

POWER AND WATER CORPORATION

2009

INDIGENOUS
ESSENTIAL
SERVICES
REPORT



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CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

Expanding populations and economic growth in remote communities has seen demand for electricity and water grow considerably.

The Northern Territory Government announced its A Working Future plan in May 2009. The six-part Plan will develop 20 large service towns to make these like any other Australian town, with improvements to health, lifestyle and service delivery, and refocus the Government's Indigenous funding into the delivery of infrastructure, services and development.

Looking forward, Power and Water, through its subsidiary company Indigenous Essential Services, will continue to address the challenges raised by the policy initiatives of Closing the Gap on Indigenous Disadvantage by the Northern Territory Government and the Commonwealth Government's Strategic Indigenous Housing

Infrastructure Program (SIHIP) and initiatives for A Working Future.

These initiatives, along with the increased focus on Water for Healthy Communities, continue to significantly impact the demand for essential services, with an increased focus on both the capacity and reliability measure of services available.

There is also an increased need for improved management in water resources, to ensure the longevity of water supplies and to support healthy, growing communities; and improved standards of service and infrastructure in general.

This year saw a concerted effort at increasing the quality of drinking water in many remote communities, in line with the implementation of the Water for Healthy Communities initiative which recognises that water is essential to maintaining positive health and hygiene outcomes.



A handwritten signature in white ink on an orange background, which reads "Andrew Macrides".

Andrew Macrides
 Managing Director
 Power and Water Corporation



KEY ACHIEVEMENTS IN 2008-09

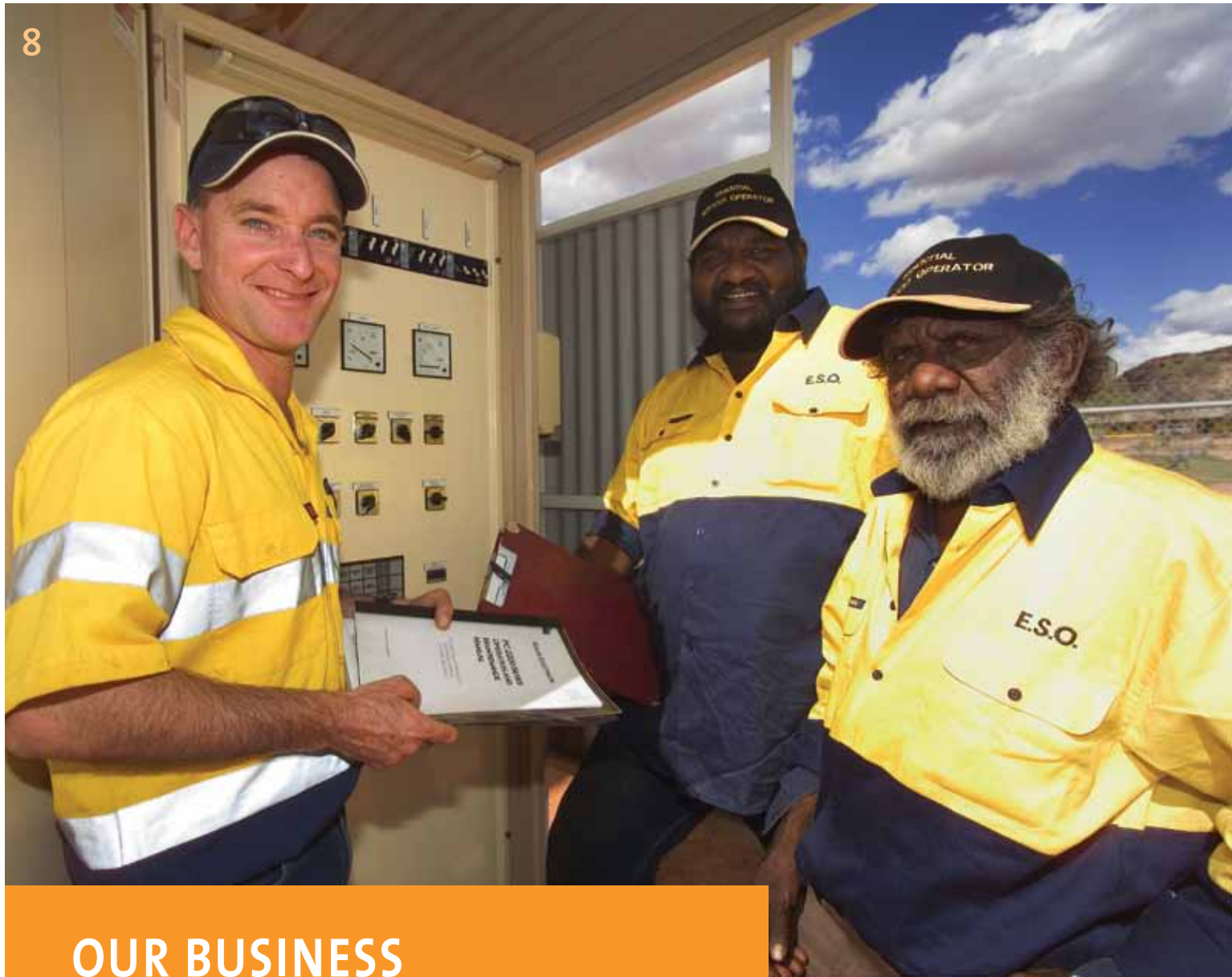
- Commissioned a new power station with supplemented solar power, for the communities of Bulman and Weemol, located around 300km east of Katherine.
- Commissioned a regional grid connecting the remote communities of Ngukurr and Rittarangu and their respective borefields. The diesel power station at Rittarangu was subsequently decommissioned.
- Development of two new bores to supply the Ngukurr community.
- Implemented the Energy Source Strategy for Indigenous Communities, which reviews renewable energy opportunities in remote communities, specifically to identify which community and renewable energy technologies are feasible and viable.
- Replaced the main distribution switchboard and power station control system at Milikapiti.
- Designed extensions to groundwater monitoring programs across 20 communities and improvements to water regulatory reporting in general under the Strategy for Source Sustainability
- Investigated alternative water supplies (with improved water quality) and the feasibility of treatment options to mitigate risks for communities identified under the Strategy for Safe Water as a priority.



OUTLOOK FOR 2009-10

- Work with agencies to support the Closing the Gap of Indigenous Disadvantage infrastructure program;
- Respond to increased demands for essential services from the Northern Territory Emergency Response;
- Coordinate the delivery of infrastructure to support the Strategic Indigenous housing and Infrastructure Program;
- Establish secure land tenure over facility assets;
- Continue implementing the Energy Source Strategy (Indigenous communities);
- Continue implementing the Strategy for Safe Water (Indigenous communities), including the delivery of new or upgraded water treatment facilities to improve the barriers protecting microbiological water quality;
- Implement the Sustainable Water Management Strategy to manage and monitor water sources;
- Contract for the delivery of essential services with the eight Shire Councils and Indigenous Local Government not included within Shires and private contracts; and
- Extend the user pays policy for water and sewerage services to Shire Councils and customers other than domestic Indigenous households.





OUR BUSINESS

IN PROFILE

Power and Water has continuously provided electricity, water supply and sewerage services to Indigenous communities since it was established on 1 July 1987. Over that time, the organisation has built strong, positive relationships with Indigenous people, communities, traditional owners, land councils and the many contractors and service providers that support the remote communities.

