Pty Limited

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

19 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 liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

The Company's overall strategy remains unchanged from 2016.

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
Interest rate risk	The risk that financing costs will increase and impact prices to customers and returns to the shareholder.
Capital risk management	The risk of the group structuring its balance sheet inefficiently resulting in suboptimal returns to shareholders.

(b) Market risk

The Company provides electricity, water and sewerage services to remote 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 three years from 1 July 2013 to 30 June 2016 with an extension to this agreement granted to 30 June 2017. The Company and its parent entity are currently in negotiations with the Northern Territory Government in relation to funding for the period beyond 30 June 2017.

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

Source of Income	2017 $	%	Restated 2016 %	%
Grant funding	78,067,270	65%	81,013,836	64%
Electricity	31,151,090	26%	33,415,878	28%
Water	5,314,705	4%	5,986,499	5%
Services rendered	3,095,783	3%	3,061,164	2%
Gifted assets	-	0%	148,927	0%
Capital contributions and recoverable works	1,853,427	2%	1,806,374	1%
Interest	332,682	0%	158,868	0%
Other	103,921	0%	401,168	0%
Total revenue	**119,918,878**	**100%**	**125,992,714**	**100%**

Indigenous Essential Services Pty Limited

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

19 Financial instruments (Cont'd)

(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 finance lease liabilities.

(g) Fair values

Except for the loan from the Company's parent entity, the net fair values of financial assets and liabilities approximate carrying values.

(h) Capital risk management

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

The capital structure of the Company consists of primarily revalued non-current assets and equity attributable to the equity holder of the Company, comprising contributed capital and retained earnings as disclosed in Notes 14 and 15 respectively.

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

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

The Company's overall strategy remains unchanged from prior years.

Indigenous Essential Services Pty Limited

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

20 Related party transactions

The immediate parent and ultimate controlling party of the Company are Power and Water Corporation (incorporated in Australia) and the Northern Territory Government respectively.

The controlling entity of the Company is Power and Water Corporation, a government owned corporation pursuant to the *Government Owned Corporations Act.* 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 7 and note 10):

		Revenue from related parties $	Purchases from related parties $	Amounts owed by related parties $	Amounts owed to related parties $
Related party					
Power and Water	2017	-	30,397,893	-	25,131,383
Corporation	2016	-	37,696,773	-	14,299,592
Northern Territory	2017	77,738,866	6,649,215	50,808,092	43,216,192
Government*	2016	84,031,617	2,147,224	26,857,054	29,866,199

* Excludes Power and Water Corporation

The Company purchases 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. 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 has provided interest only fixed loans of $11 million to the Company at an annual interest rate of 4.55%. In addition to this, the Company also received $0.97 million as an advance from its parent entity which is due and payable within the next 12 months. Refer to Note 13 Borrowings 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.

Indigenous Essential Services Pty Limited

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

20 Related party transactions (Cont'd)

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

Compensation of key management personnel

The Company did not have any employees as at or during the years ended 30 June 2017 or 2016.

Other related party transactions

In addition, the Company purchased labour in the amount of $18.5 million (2016: $14.3 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 was charged and paid.

21 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:

	2017 %	Restated 2016 %
Revenue derived from the Northern Territory Government	67%	65%
Revenue from provision of utility services	33%	35%
	100%	100%

22 Auditor's remuneration

	2017 $	Restated 2016 $
Audit of the financial statements	55,495	59,289
	55,495	59,289

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

23 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.

Indigenous Essential Services Pty Limited

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

24 Restatement of comparatives

Fixed asset register rebuild

As noted in the Company's financial statements for the year ended 30 June 2016 and 2015, the Company changed the measurement basis for property, plant and equipment from historical cost to fair value effective from I July 2014. In addition to changing the measurement basis for property, plant and equipment, it also undertook an exercise of rebuilding the asset register at the same time. A number of errors were found within the asset register resulting in the values of property, plant and equipment reported in the financial statements for the years ended 30 June 2016 and 2015 being materially misstated.

During the year ended 30 June 2017 the Company, with the assistance of external expert consultants, carried out extensive work rebuilding the asset register for the Company, for the years ended 30 June 2016 and 2015 for the purpose of certifying the accuracy, existence and completeness of the assets recorded, the allocated useful lives and to ensure that the recording and maintenance of the Company's assets are in accordance with the Australian Accounting Standards. This exercise was undertaken as a result of the material errors identified in the balances previously recognised and reported in the financial statements for the years ended 30 June 2016 and 2015.

The asset register was rebuilt from 1 July 2014 being the date the Company adopted the fair value measurement. Fair value measurements obtained from independent valuers, GHD, in the years ended 30 June 2014 and 2013 were utilised to establish opening balances transitioning from historical cost to fair value measurement. GHD has experience in the valuation of water, energy and resources, property and buildings to entities in both the private and public sector. During the detailed data work undertaken during the rebuild, it was noted that some asset useful lives provided by GHD were for larger assets for similar functions as used by Power Water Corporation's Networks and Water Services.

