Indigenous Essential Services Pty Ltd

IES Annual Report

2021-2022

@powerwatercorp

Welcome

The purpose of this Annual Report is to provide a record of operations and highlights for the 2021-22 financial year for Indigenous Essential Services Pty Ltd, a not-for-profit subsidiary company of Power and Water Corporation.

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

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

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

Cover: Georgena James, electrical apprentice in Alice Springs.

Field worker in Alice Springs.

Acknowledgement of Country

Power and Water operates across all regions of the Northern Territory. We acknowledge the Traditional Custodians of Country throughout the Territory and their connections to land, sea and community. We pay our respect to their Elders past, present and future, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Indigenous Essential Services Pty Ltd

Joseph Perez inspecting our Roe Creek Pumping Station solar array.

Contents

Our year at a glance

Over the financial year, we provided the following services:

Darwin Region (Top End)

- Water, waste water and electricity supply services to 23 remote communities with a population of around 21,000 residents in the Darwin region.

Katherine Region

- Water, waste water and electricity supply services to 19 remote communities with a population of around 7,000 residents in the Katherine region.

Barkly Region

- Water, waste water and electricity supply services to six remote communities with a population of around 1,600 residents in the Barkly region.

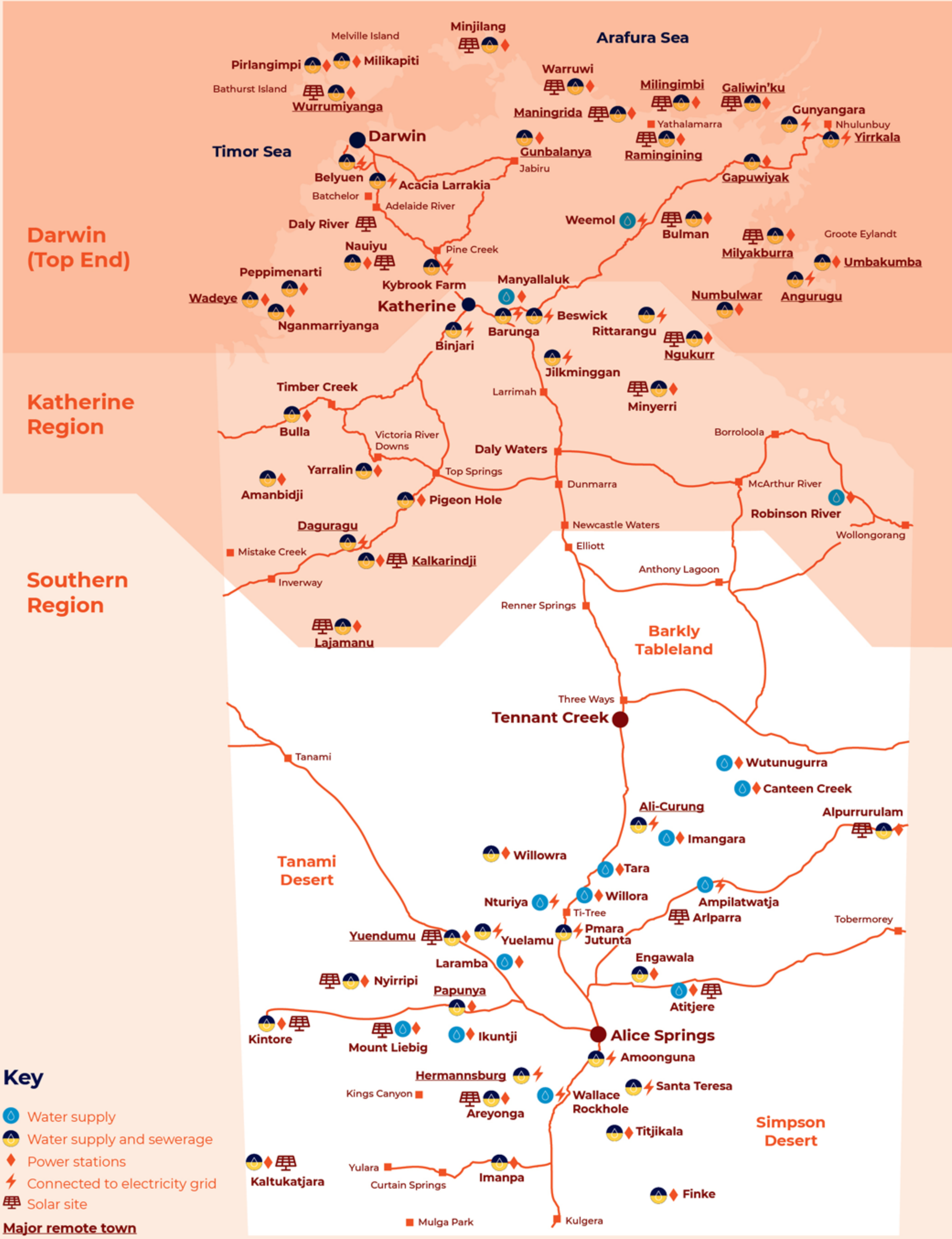
Southern Region

- Water, waste water and electricity supply services to 24 remote communities with a population of around 7,500 residents in the Alice Springs region.

Customer overview

Total customer connections	Darwin	Katherine	Barkly	Southern
9,093	4,634	1,538	447	2,474
5,327	2,866	815	264	1,382
2,451	1,455	385	81	530

Remote communities' power, water supply and sewerage services



Key

- Water supply
- Water supply and sewerage
- Power stations
- Connected to electricity grid
- Solar site
- Major remote town

2021-22 highlights

Ground water tanks.

mCDI technology trial improving water quality in Ali Curung

Indigenous Essential Services operates water systems in some of the most isolated areas in Australia.

The health, safety and wellbeing of our people is our highest priority. This includes the provision of safe drinking water to our customers and community, in line with the Australian Drinking Water Guidelines.

In the Northern Territory, a number of our desert communities rely on groundwater to drink. The groundwater can be hard, taste salty and may have other naturally occurring contaminants including nitrate, fluoride and uranium.

We are collaborating with the University of New South Wales to trial the desalination of groundwater in desert communities using new and innovative technology, with the aim of providing long-term, sustainable water treatment solutions.

Membrane capacitive deionisation (mCDI) technology is an electrochemical desalination process, which has made considerable advancements in recent years. A prototype mCDI unit was installed in the remote community of Ali Curung, tested and successfully commissioned in September 2021.

The mCDI unit has been through a range of testing conditions and is operating without any major downtime or issues.

The trial will continue into early 2023. At the completion of the trial, operation and performance data will be used to compare the mCDI solution to other available technologies to ensure we make an informed decision on water treatment solutions for the future.