Indigenous Essential Services Pty Ltd (IES), a not-for-profit subsidiary of Power and Water, was established in 2003 to provide electricity, water and sewerage services to remote Indigenous communities. Although

the establishment of IES has been important to our governance, financial and operational objectives, customers in the communities identify with Power and Water as the service provider.

As an outcome of the negotiations for self-government, the Australian Government maintained responsibility for homelands and outstations. In September 2007, the Northern Territory and Australian Governments signed a Memorandum of Understanding (MOU) for Indigenous Housing Accommodation and Related Services. A key aspect of the MOU is that the

Northern Territory Government takes over responsibility for the delivery of essential and municipal services to approximately 10,000 people in the 500 Homelands and Outstations from 1 July 2008. Generally, recurrent and capital grant funding was provided directly to the Homelands and Outstations with minimal additional services delivered through IES.

In 2008-09, IES provided services to over 30,000 people in 72 Growth Towns and communities and outstations. This has involved overcoming a number of unique challenges including the distance between communities and

support centres, poor access and communications, the availability and retention of locally employed staff and contractors, and extreme and highly variable weather conditions.

A key factor in the successful delivery of these services is the role played by the 125 Essential Services operators (ESOs) and alternative ESOs, of whom about 40 per cent are Indigenous, often from the local community. ESOs

are employed locally by Shore Councils, Indigenous enterprises or private contractors, under contract to Power and Water.

Revenue is collected from the sale of electricity, water supply and sewerage services with a target of 20 per cent of the cost of service delivery. The Northern Territory Government funds the balance of the costs for service

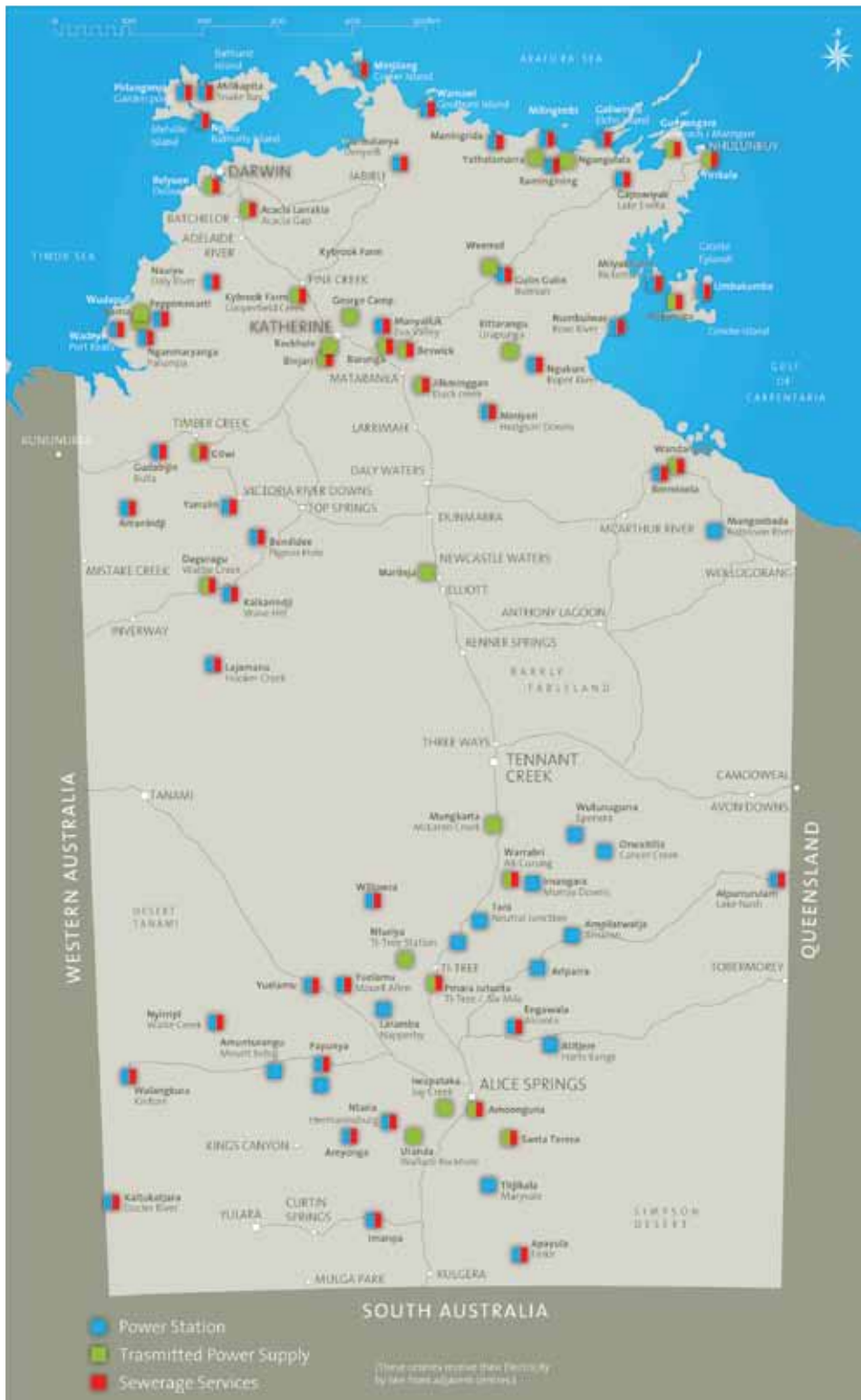
delivery and asset replacement through appropriation to the Department of Local Government, Housing and Sport.

Power and Water's Remote Operations business unit provides management, technical and professional services to IES, supported by the Retail, Power Networks, Generation, Water Services and Corporate Support business units.



MAPS

INDIGENOUS COMMUNITIES POWER, WATER SUPPLY AND SEWERAGE SERVICES



*Retail licences for remote Aboriginal communities are not shown on this map.

OUR OPERATING ENVIRONMENT

There are seven relatively unique characteristics that apply to the provision of essential services to Indigenous people:

1. **Indigenous population and population growth:** Indigenous population growth has been substantial in remote locations across the Northern Territory. Projected population growth in some remote communities is predicted at '14 per cent per annum' (Australian Bureau of Statistics, 2001; Australian Bureau of Statistics, 2006). Increased investment in housing and infrastructure will cause additional pressure on water and electricity supplies and sewerage services;
2. **Disadvantage:** The relative social, economic and environmental health disadvantage of Indigenous people has limited the ability to apply a user pays policy for water supply and sewerage services;
3. **Remoteness:** The remoteness and small size of service locations affects the unit cost of service provision and distribution logistics, and our ability to employ, train and retain technical staff;
4. **Infrastructure:** The legacy of aging infrastructure (of variable standard, often with a shorter lode than current design standards) and a history of ill-defined property and housing ownership, presents additional challenges for good asset management;
5. **Cross-cultural approaches:** Cross-cultural approaches to engaging Indigenous communities are needed if we are to better understand community perceptions and use of electricity, water services and sewerage and involve Indigenous people in decision making;
6. **Groundwater reliance:** Unique water quality and quantity challenges arise from a reliance on groundwater by 95 per cent of communities. Much of the water is highly mineralised and in some locations it is not possible to economically access an adequate, sustainable source of water supply; and
7. **Distillate fuel reliance:** More than 90 per cent of electricity is sourced from community power stations using distillate fuel, leading to significant exposure to distillate prices and associated transportation costs.