IES uses much smaller units that have shorter useful lives due to the harsher operating and weather environments experienced in remote communities. The opening net book value of assets uploaded to the register on 1 July 2014 was $25 million lower than that provided by GHD as a result of the reduced lives applied to existing assets.

The rebuild of the Company's asset register has resulted in a restructure of the existing asset register, and the assignment of more suitable asset categories, and low value pools where fitting, to assist with the more efficient and accurate recording of current and future fixed assets of the Company.

The change in measurement and accuracy of the 2015 and 2016 fixed asset registers applies to all classes of property, plant and equipment except for intangible assets, which is amortised at cost and capital work in progress. The effects of the rectification project have reduced (compared to the previously published financial statements) the value of property, plant and equipment held by the Company by $87.8 million since 30 June 2014 of which $36.5 million relates to 2014-15 and $51.3 million relates to 2015-16.

Adjustments to the useful life of infrastructure assets located on leased Aboriginal land

A review of the useful lives allocated to the Company's infrastructure assets located on leased Aboriginal land was undertaken during the year ended 30 June 2017 which resulted in the useful life of a number of infrastructure assets being reduced to comply with the requirements of AASB 117 Leases. The impact of this on the statement of profit or loss is a further increase in the depreciation charge and the net loss of $12.9 million for the year ended 30 June 2015 and 30 June 2016.

The combined effects of the rectification project and the adjustments to the useful life of infrastructure assets located on leased Aboriginal land has decreased the value of property, plant and equipment held by the Company by $113.6 million in total since 30 June 2015. Of this, $49.4 million relates to 2014-15 of which $36.5 million relates to the rectification project and $12.9 million relates to the adjustments to the useful life of assets located on Indigenous land. Similarly for 2015-16, the value of the Company has further decreased by $64.2 million of which is made up of $51.3 million in relation to the rectification project and $12.9 million in relation to the adjustments to the useful life of infrastructure assets located on leased Indigenous land.

Indigenous Essential Services Pty Limited

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

24 Restatement of comparatives (Cont'd)

Reclassification of account balances in the statement of profit or loss and the statement of financial position

In addition to the restatements referred to above, there have been a number of reclassifications made to the statement of profit or loss and the statement of financial position. These reclassifications relate to the breakdown of certain revenue and expense categories in the statement of profit or loss and unearned revenue liabilities in the statement of financial position. The adjustments have been made to assist the users in their reading and understanding of the financial statements.

As a result of the above, the financial statements for the comparative year have been restated as follows:

(a) Statement of profit or loss and other comprehensive income

	Restated 2016 $	Original 2016 $	Difference 2016 $
Revenue from sale of goods	-	39,402,378	(39,402,378)
Revenue from rendering of services and government grants	-	84,075,000	(84,075,000)
Revenue from sale of electricity	33,415,878	-	33,415,878
Revenue from sale of water	5,986,499	-	5,986,499
Revenue from rendering of services	3,061,164	-	3,061,164
Government grant - recurrent	59,219,813	-	59,219,813
Government grant - capital	21,794,023	-	21,794,023
Interest revenue	158,868	158,868	-
Gifted assets	148,927	148,928	(1)
Other income	2,207,542	2,207,541	1
Total revenue and income	125,992,714	125,992,715	(1)
Raw materials and consumables used	5,904,809	32,300,855	(26,396,046)
Electricity	6,344,699	-	6,344,699
Distillate consumption	20,051,347	-	20,051,347
Direct personnel costs	18,404,630	18,404,630	-
Repairs and maintenance	16,637,242	16,637,241	1
Corporate allocation costs	14,258,247	14,258,247	-
Agents - community contract fees	9,748,158	9,748,157	1
Other expenses	19,937,687	14,930,984	5,006,703
Depreciation and amortisation expenses	69,756,840	59,974,573	9,782,267
Finance costs	173,211	173,211	-
Total expenses	**181,216,870**	**166,427,898**	**14,788,972**
Deficit for the year	**(55,224,156)**	**(40,435,183)**	**(14,788,973)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of assets	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive deficit for the year	**(55,224,156)**	**(40,435,183)**	**(14,788,973)**