Our ongoing participation in research and development projects will help improve the delivery of safe and aesthetically acceptable drinking water for all Territorians.

The health, safety and wellbeing of our people is our highest priority. This includes the provision of safe drinking water to our customers and community, in line with the Australian Drinking Water Guidelines.

Many remote communities rely on groundwater for drinking

2021
mCDI prototype unit installed in Ali Curung

Construction of the Laramba water treatment plant.

Laramba water treatment solution

Another desert community with significant water quality and water security challenges is Laramba, located 205km north-west of Alice Springs.

The Laramba water supply has concentrations of naturally occurring uranium at levels above the Australian Drinking Water Guidelines.

Our team of water quality experts has been researching solutions and we are confident ion-exchange technology will improve drinking water quality for the community.

In early 2022, Indigenous Essential Services parent company, Power and Water, engaged Clean TeQ Water to design and build a new water treatment plant for the community, using ion exchange technologies to reduce the level of naturally occurring uranium from the groundwater source and improve water quality.

The plant is designed for a peak demand of 360 kilolitres per day, and is the single biggest project in our water security program.

Construction of the ion exchange treatment plant is ongoing. The treatment plant will be commissioned in 2022.

205km
north-west of Alice Springs

360
kilolitres per day

Long term water supply for Yuelamu

Indigenous Essential Services and Power and Water are also working with the remote community of Yuelamu to deliver a long term, secure and safe supply of drinking water.

Earlier this year, we identified the ground water supply was reaching a critically low level.

The community uses water efficiently and Indigenous Essential Services engages with residents regularly to manage water demand and educate the community about their water supply, and to help identify and address issues such as leaks and high rates of consumption.

An incident management team was formed to monitor and manage the situation. Our team of dedicated specialists moved quickly to identify and test a number of emergency response options, including trucking water into the community.

Our existing infrastructure can be reversed, allowing us to pump trucked water into the ground level storage tank and continue to deliver safe drinking water to the community in the event of an emergency.

Following further investigations and testing of the local aquifer and bore field, and changes to how the bores are operated, it is now estimated the bore field can produce water for another 18 months with conservative water use.

Indigenous Essential Services and Power and Water will continue to work closely with the community to identify and implement a long term solution.

The ground level storage tank in Yuelamu.

Remote housing in Santa Teresa.

Remote housing program improving the lives of Aboriginal Territorians in remote communities

Indigenous Essential Services is committed to making a difference to the lives of Territorians.

We have been working in partnership with the Northern Territory Government Department of Infrastructure, Planning and Logistics and Department of Territory Families, Housing and Communities to deliver a significant remote housing program for communities across the Northern Territory.

This is a key initiative from the Northern Territory Government to reduce overcrowding and improve the lives of Aboriginal Territorians in remote communities.

The capacity and reliability of services delivered by Indigenous Essential Services is critical to housing construction.

Our headworks infrastructure program includes a range of projects to be delivered by Power and Water and Indigenous Essential Services, including new water storage tanks, sewage pumps stations, sewage treatment ponds, smart water meters, water transmission pipes, water supply networks and bore drilling and equipping.

Completed water tank projects to date have already provided 5.4 million litres of additional water storage to support housing developments and community growth.

The initial phase of the headworks infrastructure program is nearing its mid-point.

Our headworks infrastructure program also supports local Aboriginal employment, with an average of 35 per cent Aboriginal employment across the various projects.

Indigenous Essential Services is proud to provide opportunities for Aboriginal Territorians to apply their current skills and learn new skills for future employment, including as future Essential Service Operators.

Completed water tank projects to date have already provided 5.4 million litres of additional water storage to support housing developments and community growth.

Children from Warruwi School wearing That's My Wupaj! t-shirts.

That's My Water! t-shirt design.

That's My Water! Bush Schools

Power and Water and Indigenous Essential Services are committed to working with remote schools and communities to help ensure the sustainability of their water supplies.

Last year we expanded our Living Water Smart school program to remote communities through our That's My Water! Bush Schools Program – a curriculum unit aimed specifically at Territory students living in the bush.

Throughout 2021-22, our That's My Water! Bush Schools Program was delivered across six of our highest water stressed communities: Atitjere, Engawala, Numbulwar, Warruwi, Yuelamu and Yuendumu.

The program takes students, teachers, and Elders on a journey from cloud to cup, helping them to uncover their ownership of the community water source and encourage them to take ownership of their own water use actions.

Key themes investigated in the program are the cultural significance of water for communities, the contemporary 'Power and Water' water story in their community, and what people can do today to help make their water supply more sustainable, enabling growth in their community.

This year we partnered with House of Darwin (a Darwin-based Aboriginal-owned social enterprise) to create community specific t-shirts for students and teachers of our That's My Water! Bush Schools Program.

On World Water Day, we visited Warruwi School on South Goulburn Island in West Arnhem Land – one of the Northern Territory's most water stressed communities – to deliver water efficiency education sessions and award students and teaching staff with their own 'That's My Wupaj!' t-shirts. 'Wupaj' is the Maung word for 'water', the primary language spoken by the people of Warruwi.