ESSENTIAL SERVICES

GENERATION

Electricity is generated from 56 community power stations (predominantly operated on distillate fuel) with an installed capacity of 56 megawatts (MW). Electricity is purchased from the:

- Power and Water power grid for 12 communities;
- Nhulunbuy power grid for two communities in East Arnhem; and
- GEMCO power grid on Groote Eylandt for Angurugu.

Electricity supply is supplemented by solar power at six communities (Hermannsburg, Yuendumu, Lajamanu, Bulman, Jilkminggan and Bulla).

With over 180 diesel generators installed, community power stations in the Northern Territory represent one of the largest 'fleets' of electricity generation plant in Australia under 1000 kilowatt (kW). The generation operations consistently provide a supply reliability of 99.5 per cent in extremely variable conditions, often with limited local technical support.

WATER SUPPLY

The water supply systems for 68 communities rely primarily on groundwater sources from over 200 production bores.

Pirlangimpi and Yuelamu rely solely on surface water and another five communities supplement groundwater with surface water sources. Amooinguna and Kybrook Farm draw water from Power and Water supply networks.

Reticulated water is provided to customers with similar service levels to those in minor urban communities. Treatment, monitoring and operational systems provide drinking water supplies consistent with the microbiological objectives of the Australian Drinking Water

Guidelines (ADWG). Water supplies with physical, chemical and radiological values outside the guidelines do not present a short term risk to public health and are being assessed in consultation with the Chief Health Officer. The primary objective is to locate alternative higher quality drinking water sources and then to investigate water quality treatment technologies. The Strategy for Safe Water seeks to improve water quality to support health and multiple other objectives including minimising the impact of water on plumbing fixtures and fittings (eg hard water) and improving health outcomes through increased hydration.

Projections concerning climate change in the Northern Territory include 'higher temperatures, more extreme rainfall, sea-level rise and more intense cyclones within the next 50 years' (Green: 2006). Climate change will present several challenges in the supply and delivery of water supplies. Rainfall and recharge are dependent on the wet season, which is anticipated to have rainfall periods that are shorter but more intense, resulting in higher volumes of run-off and lowering recharge capacity. Storm surges and severe cyclones are predicted to occur more frequently which has the potential to cause disruptions and outages to the water supply. Sea-level rise is expected to cause erosion and saltwater intrusion which will also affect northern coastal communities. These changes are expected to result in lower quantities of water available for water supplies. Strategies such as the Sustainable Water Management Strategy, including improved groundwater monitoring and water conservation programs will assist Power and Water to forward plan and improve management of water resources in remote Indigenous communities to ensure reliable supplies.

SEWERAGE SERVICES

Reticulated sewerage or effluent collection, in line with service levels for minor urban communities, is provided in 56 communities and treated through Waste Stabilisation Ponds for disposal, discharge or reuse.

Common effluent collection systems, where septic tanks are retained and deemed the responsibility of the customer or house owner, are proving problematic in the absence of routine maintenance.

Effluent discharge to the environment and sewage overflows remain a significant challenge as regulatory obligations increase.

RETAIL

Approximately 20 per cent of revenue is sourced from the sale of electricity, water and sewerage services with the balance provided from capital and operational (non-reciprocal) grant funding provided by the NT Government and other revenue sources such as gifted assets.

All electricity customers pay for electricity at the Power and Water tariff rates. Purchasing prepaid power tokens is the preferred option for domestic customers in Indigenous communities and about 80 per cent use this system. However, the prepayment meter technology was at the end of its useful life, and a \$1.5 million three-year program commenced in 2007-2008 to replace all prepayment meters with 'wide-card' metering. Revenue protection improved significantly in 2008-09 with a growth in revenue above demand growth and increased tariff charges.

Until 2006-07, only a small portion of water supply and sewerage services customers were charged for these services, which were predominantly NT Government facilities and employee housing. The volumetric

component of the charge for water services represented around five per cent of the water supplied. In addition, metering assets were not included on revenue protection replacement programs. This arrangement has worked against good practice demand management and constrained revenue opportunities. An audit in 2007-08 identified water and sewerage customers who are obligated to pay for the service provided, and metering infrastructure was installed.

The greatest challenge remains poorly defined property boundaries and water supply services which are the responsibility of the customer which for urban areas is defined as the “property owner” or a person holding a lease, over five years. The Northern Territory Emergency Response established five year leases over the communities, and subsequent legal reform is addressing issues of titles which will assist in defining customers for the purposes of charging for water supply and sewerage services.

The Strategic Indigenous Housing and Infrastructure Program will assist in addressing poorly defined supply points and house services for the provision of water supply and sewerage services.

In 2007-08 the user pays policy was extended to water and sewerage customers other than domestic Indigenous households, and in 2008-09 was extend to Shire councils for Shire Council employee housing and facilities and water used for parks, gardens and construction and maintenance for local roads.

The number of water service customers grew from 1,108 in 2007-08 to 1,948 in 2008-09. However, the number of customers for sewerage services increased marginally

from 426 to 432. This initiative has continued, and the objective of charging 10 per cent of the water extracted in 2008-09 was achieved.

RENEWABLE ENERGY

In February 2009, Power and Water completed its first *Energy Source Strategy for Indigenous Communities*, outlining an economic and technical assessment of available energy source options for each community with the objective of:

- Minimising long-term service delivery costs;
- Meeting community demand growth in an economical and environmentally sustainable manner;
- Making efficient use of emerging technologies and the availability of gaseous fuels; and
- Preparing for the financial impacts of climate change.

The Energy Source Strategy is to be reviewed and updated annually to accommodate changes in diesel fuel price, pricing trends in renewable energy industries and Commonwealth / Territory Government funding programs.

Solar power systems currently supplement distillate-fuelled generation in five remote communities. Power and Water own and operate concentrator photovoltaic dish systems in Hermannsburg (eight dishes, 192 kW), Lajamanu (12 dishes, 288 kW) and Yuendumu (10 dishes, 240 kW). Since commissioning (2005/06), the systems have each produced between 200-300 MWh of energy pre annum, saving around 420,000 L of diesel and 1550 tonnes of greenhouse gas emissions each year. By end of 2008 the solar dish systems had created over 2,000 renewable Energy Certificates (RECS) for the Corporation.

Power and Water also own two flat plate solar photovoltaic systems in Bulman and Jilkminggan. The Bulman system is 56 kW capacity, produces around 50MWh per annum, displaces around 12,500 litres of diesel per annum, saves around 45 tonnes of greenhouse gas emissions per annum and by end of 2008 had generated 257 RECS for the Corporation. The Jilkminggan system is 17kW capacity and is connected to the Darwin-Katherine network, offsetting electricity generated from the major gas power stations supplying the grid.

Power and Water recently grid-connected the 2kW solar powered bore pumping system in Bulla, to ensure 24 hour a day operation. The solar photovoltaic systems now feed electricity into the grid and provide the bore with backup power in the event of a power outage at the community. Grid connecting the system has resulted in increased community water supply reliability.

In Epenarra efforts are being made to recommission an 80kW wind turbine to supply the community with renewable energy. Monitoring of wind data across the Barkly Tableland has been undertaken and the performance of the Alpururulam wind power system will be closely assessed to determine if wind is a viable renewable energy option for other remote communities in the region.

Trials of the use of biodiesel have been undertaken in preparation of the accredited biodiesel that may potentially become available.

OUR PERFORMANCE

MEETING INCREASED DEMAND

Major developments in Indigenous communities continue to significantly affect Power and Water's provision of essential services in these areas. The Australian Government and the Northern Territory Government are driving a number of initiatives that will significantly increase the demand for electricity, sewerage and water services.