Indigenous Essential Services Pty Limited

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

24 Restatement of comparatives (Cont'd)

(b) Statement of financial position

	Restated 2016 $	Original 2016 $	Difference 2016 $	Restated 2015 $	Original 2015 $	Difference 2015 $
Assets						
Current assets						
Cash and cash equivalents	26,833,002	26,833,002	-	13,630,246	13,630,246	-
Trade and other receivables	5,704,651	5,704,651	-	636,722	636,722	-
Inventories	4,855,817	4,855,817	-	6,308,513	6,308,513	-
Other assets	379,033	379,032	1	485,795	485,795	-
Total current assets	37,772,503	37,772,502	1	21,061,276	21,061,276	-
Non-current assets						
Property, plant and equipment	776,440,568	840,648,000	(64,207,432)	824,935,232	874,353,692	(49,418,460)
Total non-current assets	776,440,568	840,648,000	(64,207,432)	824,935,232	874,353,692	(49,418,460)
Total assets	814,213,071	878,420,502	(64,207,431)	845,996,508	895,414,968	(49,418,460)
Liabilities						
Current liabilities						
Trade and other payables	24,624,976	24,624,976	-	25,305,552	25,305,551	1
Unearned revenue - operational	1,551,857	29,047,003	(27,495,146)	-	5,522,491	(5,522,491)
Unearned revenue - capital	25,550,000	-	25,550,000	261,023	-	261,023
Unearned revenue - other	1,945,147	-	1,945,147	5,261,468	-	5,261,468
Finance lease liability	769,035	769,035	-	369,499	369,500	(1)
Total current liabilities	54,441,015	54,441,014	1	31,197,542	31,197,542	-
Non-current liabilities						
Finance lease liability	6,522,505	6,522,504	1	6,325,259	6,325,259	-
Total non-current liabilities	6,522,505	6,522,504	1	6,325,259	6,325,259	-
Total liabilities	60,963,520	60,963,518	2	37,522,801	37,522,801	-
Net assets	753,249,551	817,456,984	(64,207,433)	808,473,707	857,892,167	(49,418,460)
Equity						
Contributed equity	10	10	-	10	10	-
Retained earnings	254,115,681	242,195,988	11,919,693	303,215,651	282,631,171	20,584,480
Asset revaluation reserve	499,133,860	575,260,986	(76,127,126)	505,258,046	575,260,986	(70,002,940)
Total equity	753,249,551	817,456,984	(64,207,433)	808,473,707	857,892,167	(49,418,460)

Indigenous Essential Services Pty Limited

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

24 Restatement of comparatives (Cont'd)

(c) Statement of changes in equity

	Asset revaluation reserve	Retained earnings	Contributed equity	Total
	$	$	$	$
30 June 2016 Original				
Balance at 1 July 2015	575,260,986	282,631,171	10	857,892,167
Adjustments	-	-	-	-
Deficit for the year	-	(40,435,183)	-	(40,435,183)
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2016 Original	**575,260,986**	**242,195,988**	**10**	**817,456,984**
30 June 2016 Restated				
Balance at 1 July 2015 Restated	505,258,046	303,215,651	10	808,473,707
Assets retired transferred from the Asset Revaluation Reserve	-	6,124,186	-	6,124,186
Deficit for the year	-	(55,224,156)	-	(55,224,156)
Assets retired transferred to Retained Earnings	(6,124,186)	-	-	(6,124,186)
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2016 Restated	**499,133,860**	**254,115,681**	**10**	**753,249,551**
Difference between original and restated 30 June 2016 balances				
Balance at 1 July 2015	(70,002,940)	20,584,480	-	(49,418,460)
Assets retired transferred from the Asset Revaluation Reserve	-	6,124,186	-	6,124,186
Deficit for the year	-	(14,788,973)	-	(14,788,973)
Assets retired transferred to Retained Earnings	(6,124,186)	-	-	(6,124,186)
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2016 Restated	**(76,127,126)**	**11,919,693**	**-**	**(64,207,433)**
30 June 2015 Original				
Balance at 1 July 2014	-	328,244,109	10	328,244,119
Assets retired transferred from the Asset Revaluation Reserve	-	-	-	-
Deficit for the year	-	(45,612,938)	-	(45,612,938)
Other comprehensive income for the year	575,260,986	-	-	575,260,986
Balance at 30 June 2015 Original	**575,260,986**	**282,631,171**	**10**	**857,892,167**
30 June 2015 Restated				
Balance at 1 July 2014	-	328,244,109	10	328,244,119
Assets retired transferred from the Asset Revaluation Reserve	-	57,508,532	-	57,508,532
Deficit for the year	-	(82,536,990)	-	(82,536,990)
Assets retired transferred to Retained Earnings	(57,508,532)	-	-	(57,508,532)
Other comprehensive income for the year	562,766,578	-	-	562,766,578
Balance at 30 June 2015 Restated	**505,258,046**	**303,215,651**	**10**	**808,473,707**
Difference between original and restated 30 June 2015 balances				
Balance at 1 July 2014	-	-	-	-
Assets retired transferred from the Asset Revaluation Reserve	-	57,508,532	-	57,508,532
Deficit for the year	-	(36,924,052)	-	(36,924,052)
Assets retired transferred to Retained Earnings	(57,508,532)	-	-	(57,508,532)
Other comprehensive income for the year	(12,494,408)	-	-	(12,494,408)
Balance at 30 June 2015 Restated	**(70,002,940)**	**20,584,480**	**-**	**(49,418,460)**

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