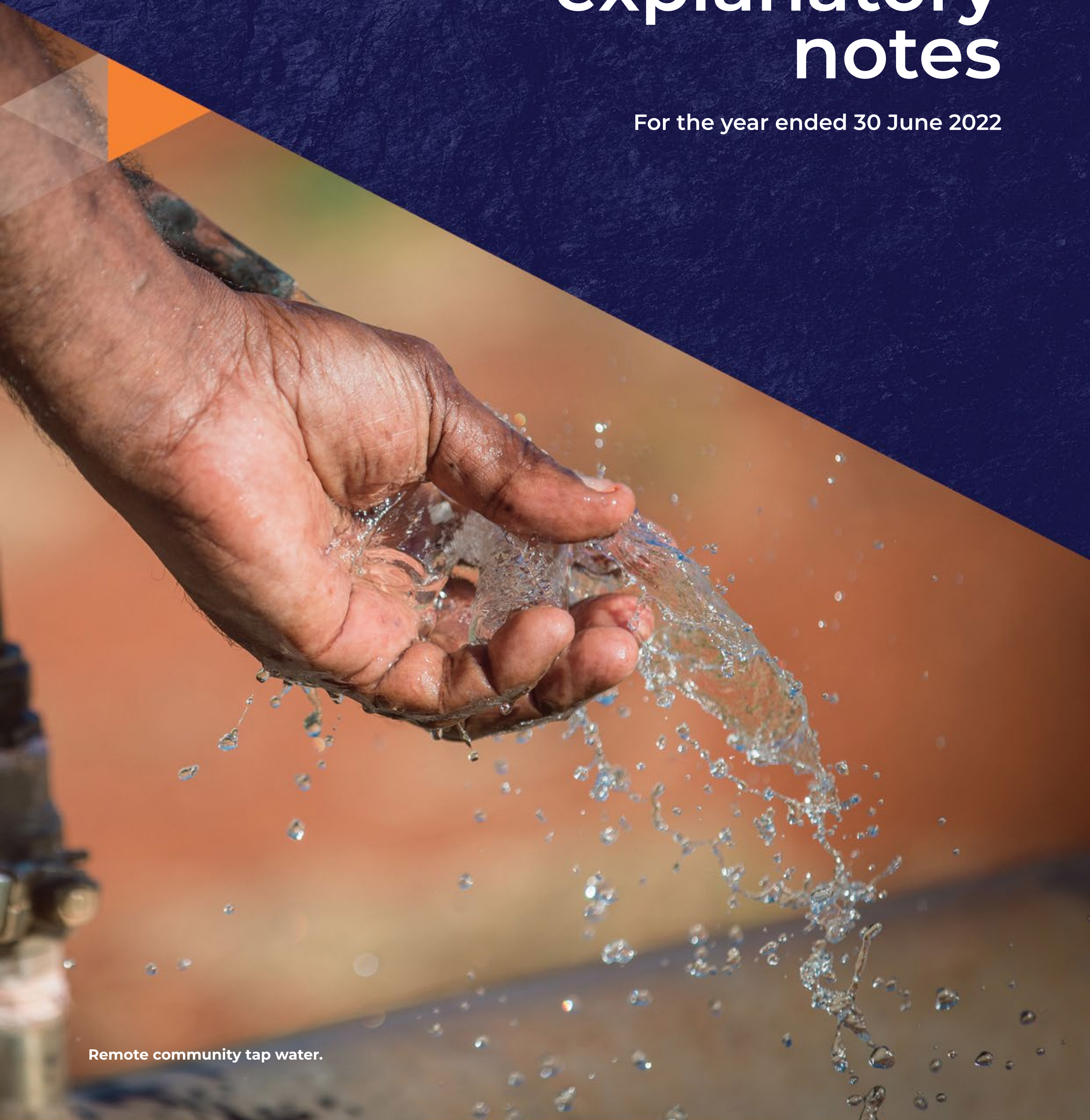
We are proud to be working with remote schools and communities to help spread important messages about protecting water.

Power and Water and Indigenous Essential Services are committed to working with remote schools and communities to help ensure the sustainability of their water supplies.

Cail Rayment in our Demand Management team with children from Warruwi School.

Financial statements and explanatory notes

For the year ended 30 June 2022



Remote community tap water.

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Description

Notes to the financial statements

Indigenous Essential Services Pty Limited

Directors' report
for the year ended 30 June 2022

The Directors present their report together with the financial report of the Indigenous Essential Services Pty Ltd (Company) for the year ended 30 June 2022 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 Peter Wilson AM	Director since 2 March 2022 Appointed Chairman 2 March 2022
Mr Charles Burkitt	Director from 11 October 2021 to 26 August 2022 Chairman from 16 October 2021 to 1 March 2022
Ms Gaye McMath	Director since 1 September 2018
Mr John Langoulant	Director from 26 June 2018 to 15 October 2021 Chairman from 31 August 2018 to 15 October 2021
Ms Rowena McNally	Director from 26 June 2018 to 7 April 2022
Mr Trevor Armstrong	Director since 22 August 2022
Mr Paul Italiano	Director since 22 August 2022
Ms Jodie Ryan	Director since 27 August 2022

Company Secretary

Mr John Pease	Appointed 11 September 2020

Company particulars

The Company is an Australian proprietary company, incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business:	Level 2 Mitchell Centre 55 Mitchell Street Darwin NT 0800

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

Controlling entity

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

Principal activities

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

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

Indigenous Essential Services Pty Limited

Directors' report
for the year ended 30 June 2022

Review of operations

During the year the Company reported a deficit of $0.7 million compared to a deficit of $23.5 million for the prior year. This movement is due to an increase in Revenue of $22.8 million, which has been offset by an increase in expenses of $0.1 million, in 2021-22 compared to 2020-21.

Revenue of $149.0 million recognised in the current year was higher than the amount recognised in the prior year of $126.2 million, mainly due to a greater amount of grant released as revenue. Included in the current year was $103.4 million in grant funding (2021: $83.0 million). Majority ($15.6 million) of the increase in Government Grants revenue is attributable to higher diesel grant revenue released, compared to prior year, as the average price of diesel was much higher in the current year (average diesel price/ltr: $1.04 (2021-22), $0.62 (2020-21)). The diesel grant funding received for 2021-22 was not sufficient to cover all current year expenses, leading to release of prior year unearned revenue in relation to diesel grant funding. Operational revenue increased by $1.8 million, mostly driven by higher Essential Services Officer (ESO) costs in 2021-22 compared to prior year, as a result of new contracts for Southern region. The remainder of the increase in revenue is due to slight increased capital expenditure in 2021-22 compared to prior year, due to more capital works being completed.

Distillate consumption in the current year increased by $8.6 million compared to the prior year, primarily due to the average fuel price in the current year being significantly higher when compared to the prior year, with an increase of 68% in the average yearly price year on year.

Contracted labour expenses in the current year decreased by $10.1 million compared to the prior year, primarily due to the overhead capitalisation implemented in 2021-22. Further details can be found in Note 6 (b).

Other expenses in the current year were $6.5 million compared to $9.1 million in the prior year. The decrease of $2.6 million was primarily due to the overhead capitalisation implemented in 2021-22. Further details can be found in Note 6 (d).

Coronavirus (COVID-19) pandemic

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

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

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

Change in state of affairs

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

Subsequent events

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

Future developments

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

Indigenous Essential Services Pty Limited

Directors' report
for the year ended 30 June 2022

Environmental regulation

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

Dividends

As a not-for-profit entity the Company did not declare or pay any dividends during the financial year (2021: 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, 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*.

Peter Wilson

Peter Wilson AM
Chairman

Dated at Darwin this 29th day of September 2022

Lead auditor's declaration of independence

Auditor-General

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

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2022 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

29 September 2022

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Auditor-General

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

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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 2022, 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 2022 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Emphasis of Matter

I draw attention to Notes 4(b) *Capitalisation of expenses*, 6(b), and 6(d) in the financial report, which describe the revision of the estimation methodology to identify and capitalise costs, including support costs included in Corporate Services which are directly attributable to the acquisition, preparation, or construction of capital assets. My opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Company's financial report for the year ended 30 June 2022, 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.