These initiatives include:

- **A Working Future**, which is a six-part plan announced by the Northern Territory Government in May 2009, to develop 20 large service towns, set a new path for homelands and outstations and focus and co-ordinate the delivery of infrastructure, services and development in remote communities. A Working Future will see a fundamental shift in the delivery of services and infrastructure in remote communities, providing a lift in development, job creation and encourage broader economic development.
- The **Northern Territory Emergency Response**, announced by the Australian government in June 2007. Additional services were required for new facilities for Government Business Managers and other Australian Government staff in 51 communities. Infrastructure assessments led to the provision of \$25 million for Infrastructure, under the Tasks of Opportunity Program, of which \$13 million was directed to electricity, water supply and sewerage infrastructure.
- The **Closing the Gap of Indigenous Disadvantage**: Generational plan of action, announced by the Northern Territory Government in August 2007. It contains a vision and objectives for the future

socioeconomic wellbeing of Indigenous Territorians over five, 10 and 20 years. The Northern Territory Government committed \$236.43 million towards five year actions to implement Closing the Gap; and

- The **Strategic Indigenous Housing and Infrastructure Program**, announced in April 2008 by the Australian and Northern Territory Governments, respectively contributing \$547 million and \$100 million. The program is designed to deliver 750 new houses, 230 new replacement houses and about 2500 housing refurbishments with supporting infrastructure.

WATER FOR HEALTHY COMMUNITIES

Power and Water's Water for Healthy Communities initiative aims to provide good quality drinking water that is safe, reliable and sustainable.

The Water for Healthy Communities encompasses both the Strategy for Safe Water and the Strategy for Sustainable Water Management. The Water for Healthy Communities initiative recognises that water is essential to maintaining positive health and hygiene outcomes in remote communities. Lack of adequate quantities of water can have detrimental impacts on quality of life, and can contribute significantly to the spread of preventable diseases.

Through this initiative, Community Water Plans have been developed and implemented. These plans are based on the Framework for the Management of Drinking Water Quality, incorporated as part of the Australian Drinking Water Guidelines (ADWG) and bring together the Strategy for Safe Water and the Sustainable Water Management Strategy.

STRATEGY FOR SAFE WATER

Implementation of the strategy began in 2007-08 and aims to provide drinking water in remote communities that are consistent with the 2004 Australian Drinking Water Guidelines. The Strategy adopts a systematic risk-based approach to water supply management by focusing on the water quality in the key action areas of microbiological and physical and chemical quality.

Significant progress has been made in understanding the quality and risks of the drinking water supplied in Indigenous communities through the implementation of the Strategy for Safe Water. However, as the program has progressed and additional information on water quality has become available, the timelines for achieving the aims of the strategy have been extended to ensure the additional work needed can be accomplished. This includes the upgrading of existing disinfection systems in some Territory Growth Towns.

During 2007-08 a risk assessment of the microbiological security of community water supply systems was conducted, and a priority list now ranks each community from highest to lowest risk of contamination.

During 2008-09 this list was used to prioritise the development of Community Water Plans (CWP), in which the Strategy for Safe Water will contribute to the complete evaluation of the water supply systems, including in some instances the need to investigate alternative water supplies. Going forward, this Strategy will focus on improving the chemical, physical and radiological quality of the water supplied to remote communities.

SUSTAINABLE WATER MANAGEMENT STRATEGY

In 2009 the Sustainable Water Management Strategy, part of the Water for Healthy Communities initiative, was established for remote communities to improve the reliability and responsible use of water resources across Indigenous Communities. The Strategy is delivered through risk-based Community Water Plans that address both water quality and quantity issues to meet future domestic and development needs for water.

The Community Water Planning initiative aims to foster a continuous dialogue with residents and community stakeholders to develop locally specific water management plans. The development of CWP's will ultimately allow Indigenous community residents to become more engaged and able to participate in the sustainable management of their own water supply.

Significant progress has been made in implementing this Strategy, including the development of CWP's for Gunbalanya and Beswick, with a further seven under development for the communities of Ali Curung, Milikapiti, Milingimbi, Minyerri, Nguiu, Pirlangimpi and Yuelamu.

New bores for Ngukurr and Rittarangu

Works to establish two new bores began in 2009 for Ngukurr and another at the nearby community of Rittarangu. The Rittarangu bore cost around \$500,000, with additional works including the construction of around one km of HV spur line and the installation of a step down transformer, which cost an additional \$170,000. The Ngukurr bores cost around \$300,000 to develop, for eventual equipping.

Yuelamu Dam Upgrade

Yuelamu has one of the lowest levels of water use of any Indigenous community and at times relies on imported bottled water when the dam water source dries up during dry periods.

During periods when the dam dried up and bottled water was needed for drinking, water was provided from a local station bore through the water reticulation system for sanitary purposes. This water was suitable for ablutions but not safe for drinking due to high levels of total dissolved solids (salt).

When the Yuelamu water source dried up in 2005, Power and Water began works to reconstruct (deepen) the source water dam and refurbish the treatment plant including construction of a new water storage tank resulting in a potential dam capacity of around 160 mega litres and an improved water supply system.

The community has been utilising dam water as their single water supply since 13 February 2009. Power and Water has a contract in place to resume bottled water supply if required and a new bore has been equipped to ensure a secure supply of non-potable water for sanitary purposes.

Power and Water is implementing longer term options for a secure water supply at Yuelamu, including a \$2.7 million option to install a reverse osmosis system at the Yuelamu water treatment plant that will convert existing bore water to a potable (drinking water) supply and dual reticulation, which will lessen the reliance on imported water.

Power and Water is currently working to develop a Community Water Plan

for Yuelamu, which includes demand management and sustainable water source options. This program commenced in May 2008.

Upgrades to the Yuendumu drinking water supply

Power and Water has scheduled the new automatic chlorination system as part of the Yuendumu drinking water supply for commissioning in October 2009. The automatic chlorination system disinfects the supply to protect the community against microbial pathogens and ensure the continuous delivery of safe drinking water. Operation of the disinfection system is backed up with regular testing of the water supply to ensure that the treatment is effective.

POWER GENERATION

Energy Source Strategy

In 2008 the Northern Territory Government released its Territory 2030 Strategic Plan, which provides an overarching framework for development in the Northern Territory, and includes the Climate Change Policy initiative.

Positive moves have been made by Power and Water in achieving the aims of the Climate Change Policy, via the Energy Source Strategy, through which Power and Water is seeking to improve generation efficiency in remote communities with investments in new generation plant, decommissioning smaller island power stations and where possible connecting remote communities to existing electricity grids.

This program, where communities are transferred to mainstream power network systems and community power systems interconnect to form regional grids, aims to reduce maintenance costs and reduce fuel

costs by substituting distillate with gas, using more efficient technology and where possible utilise renewable energy alternatives.

In 2008 the Wallace Rockhole community in the Alice Springs region was connected to the Hermannsburg – Intjartnama line, and the Irrultja community was connected to the Atheley community's power station. The Yuendumu to Yuelamu 22 kV interconnect is in the advanced planning stage and should be complete in February 2010. Greenhouse gas savings from these projects can be significant. For example, the Wallace Rockhole project will save an estimated 19 tonnes of CO₂ per year even after allowing for increased generation at Hermannsburg and transmission losses. Similarly, the Rittarangu project will save an estimated 52 tonnes yearly and the Yuelamu project 13 tonnes yearly.