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Auditor-General

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Auditor-General

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

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

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

30 September 2022

Directors’ declaration

Indigenous Essential Services Pty Limited

Directors' declaration
for the year ended 30 June 2022

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 2022 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

Peter Wilson

Peter Wilson AM
Chairman

Dated at Darwin this 29th day of September 2022

Statement of profit or loss and other comprehensive income

Indigenous Essential Services Pty Limited

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2022

	Note	June 2022 $	June 2021 $
Revenue from contracts with customers	5 (a)	45,531,123	43,145,596
Government grants	5 (b)	103,397,905	82,973,899
Interest income	5 (c)	93,374	78,102
Total revenue and income		149,022,402	126,197,597
Raw materials and consumables used	6 (a)	6,082,351	4,975,802
Electricity purchased		6,267,752	6,253,303
Distillate consumption		24,259,479	15,689,040
Contracted labour expenses	6 (b)	4,942,070	15,029,034
Repairs and maintenance		17,354,821	15,701,845
Corporate services costs	6 (c)	5,996,451	5,850,196
Agents - community contract fees		14,347,601	12,839,116
Other expenses	6 (d)	6,490,402	9,125,035
Depreciation and amortisation expenses	6 (e), 10, 11	61,901,692	61,714,649
Finance costs	6 (f)	2,129,272	2,510,715
Total expenses		149,771,891	149,688,735
Deficit for the year		**(749,489)**	**(23,491,138)**
Total comprehensive deficit for the year		**(749,489)**	**(23,491,138)**

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

Statement of financial position

Indigenous Essential Services Pty Limited

Statement of financial position
as at 30 June 2022

	Note	June 2022 $	June 2021 $
ASSETS			
Current assets			
Cash and cash equivalents	7 (a)	67,988,381	66,720,281
Trade and other receivables	8	2,161,816	10,436,020
Inventories	9	9,588,826	4,318,333
Intangible assets		1,022,842	250,506
Other assets		75,070	162,607
Total current assets		80,836,935	81,887,747
Non-current assets			
Property, plant and equipment	10	664,590,033	672,757,205
Right-of-use assets	11	38,231,894	38,695,161
Total non-current assets		702,821,927	711,452,366
Total assets		783,658,862	793,340,113
LIABILITIES			
Current liabilities			
Trade and other payables	12	24,651,116	19,896,972
Unearned revenue	13	47,413,406	61,013,901
Lease liabilities	14	2,363,887	2,367,769
Total current liabilities		74,428,409	83,278,642
Non-current liabilities			
Lease liabilities	14	39,236,384	39,317,913
Borrowings	15	25,000,000	25,000,000
Total non-current liabilities		64,236,384	64,317,913
Total liabilities		138,664,793	147,596,555
Net assets		644,994,069	645,743,558
EQUITY			
Contributed equity	16	10	10
Retained earnings	17	167,598,571	166,824,002
Asset revaluation reserve	18	477,395,488	478,919,546
Total equity		644,994,069	645,743,558

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

Statement of changes in equity

Indigenous Essential Services Pty Limited

Statement of changes in equity
as at 30 June 2022

	Asset revaluation reserve $	Retained earnings $	Contributed equity $	Total $
30 June 2021				
Balance at 1 July 2020	481,186,623	188,048,063	10	669,234,696
Deficit for the year	-	(23,491,138)	-	(23,491,138)
Assets retired	(2,267,077)	2,267,077	-	-
Balance at 30 June 2021	**478,919,546**	**166,824,002**	**10**	**645,743,558**
30 June 2022				
Balance at 1 July 2021	478,919,546	166,824,002	10	645,743,558
Deficit for the year	-	(749,489)	-	(749,489)
Assets retired	(1,524,058)	1,524,058	-	-
Balance at 30 June 2022	**477,395,488**	**167,598,571**	**10**	**644,994,069**

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

Statement of cash flows

Indigenous Essential Services Pty Limited

Statement of cash flows
for the year ended 30 June 2022

	Note	June 2022 $	June 2021 $
Cash flows from operating activities			
Receipts from customers		54,221,019	34,438,274
Receipt of government grants - operational		63,927,000	60,165,842
Payments to suppliers		(85,924,159)	(79,695,468)
Interest received		59,368	84,118
Interest paid		(2,391,474)	(2,249,520)
Net cash provided by operating activities	7 (b)	29,891,754	12,743,246
Cash flows from investing activities			
Receipt from government grants - capital		25,464,789	29,483,625
Purchase of property, plant and equipment		(51,883,855)	(30,150,692)
Net cash used in investing activities		(26,419,066)	(667,067)
Cash flows used in financing activities			
Repayment of lease liabilities	14	(2,204,588)	(1,681,211)
Net cash used in infinancing activities		(2,204,588)	(1,681,211)
Net increase in cash and cash equivalents		1,268,100	10,394,968
Cash and cash equivalents at beginning of year		66,720,281	56,325,313
Cash and cash equivalents at end of year	7 (a)	67,988,381	66,720,281

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 2022

1 General information

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

2 Significant accounting policies

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

(a) Statement of compliance

These financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards and Interpretations, the *Corporations Act 2001* and comply with any other requirements of the law.

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

The financial statements were authorised for issue by the Directors on 29th September 2022.

(b) Basis of preparation

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

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

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

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

(i) Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has achieved a net deficit for the year ended 30 June 2022 of $0.7 million compared to a net deficit of $23.5 million for the year ended 30 June 2021. The Company's net working capital at 30 June 2022 and 2021 were surplus of $6.4 million and deficit of $1.4 million respectively.

Current assets have decreased by $1.1 million for 30 June 2022 compared to prior year, which is mainly attributed to increase in cash balance of $1.3 million, decrease in trade and other receivables of $8.3 million and increase in inventory balance of $5.3 million. Decrease in Trade and other receivables is due to receipting of outstanding invoices amounting to $4.5 million for Department of Infrastructure, Planning and Logistics. Increase in Inventories is due to the increase in diesel price per litre, increasing the total value to diesel stock in hand.

Current liabilities have decreased by $8.9 million, mainly attributable to a decrease in Unearned revenue of $13.6 million, partially offset by an increase in Trade and other payables of $4.7 million. The decrease in Unearned revenue is primarily attributable to increased diesel expenditure in 2020-22, compared to 2020-21.

	June 2022 $	June 2021 $
Current Assets	80,836,935	81,887,747
Current Liabilities	74,428,409	83,278,642
Current Ratio	1.09	0.98

Assets are fundamental to the essential services provided by the Company and as such the Company's performance is significantly impacted by its capital delivery program and the associated depreciation on assets. Accordingly, the Company is economically dependent on the Northern Territory Government to fund its future capital expenditure as well as a significant portion of its operating expenses. The Company's cash balance as at 30 June 2022 increased by $1.3 million to $68.0 million due primarily to higher receipts from customers and operational government grants, offset by increased purchase of property, plant and equipement and lower capital grant.

To ensure that the Company is able to pay its debts as and when they fall due, a letter of financial support has been provided by the parent entity, Power and Water Corporation, which guarantees support should the Company not be able to pay its debts as and when they fall due and is valid for the period from date of signing to such time as the Company ceases to be a wholly owned subsidiary of Power and Water Corporation.

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

(c) Revenue recognition

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

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

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

Sale of water, electricity and sewerage services

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

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

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

Operational grant funding (Recurrent grants)

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

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

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

(d) Interest income

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

(e) Government grants - capital

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

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

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

(f) Goods and services tax

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

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

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

(g) Borrowing costs

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

(h) 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* .

(i) Cash and cash equivalents

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

(j) Financial instruments

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

Financial assets

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

Classification of financial assets

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

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

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

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

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

For the years ended 30 June 2022 and 2021, the Company did not have any financial assets at FVTPL or FVTOCI.

Amortised cost and effective interest method

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

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

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

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

Impairment of financial assets

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

The Company recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For year ended 30 June 2022, no ECL has been recognised for Trade and other receivables, as all the balances relate to invoices unpaid by Northern Territory Government entities and are expected to be fully receipted in 2022-23.

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

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

(i) Significant increase in credit risk

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

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

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

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

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

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

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

(ii) Definition of default

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

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

Derecognition of financial assets

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

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

Financial liabilities

Classification as debt or equity

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

Financial liabilities

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

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

(i) Financial liabilities measured subsequently to amortised cost

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

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

(ii) Derecognition of financial liabilities

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

(k) 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.

(l) Infrastructure, plant and equipment

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

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

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

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

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

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

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

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

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

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

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

Infrastructure, plant and equipment	2022	2021
Infrastructure	3 to 100 years	3 to 100 years
Plant and equipment	3 to 30 years	3 to 30 years

Depreciation and amortisation of assets related to leases have been calculated based on the estimated useful lives used for each class of asset as follows:

Infrastructure, plant and equipment situated on leased land	2022	2021
Infrastructure	8 to 40 years	8 to 40 years
Plant and equipment	1 to 40 years	1 to 40 years

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

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are recognised in the profit or loss.

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

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

(m) Intangible assets

Intangible assets acquired separately

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

Renewable Energy Certificates

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

Derecognition of intangible assets

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

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

	2022	2021
Intangible assets	5 to 20 years	5 to 20 years

(n) 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.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

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

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

(o) Leases

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

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

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

2 Significant accounting policies (Cont'd)

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

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, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are mandatory for the current reporting period. No new, revised or amending accounting standard or Interpretation has been adopted earlier than the application date as stated in the standard.

(b) Standards and Interpretations in issue not yet effective

Revised standards, amendments to standards and interpretations that are applicable to future periods have been issued by the AASB. None of these are expected to have a material impact on future reporting periods, either because the Company does not conduct the types of transactions addressed by the pronouncements or because of the extent to which they may impact the Company is not expected to be material.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer below for a discussion of critical accounting judgments and key sources of estimation uncertainty.

(a) Critical judgements in applying accounting policies

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

Going concern

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

Impairment of financial assets

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

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of infrastructure, plant and equipment

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

Fair value measurements and valuation processes

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

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Unbilled revenue

As per accounting standard AASB 15 'Revenue from Contracts with Customers', revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Therefore the company estimates the amount of electricity and water consumed at reporting date but that is yet to be billed.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

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

(b) Key sources of estimation uncertainty (Cont'd)

Capitalisation of expenses

During the current year, the Company has revised the estimation methodology to identify support costs included in Corporate Services which are directly attributable to the acquisition, preparation, or construction of capital assets. The financial effect of this change in estimate is a reduction in the expenses recognised in the statement of profit or loss. The revised method has been treated prospectively in the financial statements. To assist users of the financial statements, the Company has voluntarily disclosed the estimated impact of the change in estimate on the reporting period immediately prior to the current reporting period (30 June 2021).

The Company uses the current replacement cost approach to determine the fair value of infrastructure assets. This results in an estimated impact to the Company's total comprehensive income for the comparative period of $13.3 million.

Financial statement line items	*FY21 $'000 as previously disclosed*	*Impact of updated methodology*	*FY21 $'000 adjusted*
Operational expenses	(66,161)	13,284	(52,877)
Other comprehensive income	(21,142)	13,284	(7,858)
Property, plant and equipment	672,757	13,284	686,041
Total comprehensive (deficit)/surplus for the year	(23,491)	13,284	(10,207)
Total impact to statement of financial position	645,744	13,284	659,027

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

		June 2022 $	June 2021 $
5	**Revenue**		
5 (a)	**Revenue from contracts with customers**		
	Revenue from contracts with customers	45,531,123	43,145,596
		45,531,123	**43,145,596**

(a) Disaggregation of revenue from contracts with customers

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

	Electricity $	Water $	Sewerage $	Other revenue $	Total $
			For the year ended 30 June 2022		
Revenue from external customers	35,668,325	5,742,362	3,199,950	920,486	45,531,123
Timing of revenue recognition					
- Over time	35,668,325	5,742,362	3,199,950	-	44,610,637
- At a point in time	-	-	-	920,486	920,486
	35,668,325	5,742,362	3,199,950	920,486	45,531,123
			For the year ended 30 June 2021		
Revenue from external customers	33,882,633	5,391,473	3,105,957	765,533	43,145,596
Timing of revenue recognition					
- Over time	33,882,633	5,391,473	3,105,957	-	42,380,063
- At a point in time	-	-	-	765,533	765,533
	33,882,633	5,391,473	3,105,957	765,533	43,145,596

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

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

	June 2022 $	June 2021 $
Receivables*	2,123,179	10,431,389
Contract liabilities (current)	47,413,406	61,013,901

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

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

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

(i) Waste removal (sewerage) contracts for which revenue is recognised over time as the Company satisfies its performance obligations

(ii) Capital contributions for the purpose of constructing infrastructure assets that will be owned by the Company for which the revenue will be recognised at a point in time on completion of the construction of the infrastructure asset and connected to the network system

(iii) Capital contributions (recoverable works) for the purpose of constructing infrastructure assets that will be owned by the customer, which revenue is recognised over time as the asset is being constructed (as the asset is constructed on the customers premises).

(iv) Consideration received in advance for the provision of essential services to remote communities (recurrent grant) for which revenue is recognised over time as the Company satifies its performance obligations.