Ngukurr to Rittarangu interconnect

In the Katherine region, the Ngukurr to Rittarangu interconnect was completed in May 2009, at a cost of \$1.49 million. The Rittarangu Power Station was closed and decommissioned, and the community grid was switched over to the Ngukurr grid.

Closing the Rittarangu Power station and transferring the electricity load from this community to the Ngukurr Power Station will result in annual net savings of around 52 tonnes of CO₂-e.

Hermannsburg, Lajamanu and Yuendumu solar power stations

In 2001, Power and Water signed a Power Purchase Agreement with Solar Systems Pty Ltd for the exploitation of concentrating photovoltaic (CPV) technology, also known as solar dish technology, at Hermannsburg, Lajamanu and Yuendumu.

Suggest we include information about the commissioning dates of the systems and energy delivered

Upgrades to the Milikapiti power system

The Milikapiti main distribution switchboard and power station control system was replaced in 2009, with works taking around two weeks to complete.

New Power Station at Bulman

Residents of Bulman and Weemol communities, located around 300 km east of Katherine, now enjoy greater security of electricity supply with the construction of a new power station.

This \$2.79 million project involved the construction of the new power station, installation of three generators with increased efficiency, and also a 55kW solar array that provides around 6 per cent of electricity at peak times. The savings in diesel fuel equates to savings in CO₂-e of around 16 tonnes per year.

The fuel storage facility was also upgraded and the fuel holding capacity increased.

OUR COMMUNITY

The Stakeholder Satisfaction Survey is conducted annually to determine perceptions of Power and Water responsiveness, service performance and general satisfaction with delivery of essential services in remote communities. The survey measures any significant changes in service delivery performance and compares this to the results from the previous year.

The Indigenous Communities Customer Satisfaction Survey for 2008 incorporated all of the stakeholder groups as per the previous years who include school principals, health clinic managers and local council representatives, with the addition of community store managers.

The survey recommendations will be reviewed and incorporated into future business planning for IES, and included:

- Encouraging greater promotion of positive IES achievements.
- Informing IES staff of the positive customer service comments received during the survey.
- Identifying which communities could benefit from improved street lighting.
- Developing methods to implement energy and water efficiency campaigns.

ESO TRAINING

Training sessions are held on a regular basis to equip ESOs with the skills and expertise needed to conduct daily, weekly and monthly duties which includes water quality testing, diesel generator servicing and meter reading in remote communities.

The training includes classroom and in the field sessions which cover safety, electrical and electrical generation basics, water infrastructure sampling and quality, mechanical information, remote sewer and sewer pump stations, ground maintenance, fire extinguisher use, LV and HV work in the pole yard and metering.

In May 30 ESOs from communities in the southern region attended a three day workshop in Alice Springs.

And in October, an additional 34 ESOs from top end communities took part in a three-day essential services familiarisation and training workshop at the Ben Hammond Complex, in Stuart Park.

MELALEUCA ENVIRONMENTAL EXCELLENCE AWARDS

Power and Water's annual Melaleuca Environmental Excellence Awards recognise outstanding achievement in environmental excellence.

This year **Papunya School** was selected for the Chairman's Prize for demonstrating how recycling in the community can save landfill space.

Papunya School has initiated a waste management program to reduce rubbish going to landfill.

As transport distances are a challenge to take away recyclable materials, the school is composting all its paper and food waste. The students then use the compost to plant more trees around the school to provide shade and to help Aged Care with its garden. This project is a great example of what can be achieved in remote locations.

The Papunya School is in the Papunya Community, located 252 kms north-west of Alice Springs.

EMERGENCY AIRLIFT FOR FUEL

Extensive flooding caused roads to become impassable by heavy vehicles to the community of Alpururulam in mid-January 2009. In March, with only five days worth of fuel remaining, Power and Water completed an emergency airlift of fuel to keep the community's power station running.

Two aircraft flew 12 trips from the nearest take off point of Mt Isa, to deliver 200, 44-gallon drums (around 41,000 litres) of diesel to provide at least five weeks supply to the power station.

Despite the hot and difficult conditions, the loading, unloading and transferring of the fuel to bulk storage tanks went smoothly. The operation took three days to complete.

There are around 500 residents in Alpururulam, or Lake Nash.

OUR PEOPLE

POWER AND WATER

Following an organisational and capability review in 2007, a concentrated effort has been made since then to increase the professional capability in many areas.

The Remote Operations workforce now has an increase in professional and technical staff, with increased capability for strategic planning, asset management and project management, needed to meet new business objectives and increased regulatory and quality assurance obligations.

ESSENTIAL SERVICES OPERATIONS AGREEMENTS

The Northern Territory Government announced on 30 January 2007 a new Local government structure into Municipal Councils and Shire Councils.

As a result, Essential Service Operations Agreements with Local Government entities ceased on 30 June 2008 and new Essential Services Operations Agreements commenced on 1 July 2008.

Power and Water then worked closely with the incoming eight Shire Chief

Executive Officers, Shire Services Managers and since their inception the elected Shire Councils, and the Department of Local Government and Housing to develop new Agreement arrangements with each Shire Council.

ESSENTIAL SERVICES OPERATORS (ESOS)

Throughout the Northern Territory, 125 ESOS play a key role in keeping electricity, water and sewerage infrastructure operating in some of the Territory's most remote areas, often in harsh and difficult conditions.

ESOs, many of whom are Indigenous, travelled from surrounding remote areas to attend a Power and Water three-day intensive course focussed on keeping the power, water and sewerage services in their community connected and maintained.

The courses are held annually in all major regional centres, the courses have structured theoretical and practical components to ensure all ESOS are provided with the necessary training to help them to deliver the services in a safe, efficient, reliable and environmentally friendly way.

The courses cover electrical and mechanical generation, fuel storage management, fire suppression, water and sewerage operation, occupational health and safety and environmental awareness as well as electrical basics, water sampling, metering and oil spills. These courses provide ESOS with the opportunity to build on existing skills, to develop new skills and to network with other ESOS and Power and Water staff.

This year the course was extended to increase focus on the provision of safe drinking water and greater protection of the environment.

Power and Water has taken a strategic approach to building capability within remote communities, and works in partnerships with institutes such as the Charles Darwin University and Group Training NT to provide pathways and opportunities for ESOS to obtain nationally recognised qualifications. For example, many ESOS are currently undertaking or have already completed a Certificate II in Electrotechnology.

OUR GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Indigenous Essential Services Pty Ltd is a wholly owned, not-for-profit subsidiary of the Power and Water Corporation. Its Board of Directors, who are also on the Power and Water Board, are:

Ms Judith King (Chair)

BA, Foundation fellow AICD

Ms King was appointed Chairman of IES Pty Ltd on 1 July 2007, and has been a director since its establishment in June 2003. With extensive Board experience in the private and public sector, she was formerly a Director of Melbourne Water Corporation and Citipower and closely involved in the restructure and reform of the Victorian utility sector.

Ms King's current appointments include Swinburne Ventures Ltd; National Aging Research institute; the Victorian Commission for Gambling Regulation; and the NT Environment Protection Authority. Ms King was awarded an Australian Centenary Medal in 2003.

Mr Barry Chambers

FIE Aust., FAICD

Appointed to the Power and Water Corporation board in March 2007, Barry Chambers has been a professional engineer with local, Territory and Federal governments in the areas of engineering services, infrastructure, public buildings, town planning, land management and environmental services. For 13 years he held Chief Executive Officer positions in NT government agencies – including the former Power and Water Authority – and as a director and chairman of various Corporations Act entities. He has extensive experience in strategic planning, project management, budget management, workplace relations, government decision making processes and ministerial liaison. He is currently

Chairman of NT Build and the NT Building Practitioners board.