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

Revenue recognised that was included in the contract liability balance at the beginning of the period	-	63,283
Increases due to cash received, excluding amounts recognised as revenue during the period	6,500	-

Transaction price allocated to the remaining performance obligations

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

Capital contributions	198,251	191,751

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

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

5 (b) Government grants and other contributions

Capital grant	35,292,157	33,959,032
Recurrent grant	68,105,748	48,577,340
Other capital contributions	-	437,527
	103,397,905	82,973,899

5 (c) Interest income

Interest earned on bank deposits	93,374	78,102
	93,374	78,102

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

			June 2022 $	June 2021 $
6	**Expenses**			
6 (a)	**Raw materials and consumables used**			
	Gas purchased from parent entity		1,343,456	915,050
	Network charges from parent entity		2,150,109	1,531,114
	Generation costs for Minor Centres		382,905	391,204
	Other materials and consumables		2,205,881	2,138,434
			6,082,351	4,975,802

Network charges and gas purchased has increased in 2021-22 compared to 2020-21, mostly due to more people staying home during extended lockdowns and lockouts in remote communities in the current year, compared to prior year.

6 (b)	**Contracted labour expenses**			
			4,942,070	15,029,034

Contracted labour expenses relate to staff and contractors who are employed or contracted by the Company's parent entity, Power and Water Corporation. The sharp decrease is driven by the application of overhead capitalisation - this accounting treatment determines the amount of labour costs that can be attributed to the building of assets, and thus correctly allocates the labour costs associated to specific projects, which are otherwise recognised as operational expenses. This treatment ensures that assets are valued more accurately, as labour costs that should be forming part of the asset cost base were otherwise expended as operational expenses.

6 (c)	**Corporate services costs**			
			5,996,451	5,850,196

Corporate allocation costs represent costs incurred by the Company's parent entity on the Company's behalf which would have otherwise not been incurred by the Company's parent entity and which are oncharged to the Company as approved by the Boards of both the parent entity and the Company.

The value of these costs reflects the underlying agreement between the Company and its funding body in relation to the allocation of revenue available to pay for these costs.

6 (d)	**Other expenses**			
	External service level arrangements		3,841,353	2,893,098
	Net loss on disposal of property, plant and equipment		731,780	530,745
	Freight		1,240,029	995,605
	Motor vehicle expenses		823,725	823,878
	IT and communication		1,309,544	1,410,177
	Travel and accommodation		361,903	570,036
	Other		4,236,735	1,901,495
			12,545,069	9,125,034
	Less: capital recovery		(6,054,667)	
			6,490,402	9,125,034
6 (e)	**Depreciation and amortisation expenses**			
	Depreciation	10	59,319,247	59,156,801
	Amortisation	11	2,582,445	2,557,848
			61,901,692	61,714,649
6 (f)	**Finance costs**			
	Interest on loans from parent entity		643,233	1,041,826
	Interest on leases		1,486,039	1,468,889
			2,129,272	2,510,715

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

	June 2022 $	June 2021 $

7 Cash and cash equivalents

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	June 2022 $	June 2021 $
Cash assets	67,988,381	66,720,281

The weighted average interest rate on cash assets for 2022 is 0.12% (2021: 0.16%)

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

	June 2022 $	June 2021 $
Deficit for the year	(749,489)	(23,491,138)
Adjustments for:		
Depreciation and amortisation expenses	61,901,692	61,714,649
Net loss on disposal of property, plant and equipment	731,779	1,067,167
Board approved write offs	-	(25,366)
Contributed Assets Provided Free of Charge	-	(437,527)
Government grant - capital	(35,292,157)	(33,959,032)
Changes in assets and liabilities		
(Increase) in Inventories	(5,270,493)	(479,951)
Decrease/(increase) in trade and other receivables	8,274,204	(10,159,837)
Decrease/(increase) in other assets	87,537	(79,099)
(Increase) in intangible assets	(772,336)	(222,237)
Increase in trade and other payables	4,754,144	7,351,297
(Decrease)/increase in unearned revenue	(3,773,127)	11,464,320
Net cash provided/(used in) by operating activities	29,891,754	12,743,246

(c) ***Reconciliation of liabilities arising from financing activities***

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

Movement	Lease liabilities	Borrowings
Opening balance - 1 July 2021	41,685,682	25,000,000
Financing cash flows	(2,204,588)	-
Non-cash changes		
New finance leases and remeasurements	2,119,178	-
Closing balance - 30 June 2022	41,600,272	25,000,000

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

		June 2022 $	June 2021 $
8	**Trade and other receivables**		
	Current		
	Receivables	2,068,451	10,377,730
	Less: provision for expected credit losses	-	-
		2,068,451	10,377,730
	Accrued revenue other	54,728	53,659
	Interest receivable	38,637	4,631
		2,161,816	10,436,020

Receivables at 30 June 2022 are non-interest bearing. The Company measures the loss allowance for receivables at an amount equal to lifetime estimated credit losses (ECL). The ECL on receivables are estimates using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company has undertaken a review of all receivables at year end and concluded that a loss allowance will not be recognised. The majority of the balance of Trade and other receivables relates to two specific, related party balances - (a) $1.9 million owed by Department of Infrastructure, Planning and Logistics, and (b) $0.1 million owed by Department of Health. Both these balances are expected to be receipted in 2022-23, and as such, no loss allowances have been recognised.

9	**Inventories**		
	Distillate stocks	9,588,826	4,318,333
		9,588,826	4,318,333

The cost of distillate recognised as an expense during the current year was $24,259,479 (2021: $15,689,040). The increase in inventory value is mainly attributable to the increase in value of diesel in 2021-22 compared to 2020-21, with the yearly average cost per litre of diesel increasing by 68% year on year. The cost of inventories recognised as an expense by the Company is $nil (2021: $nil) in respect of write-downs of inventory to net realisable value.

10	**Property, plant and equipment**		
	Carrying amounts of:		
	Infrastructure at fair value	571,345,573	599,925,123
	Plant and Equipment at fair value	1,086,146	905,439
		572,431,719	600,830,562
	Intangible Assets at cost	209,325	176,253
	Capital Work in Progress at cost	91,948,989	71,750,390
		664,590,033	672,757,205

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

10 Property, plant and equipment (Cont'd)

	Infrastructure at fair value $	Plant and Equipment at fair value $	Intangible Assets at cost $	Capital Work in Progress at cost $	Total Property, Plant and Equipment $
June 2022					
Fair value	1,508,878,841	2,277,117	1,187,311	91,948,989	1,604,292,258
Accumulated depreciation	(937,533,268)	(1,190,971)	(977,986)	-	(939,702,225)
Written down value	571,345,573	1,086,146	209,325	91,948,989	664,590,033
June 2021					
Fair value	1,480,871,860	1,914,407	1,091,150	71,750,390	1,555,627,807
Accumulated depreciation	(880,946,737)	(1,008,968)	(914,897)	-	(882,870,602)
Written down value	599,925,123	905,439	176,253	71,750,390	672,757,205

Movement	Infrastructure at fair value $	Plant and Equipment at fair value $	Intangible Assets at cost $	Capital Work in Progress at cost $	Total Property, Plant and Equipment $
June 2022					
Opening balance	599,925,125	905,438	176,252	71,750,390	672,757,205
Additions	-	-	-	50,658,330	50,658,330
Disposals	(731,780)	-	-	-	(731,780)
Depreciation	(59,074,156)	(182,002)	(63,089)	-	(59,319,247)
Transfer from WIP	31,226,385	362,710	96,162	(31,685,257)	-
Adjustments	-	-	-	1,225,525	1,225,525
Closing balance	571,345,574	1,086,146	209,325	91,948,988	664,590,033
June 2021					
Opening balance	635,957,890	788,761	218,159	65,402,777	702,367,587
Additions	437,527	-	-	33,959,032	34,396,559
Disposals	(1,067,165)	-	-	(3,504,411)	(4,571,576)
Depreciation	(58,954,360)	(153,343)	(49,098)	-	(59,156,801)
Transfer from WIP	23,551,233	270,020	7,191	(23,828,444)	-
Adjustments	-	-	-	(278,564)	(278,564)
Closing balance	599,925,125	905,438	176,252	71,750,390	672,757,205

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2022

10 Property, plant and equipment (Cont'd)

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

The following valuation techniques are used:

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

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

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

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

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

As at 30 June 2022

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, if any. The Company is not required to undertake yearly impairment testing under AASB 136 Aus5.1 because the Company is a not-for-profit measuring specialised, non-cash-generating assets using the fair value (replacement cost) model. These assets are revalued to fair value under the revaluation model in AASB 116 – Property, Plant and Equipment. Assets are revalued every five years in accordance with AASB116 s.34. Significant factors that can form part of an asset valuation calculation include CPI Index, Reserve Bank cash rates and other construction cost factors. The majority of the Company's assets are used for the purposes of supplying water, sewerage and electricity distribution services, by their nature these assets are specialised and therefore not substantially impacted by these factors' yearly fluctuations. Management believes the 2019 GHD Advisory replacement cost is still a reasonable estimation of fair value therefore no revaluation has been undertaken this financial year.

As at 30 June 2021

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

Indigenous Essential Services Pty Limited

Notes to the Financial Statements
for the year ended 30 June 2022

10 Property, plant and equipment (Cont'd)

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

	Level 3 $	Fair value as at 30 June 2022 $
Plant and equipment (including infrastructure assets)	572,431,719	572,431,719

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

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 2022 or 30 June 2021.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

	June 2022 $	June 2021 $
11 Right-of-use assets		
Carrying amounts of:		
Land	16,849,790	16,239,471
Gas transport pipelines	16,273,074	16,860,693
Solar power	5,109,030	5,594,997
	38,231,894	**38,695,161**

Movement in carrying amounts	Land $	Gas transport pipelines $	Solar Power $	Right-of-use assets $
Year ended 30 June 2022				
Opening Balance	16,239,471	16,860,693	5,594,997	38,695,161
Additions	1,406,234	712,944	-	2,119,178
Amortisation	(795,915)	(1,300,563)	(485,967)	(2,582,445)
Closing balance	**16,849,790**	**16,273,074**	**5,109,030**	**38,231,894**
Year ended 30 June 2021				
Opening Balance	16,794,844	17,673,760	6,072,201	40,540,805
Additions	268,281	434,726	9,197	712,204
Amortisation	(823,654)	(1,247,793)	(486,401)	(2,557,848)
Closing balance	**16,239,471**	**16,860,693**	**5,594,997**	**38,695,161**

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

		June 2022 $	June 2021 $
12	**Trade and other payables**		
	Payable to controlling entity	11,437,125	8,983,898
	Trade payables	8,327,012	5,570,291
	Other payables and accruals	4,886,979	5,342,783
		24,651,116	19,896,972

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

Trade and other payables has increased since the prior year. In the second half of 2021-22, after the relaxing of remote travel restrictions, activities have increased, resulting in lower accruals compared to 2020-21.

			June 2022 $	June 2021 $
13	**Unearned revenue**			
	Government grants - capital	(1)	33,101,506	42,928,874
	Other - capital contributions	(2)	588,895	189,774
	Contract liabilities arising from contracts with customers:			
	Recurrent grant funding	(3)	13,524,754	17,703,502
	Capital contributions - no ongoing performance obligations	(4)	-	-
	Capital contributions - ongoing performance obligations	(5)	198,251	191,751
			47,413,406	61,013,901
	Represented by:			
	Current		47,413,406	61,013,901
	Non-current		-	-
			47,413,406	61,013,901

(1) The portion of unearned revenue arises as a result of grant funding received from the Northern Territory and Commonwealth Governments to assist the Company in meeting its capital requirements. Revenue is released to the Statement of Profit or Loss and Other Comprehensive Income as the related capital expenditure is incurred.

(2) The Company receives capital contributions from customers where the consideration to acquire the capital contributions is significantly less than fair value principally to enable it to further its objectives. Revenue is recognised over time as the asset to which the capital contribution was provided is constructed.

(3) The Company receives operational grant funding (Government grants - recurrent) from the Northern Territory Government to supplement the shortfall in revenue that the Company generates through sales of electricity, water and sewerage services to remote communities across the Northern Territory. The Company receives operational grant funding in advance which is recognised as a contract liability. Revenue is recognised over time as the Company fulfils its performance obligations under the contract by transferring the electricity, water and/or sewerage services to the beneficiaries of grant funding who simultaneously receives and uses/consumes those goods and/or services.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

13 Unearned revenue (Cont'd)

(4) Capital contributions with no ongoing performance obligations are contributions provided by customers towards the construction of new, or upgrades to, existing infrastructure assets for the purpose of enabling them to be connected to the network system. The Company retains control and ownership of these assets. Capital contributions are billed and paid for upfront prior to any work commencing and are recognised as a contract liability until construction of the asset is completed and the customer is connected to the network system, at which time the capital contribution is transferred from contract liabilities to revenue.