Peter Vines

B.Com, MBA, FIE Aust., MAICD

Mr Vines has been a member of Power and Water's board since 2005. He has extensive experience in the energy and infrastructure industry both in Australia and internationally. He was previously Managing Director of a major US utility in Australia, Vice President of International M&A and Executive General Manager of Origin Energy. He has been a director of various companies as part of his executive responsibilities and he is also currently a board member of Melbourne Water Corporation, JackGreen Limited and Carroll and Richardson Pty Ltd.

Neil Philip (until 19 April 2009) LLB (Hons)

Until his resignation in April this year, Mr Philip was chairman of the Power and Water board since the Corporation's inception on 1 July 2002. Mr Philip was a founding shareholder and the former Chairman of Nexus Energy Ltd, a Melbourne based publicly listed company. Mr Philip is a former partner of national law firm Clayton Utz and he established the Darwin office of that firm. Mr Philip was born in Darwin, attended all his primary and secondary schooling in Darwin and is a graduate in law from the University of Queensland.

Mr Andrew Macrides

Dip Bus (Mgt), B Bus (Acc), MBA, FCBA, FAICD

Mr Macrides was appointed as Director of IES Pty Ltd on 1 July 2007 following his appointment as Managing Director of Power and Water Corporation. Born and raised in Darwin, Mr Macrides has extensive government and management experience, beginning his career in the accounting field in 1978. Prior to

joining the then Power and Water Authority in 1998, he worked across a range of sectors in the Northern Territory Government, including health, housing, community services and tourism.

SERVICE AGREEMENTS

Indigenous Essential Services Pty Ltd has an agreement with power and Water to provide management, professional, technical, retail and corporate services to deliver commitments to customers, and the Northern Territory Government.

Indigenous Essential Services Pty Ltd has a five year (2005-06 to 2009-10) agreement with the Northern Territory Government administered by the Department of Local Government and Housing as its agent, to fund the shortfall in revenue collected from customers in the communities. The agreement has an option for an extension of five years.

The objectives of the agreement with the Northern Territory Government are to provide:

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

Indigenous Essential Services and the Department of Local Government and Housing are committed to work closely and cooperatively in a partnership type arrangement. The purchase of additional services by the department of Local Government and Housing is on a fee-for-service basis.

Ownership of water supply, sanitation and electricity assets is vested in Indigenous Essential Services Pty Ltd.

Under these arrangements, Indigenous Essential Services is not financially disadvantaged by unintended or unforeseen consequences of the agreement, such as taxation implications and other accounting treatments resulting in liabilities.

The agreement with the Northern Territory Government establishes the types of services to be provided and specifies service level guidelines.

REGULATORY ISSUES

The Chief Health Officer is responsible for drinking water quality. Power and Water works very closely with the Chief Health Officer to establish and continuously review monitoring programs for verification of water quality, incident response protocols and proposed actions to improve the infrastructure for extraction, treatment, storage and distribution of potable water. The public Annual Drinking Water Quality Report 2009 is provided to the Chief Health Officer in compliance with regulatory obligations.

Regulation of water extraction applies to all surface water and groundwater extraction, where a production bore exceeds 15 litres per second. Power and Water holds 15 extraction licences for Indigenous Communities, which have monitoring and reporting obligations for quantity and, in some cases, quality. The monitoring of

extraction and aquifer response to extraction and recharge required under licences is good practice. The monitoring, assessment of source sustainability, and plans to balance supply and demand, will be extended to all supplies. The Annual Sustainable Water management report 2009 meets compliance with regulatory obligations.

INDIGENOUS ESSENTIAL SERVICES PTY LTD STATISTICS

Funding Arrangements

In 2008-09 revenue collected from the sale of electricity, water supply and sewerage services was \$19.1 million (2008: \$16.7 million). Total revenue received was \$102.9 million. This included a \$50.5 million recurrent grant (2008: \$42.1 million) and a \$20.6 million (2008: \$13.8 million) capital grant received from the Northern Territory Government. The capital grant is used to replace existing assets, improve service standards and service increased demand.

Major cost drivers over the 2008-09 financial year resulted from:

- An increase in electricity, water and sewerage tariffs of 3.4 per cent (CPI)
- An increased focus in revenue protection resulting in electricity, water and sewerage revenue being recovered from customers that were not previously billed; and
- Capital contributions in the form of recoverable works of \$6.7 million
- Gifted Assets of \$5.0 million

The IES asset portfolio consists of:

- Power station buildings that accommodate mostly diesel engines, including fuel receiving, transfer and storage facilities;
- Electrical distribution systems, up to and including customers' meters;
- Water infrastructure including surface water harvesting, groundwater production bores, bore-pumps, tanks, transfer pumping stations, water treatment and water supply reticulation systems, up to the customers' property boundaries; and
- Sewerage infrastructure, starting at the customers' boundaries, including collection mains, pumping stations and wastewater treatment, reuse and disposal systems.

FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

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DIRECTORS' REPORT

The directors present their report together with the financial report of the Indigenous Essential Services Pty Limited (the Company) for the year ended 30 June 2009 and the auditor's report thereon.

DIRECTORS

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

Mr Neil Philip

Director since 26 June 2003

Chairman from 26 June 2003 to 30 June 2007

Resigned on 19 April 2009

Ms Judith King

Director since 26 June 2003

Appointed Chairman 1 July 2007

Mr Peter Vines

Director since 10 October 2005

Mr Barry Chambers

Director since 1 July 2007

Mr Andrew Macrides

Director since 1 July 2007

COMPANY PARTICULARS

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

Principal Registered Office and Principal Place of Business:

Level 2 Mitchell Centre

55 Mitchell Street

Darwin NT 0800

Company Secretary:

Mr Kelvin Strange

PRINCIPAL ACTIVITIES

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

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

CONTROLLING ENTITY

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

OPERATING AND FINANCIAL REVIEW

The Company's net profit for the period was slightly higher than last year's (2009: \$10,352,298 ; 2008: \$9,806,724) principally due to additional capital funding received from the Northern Territory Government for works in relation to the Strategic Indigenous Housing and Infrastructure Program (SIHIP).

CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, other than the matters mentioned above there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

DIVIDENDS

In accordance with the Company's Constitution, the Company paid no dividends during the financial year (2008: nil)

ENVIRONMENTAL REGULATION

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

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

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 2010 financial year.

The current service contract between the Company and the Northern Territory Government to construct and maintain assets required to provide electricity, water and sewerage services to remote Indigenous communities in the Northern Territory expires on 30 June 2010. The Company expects to finalise contract renewal discussions with the Northern Territory Government during the 2010 financial year.

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

The lead auditor's declaration of independence is set out on page 6 of the financial report.

INSURANCE PREMIUMS

The following insurance policies were purchased by Power and Water 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.



Ms Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes, set out on pages 8 to 22, 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 2009 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Ms Judith King
Director and Chairman



Mr Andrew Macrides
Managing Director

Dated at Darwin this 25th day of September 2009

LEAD AUDITOR'S DECLARATION OF INDEPENDENCE



Northern Territory Auditor-General's Office
Auditing for Parliament

IESindlet09.doc

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

25 September 2009

Dear Board Members,

Indigenous Essential Services Pty Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Indigenous Essential Services Pty Limited.