(5) Capital contributions with ongoing performance obligations are provided by customers to be used towards the construction of new, or upgrades to, existing infrastructure assets for the purpose of receiving ongoing goods and/or services under the contract with the customer. A contract liability is recognised upon receipt of the capital contributions. Revenue is recognised over the life of the contract with the customer once the asset is constructed and the Company commences transferring electricity, water and/or sewerage services to the customer who simultaneously receives and uses/consumes the benefits.

Reconciliation of capital grants	June 2022 $	June 2021 $
Opening balance as at 1 July 2021	42,928,874	47,404,281
Capital grants received	25,464,789	29,483,625
Transferred from recurrent grant funding	-	-
Less: Capital Grant income recognised during the year	(35,292,157)	(33,959,032)
Closing balance as at 30 June 2022	33,101,506	42,928,874

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

	AASB 15		
	Capital contributions - developers	Capital contributions - network users	Total
Opening balance as at 1 July 2021	-	191,751	191,751
Capital contributions received	-	6,500	6,500
Less: capital contributions transferred to revenue	-	-	-
Closing balance as at 30 June 2022	-	198,251	198,251

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

14 Leases

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

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

	June 2022 $	June 2021 $	June 2022 $	June 2021 $
	Minimum lease payments		**Present value of the minimum lease payments**	
Not later than one year	3,787,620	3,771,185	2,363,887	2,367,769
1 to 5 years	13,674,508	13,223,280	8,630,447	8,240,791
Later than 5 years	42,962,936	43,563,400	30,605,937	31,077,122
	60,425,064	60,557,865	41,600,271	41,685,682
Less: future finance charges	(18,824,793)	(18,872,183)	-	-
	41,600,271	41,685,682	41,600,271	41,685,682
Represented by:				
Current			2,363,887	2,367,769
Non-current			39,236,384	39,317,913
			41,600,271	41,685,682
Total cash outflows for leases				
Principal repayments on leases			2,204,588	1,681,211
Interest repayments on leases			1,486,039	1,468,889
			3,690,627	3,150,100

Future cash outflows to which the Company is potentially exposed may arise from variable lease payments that are linked to a consumer price index (CPI). Should CPI increase by 1.0%, lease payments would increase by $0.6 million. This potential cash outflow is not reflected in the measurement of lease liabilities.

The Company is committed to renewing the land leases for which long term infrastructure assets have been constructed, as and when the legislative requirements are met.

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

		June 2022 $	June 2021 $
15	**Borrowings**		
	Non-current		
	Loan from parent entity - unsecured	25,000,000	25,000,000
		25,000,000	25,000,000

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

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

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

16	**Contributed equity**		
	Issued and paid-up share capital		
	10 ordinary shares of $1 fully paid (2021: 10)	10	10
		10	10
17	**Retained earnings**		
	Retained earnings at beginning of year	166,824,002	188,048,063
	Assets retired transferred from asset revaluation reserve	1,524,058	2,267,077
	Net deficit for the year	(749,489)	(23,491,138)
	Retained earnings at end of the year	167,598,571	166,824,002
18	**Asset revaluation reserve**		
	Balance at beginning of year	478,919,546	481,186,623
	Assets retired transferred to retained earnings	(1,524,058)	(2,267,077)
	Balance at end of year	477,395,488	478,919,546

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

19 Commitments

	June 2022 $	June 2021 $
Capital expenditure commitments		
Contracted but not provided for and payable: within one year	29,148,526	22,649,745
	29,148,526	22,649,745
Repairs and Maintenance expenditure commitments		
Contracted but not provided for and payable: within one year	5,892,536	-
	5,892,536	-

Capital works and Repairs and Maintenance continue to be undertaken for various programs required in remote communities in respect of tank and water main replacements, drilling, reticulation and headworks.

20 Financial instruments

(a) Financial risk management objectives and policies

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

The Company's overall strategy remains unchanged from 30 June 2021.

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

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

(b) Market risk

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

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

A purchaser / provider agreement between the Company and the Northern Territory Government for the provision of water supply, sewerage and electrical services to remote Aboriginal communities in the Northern Territory has been established from 18 March 2019 to 30 June 2022, which has now been extended to 30 June 2023.

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

20 Financial instruments (Cont'd)

(b) Market risk (Cont'd)

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

Source of Income	June 2022		June 2021	
	$	%	$	%
Grant funding	103,397,905	69.4%	82,973,899	65.7%
Revenue from contracts with customers	45,531,123	30.6%	43,145,596	34.2%
Interest	93,374	0.0%	78,102	0.1%
Total revenue	**149,022,402**	**100%**	**126,197,597**	**100%**

(c) Credit risk management

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

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

(d) Liquidity risk management

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

(e) Commodity price risk

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

(f) Interest rate risk

Interest revenue is incurred solely on the cash balance held by the Company throughout the year. Interest expenses are incurred by the Company in relation to a loan for a related party and lease liabilities.

(g) Fair values

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

21 Related party transactions

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

Trading transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year end refer to Note 8 and Note 12):

		Revenue from related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		$	$	$	$
Related party					
Power and Water	2022	-	15,938,887	-	37,167,403
Corporation	2021	536,422	24,473,311	4,040,834	34,998,473
Northern Territory	2022	109,651,587	4,083,793	2,088,010	46,626,259
Government*	2021	88,283,753	4,832,230	6,337,215	64,136,788

* Excludes Power and Water Corporation

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

The Company receives operational and capital grants from the Northern Territory Government enabling it to provide electricity, water and sewerage services to remote Aboriginal communities. Capital grants are recognised as income when the Company satisfies its obligations under the transfer. The Company also receives recoverable works funds for specific projects undertaken on behalf of the Northern Territory Government and unrelated third parties.

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

Loans from related parties

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

Compensation of Directors

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

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

Indigenous Essential Services Pty Limited

Notes to the financial statements
for the year ended 30 June 2022

21 Related party transactions (Cont'd)

Compensation of key management personnel

The Company did not have any employees as at or during the years ended 30 June 2022 or 30 June 2021.

Other related party transactions

The Company purchased labour in the amount of $4.9 million (2021: $15.0 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 $6.0 million (2021: $5.9 million) was charged and paid. The significant decrease in labour costs is due to the application of overhead capitalisation, which has been discussed in note 6(b).

22 Economic dependency

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

	June 2022 %	June 2021 %
Revenue derived from government funding	69%	66%
Revenue from provision of utility services	31%	34%
	100%	100%

23 Auditor's Remuneration

	June 2022 $	June 2021 $
Audit of the financial statements	62,000	61,827
	62,000	61,827

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

24 Events after the reporting period

In the interval between the end of the financial year and the date of this report, there have been no transactions or events of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

25 Contingent liabilities and contingent assets

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

Indigenous Essential Services Pty Ltd

Power and Water Corporation

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

powerwater.com.au

@powerwatercorp