As auditor of the financial statements of Indigenous Essential Services Pty Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

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

P. McGuinness
Auditor-General for the Northern Territory

INDEPENDENT AUDIT REPORT TO THE MEMBERS



AUDITOR-GENERAL

Auditor-General's report to the Members of Indigenous Essential Services Pty Limited Year ended 30 June 2009

I have audited the accompanying financial report of Indigenous Essential Services Pty Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

The Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted an independent audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In my opinion, the financial report of Indigenous Essential Services Pty Limited 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 2009 and of its performance for the year ended on that date; and
- complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

E. McGuinness
Auditor-General for the Northern Territory
Darwin, Northern Territory
25 September 2009

INDIGENOUS ESSENTIAL SERVICES PTY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(ACN 105 269 636)

INCOME STATEMENT

	Note	2009 \$	2008 \$
CONTINUING OPERATIONS			
Revenue from sale of goods	3 (a)	18,341,373	15,915,940
Revenue from rendering of services	3 (b)	71,988,334	56,930,523
Interest revenue		861,477	845,894
Other Income	3 (c)	11,722,823	4,731,131
Revenue		102,914,007	78,423,488
Raw materials and consumables used		35,614,839	30,283,693
Depreciation and amortisation expenses		19,572,159	9,138,380
Other expenses	3 (d)	37,374,711	29,194,691
Net profit for the year		10,352,298	9,806,724
Profit/(loss) attributable to members of the parent		10,352,298	9,806,724

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

STATEMENT OF CHANGES IN EQUITY

	Note	2009 \$	2008 \$
Equity at the beginning of the year		168,468,886	158,662,162
Net profit for the year		10,352,298	9,806,724
	10	178,821,184	168,468,886

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

BALANCE SHEET

	Note	2009 \$	2008 \$
CURRENT ASSETS			
Cash and cash equivalents	4 (a)	42,619,169	29,949,890
Trade and other receivables	5	418,668	1,501,608
Inventories	6	3,864,382	6,131,811
Other assets		4,356	9,090
Total current assets		46,906,575	37,592,399
NON-CURRENT ASSETS			
Property, plant and equipment	7	175,066,843	162,307,424
Total non-current assets		175,066,843	162,307,424
Total assets		221,973,418	199,899,823
CURRENT LIABILITIES			
Trade and other payables	8	43,152,234	31,430,937
Total current liabilities		43,152,234	31,430,937
Total liabilities		43,152,234	31,430,937
Net assets		178,821,184	168,468,886
EQUITY			
Contributed equity	9	10	10
Retained earnings	10	178,821,174	168,468,876
Total equity		178,821,184	168,468,886

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

INDIGENOUS ESSENTIAL SERVICES PTY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(ACN 105 269 636)

CASH FLOW STATEMENT

	Note	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,023,811	24,106,299
Payments to suppliers		(71,046,045)	(50,535,589)
Receipt of Government Grants		81,080,665	63,818,894
Interest received		928,861	771,079
Net cash provided by operating activities	4 (b)	39,987,292	38,160,683
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		16,909	31,909
Purchase of property, plant and equipment		(27,334,922)	(18,500,202)
Net cash used in investing activities		(27,318,013)	(18,468,293)
Net increase/(decrease) in cash and cash equivalents		12,669,279	19,692,390
Cash and cash equivalents at beginning of year		29,949,890	10,257,500
Cash and cash equivalents at end of year	4 (a)	42,619,169	29,949,890

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

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Indigenous Essential Services Pty Limited (the Company) is a proprietary company operating and domiciled in Australia. On 25 September 2009, Directors authorised the issue of the Company's financial report for the year ended 30 June 2009.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations and the Corporations Act 2001.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Adoption of new and revised Accounting Standards

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

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company and its financial report:

Standard	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007)	1 January 2009	30 June 2010
AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010

The directors have elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standards AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' in the current accounting period, even though these Standards are not required to be applied until annual reporting periods on or after 1 January 2009. Because the Company does not have on issue any debt or equity securities that are traded in a public market and is not in the process of issuing any class of instruments in a public market, the Company is not required to present segment reporting information under AASB 8, and accordingly none has been provided in this financial report.

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Company:

Standard	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' - revised standard	1 January 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'	1 July 2009	30 June 2010
AASB 3 'Business Combinations' (revised)	1 July 2009	30 June 2010
AASB 127 'Consolidated and Separate Financial Statements' (revised)	1 July 2009	30 June 2010
AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	1 July 2009	30 June 2010
AASB Int 15 'Agreements for the Construction of Real Estate'	1 July 2009	30 June 2010
AASB Int 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
AASB Int 17 'Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
AASB Int 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

(b) Basis of preparation

The financial report is prepared on an historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

These accounting policies have been consistently applied by the Company and are consistent with those of the previous year.

The financial report is presented in Australian dollars.

(c) Use and revision of accounting estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

Sinclair Knight Merz (SKM) was engaged by the Company and Power and Water to undertake a verification of its property, plant and equipment. As a result of the verification the Company adopted the useful lives of the assets as advised by SKM and recalculated the depreciation expense in accordance with the useful lives. Overall, SKM assessed the useful lives of assets to be shorter than the lives in the fixed asset register. This has resulted in fewer years over which to depreciate the assets' cost and contributes to the increase in the annual depreciation expense.

(d) Revenue recognition

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

Sale of goods

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

Rendering of services

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

Government grants

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

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

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

Interest Revenue

Interest revenue is recognised as it accrues.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority (through Power and Water) is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement 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) are classified as operating cash flows.

(f) Income tax consolidation

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

(g) Cash and cash equivalents

Cash assets include cash on hand and at bank.

(h) Trade and other receivables

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

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

(i) 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.

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

The carrying value of assets are originally stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

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

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

Depreciation and amortisation*Complex assets*

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

Useful lives

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

Assets are depreciated from the date of acquisition.

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

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

Building, plant and equipment	June 2009	June 2008
Building and improvements	3 to 93 years	3 to 93 years
Plant and equipment	1 to 100 years	1 to 100 years

Impairment of assets

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

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

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

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

For property, plant and equipment, impairment losses are recognised in the income statement.

Derecognition and disposal

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

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

(k) Payables

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

INDIGENOUS ESSENTIAL SERVICES PTY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(ACN 105 269 636)

	2009 \$	2008 \$
3 REVENUE AND EXPENSES		
Revenue and expenses from continuing operations		
(a) Sale of goods		
Electricity	17,280,902	15,233,743
Water	1,060,471	682,197
	18,341,373	15,915,940
(b) Rendering of services		
Recurrent grant	50,505,512	42,062,052
Capital grant	20,625,663	13,800,980
Sewerage services	857,159	1,067,491
	71,988,334	56,930,523
(c) Other income		
Gifted assets	4,996,655	-
Capital contributions and recoverable works	6,709,259	4,699,222
Net profit on disposal of property, plant and equipment	16,909	31,909
	11,722,823	4,731,131
(d) Other expenses		
Repairs and maintenance	10,012,994	8,727,600
Direct personnel costs	8,437,589	7,058,740
Agents - Community Contract Fees	6,340,233	4,497,078
Other	12,583,895	8,911,273
	37,374,711	29,194,691

2009 2008
\$ \$

4 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	42,619,169	29,949,890
The weighted average interest rate on cash assets at 2009 is 4.75% (2008 : 6.50%)		

(b) Reconciliation of net profit to net cash flows from operations

Net Profit	10,352,298	9,806,724
<i>Adjustments for:</i>		
Depreciation	19,572,159	9,138,380
Contributed assets provided free of charge	4,996,655	-
Net profit on disposal of property, plant and equipment	16,909	31,909
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in inventories	2,267,430	(430,778)
(Increase)/decrease in trade and other receivables	1,087,674	(1,465,648)
(Decrease)/increase in trade and other payables	11,721,295	21,143,914
Net cash flows from operating activities	39,987,292	38,160,683
	418,668	1,501,608

5 TRADE AND OTHER RECEIVABLES

Current

Interest receivable	48,930	116,314
Other debtors	369,738	1,535,294
Provision for doubtful debts	-	(150,000)

Receivables at 30 June 2009 are non-interest bearing.

6 INVENTORIES

Materials and stores	139,690	-
Distillate stocks	3,724,692	6,131,811
	3,864,382	6,131,811

NOTES TO THE FINANCIAL STATEMENTS

June 2009	Land \$	Buildings \$	Plant and Equipment \$	Work in Progress \$	Total Property, Plant and Equipment \$
7 PROPERTY, PLANT AND EQUIPMENT					
Cost					
Opening Balance	21,332	22,747,226	278,489,308	12,154,461	313,412,327
Transfer / Restructure	-	12,162,904	(12,168,431)	-	(5,527)
Additions	-	401,886	4,594,773	27,340,436	32,337,095
Transfer From WIP	-	741,159	11,789,600	(12,530,759)	-
Closing Balance	21,332	36,053,175	282,705,250	26,964,138	345,743,895
Accumulated Depreciation					
Opening Balance	-	(7,065,574)	(144,039,329)	-	(151,104,903)
Transfer / Restructure	-	(10,976,417)	10,976,429	-	12
Depreciation	-	(2,442,713)	(17,129,446)	-	(19,572,159)
Closing Balance	-	(20,484,704)	(150,192,346)	-	(170,677,050)
Written Down Value					
Opening Balance	21,332	15,681,652	134,449,979	12,154,461	162,307,424
Transfer / Restructure	-	1,186,487	(1,192,002)	-	(5,515)
Additions	-	401,886	4,594,773	27,340,436	32,337,095
Depreciation	-	(2,442,713)	(17,129,446)	-	(19,572,159)
Transfer From WIP	-	741,159	11,789,600	(12,530,759)	-
Rounding	-	-	-	(2)	(2)
Closing Balance	21,332	15,568,471	132,512,904	26,964,136	175,066,843

Sinclair Knight Merz (SKM) was engaged by the Company and Power and Water to undertake a verification of its property, plant and equipment. As a result of the verification the Company adopted the useful lives of the assets as advised by SKM and recalculated the depreciation expense in accordance with the useful lives. Overall, SKM assessed the useful lives of assets to be shorter than the lives in the fixed asset register. This has resulted in fewer years over which to depreciate the assets' cost and contributes to the increase in the annual depreciation expense.

June 2008	Land \$	Buildings \$	Plant and Equipment \$	Work in Progress \$	Total Property, Plant and Equipment \$
7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)					
Cost					
Opening Balance	21,332	20,137,079	268,418,506	6,741,805	295,318,722
Additions	-	-	-	18,500,200	18,500,200
Transfer From WIP	-	2,610,147	10,477,397	(13,087,544)	-
Disposals	-	-	(406,595)	-	(406,595)
Closing Balance	21,332	22,747,226	278,489,308	12,154,461	313,412,327
Accumulated Depreciation					
Opening Balance	-	(6,353,593)	(136,019,525)	-	(142,373,118)
Depreciation	-	(711,981)	(8,426,399)	-	(9,138,380)
Disposals	-	-	406,595	-	406,595
Closing Balance	-	(7,065,574)	(144,039,329)	-	(151,104,903)
Written Down Value					
Opening Balance	21,332	13,783,486	132,398,981	6,741,805	152,945,604
Additions	-	-	-	18,500,200	18,500,200
Depreciation	-	(711,981)	(8,426,399)	-	(9,138,380)
Transfer From WIP	-	2,610,147	10,477,397	(13,087,544)	-
Closing Balance	21,332	15,681,652	134,449,979	12,154,461	162,307,424

NOTES TO THE FINANCIAL STATEMENTS

	2009 \$	2008 \$
8 TRADE AND OTHER PAYABLES		
Payable to controlling entity	7,743,976	11,159,047
Other creditors and accruals	9,982,135	6,895,720
Unearned revenue	25,426,123	13,376,170
	43,152,234	31,430,937

9 CONTRIBUTED EQUITY

Issued and paid-up share capital

10 (2008:10) ordinary shares of \$1 fully paid	10	10
	10	10

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998.

Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.”

10 RETAINED EARNINGS

Retained earnings at beginning of year	168,468,876	158,662,152
Net profit for the year	10,352,298	9,806,724
Retained earnings at end of the year	178,821,174	168,468,876

11 COMMITMENTS

Capital expenditure commitments

Contracted but not provided for and payable: within one year	5,715,974	12,519,297
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12 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Company has various financial instruments such as trade receivables and trade payables. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Company's overall strategy remains unchanged from 2008.

(b) Market Risk

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

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

The service contract between the Company and the Northern Territory Government expires on 30 June 2010, and the Company expects to finalise contract renewal discussions with the Northern Territory Government during the 2010 financial year.

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

Source of Income	2009		2008	
	\$	%	\$	%
Grant funding	71,131,175	69%	55,863,032	71%
Electricity	17,280,902	17%	15,233,743	19%
Water	1,060,471	1%	682,197	1%
Sewerage	857,159	1%	1,067,491	1%
Gifted Assets	4,996,655	4%	0	0%
Capital contributions and recoverable works	6,709,259	7%	4,699,222	6%
Other	878,386	1%	877,803	2%
Total Revenue	102,914,007	100%	78,423,488	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 balance sheet is the carrying amount net of any provision for doubtful debts.

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

(d) Liquidity risk management

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

(e) Commodity price risk

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

13 RELATED PARTY INFORMATION

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

Related party		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		\$	\$	\$	\$
Power and Water Corporation	2009	0	14,495,292	0	7,743,976
	2008	0	12,878,825	0	11,159,047
Northern Territory Government	2009	77,826,345	495,056	410,668	24,778,245
	2008	60,562,254	198,461	1,057,914	7,625,543

- (i) The 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.
- (ii) The Company purchases electricity, water and sewerage services from Power and Water Corporation's infrastructure for remote Indigenous communities that are able to be connected to this infrastructure rather than requiring stand alone infrastructure. In addition, the Company purchases labour, accounting, computing, human resources, secretarial services and utility services for its operations from Power and Water Corporation.
- (iii) The Company receives operational and capital grants from the Northern Territory Government enabling it to provide electricity, water and sewerage services to remote Indigenous communities. The Company also receives recoverable works funds for specific projects undertaken on behalf of the Northern Territory Government.

14 ECONOMIC DEPENDENCY

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

	2009	2008
	%	%
Revenue derived from the Northern Territory Government	80%	77%
Revenue from provision of utility services	20%	23%
	100%	100%

15 AUDITOR'S REMUNERATION

	2009	2008
	\$	\$
Audit Services:		
Auditors of the Company - NT Auditor-General	38,684	39,980

16 DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

The names of each person holding the position of director within Indigenous Essential Services Pty Limited during the financial year are listed in the Directors' report.

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

Compensation of key management personnel

Indigenous Essential Services Pty Ltd has no employees.

17 EVENTS AFTER THE BALANCE SHEET DATE

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

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